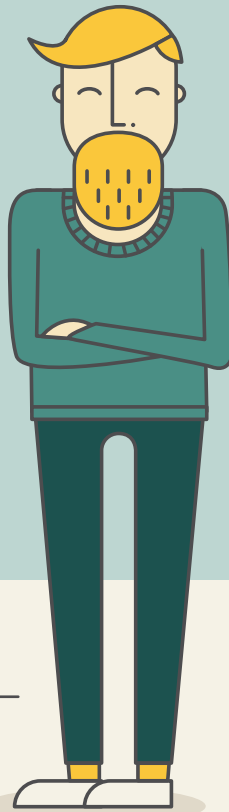
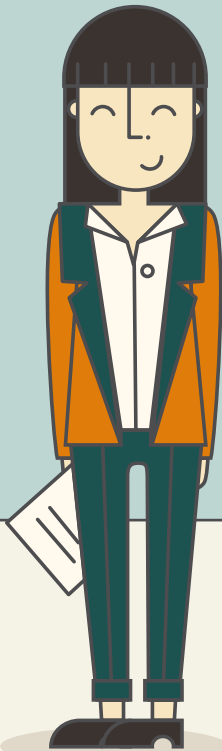


A guidebook to social entrepreneurship



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01

intro- duction



If the first page of the guidebook has already been turned, you most probably:

- a. had opened it because you wish to quickly grasp the basics of social entrepreneurship.
- b. had downloaded the wrong document.
- c. had decided to earn money in a meaningful way but could not decide where to start.
- d. have an ingenious social entrepreneurship idea but do not know how to develop it.
- e. have been working within the NGO sector for a while but hope to leave a more significant imprint.
- f. Can hardly understand the idea of social entrepreneurship but your community would like to build a social enterprise.

Did you choose the answer a, c, d, e or f? If so, you are on the right track in your journey to knowing what social entrepreneurship is and how one sets up a social enterprise. We put together this guidebook to help you build enterprises that will not only successfully tackle social issues but also generate income in a meaningful way.

This guidebook provides the introduction to all the important aspects that one must have in mind when building a social enterprise. In the first chapter, we will define social entrepreneurship, while going into the details of how it differs from the other entities within social economy, examining the profile of a social entrepreneur, and give reasons for why one should take part in developing social entrepreneurship by building their own enterprise. The third chapter will have us diving into the practical details of developing the idea, preparing to launch the social enterprise, and evaluating external factors by analysing the market, spotting potential clients and the interested parties, measuring your competitors, drawing up a social entrepreneurship model to fill in the blanks, communicate efficiently and finally arrive at a successful launch – the right legal form and financial mechanisms. Later on we will discuss why evaluating social impact is a must and how it can be done.

If step by step you follow our explanation of the journey of social entrepreneurship, it is safe to assume you will not get bored and you will definitely gain valuable knowledge that is crucial in becoming a social entrepreneur! Why would you linger? Let's start right away!

„This guidebook provides the introduction to all the important aspects that one must have in mind when building a social enterprise.“

02

social entrepreneurship: what, how and why?

Social entrepreneurship – what is it?

In recent years, the European Union has been paying a lot of attention to social economy and its development in order to solve youth unemployment, social exclusion and other problems.

These are the key features of organisations that make up social economy:

- a) They are not public, but private;
- b) They act autonomously;
- c) Their primary goal is to meet social needs, rather than seek financial gain;
- d) They can carry out financial transactions but financial gain is not their primary goal;
- e) They are democratic organisations;
- f) They use their funds solely to fulfill their social purpose.

The main values in social economy are mutual self-help initiatives and the social mission. Social economy is based on the triple bottom line structure, spanning across three – economic, social, and environmental – dimensions.

Social entrepreneurship is part of social economy. The first country in the European Union to speak up about social entrepreneurship was Italy in 1990. Social entrepreneurship was created when trying to fill a niche which public services would not fill. Around the same time, social entrepreneurship began evolving in the United States. However, it should be noted that social entrepreneurship still does not have one particular definition, but there are two main directions: Anglo-American and European. The meaning of Anglo-American social entrepreneurship is ambiguous: from non-profit companies with a social mission, to those of which the central axis is social innovation.

what is it?



Meanwhile, the following are the three aspects of the continental European tradition: social, entrepreneurial and governance.

The Social Business Initiative of the European Commission provides a more elaborate definition of the aforementioned tradition.

First of all, the **entrepreneurial aspect** requires regular economic activity. This distinguishes social enterprises from conventional non-governmental organisations and other social economy entities with a social purpose but no regular economic activity. The indicators of this aspect are:

- a) Market revenue share (the percentage of income from market sources, taxes, including annual membership fees; rental income; public procurement);
- b) Paid labor force (what part of the whole organisation's employees are earners).

Second, **the social aspect** is the primary, clear social purpose, which helps distinguish social entrepreneurship entities from the traditional profit-making business entities. Social dimension indicators:

- a) The organisation activities, to ensure the social benefit, description;
- b) The target groups, organisation activity benefit recipients, isolation.

Third, **the governance aspect** is the establishment of mechanisms that ensure the achievement of social objectives and separates even more strictly social entrepreneurship from the traditional business entities and non-governmental organisations. In this case the fundamental indicators are as follows:

- a) Limited profit distribution makes us question whether the profit may or may not be distributed. If it may, how do we set the limits for the distribution?
- b) The asset lock mechanism ensures that the company's profit will be used for the social purpose, even if the organisation suspends its activities;
- c) Autonomy: the organisation is independent from the public sector organisations and the other profit and non-profit organisations (fully/partly independent)?
- d) Inclusive management ensures balanced participation and representation of all the interested parties (e.g.: paid employees, volunteers, clients, users, beneficiaries, investors), and the democratic principle (one member – one vote);
- e) Transparency: does the social enterprise have a system for measuring and communicating social impact to the interested parties (Europe, 2007).

Accurate social entrepreneurship indicators are needed in order to avoid exploitation of the social entrepreneurship term in ways, such as benefiting from tax incentives, financing and the development of the company's image.

In 2015, the Lithuanian Ministry of Economy approved the concept of social enterprise, based on the one proposed by the EU. It is described as follows "social entrepreneurship is a business model, according to which, by exploiting the market mechanism, the pursuit of profit is associated with social goals and priorities; the model is based on the provisions of socially responsible business and public-private sector partnership, while invoking social innovation. The concept of social entrepreneurship covers three main aspects: entrepreneurship (regular commercial activity), social (social objectives) and management (limited profit distribution)".

what is it?

„Social entrepreneurship - it is business model, according to which, by exploiting the market mechanism, the pursuit of profit is associated with social goals and priorities.”

how social entrepreneurship differs from:

Non-governmental organisations (NGO):

Commercial activity. Social entrepreneurship uses commercial activity as a tool to achieve social goals. That is why successful commercial activity is very important. In contrast to NGOs – their work has to do with short-term funding. Mostly they receive funds from projects, the government, independent sponsors. However, NGO, relief and charitable funds reinvest back into the organisation, just a social business would. Social enterprises, as every other business, seek to be sustainable and self-sustaining. They bring in steady income from commercial activities.

Clients. Social entrepreneurship focuses on ensuring that the customers buy the goods or services offered by the social enterprise (this should not be confused with target marketing).

Market. Business development is affected by the market changes and the opportunities they provide.

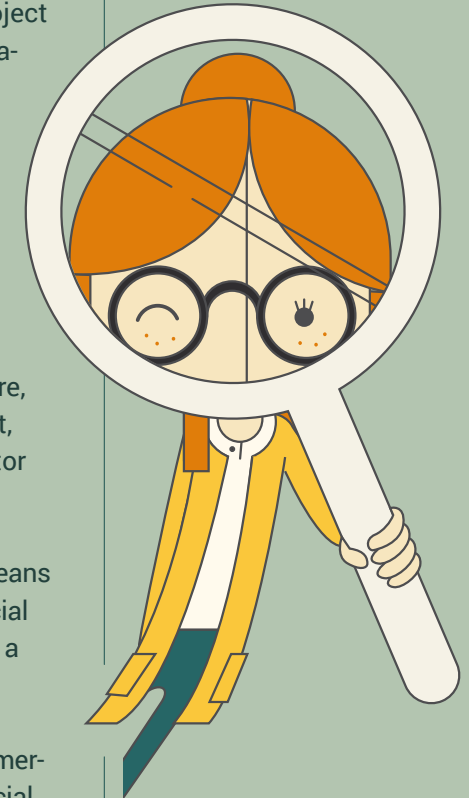
Long-term planning. Social entrepreneurship is characterized by 3-5 years of business planning to expand its market share. This approach is different from the short-term project funding that is specific to voluntary/community organisations.

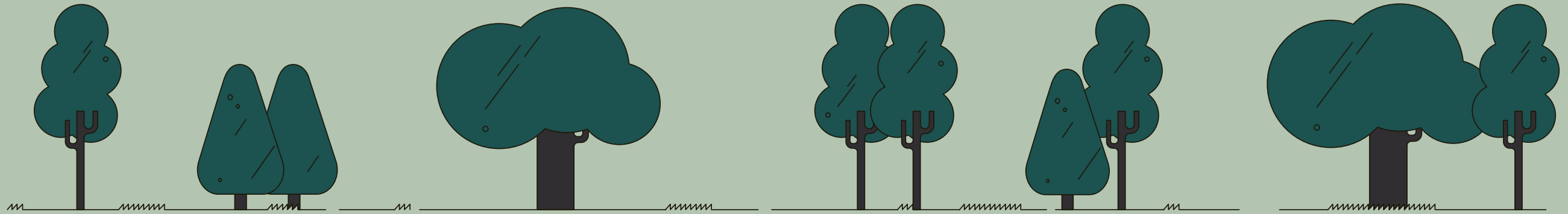
Traditional business:

A clear social purpose. Social entrepreneurship has twofold purpose, both of which are equally important. The primary goal of traditional business is profit; the commercial aspect is also important in social entrepreneurship but the focus is on the social purpose. Therefore, the success of traditional business is measured by profit, while social or environmental impact is the success factor in social entrepreneurship.

Scope. From the very beginning, social enterprise often means having to start rather large-scale activities to fulfill the social obligation. This can lead to higher start-up costs than a of a traditional business.

Sources of financing. The coordination of social and commercial goals opens doors to a variety of funding sources. Social enterprise often has a complex structure of financing consisting of sales revenue, commercial contracts, project and state funding.





Motivation. The potential social impact of the organisation usually motivates social entrepreneurs. Traditional business can be socially responsible, but this is not their main mission, only additional activity with the aim to contribute to positive change in society.

Investing. Social entrepreneurship does not have the access to investment methods of traditional business, such as equity financing or bank loans.

Interested parties. Social entrepreneurship involves a wide range of interested parties, including the public sector; that is why political or bureaucratic influence can be expected in the enterprise development process.

Risk aversion. A voluntary board often manages social enterprises, meaning they could tend to make less risky business decisions.

Equity. Private business owners often invest equity as a start-up capital, looking to strengthen and expand their business and in the future expecting to have increased their investment significantly, especially if the business

is supposed to be sold. Equity is also needed to launch a social enterprise, but the owners and other employees cannot expect the same financial benefits in the future, because social enterprises are rarely sold.

Management. Social entrepreneurship is characterized by transparent management – informing the interested parties about revenue and the social impact. Inclusive management ensures balanced representation of the various stakeholders in decision-making (paid staff, volunteers, clients, users, beneficiaries, investors and so on). Most importantly, though, unlike in traditional business, the profit is reinvested in the implementation of the social mission.

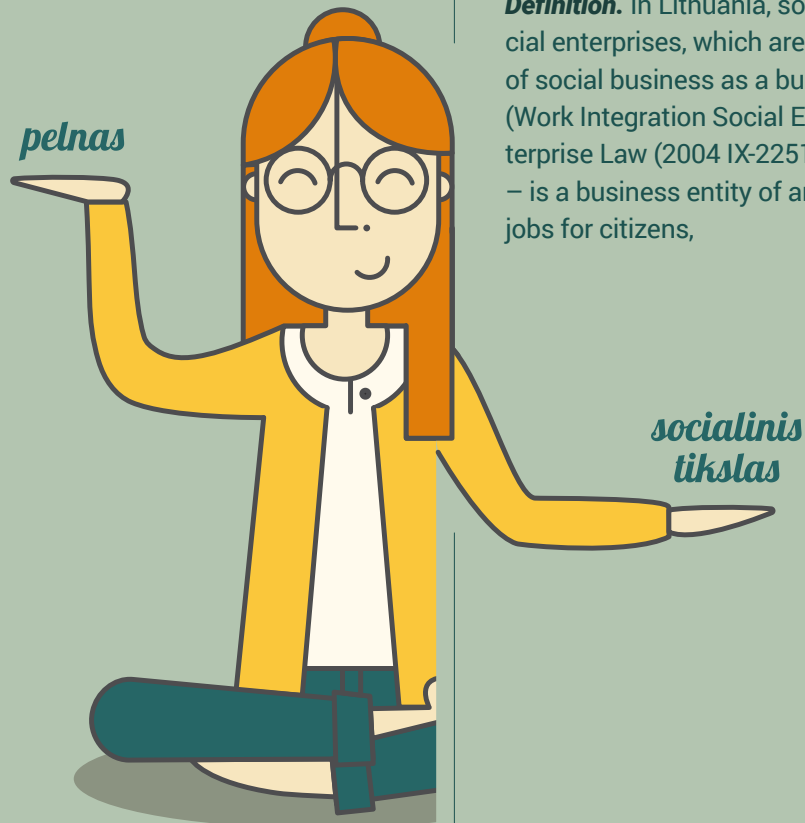
Innovation. Traditional business charges for innovation, while social entrepreneurship invokes innovation for those who are unrepresented, socially and financially marginalized, without political, financial or social power. Because of the social nature of the business and the operating principles, innovative solutions are not patented but promoted, so that they could spread as widely as possible to maximize social benefits.

how social entrepreneurship differs from:

Social impact. Any business two-dimensional – social and entrepreneurial, because every company has a positive or a negative social impact, generates profit, but the of social entrepreneurship is positive and has a greater influence to society.

Social enterprises:

Definition. In Lithuania, social business is confused with social enterprises, which are only partly in line with the concept of social business as a business promoting work integration (Work Integration Social Enterprise). The Lithuanian Social Enterprise Law (2004 IX-2251) emphasizes that social enterprise – is a business entity of any organisational form that provides jobs for citizens,



who are in an unfavourable position within the labour market. The Social Enterprise Act covers only a narrow part of the social entrepreneurship concept and provides disproportionate benefits to low social value-creating businesses.

Social impact. Compared with the EU definition of social entrepreneurship, the Social Enterprise Act does not impose any requirements for profit reinvestment, it does not ensure participation and transparent governance. Social enterprises are currently paying more attention to economic, rather than social goals (as in traditional business), but has much better access to public funding and tax incentives.

Corporate Social Responsibility (CSR):

Primary purpose. Corporate social responsibility is a voluntary initiative of the business company which undertakes additional commitments with regard to social, environmental aspects, and transparency more than normally required by law. CSR puts emphasis on responsible profit-taking but does not seek to reduce the cut-profit purposes. Therefore, the primary goal of a socially responsible business remains the way it is in traditional business – to generate profit for the owners – as opposed to the primary purpose of social entrepreneurship, i.e., a positive and measurable social change, on the achievement of which the profit is spent.

how social entrepreneurship differs from:

„CSR puts emphasis on responsible profit-taking but does not seek to reduce the cut-profit purposes.”

Public institutions (PI):

Definition. Public Institution is a non-profit public entity, the purpose of which is to satisfy public needs. All business and commercial profits related to the institution's objectives must be given for this purpose. Does that sound quite like a social business? Definitely so. As a result, PI is one of the most favourable forms of legal social business in Lithuania. However, not every PI is a social enterprise.

Independence. Most PIs do not fulfil the cornerstone of the social aspect of business independence, as public institutions may be founded by state or municipal authorities.

Purpose. The purpose of PIs is often not unmeasurable and unclear. PIs must satisfy public interest in education, science, culture, health care, environmental protection, sports' development, social or legal aid, and other domains from which the public benefits. However, activities often are not aimed at a specific measurable social impact, the target beneficiaries of their activities are also seldom chosen.



*how social
entrepre-
neurship
differs from:*

social entrepreneurs - who are they?



Combination of mind and goodwill.

Their main motivation is social change.

Empathetic and altruistic – she cares about solving social problems.

Planner – she wants to create a model, which over certain period of time will eradicate the problem.

Innovator – is this still a problem? Then previous solutions would not work and there is a need for innovative ideas.

She wants to solve problems profitably and to be independent of the support.

Extrovert – the network of the people she knows is so extensive that she would have no problem contacting the president!

She is happy, because doing good things makes her feel good.

She is curious, as this is the best way to be to come up with the greatest ideas.

She is open to change, not afraid of it, enthusiastically initiating change herself.

She wants changes not only within her community but within the system.

She is persistent at striving to implement her vision until she succeeds. 'No' only makes her try harder and her energy never runs out.

She is strongly motivated to solve the problem that concerns her.

She believes in what she does and is eager to make the change. Co-operation is crucial.

She wants that her decision to be the best and most sustainable, so she brings everyone who can help together.

She is a positivist, it does not matter whether the others say that the situation is desperate, she envisions a bright future and sees the potential to solve the problem.

She admits her mistakes and understands that not all ideas are successful; sometimes we have to let it go and move forward.

Liepa finds innovative ways to solve social problems through business principles.

social entrepreneurs do not follow in someone else's tracks; new solutions require forging your own path!

If you are working in the private sector:

- You can enhance your social responsibility through social entrepreneurship products or services.
- Invest in social entrepreneurship.
- Share your experience in business development with social entrepreneurs. In Lithuania, social entrepreneurship is still in an early tentative stage. Take a deep breath and bring yourself to help amateur social entrepreneurs implement their ideas with determination. Your expertise is especially important in Lithuania to encourage business that cares for the general welfare. Register on Enterprise Lithuania, the national mentoring network by selecting the section "social entrepreneurship": <http://mentoriai.versli Lietuva.lt>. You will be contacted by social entrepreneurs in need of your support.

If you are working in the public sector:

- You can invest in social entrepreneurship through the use of social entrepreneurship products or services.
- Promote and encourage social entrepreneurship with measures which are available for you, particularly in the region.
- Create a social enterprise! This is of particular relevance to people working within social services.

If you are working in a non-governmental sector:

- Using social entrepreneurship products or services, you will help achieve social aims.
- Create a social enterprise – a growing number of non-governmental sector organisations consider social entrepreneurship an opportunity to increase their social impact of the organisation's activities, while still ensuring financial independence and sustainability.

join! What can I do?



03

how to establish social entrepreneurship?

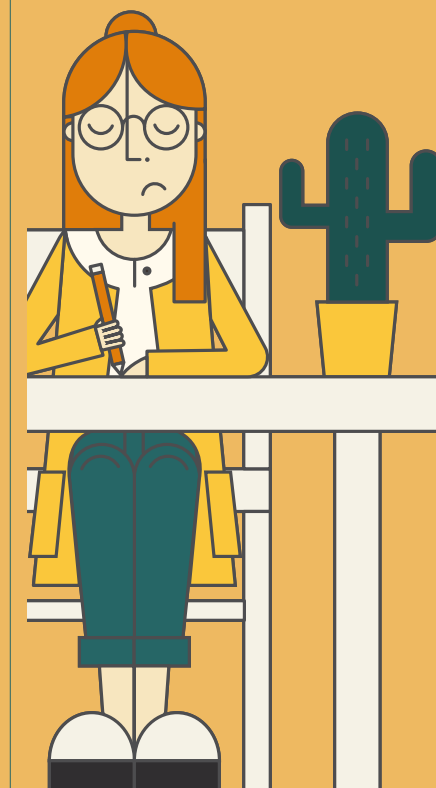
the first step - motivation

What is important at this stage:

- A clear motivation why I want to create a social entrepreneurship? Can I identify the social goal I wish to achieve?
- Can I set out my goals in hierarchy?
- Do I have a potential business idea? Is my business idea fit to achieve my social purpose?

Why is it important to understand your motivation?

Social entrepreneurship development requires a clear motivation. Basing your work on principles of voluntary work and community values means having to consider many different factors. Often there is the factor of the lack of resources. So the decision to set up a social enterprise can arise from the need for financial resources to fulfil your social purpose. However, it is worth remembering that this requires concentration, hard work, and determination. That is why in the beginning it is essential to answer the question: what is my “driving force” behind the choice to create, namely, a social enterprise?





What are your motives?

Your motivation – it is your organisation framework. Many things could push you to establish a social enterprise and it is true that there is no “right” or “wrong” motivation to choose this type of business. However, it is important to clearly understand your social purpose, because that is what essentially will render you different from the other traditional business.

Three main questions to be answered at this stage:

1. What is my motivation to start a social enterprise?
2. Can I set out my goals in hierarchy?
3. What social change do I seek?

Identifying one clear objective as the “driving force” of your social enterprise is the most effective way. If necessary, you can arrange a number of objectives in hierarchy. This will be useful later when you need to make difficult decisions or to adjust your plans.

***the first
step -
motivation***

examples of social entrepreneurship motivation and goals

Forth Sector (UK) improves quality of life and health by offering aid to people with mental health problems. They develop businesses that provide favourable operating conditions.

The motivation to create the social enterprise arose from the intention to help people with mental health problems to recover.

Forth Sector believes the best way to achieve that is by providing a workplace with the particular operating conditions. When Forth Sector is considering starting a new social enterprise, they focus on market demand but eventually they come back to the main aspects of their motivation. The criteria for evaluating, whether a certain activity meets the social purpose, are as follows:

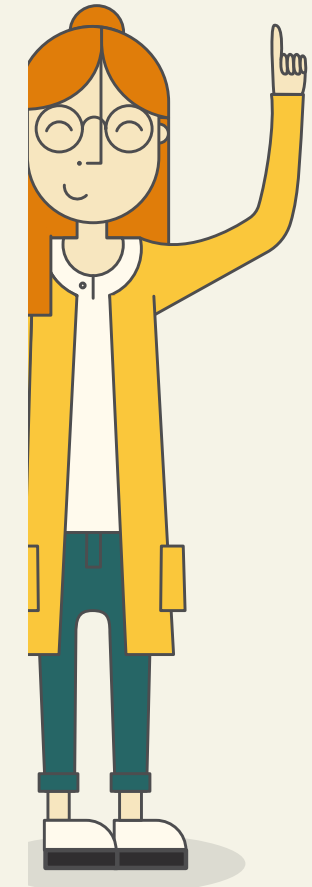
1. Is it possible to create a flexible and favourable workplace and opportunities for training in this particular enterprise?
2. Does this enterprise offer an appealing work setting to people with mental disabilities?
3. Will working in this enterprise improve quality of life and health, employment possibility, and/or reduce social exclusion?

The aforementioned criteria helped the organisation many times, when making strategic decisions, and they are used regularly in the process of developing the enterprise and the evaluating social impact.

Mano Guru (Lithuania) aims to provide the conditions for recovering drug addicts to rehabilitate and reintegrate into the community and the labour market.

The idea to create a work rehabilitation system arose as a means to ensure more effective help to addicts. This type of a system reduces or even eliminates the reasons why people relapse, and has been operating in Mano Guru, a health restaurant, since 2004, with 70% of the employees being ex-clients that have successfully finished the rehabilitation program. Now they are employed as waiters, bartenders, and cooks.

the first step - motivation



reasons to create a social enterprise in the NGO sector

There are many reasons for non-governmental organisations to consider social entrepreneurship start-ups: from financial motives to wishing to fulfil a social purpose. Go through the examples of reasons to realistically assess your motivation.



- **We have received or acquired assets that could generate revenue.** Community or cultural heritage buildings and other spaces give the possibility to engage in economic and commercial activity within the premises. Your resources are not just physical assets but human resources also, staff expertise, intellectual property, such as innovative ways of service, the database, or a certain product.

- **We want to diversify our financial sources. We believe the business could serve as a source of steady income.** It is true that a social enterprise can be a non-profit organisation's source of income. However, it is not the way to solve financial problems, as the social entrepreneurship development requires considerable time, human and financial resource investments. Furthermore, it should be expected that the business will pay off and begin to generate profits only after 3 – 5 years. It is a long-term strategy for the non-governmental organisation, not a short-term solution.

- **We provide services and programs to low-income customers, and we want to see if we can sell these services to a wider market.** New potential customers who would pay for the services, could be the business community, the state, society. The most important thing is to see your organisational experience and skills and as a capital, and then realistically assess market opportunities.

the first step - motivation

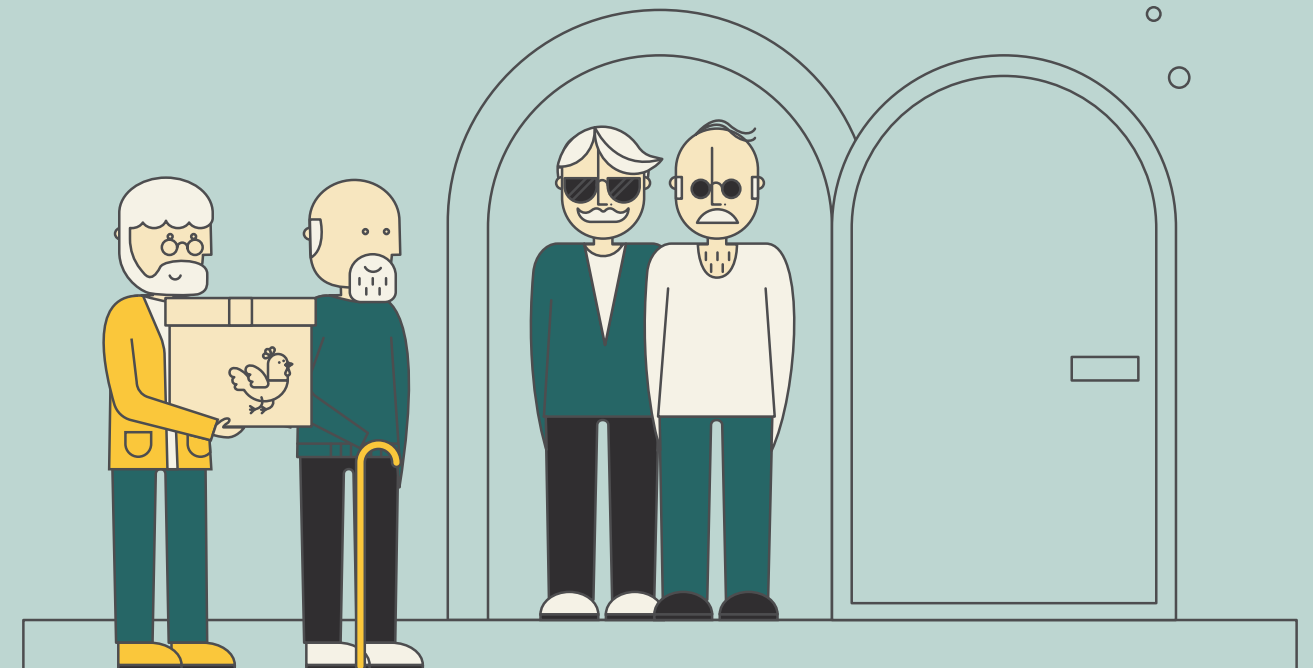
- We want to provide employment opportunities for our customers. Many non-profit organisations work with people who have employment or job retention difficulties. Social entrepreneurship could provide flexible jobs for its clients excluded from the traditional labour market. Social entrepreneurship can provide favourable work conditions covering job training, counselling, flexible work hours or other necessary support. For example, people with mental health problems a landscaping position could be beneficial because of the flexible working hours and being outdoors. Non-profit organisations may also hire their clients (beneficiaries) to do landscaping, painting, work in food services and more. This may be the first step towards a social enterprise.

- We operate in an economically weak region where it is difficult to attract traditional business. Low-income people lack work. Social entrepreneurship is an opportunity to provide the necessary services in the community, create job opportunities. Social entrepreneurship can not only be a reason for the city to expand but the whole region too. For example, the employment of people with disabilities in a social enterprise can provide the missing services in the community.

- We have identified the community need for a particular service, and we believe that we are the best organisation to deliver this service. Finding a niche in the market it is important not only to determine the need, but also to figure out who will pay to fill it in. If this is yet not a tested idea, it is critically important to conduct a market and feasibility study before starting the implementation of you ideas.

- We have heard about the success of a social enterprise in another city or a foreign country. We believe that through our available resources we could adapt this business model in our community. Indeed, there are many examples of successful social entrepreneurship in Europe and in the world (especially in the UK and the US). When searching for social entrepreneurship ideas, it is useful to explore the models that have already been tested, and directly contact someone the owners of the idea to discuss the possibilities of adapting the business model in your area.

*reasons to
create a social
enterprise
in the NGO
sector*



are you enthusias- tic?

The secret to the success of social entrepreneurs is their unyielding enthusiasm. Is that something that people also say about you?

You can be the potential owner of a social entrepreneurship idea, the project manager or possibly the person responsible for finance? It does not matter, which one you think you could be. However it is crucial to have enthusiasm and determination to set up a business which will motivate you to achieve a social purpose. So, before taking the next step in implementing your idea, be prepared to overcome the inevitable obstacles and challenges that will arise. To verify whether you are motivated enough, evaluating your values and skills there are some fundamental questions, which will be helpful before starting a social enterprise.



- *Do you want to create an enterprise?*
- *Are you looking for new challenges?*
- *Do you realistically evaluate your capabilities?*
- *Are you ready for a long journey?*
- *Do you fully estimate the risks?*
- *Are you interested in social change?*
- *Do you have a clear social purpose?*
- *Do you have a supportive team?*
- *Can you motivate others and be a leader?*
- *Do you have the enthusiasm and the self-confidence to implement your idea?*
- *Can you make decisions with confidence?*
- *Can you manage to take advantage of the advice and accept other people's opinions?*
- *Are you open-minded enough to learn from your mistakes?*
- *Are you determined enough to go further even when faced with difficulties?*
- *What impact do your values have for social entrepreneurship development / making important business decisions?*

Do not worry if you cannot answer all of these questions. It is important to understand what your strengths and weaknesses are as soon as possible. Working on your personal weaknesses, bringing together a team that has complementary strengths which could help develop a successful social business, means doing your part in the development of the enterprise.

“
*Noteworthy
idea: assess
your own
skills and
personal
qualities in
detail, then
examine
your team
the same
way you did
yourself.*
”

do you have a potential business idea?

In this stage, you must have understood your motivation and it is about time to pay attention to the needs of the market. Perhaps you already have a business idea and see market opportunities. Or maybe your intuition says that you have been doing something valuable for what you could charge a fee. By the way, there is a big chance that you are thinking about social entrepreneurship as a tool which could assure the sustainability of moving from project funding to commercial sources of income for your organisation.

There is no single correct starting position, recipe, or magical business idea for social entrepreneurship. However, what is really important is to not get attached to one business idea. At this point it is sufficient to check whether your existing business idea fits your motivation to develop social entrepreneurship.

Is this a definite YES? Great. Let's proceed to the next stage.

If there is no clear equivalent between what you want to achieve and a business idea you could implement, come back to your motivation, and/or answer the following questions:

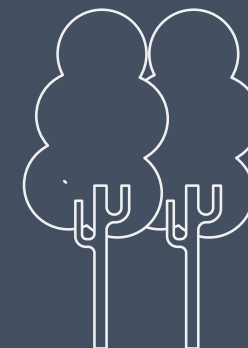
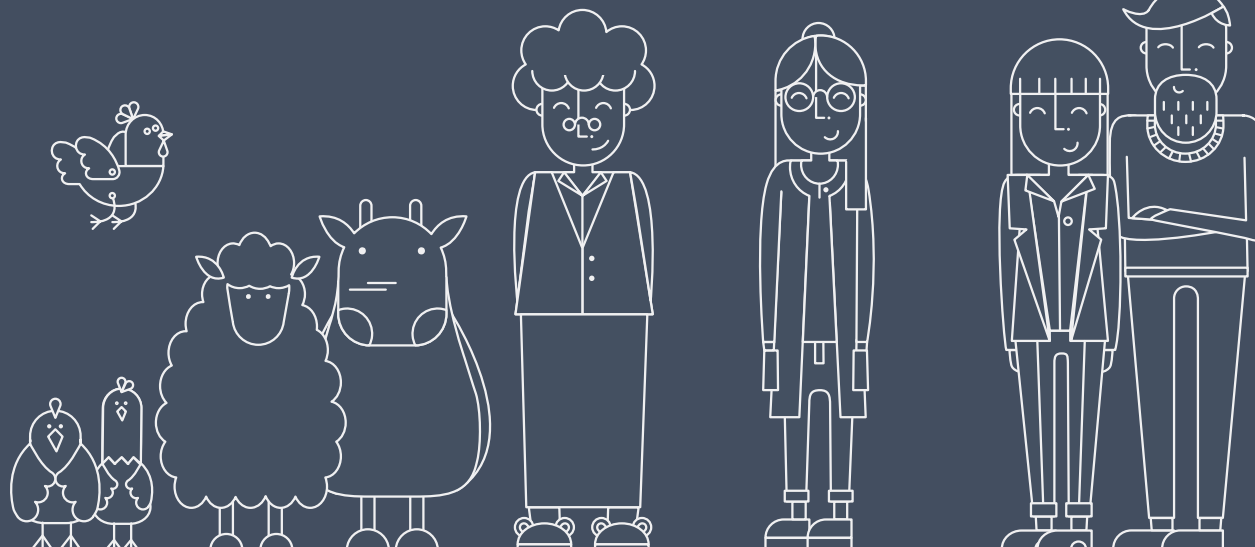
- **Are you planning to sell a product or service to the customer?**
- **How well have you identified your customer?**
- **Do you know the market price of your product or service?**
- **Can you think of how to convince customers to buy precisely from you and not from your competitor?**

Once again, test yourself, do you want to be in business and sell products or services to the customer?

“ **Good business ideas must have a realistic and solid ground in the market.** ”



31



the Second step - preparation



33

At this stage, you have to assess organisational culture. Here we recommend to pay attention to three main aspects:

- **Organisational Culture Assessment** – how is my organisation functioning now?
- **Feasibility Assessment** – the organisation's capacity: the available skills and opportunities.
- **Risk Assessment** – planning in case of risk and preparation for attracting investments.

Why is organisational culture so important?

Every organisation has its own culture, operating principles, values, and traditions. Even in the private or the public sector itself, the differences may be particularly significant. However, there are fundamental differences between social entrepreneurship companies and already existing voluntary and community organisa-

tions; it is worth paying attention to these aspects when developing social entrepreneurship. Organisational Culture Assessment will help you think about the consequences of the necessary changes when reshaping your organisation into a successful social enterprise.

Organisational Culture Assessment should make you think about:

- **What are the values of your organisation? How could they be implemented?**
- **What are the principles on which the activities of your organisation are based?**
- **Who makes the truly important decisions?**
- **How does your organisation respond to change?**
- **How are your employees involved in the planning of the organisation's activities?**
- **How has the organisation been evolving so far?**
- **What is the available useful experience which could help develop social entrepreneurship?**
- **What, do you think, will be the main challenges in the development of a commercial business, considering your current business activity?**
- **What changes are needed for the successful start of your social enterprise?**
- **What kind of leadership and management is the trademark of your organisation?**



34

The functions of the manager

1. Employee selection 2. Integration 3. Goal setting 4. Team motivation 5. Providing feedback 6. Leadership according to the situation.

Situational leadership

The ability to use different leadership styles depending on the situation, that means depending on the complexity of the task and the maturity level of their inferior.

Leadership style	Employee's desire – ability	Requirement	Responsibility
Directive	Wants to work independently, but is not able to work professionally.	Manager says what to do.	100% manager
Supervision	Neither wants nor can.	Similar to sales. Manager says, and explains what to do and why. The employee has the freedom of choice.	100% manager
Maintenance	Can but does not want.	Similar to purchase. The employee tells and explains what they will do and why.	50% manager 50% employee
Delegation	Wants and can.	Manager tells what is needed, but does not specify the ways in which to do so.	100% employee

Cultural change in any organisation needs strong leadership. Your organisation will need to ensure that managing persons actively engage in social entrepreneurship development so that the cultural changes disperse throughout the whole organisation.

- ✓ **You should try to include a broader group of members, employees, advisors, and other interested parties in the evaluation process in order to obtain an overall picture of the existing organisational culture.**
- ✓ **In order to ensure effectiveness, the changes must be overseen every step of the way, they should happen within the organisation.**

How can you evaluate your opportunities?

It is important to evaluate your possibilities to find out whether you are still missing something before starting a social enterprise. So you need to take an objective look at the available skills, experience and culture of your organisation.



Feasibility assessment requires to think about:

- **What is the purpose of the organisation?**
- **What are the current activities?**
- **How successfully are they being carried out now?**
- **What are your skills in the organisation?**
- **What experience does the organisation have?**
- **What are the available resources?**
- **How does the creation of the social enterprise relate to the strategic plan?**
- **How do you find the current activities? Are you planning new ones?**
- **Do you have the support of the Council and key employees to the changes needed to set up a social enterprise?**
- **Which statutes, procedures and systems will you need to adjust for a smooth transition to being a social enterprise?**
- **Which are the available resources that could be allocated to the social development of the business?**
- **What kind of experience do you need so that you could develop the social enterprise?**
- **What additional resources and support do you need to develop the social enterprise?**



37



The Wood Works (UK) is one of the *Forth Sector* companies. The organisation is constantly looking for new business ideas! Their main motivation for seeking a new business idea is to develop the widest possible range of jobs to offer to its target group – people with mental disabilities. The establishment of The Wood Works took more than a year of planning, analysis, research, the extensive work of two *Forth Sector* employees, and the help of other members of the organisation in assessing the strategic aspects. This experience shows that the re-starting a business is both exciting, tiring and inspiring, but what is often underestimated is the time spent on preparation.

“ You have to be ready to go down roads only to find dead ends, and then start over when your first idea does not necessarily work. Regardless, after eighteen months, we were ready to open doors and start remaking the wood saved from landfills.”, Kate McDonald, Forth Sector Development Manager.

“ You have to be ready to go down roads only to find dead ends, and then start over ”

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SWOT analysis

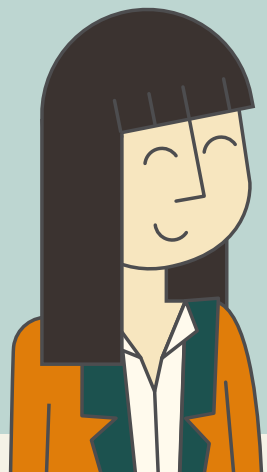
It may be advantageous to carry out the SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis in order to evaluate the situation of your organisation. We advise including variety of staff in assessment to get an accurate overall picture.

SWOT analysis provides a wide range of organisation assessment opportunities to align internal and external environmental factors.

SWOT analysis helps understand:

- 1. how to get the best out of your strengths;**
- 2. how to correct weaknesses in doing so;**
- 3. how to use your strengths to reduce threats;**
- 4. what weaknesses need to be eliminated to reduce threats.**

In order to achieve the maximum benefit, it is recommended that during SWOT analysis you focus on the customers and beneficiaries. Strengths are only meaningful when they are useful to the needs of your clients / beneficiaries.



	<p>Help in achieving the goal</p>	<p>Barriers in achieving the goal</p>
<p>Internal origin (organisational culture)</p>	<p>Strengths</p> <p>The abilities of the institution. List of all the beneficial resources of the organisation that can be used to influence the external environment.</p> <p>For example:</p> <p>Relatively low expenditure; Stable financial state; Good information resources; Experienced managers; Good quality of service; Reasonable goals and objectives.</p>	<p>Weaknesses</p> <p>Organisation's features that typically reduce its competitive advantage with respect to other organisations and reduce the quality of goods or services.</p> <p>For example:</p> <p>Frequent rotation of managers; Outdated equipment; Weak marketing and unclear positioning; Lack of production capacity.</p>
<p>External origin (external environment)</p>	<p>Opportunities</p> <p>Circumstances that can deliver real benefits.</p> <p>For example:</p> <p>Favourable political situation; The economic rise of the country; International co-operation opportunities; Favourable strategic space.</p>	<p>Threats</p> <p>Reasonably likely events that may cause harm to the organisation.</p> <p>For example:</p> <p>Unfavourable demographic changes in the region; New potential competitors; Unfavourable political situation; A change in user needs.</p>

how do you feel about potential threats?

Your organisation's approach to risk will have a huge impact on the business development process. Establishing a business is risky and social enterprises are no exception

Now let's pay attention to financial risk. Borrow part of the necessary investment is almost inevitable in the beginning and further development of social business. Sometimes investment readiness, and may affect your decision to create a social enterprise.

There is a variety of possible financial sources in social entrepreneurship, such as grant aid, your own capital or bank loans. You will need to decide what the most appropriate funding sources for your organisation are, and your decision must be determined by your organisation's approach to financial risk and financial management. Consider the existing funding structures to already draw some conclusions on this issue.

You can start learning about your organisation's approach to risk by looking through the following questions:

- ***How are you being funded now? What are the strengths and weaknesses of the current financing structure?***
- ***What financial management and report systems do you apply now? how will they have to change to fit social entrepreneurship?***
- ***What kind of investments are needed to start a new social enterprise? What financial sources can you already provide?***
- ***What do you think about funding with loans?***

- ***What is your experience returning loans?***
- ***Do you allow yourself to borrow? What do you usually do with the budget surplus?***
- ***What is the current stance on business investment in the Articles of Association?***
- ***What is your current relationship with your bank?***
- ***Will you be able to use non-commercial income to help develop your social entrepreneurship? How?***

At first, these questions may seem difficult to answer, but it is essential to consider the financial investment consequences to your social enterprise development.



“ The leader of the past is someone who knows what to say and how to phrase it well. The leader of the future is someone who knows the right questions to ask.

”

Peter Drucker

what if business fails?

For the majority of voluntary and community organisations willing to create a social enterprise – this question will remain one of the main barriers. Your organisation may have a very low risk threshold and because failure is not an option, any plan that might fail, is not even considered. If your organisation has project funding/government support experience, then creating a social enterprise will undoubtedly mean more risk. Various aspects can result in failure of the private sector; exactly the same applies to social entrepreneurship.

Some common causes of business failure:

- **Low cash flow** – can result in loss of suppliers or difficulties in covering the bills.
- **Significant changes in the market** – can result in your customer buying from someone else.
- **Loss of key employees** – without the planning of outsourcing the organisation may lose important business execution skills.
- **Poor financial management** – can lead to such problems as unrealistic sales targets or a sales price that is too high.

It is obvious that in the course of doing business you try to reduce these risks, but they are impossible to be completely overtaken. For this reason, you should regularly re-evaluate how your business is developing.

Speaking about risk management, it is advisable to invest a part of any profit into business development or the accumulation of reserve, instead of devoting all of the profit to social purposes. It will cushion the blow in the event of a sudden reduction in commercial revenue.





third step - evaluation

how does one identify a good business idea?

It is a myth that business ideas are always born unexpectedly! There are different ways for a business idea to develop:

Innovative product (or business model) – has the potential to change the market, is often associated with technology and scientific discoveries. A change in circumstances, which opens a new niche in the market, as, for example, the creation of the Internet did; it gives rise to a new type of e-business. Of course, you are trying to offer a unique product or service, but the likelihood of a developing completely new product is low.

The benefits of real innovations

You have the opportunity to shape the standards of a new market sector.

As soon as the market opens an unfilled niche, users will naturally choose the first related product within the niche.

The weaknesses of real innovations

The development of the new market sector is dynamic so the number of competitors is growing fast. The abundance of product designs that are competing may mean that your innovative product will gradually become the norm.

There is a chance that a stronger competitor will copy your idea and make your product more attractive to the consumer.

Replication – this method will help you to take advantage of the experience of other organisations by applying social entrepreneurship experience of others to develop your idea. You can rely on the expertise of other organisations and the lessons of success, but it is important to take a look into the local market.

Franchise – this is a specific business concept. Franchises are owned by a particular entity, buying one means buying the right to use a particular brand or an already tried and tested business concept and working methods. So you can use the established business format, the brand, and the sponsor system for business **activities**. verslo veikloms vykdyti.





how does one evaluate external market factors?

You should start thinking about the realization of your business idea, consider the external market factors, because ultimately you must be able to sell your selected product or service. PEST analysis is designed to identify an organisation's relationships with external market factors, assessing the political, economic, social and technological factors. While it may sound complicated, you only just need to evaluate the external market environment in which your business will work.

Questions that are worth answering:

- Which of the most important external factors will have an impact for your organisation / idea?
- In what kind of risk do these circumstances put your organisation / idea?
- What are the possibilities that you could take advantage of to find a niche in the market?

PEST analysis provides the best results when done with a group of people who will give you a broader perspective on environmental trends that may affect the implementation of your ideas.

PEST analysis

External environment

Political	Economic	Social	Technological
This may be the political circumstances or decisions that may affect your enterprise	These are aspects which have impact on the business's customer purchasing power	These are circumstances determining consumer and market demands	These are innovation trends which can affect the market

Examples

Taxes	Economic growth	Demographic and cultural changes	Automation
Environment requirements	Inflation	Social environment	Science and technology
Political stability	Unemployment rate	Public opinion and stereotypes	Digital business
European policy priorities	Supply/demand		

You should re-evaluate your business idea based on PEST analysis. You may identify a potential niche in the market or change previous decisions and attitudes.



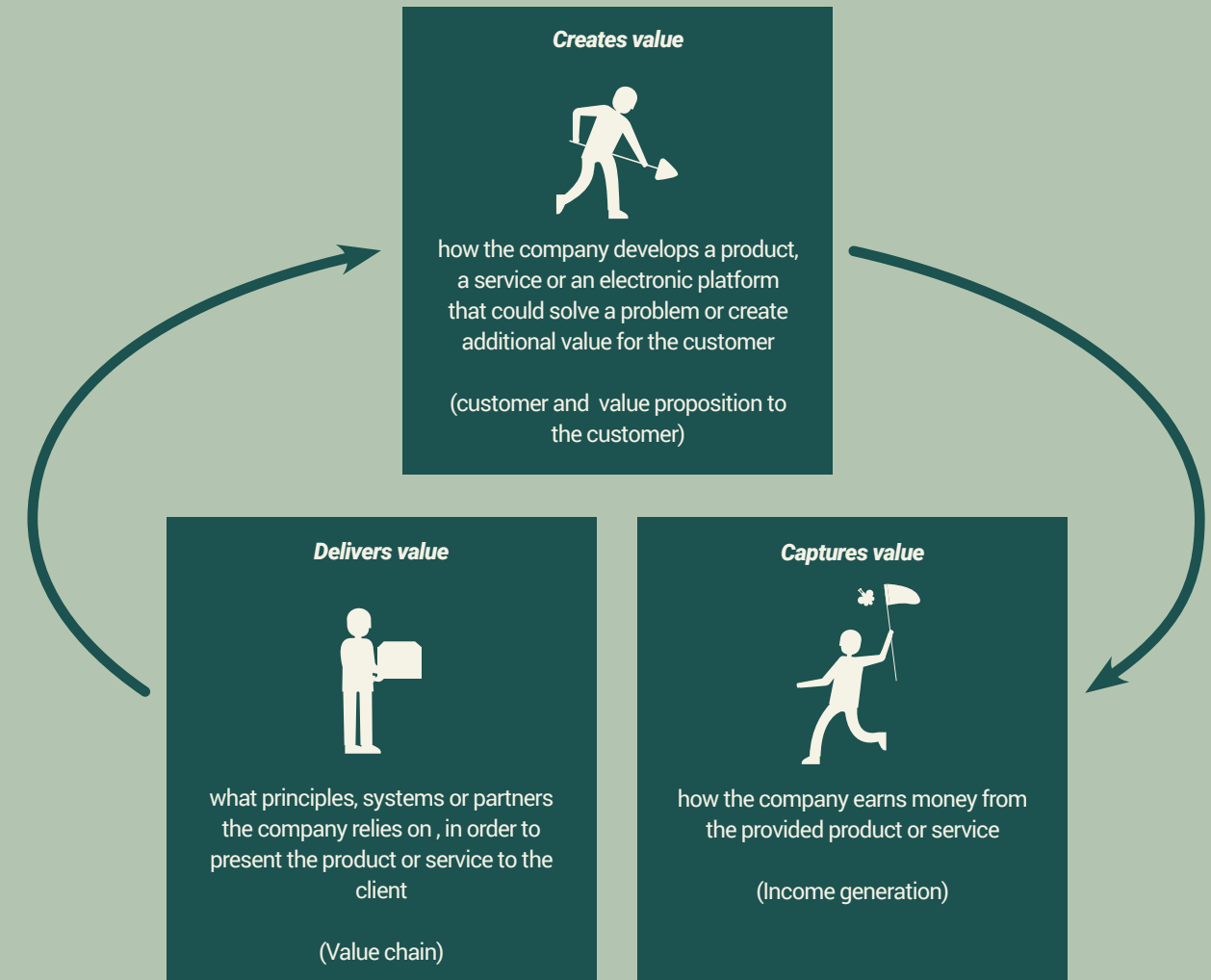
fourth step - social business model

At this stage, it is important to have already finished all the previous steps. Then you will have a strong foundation for your business model canvas to fill.

Business model

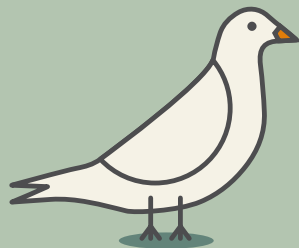
The business model – it is business logic, explaining how an organisation creates, delivers, and captures value. Social entrepreneurship creates double value: the economic value of the business and social impact value.

The business model



the components of the social entrepreneurship model

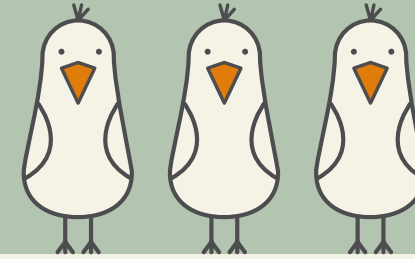
value creation



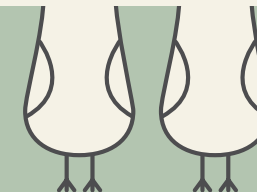
	What does it mean?	The component in social entrepreneurship
Customer segments	<p>Customer groups that you want to reach. What kind of person or group of people are you creating values for?</p> <p>Which customers are the most important?</p> <p>Features: mass product; niche product; special needs and so on.</p>	<p>The customers in social business are often divided into two groups: customers, who pay for goods or services; and beneficiaries who receive the maximum social benefit from the activities.</p>
Value proposition	<p>The services or products, which create value for customers. The value proposition is why customers choose this company, and not any another.</p> <p>What kind of value am I giving to my client? What customer problem or dilemma do I resolve?</p> <p>Features: innovation; individuality; design; cost reduction; risk reduction; accessibility; convenience and so on.</p>	<p>Social entrepreneurship has a two-fold value proposition: the customer value proposition and social value proposition.</p> <p>Customer value proposition is what the solvent client will receive from your business activity.</p> <p>Social value proposition is the social impact indicator which helps to measure the created positive social impact.</p>
Channels	<p>These are ways of presenting the value proposition through communication, distribution, and sales channels. How do I represent my services and products to the customer? What are the most effective delivery channels in respect of price and time?</p> <p>Delivery phases: Awareness – how the customer finds out about me. Rating – how the customer expresses their opinion about my product / service. Purchase – what are the payment options? Presentation – how the customer gets value. Service – how do I keep in touch with the client after the service has been carried out?</p>	<p>Social entrepreneurship should create channels through which socially excluded people could access the product or service.</p>
Relations with customer	<p>These are methods of establishing and retaining contact with your clients.</p> <p>How do I communicate with my client?</p> <p>Features: personal service; communication within the community; client inclusion in the development of the product / service and so on.</p>	<p>Social entrepreneurship means nurturing your relationships with clients / beneficiaries, which should be based on trust and dignity, taking interest in the specific needs groups.</p>

the components of the social entrepreneurship model

delivering value

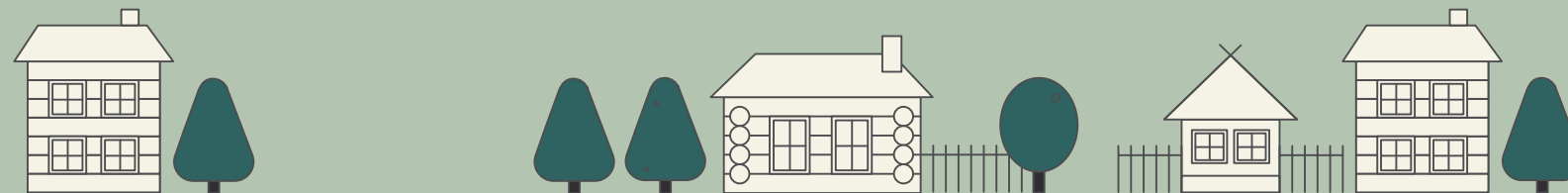


	<i>What does it mean?</i>	<i>The component in social entrepreneurship</i>
Business partners and interested parties	<p>These are the people and organisations with whom you will work to deliver your value proposition. All organisations services outsource or have their resources supplied by third parties.</p> <p>Who will be my main suppliers and business partners? What important groups of people must be included in order to ensure value delivery?</p> <p>Partnership motives: risk reduction; specific services (resources, knowledge); optimization and so on.</p>	<p>Social entrepreneurship means developing a very wide network of partners involving the interested parties, which are also trying to solve the same problem, such as the state, non-governmental organisations or other social organisations, international organisations.</p>
Activities	<p>The main things your business will have to do in order to deliver value to the customer. Business activity categories may be related to production, problem solving, IT platform management, customer service and so on.</p>	<p>Social entrepreneurship means ensuring the activities that are carried out in all parts of the value chain correspond to the social impact.</p>
Main resources	<p>These resources are needed to create and deliver the value proposition to the customer.</p> <p>Resource types: physical; intellectual (trademark, copyright, data); human (employees); financial.</p>	<p>It is important to think about the resources which are needed to create and deliver the value proposition to the customer and the social value proposition.</p>



the components of the social entrepreneurship model

capturing value



	What does it mean?	The component in social entrepreneurship
Income structure	<p>The money that the customer will pay for the product / service.</p> <p>How much and from what will I earn? How will the income from these activities contribute to the total income (if income derives from a variety of sources)?</p> <p>Types of payment for received value: selling the product / service; user / annual / service fee; advertising and so on.</p>	<p>Social entrepreneurship means taking into account the extent to which the target group of customers will be able to pay for the product / service. If the beneficiary cannot pay for the product or service, you should look for another company, a private or public sector organisation, or a group of customers, who will be able and willing to pay for the product / service.</p>
Expense structure	<p>Essential expenses that are necessary for my business model.</p> <p>Expense structure can cost-driven, attempting to maintain the lowest possible price; or value-driven, placing the emphasis on quality rather than price.</p> <p>Features: fixed costs (salaries, rent, utilities), variable costs, and so on.</p>	<p>Social entrepreneurship expenses can be covered by various philanthropic and market capital, depending on the income structure.</p>
Profit	<p>What will net profit be assigned to? How and how much do you plan to invest in the implementation of the social mission?</p>	<p>Social entrepreneurship seeks to earn money in order to be able to achieve the greatest possible social impact, unlike traditional business, which aims to generate profits to the owners.</p>



social business model canvas

*mission:
what do
you want
to change
and why?*

<p>Main resources</p> <p>What do I need in order to create value for the client?</p>	<p>Activities</p> <p>What kind of activities are necessary when creating value for the client?</p>	<p>Relations with the client</p> <p>How do I communicate with my client?</p>	<p>Customer segments</p> <p>Solvent client</p>	<p>Value proposition</p> <p>Customer value proposition</p>
<p>Business partners and interested parties</p> <p>With whom will I work to ensure the delivery of value?</p>		<p>Channels</p> <p>How do I present my service / products the customer?</p>	<p>Beneficiary</p> <p>What is my client's type?</p>	<p>Social value proposition</p> <p>What value do I create for my customer / beneficiary?</p>
<p>Expense structure</p> <p>How much will I invest in the creation of value?</p>		<p>Profit</p> <p>What will my profit be assigned to?</p>	<p>Revenue structure</p> <p>How much and from what will I earn?</p>	



Formulate your mission

The mission statement states what you want to change and why.

The mission statement, written atop a business model, helps ensure social mission implementation is your priority. This impacts the way you fill in all the other fields of the business model.

- A good mission statement can be expressed in up to 10 words.
- You can use the following structure: verb, target, effect.
- For example: to improve the mental health of socially disadvantaged children in Marijampole.

Value creation logic

Value creation logic is an essential for social enterprises, it should cover the logic behind the social mission the organisation will carry out and which products / services it will offer. Innovation is essential to create a new sustainable equilibrium, which will replace the current unfavourable situation, in trying to solve the social problem rather than an extend it. In this case, social innovation is a business model solution, innovatively combining economic activities with the social mission.



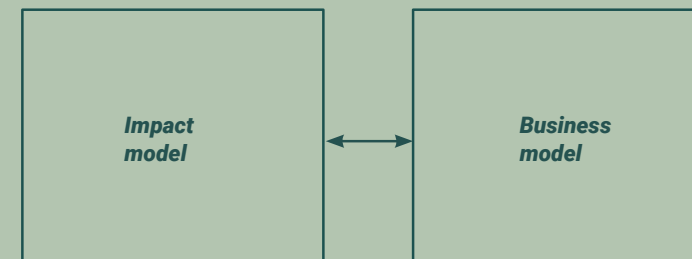
Social entrepreneurship value chain



The social value chain clarifies social impact can be implemented; it shows the various stages of economic activity that might social value by solving social problems. For example, take the use of renewable energy sources or environmentally friendly materials, recruitment of socially excluded people, using only the production of small farmers, and so on. The, the social value chain provides opportunities to link economic activity to the social mission.

Integrating the impact model into the business model

Social business gives priority to social goals, but it is best to integrate the two models. This means that if your organisation reaches more people who are creating a positive social impact, you will also generate more revenue and expand our business; and vice versa.



types of social entrepreneurship

Having in mind the relationship between the two models, social enterprises can be divided into three types: integrated, embedded, and external social enterprises.

Embedded social enterprise – in this type of business, the activities in reach of a social impact directly generate business income.

Impact model

Business model



For example:

BURN stoves. With each stove sold the life quality of the poor in Africa improves by reducing carbon acquisition costs and toxic smoke from burning carbon. Product sales are directly related to the social purpose.

<http://www.burnstoves.com/>

The Orange fiber business aims to solve the citrus fruit industry waste issue, as there is 700,000 tonnes of citrus waste produced in Italy per year. This waste pollutes the environment and requires high waste management costs. Therefore, two girls, Adriana and Enrica, created a sustainable, biodegradable material produced from orange peels. Orange fiber's impact and business models are directly related because the increase of production and sales of the material, decrease the amount of citrus waste in Italy.

<http://www.orangefiber.it/en/>

Integrated social enterprise – this type of business operates or provides services related to the social mission in order to finance its implementation.

Impact model



Business model

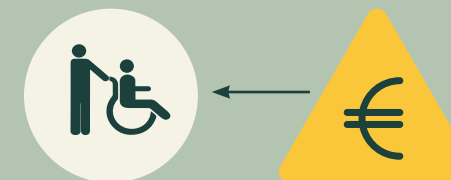
For example:

Avitus solves the problem that 33 per cent of people living in Estonia face, which is mood changes and stress management failure. Stress, depression, and fatigue makes it hard for people to handle daily affairs, work productively, and develop long-term relationships. Avitus organises psychotherapy training groups, private psychologist and psychotherapist consultations and assistance on their online platform. Some services are free of charge to lower-income earners, and the income is generated by providing services for high-income earners.

http://sev.ee/wp-content/uploads/2014/02/Avitus_outcomes-and-impact-report_21_02_14.pdf

External social enterprise – this the type of business that generates income from activities having nothing to do with the social mission, but the profit if assigned to the implementation of the social purpose. For example, a restaurant or a machine repair could finance a nature reserve or a retirement home. This model is not the best choice for social business practices because it requires two completely different skill segments, while the focus is on maintaining two separate activities.

Impact model



Business model



step five - communication

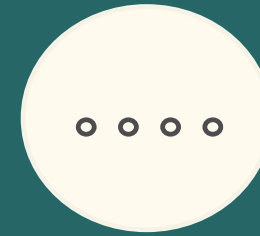
how is communication in social entrepreneurship different?

+

You have a story. You are not just a business, you tackle sensitive public issues, which are likely of interest to many people, including your clientele. Social entrepreneurs have a clear motivation for starting their business, often having to do with personal stories.

-

Unfavourable conditions. The public has its fears and taboos, stereotypes shaped by historical experiences, the political and socioeconomic situation. Before communicating your social business idea, you have to look into the potential threats: why could your product be met unpleasantly by the public.



If you want to become a communication Guru, these are the tips for you:

1. When you are first starting out, you need to decide how broadly you should communicate the social issues and your social mission. Depending on how favourable the conditions are, decide how to form your main message. You need to consider the extent to which talking about sensitive topics will be useful for your business. The message can be changed as the business grows, as you gain the trust and the reputation for the conditions to be in your favour.

2. When communicating, you have to concentrate on your value proposition; the client is usually interested not only in a good product or service, but also in ways to contribute to your social purpose. Some social organisations communicate only their service / quality of the goods, the advantages without mentioning its social mission because of the unfavourable environment, out of fear that the partners or customers will not co-operate anymore. Depending on the environmental friendliness and the social purpose, it might be the right communicative choice. The client is still the most interested in your service or product quality, and your social cause is only a convenience. However, communicating well means combine the two values – the one of the client and the one of the public.



3. Communicate with your customers and partners beyond digital media: personal contact allows to establish a more sustainable relationship.

4. If you decide to create your image through the social prism, be sure to collect stories of your beneficiaries and incorporate them into your communication. This will help to illustrate your social purpose and show the type of change you are seeking. Success stories inspire people to contribute! Use statistics to show that the problem is persistent. Customers strongly care about the reliability factor, so be open and transparent – clearly convey financial and social change reports.

5. You are a business, so if you want to establish relationships with partners or investors, you have to show that your business model is viable and competitive.

6. Use social media! Take advantage of this free communication platform to build and expand your audience. A study showed that social enterprises that have a Facebook page generate more profit.

7. Select the proper communication channels – what kind of an audience do you want to reach? What kind of a reaction would you like to receive? When your target audience is clear and communication objectives, then you will be able to choose the most appropriate communication platform and its tone. Start-ups do not have a lot of resources for communication, so choosing the right target audience will help invest efficiently.

8. Communicate not only through your own channels, collaborate with your partners – favourable public, state and private institutions. This way you will reach many different audiences.

9. When communicating your social purpose to the audience do not make them feel guilty, instead motivate and enable them to contribute to the potential change. Positive communication receives a positive response.

10. Do not communicate banal, common slogans or aspirations, such as 'we will change the world', 'our project will make their lives brighter'. " Better speak specifically about your proposed solutions to the problem and the steps you are planning. Find an emotional connection with your audience using personal examples.

11. Feel the general atmosphere– what do people care about as of today, what are the most popular themes in communication, what are the latest advertising tools? Keep up and try to be ahead so to not only attract a new audience, but also maintain the one you already have.

how is communication in social entrepreneurship different?

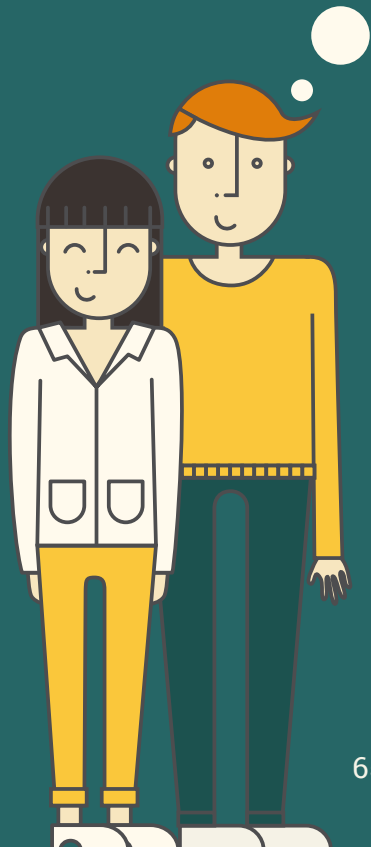
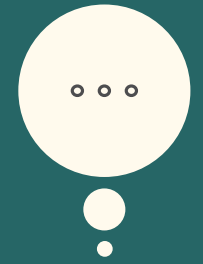


Image is not everything?

You image is not everything but is still extremely important. Effective image strategy enables you to be more competitive. One could claim that your image is the reflection of your services / product. Your brand consists of what you are as a company (values, objectives, activities), what you want to be (your vision and mission), how people see / should see you. Experienced and reliable? Playful and innovative? You cannot be all in one and stay attractive to the general public, you have to focus on your own brand and target audiences.

What is your brand? It consists of your external imagery: logos, slogans, message tone, visual and verbal material, and internal organisational culture, and so on.

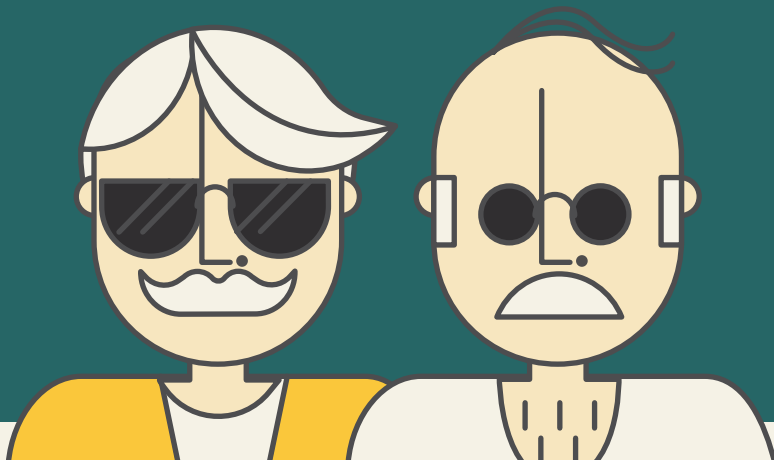
The brand is the psychographic portrait of your company. Think of it as a profile of a person, then it will be a bit clearer how to create the image you want to achieve.

It will be easier if you answer the following questions:

- What is your company's mission?
- What are the key attractive features of your services / goods?
- What values and benefits would you like to be associated with?
- What are your three main competitors? What are the aspects of their image you like? What you do not like in their image?
- Where does your uniqueness lie? Why should customers choose your product / service?
- Does your company have a unique story behind your name or logo?
- What 5 adjectives best describe your company? What is your ideal client? Describe them in five adjectives.
- What is the primary message you want to convey to your customers?
- Which company's image inspires you? Why?

Do not forget that your image must be representative and professional, so in terms of verbal and visual communication, look to the professionals. The quality you show to your audience, will reflect you directly. Poor design will be associated with poor product or service quality. All communication must be an integral and homogeneous.

how is communication in social entrepreneurship different?



Communication plan

Communication plan is a map of how your message reaches the target audience. The more you plan, the better results you can expect. In communication planning, you have to think about every part of the journey: what will the message be, how it will change, what audiences will be reached, what result you will get.

The most important thing when preparing a communication plan is to know your audience – which media platform they visit, the type of the messages they usually receive. You must choose different measures and media channels depending on the audience and your social mission. Take a list of what you seek in communicating with every audience, there can be numerous goals even for one audience.

When you define your specific goals and associated audiences, you have to decide what messages and channels to use. There is a wide selection of communication channels: social media, online networks, newsletters, newspapers, magazines, conferences, TV, radio, e-mail, outdoor advertising, and so on.

Think about message timing: what time is most likely to attract the largest part of your audience to see your message. Also, consider how many times the audience has to hear the message to actually act on it. If the same audience reach through a variety of channels, your message will probably have a bigger impact.

In drawing up your communication plan, deciding on the channel, timing, and audience, remember to rely on statistics. It is therefore necessary to do your homework before you start planning.

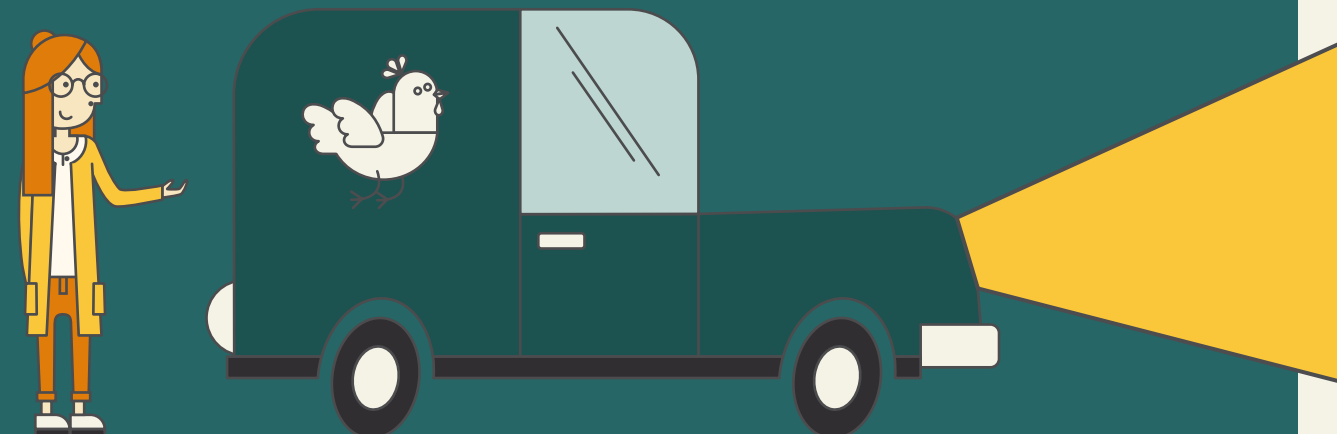
Below is a simple form of communication plan to help you make your own.

how is communication in social entrepreneurship different?

Communication plan is intended to:

Communication plan goal is:

Audience	Message purpose	Message	Channel	Timing
Who has to hear this message?	What actions do you expect from the audience when they get this message?	What do you want to tell them?	Which channel will help you reach your target audience the most efficiently?	When will you publicise your message?



step six - impact measurement

So far, we have introduced the aspects to be considered before starting a social enterprise. Now it is important to decide how to measure the impact of your actions. This will help to determine the results and how well the objectives are met.

Although this task is particularly relevant when you have already launched your business, measuring the impact must be considered long before. In fact, you must include your impact measurement strategy in your provisional business model, taking both the business and social impact into account.

Impact measurement reasons

Confirmation that the business is moving in the right direction. You, your colleagues and partners want to know if you reach your objectives and whether the work will pay off. This is the major motivator in social entrepreneurship.

Improving the quality of your daily activities. Your social impact results depend upon how in the organisation you make daily decisions.

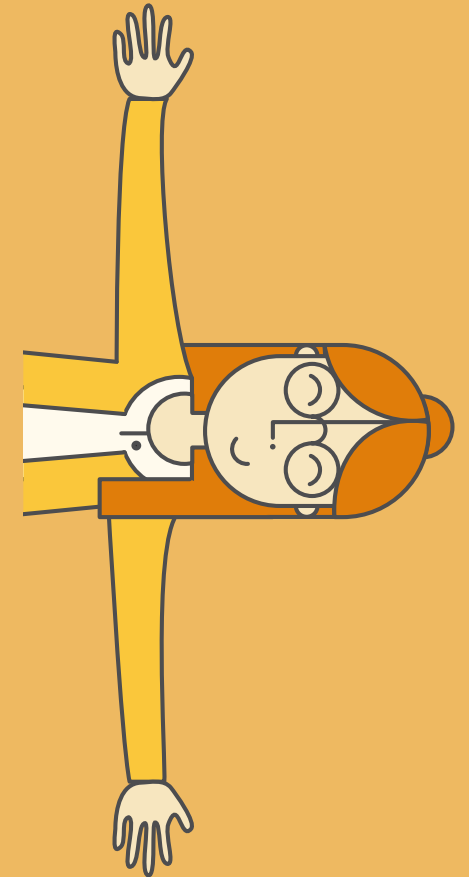
Strengthening of your relationship with external partners. When partners, investors, representatives of the municipality and the public clearly see that your activity has a positive impact on society, they will be more likely to provide the necessary support.

The contribution of your social enterprise to the development of the sector. Your comrades will be able to learn from you social enterprise and adjust their activities accordingly to achieve even better results; those who study and analyse the social economy sector will also be able to put your provided data to use.

Being prepared to submit files at any time. You must always have your data ready to avoid situations where the need arises for you to present it unprepared. The classified information on your impact will help to prevent business activities risks, to ensure the availability of funding, to report and communicate the benefits of social entrepreneurship on the spot.

Impact measurement

In small countries, such as Lithuania, where social entrepreneurship is only in its first stages, enterprises often lack human and financial resources. Most of the impact measurement mechanisms are costly, and would burden Lithuanian social enterprises by providing relatively little benefit. As a result, the following information is not a specific method to measure the impact but it is social impact measurement guidelines – a list of tips on how to begin to track and communicate your impact despite the lack of resources.



Social impact measurement guidelines

Fill these in before starting your enterprise:

1. The purpose of the organisation and the relevance of the addressed problem.

a. Describe the purpose of the organisation – what changes you seek. The goal must be measurable – come up with impact indicators to know when you have achieved your goal. *Begin forming your goal in one sentence. Avoid vague statements, try to avoid as much as possible to flesh out your goals so that it would be easier to measure the impact of your actions.*

For example:

Unsuitable: "Improve the health of children."

Suitable: "Reduce missed school days due to illness; "Increase the number of hours which aged 6 - 16 children spend actively doing sports".

b. Describe the relevance of the problem based on statistical data, studies, clearly indicating the sources of information.

Show why this purpose is important.

2. Describe the beneficiaries (if possible, name the total number of beneficiaries):

Social entrepreneurship beneficiaries, due to various reasons, are usually the socially excluded. In Lithuania, the most vulnerable social groups are named as follows: the disabled; ethnic minorities; convicts and persons released from prison; middle-aged women returning to the labour market after a long absence; persons dependent on psychotropic substances; foster and former foster children.

However, social entrepreneurs can define the target group of their interest, based on regional specificity or changing issues.

3. Describe the organisation's activity/activities:

Now specify what you are really doing or intend to do to resolve this problem.

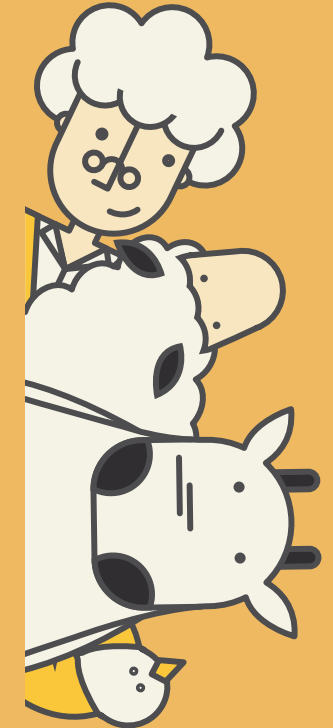
Fill these in after a year:

1. Describe the efficiency (number of clients served, activities organised, products created and so on.):

Name a few of your productivity indicators that show the economic sustainability of the organisation. A performance indicator could be, for example, the number of people you have catered for. A business indicator could be the amount of annual income, the income generated from business activities, the number of people employed.

2. The results you have achieved:

a. Give detailed quantitative results of what you have implemented. You can use beneficiary before and after surveys about the co-operation with your organisation: Jūsų organizacija:



It is best to consider the following aspects, when forming reports on your activity results:

Extent of changes	For whom	Type of change	Nature	Compared with what
percent, ratings, amount, ratio, index	population group, program participants, clients, family and community members	increase, decrease, improvement, expansion, break-even	to increase, to decrease, to improve, to expand, to maintain	indicator, national standard, the European Union average
55 %	fox community	increased	to get involved in environmental activities	compared with 2010 data

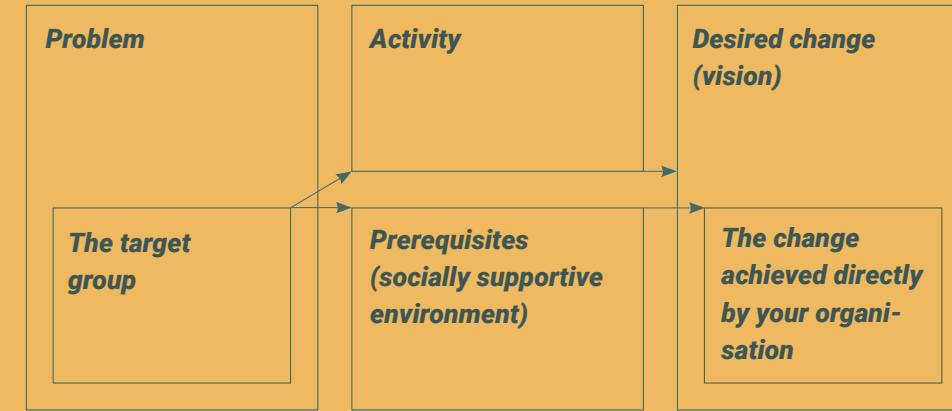
b. Present qualitative performance target data – personal participant stories about positive change:

The most effective way to present your results is a combination of quantitative and qualitative of statistics, data, and the personal stories of participants, showing the individual change in the performance of the organisation.

3. Complete a diagram which explains your change:

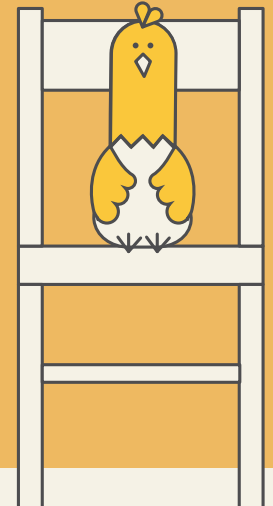
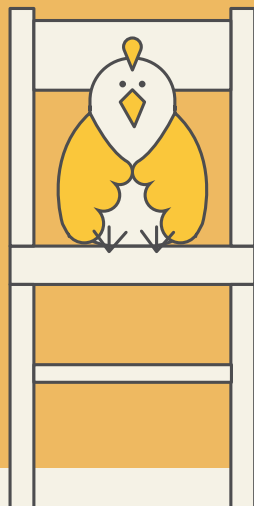
Illustrate the process by which your social entrepreneurship creates change. The easiest way to do this is Theory of Change. With this model, you visualise the problem you are solving, the target group for your main activities and the necessary conditions to achieve the desired change in society. The main thing is that you choose a problem and a social purpose that are directly related to

the consequence of the activity of your social enterprise. Prerequisites have to do with your PEST analysis results.



4. What are the benefits to the state (savings/earned money) from the activities you organized (you can give an example related to one of the beneficiaries):

The calculation of the benefit you provide for the State or the taxpayers is usually complicated and expensive to calculate. Of course, it would be extremely valuable in demonstrating your social entrepreneurship impact. You can contact research institutes or universities to find students writing theses on social entrepreneurship, so that they could help you measure your business benefits by incorporating the calculations into their own work. In the meantime, you can prepare a sample calculation to demonstrate the financial benefits that one of the beneficiaries creates. How has their economic situation improved due to your service/product?



social impact measurement guidelines with examples of the Estonian company Avitus



Fill these in before starting-up your enterprise:

1. The purpose of the organisation and the relevance of the addressed problem.

a. Describe the purpose of the organisation – what changes you seek. The goal must be measurable – come up with impact indicators to know when you have achieved your goal.

Improved emotional state of Estonian citizens – reduced stress, depression and fatigue level:

a. After a long-term program the emotional state of the participants has improved and negative symptoms have decreased. b. Improved quality of life of the participants due to stronger social relations. c. Improved stress management skills. d. Improved health – participants reduced the amount or completely stopped taking medicine. e. Increased work capacity – the number of skipped working-days due to poor emotional health decreased.

b. Describe the relevance of the problem based on statistical data, studies, clearly indicating the sources of information.

33% of people living in Estonia face mood changes and stress management issues. Stress, depression, and fatigue makes it hard for people to handle daily affairs, work productively, and develop long-term relationships and so on. Approximately 11% of citizens in Estonia suffer depression. About 9% of Estonians have been diagnosed with stress management problems (even though, according to EU studies, the number is 22%) (Wittchen et al., 2010).

2. Describe the beneficiaries (if possible, name the total number of beneficiaries):

People with mood changes and stress management problems, and their relatives in Estonia. According to Wittchen et al. (2010), 33% of Estonian citizens face the aforementioned issues.

3. Describe the organisation’s activity/activities:
Psychotherapy training groups, private psychologist and psychotherapist consultations and psychological support on the online platform.

Fill these in after a year:

4. Describe the efficiency (number of clients served, activities organised, products created and so on.):

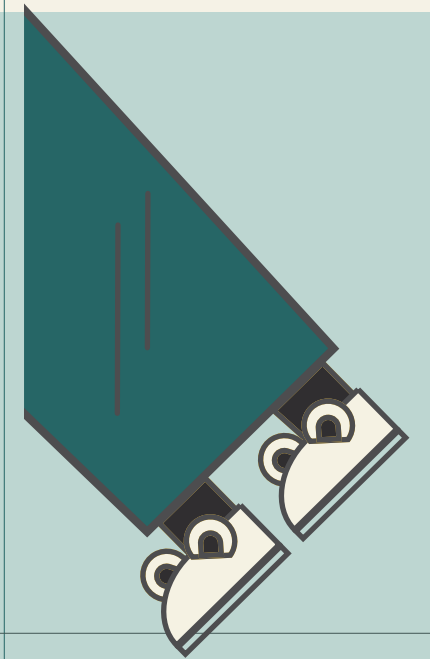
Activity indicators:

The number of people that have received services with mental disabilities on the online support group	2012	2013	change
	213	760	+ 257%
	1970	2400	+ 22%

Business indicators:

	2012	2013	change
Earnings	56 669 €	42 145 €	- 26%
Income from economic activities	8646 €	13211 €	+ 53%
Number of employees	7	12	+ 71%

In a year, Avitus income from economic activity has doubled.



social impact measurement guidelines with examples of the Estonian company Avitus

5. The results you have achieved:

a. Give detailed quantitative results of what you have implemented. You can use beneficiary before and after surveys about the co-operation with your organisation:

After a long-term program the emotional state of the participants has improved and negative symptoms have decreased by 25-30%. b. Improved quality of life of the participants due to stronger social relations (95%). c. Improved stress management skills (71%). d. Improved health (41% of the participants reduced the amount or completely stopped taking medicine.). e. Increased capacity for work (the number of skipped working-days due to poor emotional health decreased by 59%).

b. Present qualitative performance target data – personal participant stories about positive change:

Inga's (53 years old) story:

„I have been struggling with depression and anxiety for more than 40 years. I was totally unfit for work and dependent on public support for 20 years. Since 2009 Avitus provides me with psychological support a couple of hours a week. With the new knowledge, skills and increased confidence, I got a job in a flower shop. I no longer need to ask for money from the state for my medical and daily expenses. I could have never thought that I will feel healthier and happier in my fifties than when I was 20 years old.“

6. Complete the diagram, which explains the change you have achieved:

Problem

33% of people living in Estonia face mood changes and stress management problems. Stress, depression, and fatigue makes it hard for people to handle daily affairs, work productively, and develop long-term relationships and so on.

The target group

People with mood swings and stress management issues.

Activity

Psychotherapy training groups, private psychologist and psychotherapist consultations and assistance on an online platform in order to increase people's self-confidence, pro-activeness, ability to manage stressful situations and to establish long-term positive relationships.

Prerequisites (socially supportive environment)

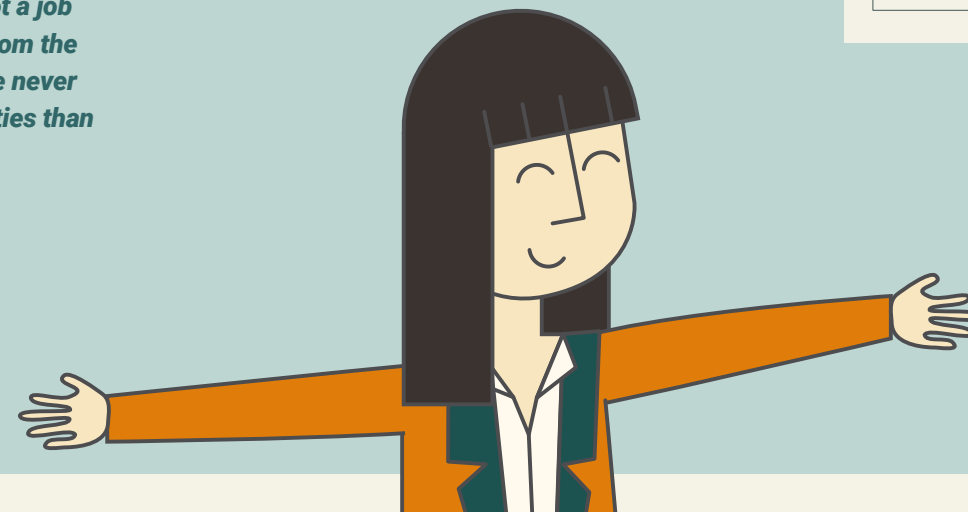
Abolition of prejudice that only the mentally ill are faced with psychological problems which should be dealt with privately.

Desired changes (vision)

Improved emotional condition of the beneficiaries, stress management skills and ability to cope with daily challenges.

Direct change that your organisation has achieved

After a long-term program the emotional state of the participants has improved and negative symptoms have decreased by 25-30%. Improved quality of life of the participants due to stronger social relations (95%). Improved stress management skills (71%). Improved health (41% of the participants reduced the amount or completely stopped taking medicine.). Increased capacity for work (the number of skipped working-days due to poor emotional health decreased by 59%).



7. What are the benefits to the state (savings/earned money) from the activities you organized (you can give an example related to one of the beneficiaries):

Benefits for the Estonian economy:

State costs per person per year before the Avitus program (2005) (disability pension, housing allowance, medical benefits): - 6653 €. After the Avitus services, due to increased work capacity (2013) + 2212 €. The improved health of one person due to Avitus services brings in 8865 € into the State budget per person per year.

Impact measurement methods – want to know more?

As already mentioned, there are many different methods to measure impact. If you want to deepen your knowledge and find more useful tips on how to keep track of your social entrepreneurship impact, check out the three frequently used guidelines in measuring impact.



Method	Main aspects	More information
Demonstrating value (DV)	DV method determines the impact while taking into account: a) relevant information (concerning social mission, enterprise activity and organisational sustainability) b) application of relevant information (in organisational management, accountability to stakeholders, strategic management)	http://www.demonstratingvalue.org/
Social return on investment (SROI)	SROI calculates the social and/or environmental benefits of financial investments in monetary terms. The methodology can be used for assessment, planning, and forecasting purposes as a tool for directing organisational efforts towards creating greater value. SROI helps ensure that business activity value is communicated internally and externally.	http://socialvalueuk.org/what-is-sroi http://www.blendedvalue.org/
Impact reporting and investment standards (IRIS)	IRIS provides social and environmental impact indicators and a measurement model. The development of common standards to define, track and present you 'impact capital'.	https://iris.thegiin.org/

step seven - start

In this stage, the following aspects are important:

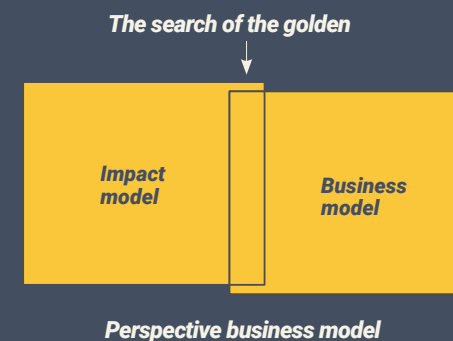
- *financial planning,*
- *the establishment of the company.*

Financial modelling

Being able to plan your finances even before starting a business is vital in order to effectively develop the innovation/idea and a financially sustainable organisation, that is competent enough to achieve social goals. Therefore, it is important to start thinking about the numbers as soon as possible. Working with numbers is mostly neither easy nor intuitive. That is why most social entrepreneurs concentrate too early and too much on product development. From the outset, they invest a lot of time and effort in researching the problem and finding the 'perfect' solution (Human-Centered Design HCD). In this way we are developing a business that, even if consistent with the user's needs and offering a holistic social problem solution, is often a financial "not-starter". In social entrepreneurship,

the set product or service price cannot fully cover the start-up and further development costs. Then, the budget "hole" may already be so significant that a product/service or business model adjustment will not solve anything – the whole concept will need to be changed, meaning that time and money will be wasted.

Do not misunderstand –hearing the voice of the customer and creating a product/service that meets the needs of the beneficiary is very important! However, this must be done in concert with financial modelling, in order to ensure that what the customer wants may be offered in a financially sustainable way.



Financial model adaptation, just like generating business ideas, is a process of constant searching.

Development and balance

The financial model, which you will create in the beginning, is not intended to your company or project, such as it is today, or in the near future. You are planning how your business will look like in the future, when it is in the development (at-scale) and equilibrium (steady-state) stages.

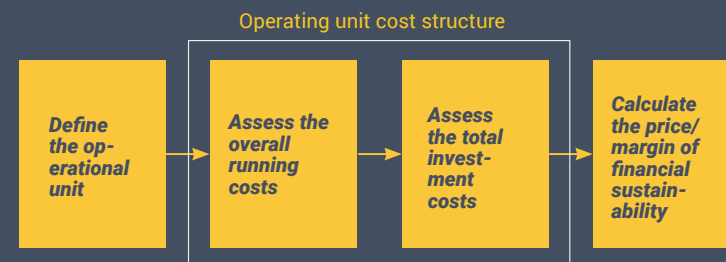
Financial model structure example

This financial model consists of 4 main steps: 1) Define your operating unit; 2) Evaluate the overall running costs; 3) Estimate total investment cost; 4) Calculate the price/margin of financial sustainability.

The financial model is especially suitable for start-ups, as the bottom-up perspective is focused on the operating unit – the smallest, self-sustaining component, having sales responsibilities in certain areas, within the broader business perspective. For example, Grameen Bank, – the operating unit of the micro-financing organisation is a branch with a team of agents and support staff, who administers loans in the neighbouring communities.

The two main variables that determine the revenue potential in social entrepreneurship – it is reach and the penetration rate. Reach is the number of potential customers who can reach one operating unit.

Penetration rate – is the part of potential customers who will ultimately be served by the business. The geographical area is one of the most important aspects of determining the availability of the operating unit.



The initial investment. How does one get the money?

The more equity you collect (own funds or borrowed from relatives), the easier it will be in the future. Banks in Lithuania do not tend to lend directly to social enterprises. However, it is possible to apply to other financial or state institutions.

Credit union

This is co-op-based financial institution, which aims to provide services on more favourable terms than those of commercial banks. The first step would be to simply come with a business plan which can be simplified for the first interview. Credit union loans can be provided to beginners in any sector of the national economy.

INVEGA

INVEGA (JSC “Investment and Business Guarantees”) provides guarantees with which loans are provided by commercial banks to beginners. The Bank, in its decision to credit, decides whether your proposed collateral is sufficient. If it is not, then the bank applies to INVEGA for the guarantee and provides the necessary documents. INVEGA guarantees the return of the first portion of the loan to the bank to 80 percent. The remaining unsecured portion of the loan the bank secures with the collateral that the small medium business entity proposes, in exchange to the assets purchased with loan funds. More information: www.invega.lt



State support

You can get state support for creating job places by submitting an application to Employment Office for self-employment support or local employment initiative projects realisation. More information: www.ldb.lt

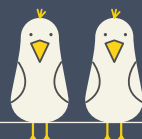
EU support

On the website's www.esparama.lt section www.esinvesticijos.lt/ you will find information about the adopted measures by sector or by priority.

The following is the list of relevant measures of which social entrepreneurs can be partners, which they can execute or apply for. **(2014-2020)**

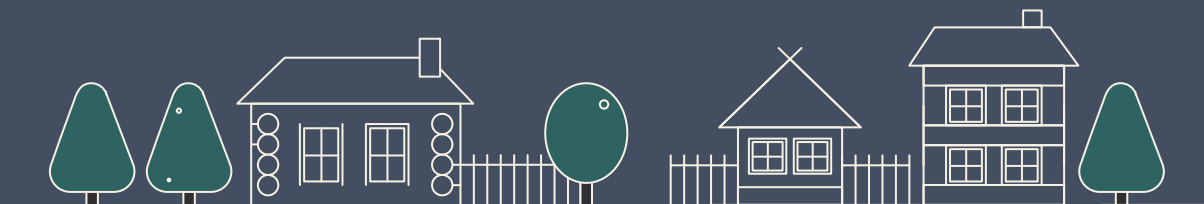


Relevant measure and its code number	Relevant activity	Whether entities can apply, execute or be partners
09.2.2-ESFA-K-730 („Mokyklų pažangos skatinimas“) School development promotion http://esinvesticijos.lt/lt/patvirtintos_priemones/patvirtintos_priemones/mokyklu-pazangos-skatinimas	Initiatives to encourage the development of skills and talents of children	Possible applicants: informal education providers can apply
09.2.2-ESFA-V-707 („Asmenų, turinčių specialiųjų ugdymosi poreikių, galimybių mokytis gerinimas“) Development of education opportunities for persons with learning disabilities http://esinvesticijos.lt/lt/patvirtintos_priemones/patvirtintos_priemones/asmenu-turinciu-specialiuju-ugdymosi-poreikiu-galimybiu-mokytis-gerinimas	Search for talented child learners, development of the search and recognition system	Possible partners: public entities working within the educational sphere.
09.2.2-ESFA-V-729 („Neformaliojo vaikų švietimo įvairovės ir prieinamumo didinimas“) Increase in variety and availability of informal education for children http://esinvesticijos.lt/lt/patvirtintos_priemones/patvirtintos_priemones/neformaliojo-vaiku-svietimo-ivairoves-ir-prieinamumo-didinimas	Increasing the variety and availability of informal education programs for children (including summer programs); implementing prevention programs to decrease the number of children school drop-outs	Possible partners: public entities working within the educational sphere.



<p>09.4.1-ESFA-V-713 („Profesinio mokymo ir mokymosi visą gyvenimą valdymo, kokybės ir patrauklumo užtikrinimo sistemų ir procesų stiprinimas“) Vocational education and life-long learning management; strengthening of quality and appealingness ensuring processes and systems http://esinvesticijos.lt/lt/patvirtintos_priemones/patvirtintos_priemones/profesinio-mokymo-ir-mokymosi-visa-gyvenima-valdymo-kokybes-ir-patrauklumo-uztikrinimo-sistemuu-ir-procesuu-stiprinimas</p>	<p>Promoting vocational education and life-long learning</p>	<p>Possible partners: public entities working within the educational sphere.</p>
<p>Nr. 07.3.3-FM-F-424 („Verslumo skatinimas 2014–2020“) Entrepreneurship promotion http://esinvesticijos.lt/lt/patvirtintos_priemones/patvirtintos_priemones/verslumo-skatinimas-2014-2020</p>	<p>Integrating consultations on business plan development and implementation with the process of providing loans to start-ups</p>	<p>Potential beneficiaries (will receive loans): very small, small enterprises, and legal personalities that: are planning to establish a business and/or have had it for less than a year and are eligible to receive state support; wish to obtain a loan of under twenty-five thousand euros.</p>
<p>09.4.3-ESFA-K-805 („Žmogiškieji ištekliai INVEST LT+)“ Human resources INVEST LT+ http://esinvesticijos.lt/lt/patvirtintos_priemones/zmogiskieji-istekliai-invest-lt</p>	<p>professional development seminars</p>	<p>Possible applicants: a private legal person in the Republic of Lithuania established by a foreign investor (enterprise) and holding a branch office in the Republic of Lithuania.</p>

<p>09.4.3-ESFA-K-827 „Pameistrystė“ http://esinvesticijos.lt/lt/patvirtintos_priemones/pameistryste</p>	<p>Enterprise training based on the principle of apprenticeship.</p>	<p>Possible applicants: private legal persons, state-owned enterprises and government-owned corporations (SMEs are the priority). Possible partners: authorized vocational education providers, trade associations, private legal persons.</p>
<p>09.4.3-ESFA-K-814 („Kompetencijos Lt“) Compensations Lt http://esinvesticijos.lt/lt/patvirtintos_priemones/patvirtintos_priemones/kompetencijos-lt</p>	<p>Provision of training and competence development particular to specific sectors.</p>	<p>Possible applicants: trade associations, Chambers of Commerce, Industry and Crafts, cluster coordinators, private legal persons.</p>
<p>09.4.3-IVG-T-813 „Kompetencijų vaučeris“ Competencies voucher http://esinvesticijos.lt/lt/patvirtintos_priemones/patvirtintos_priemones/kompetenciju-vauceris</p>	<p>Enterprise training based on the principle of competencies voucher</p>	<p>Possible applicants: private legal persons, state-owned enterprises and government-owned corporations.</p>



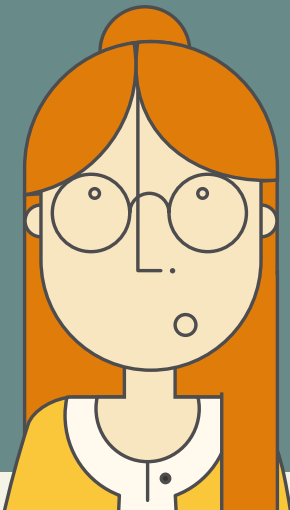
the establishment of the company

What legal organisation structure should one choose?

In Lithuania, there are about 20 types of enterprises. The following are the most popular in business: Individual enterprise, a closed joint stock company (JSC), public company (PI) or association are sometimes set up too. They differ in the degree of responsibility, the amount of required initial capital, and the opportunity to distribute the profit among founders.

This decision depends on many different factors. You can choose the structure based on the following criteria:

- **Nature of business.** Your decision depends on the specific activities you have planned to carry out, their complexity, scope and related circumstances. **Amount of initial capital.** For the establishment of certain types of legal persons, there is a specific amount of authorised capital that the founder of the legal entity must have.
- **Taxes.** Tax size directly depends on what organisation structure one chooses.
- **The degree of responsibility.** If a person intends to limit their liability for business failures and to not put personal or family property at risk, they should choose a limited civil liability legal person.
- **The number of founders.** If there are multiple interested parties wishing to engage in a particular activity together, it is recommended to have established a legal entity.
- **Operational degree of difficulty.** Being self-employed is easier, you do not need to create a legal entity management structure, or carry out the necessary formalities that other legal entities do.



The main features and differences of LE in the most popular legal structures

	Individual enterprise	Small community	Private joint-stock company	Association	Public institution
Individual enterprise	LR Individual Company Act, LR CC	Civil Code, LR Small Community Act	LR Private Joint-stock Company Act, LR CC	LR Association Act, LR CC	LR Public Institution Act, LR CC
Type by the objectives of participants	Private LE	Private LE	Private LE	Public LE	Public LE
Type by participants' responsibility	Unlimited civil liability	Limited civil liability	Limited civil liability	Limited civil liability	Limited civil liability
Establishment documents	Regulations	Establishment Act or Establishment Agreement	Establishment Act or Establishment Agreement	Establishment Agreement	Establishment Act or Establishment Agreement
Minimum authorised capital	-	-	2500 Eur	-	-
Founder (-s), participant (-s)	The owner can only be a natural person	Founders can only be natural persons	Shareholders (not more than 250) can be natural and legal persons	Minimal number is 3 people; can be natural and legal persons	Stakeholders or owner can be natural or legal persons
Governing body structure	Must be the leader (the owner or another person if provided in the regulations)	Founders (members) can choose one of two management structures: – when there is only the assembly of members, which acts as the governing body. In this case, there are no other organs, only a representative elected by the assembly, but the decisions on all matters are made by the assembly; – when there is an assembly of members and a sole governing body – the head, with whom a civil contract is signed.	There must be a leader (e.g., Director, President, etc.); a collegial governing body could be formed – the Board of Directors and a collegial supervisory body – the Supervisory Board	There must be a sole (Director, Chairman) and (or) a collegial governing body	There must be a leader (e.g., Director, President and etc.); a collegial body can be formed

how does one establish the organisation?

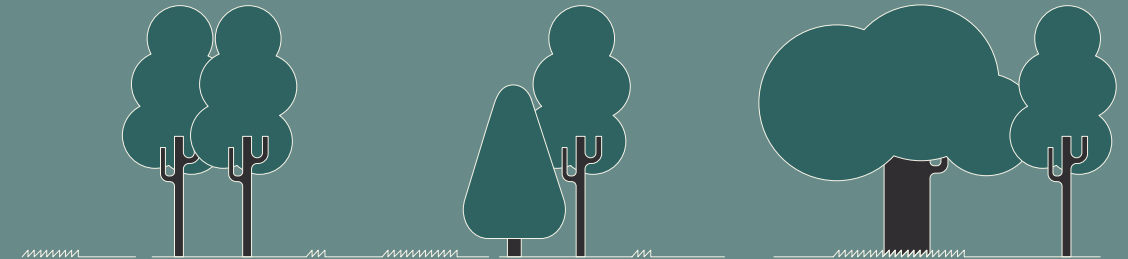
Establishment of companies includes the process of deciding the legal entity (hereinafter – LE) structure to its registration in the LE register. The process of setting up is similar for all companies, but there are a few differences.

Several stages of starting-up could be listed that are inherent to LE of any structure:

- Choosing clear activity goals and objectives;
- Choosing the most suitable legal structure (by future activity);
- Choosing Office premises; consent of the owner (notarized) of the premises to provide facilities to the LE, if the landlord is not the founder;
- Selecting the name for the LE, and registering. You can submit a request to the Register of Legal Entities for an inclusion of a temporary name into the Register of Legal Entities (In Lithuania: JAR-5);
- Drawing up the establishment documents (founding act is when there only is one founder; founding agreement – more than one founders);
- Opening an accumulation account. The founders have the right to choose the bank. When opening a bank account on behalf of the LE, the authorized LE persons must have an identity document and the establishing documents (agreement or act). Later on, having had registered it, the accumulation account is converted into a current bank account (submit it to a certificate of registration,

- the head of the appointment document, the head of an identity document and LE seal);
- Paying required initial deposit (if required), which shall be paid only into the accumulation account.
- Preparing statutes/regulations. This is a document, on which the enterprise will base its activities;
- Constituent assembly. During the assembly, the statute is approved, the governing and supervisory bodies (head, board, council, etc.) are elected, the right to represent in the Register of Legal Entities is given. If there is one founder, a single decision is made. Constituent Assembly need not be invited, if the governing bodies, and representatives are already set out in the establishment documents.
- Filling in of the required Register of Legal Entities forms (In Lithuania: JAR, JAR-1, etc., depending on the legal structure);
- Submission of documents to the notary and the Register of Legal Entities;

For more information about establishing procedures:
<http://www.verslijietuva.lt/>



04

concluding remarks



Did you read the guide to the end? Then we confidently say to you – you know everything you need for a successful start! But do not stop deepening your knowledge and developing your competencies. You will have to go down both public roads and highways, when developing your social enterprise, you will meet indispensable partners, and unconstructive critics, but if you have a strong motivation and prepare well, you will be unstoppable!

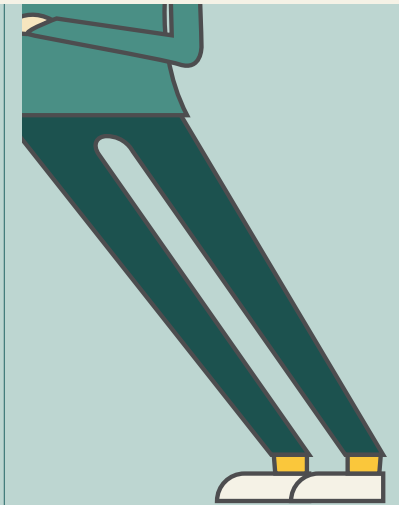
**Social enterprise –
not a problem, opportunity!**



“ Be a social entrepreneur!

The guidebook is based on information from:

- +Acumen: <http://plusacumen.org/>
- Atsakingas verslas: http://csrba.lt/wp-content/uploads/2013/04/Atsakingas-verslas_Nr5.pdf
- Avitus: http://sev.ee/wp-content/uploads/2014/02/Avitus_outcomes-and-impact-report_21_02_14.pdf
- Canadian social enterprise guide: <http://www.socialenterprisecanada.ca/en/learn/nav/canadiansocialenterpriseguide.html>
- Europos Komisija. ES synthesis report: <http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=2149>
- ESEN (Estonian Social Enterprise Network): <http://sev.ee/en/>
- 4Sector business planning guide for social enterprise: http://www.forthsectordevelopment.org.uk/documents/New_BusPlanGuide.pdf
- Socialinių inovacijų studija: <http://www.sistudija.lt/>
- UK social enterprise report: <http://socialenterprise.org.uk/uploads/editor/files/Publications/FINALVERSIONStateofSocialEnterpriseReport2015.pdf>
- Versli Lietuva: <http://www.verslilietuva.lt/lt>
- LR Ūkio Ministro Įsakymas dėl Socialinio Verslo Konceptijos Patvirtinimo: https://ukmin.lrv.lt/uploads/ukmin/documents/files/Versloproc.20aplinka/socialinis_verslas/Socialinio_verslo_koncepcija_2015_isakymas.pdf



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