

Growing social enterprise: research into social replication

A report from the Social Enterprise
Coalition

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CONTENTS

EXECUTIVE SUMMARY	5
INTRODUCTION	7
METHODOLOGY	8
THE SPECTRUM OF REPLICATION	9
CASE STUDY PROFILES	12
Social franchisors, licensors, and collaborators	12
Social franchisees and licensees	13
Social enterprises exploring the possibilities for replication	14
KEY RESEARCH FINDINGS	14
The drivers behind social replication	14
Barriers to replication	15
Training and support	18
Relationship dynamics	19
CONCLUSION AND RECOMMENDATIONS	22
APPENDIX: SELECTED CASE STUDIES	24
REFERENCES	44

GLOSSARY OF TERMS AND ABBREVIATIONS

Business format franchising	The replication of a proven business in exchange for an up-front payment plus ongoing management service fees for an agreed period of time
Bolt-on franchise/license	A social enterprise that has franchised or set up a license agreement with another organisation (as opposed to an individual franchisee/licensee)
Collaboration/partnership	An arrangement where two or more organisations pool resources (usually complementary) to achieve a specific task
Franchisee/licensee	An individual or organisation that has bought a franchise (replicated business model) or established a license agreement (permission to replicate the business model) from a parent organisation
Social franchise	The replication of a proven social enterprise model with clear social or environmental benefit embedded within the business objectives, run according to the parameters prescribed by the parent organisation with compliance agreements in place
Social license agreement	The permission to replicate a social enterprise model, with the parent social enterprise still defining the ethos and activities, but with fewer prescribed boundaries than a franchise and fewer obligations on the part of the licensee than would be required of a franchisee
BFA	British Franchising Association
BTCV	British Trust for Conservation Volunteers
CIC	Community interest company
CVS	Council for Voluntary Services
IP	Intellectual Property
NEET	Young people not in education, employment or training
RDA	Regional Development Agency
SEC	Social Enterprise Coalition
SROI	Social Return on Investment

EXECUTIVE SUMMARY

This report attempts to answer the question: how can social enterprises successfully replicate their organisations? It examines the various replication journeys open to social enterprises. By exploring real-life examples of replication, it seeks to shed light on the critical obstacles and success factors, and assess the value of each replication model for different forms of social enterprise.

The research was based on a series of qualitative, in-depth interviews with 22 organisations. The research questions considered the context and scale of each organisation, as well as its motivations for growth. The respondents were asked about their specific experiences of replication, including support and training received, any impact on their core social objectives, and the extent to which they have connected with other social enterprises following similar paths.

There is more than one form of replication

Among the range of replication options available to social enterprises, three main models emerged:

- social franchising, which is much like ordinary franchising (i.e. contractually replicating a successful business model), only with clearly defined social/environmental benefits;
- social licensing, which refers to more flexible contractual agreements that can be used to increase a social enterprise's activities; and
- collaboration, the least formal model, focusing on informal partnerships and resource pooling.

Each model was shown to have its advantages, and our research strongly indicated that there is no one right way to replicate; rather, this depends on the nature, social/environmental goal, legal form and financial model of each individual social enterprise.

Why do social enterprises want to replicate?

The research revealed that there are a number of drivers for social replication including:

- to spread their social objectives and innovation;
- to diversify/increase income;
- to allow scale while remaining sensitive to (and more embedded in) local context;
- to respond pragmatically to external market constraints; and
- to foster partnership working and spread the broader message of the social enterprise movement.

It was shown that social replication methods, when applied well, can successfully deliver all of these objectives. However, the research also showed that organisations considering this step must first understand their own motivations for replication and carefully consider whether this could compromise their fundamental social or environmental objectives.

What are the barriers to replication?

Understanding

A number of barriers identified arose from a lack of understanding of the different replication models and associated legal implications, notably with social franchising. The research highlighted that individuals and organisations – both within and outside the social enterprise sector – often fail to understand the variety of replication models available to social enterprises.

There are also a number of misconceptions held about particular replication methods. Some of the research respondents, for example, felt that more ‘commercial’ forms of replication, such as franchising, are not appropriate for socially minded organisations. Others argued that a sound commercial basis is necessary to allow their organisations to flourish and therefore deliver social benefits to the greatest number of people. The research suggested that there is no right answer – and that certain kinds of replication suit some social enterprises and some contexts more than others.

Finance

Access to finance emerged as a key stumbling block for social enterprises on the replication journey, and this too is frequently rooted in misunderstanding. Our research indicated a lack of available resources specifically for social enterprises wishing to replicate, along with a lack of knowledge of where and how to access appropriate funding. It emerged that there is a need for funders – from grant providers to mainstream investors – to better understand the purpose of social replication and adapt their processes accordingly.

Intellectual Property

Intellectual property is critical to being able to license or franchise as a social enterprise. However, respondents were often unsure about how replication would affect intellectual property and their organisation’s brand. They also cited a potential lack of commitment by franchisees/licensees to protecting and maintaining the brand, and inadequate due diligence, as principal stumbling blocks to be overcome.

Capacity

Our research identified a number of internal restrictions from within organisations themselves. For example, some organisations wanted to limit their operations to one local community in order to maintain their established control.

What are the success factors?

There were several success factors which the research organisations identified as proof that social replication can – and does – work. Respondents highlighted the ‘saleability’ of their replication concept, in particular when their offer meets both consumer and public sector demand, and the advantage of having a strong local level of engagement.

Other factors deemed critical to success included: intensive support at the start-up stage; an enabling commissioning environment for smaller, potentially franchised social enterprises; an appropriate legal form that is recognised by funders; a financial model based more on income generation than grant funding; a broad customer and beneficiary base; and strong internal capacity and a policy of pushing for industry standards.

In terms of ideal replication partners, respondents identified individuals and organisations which are commercially orientated but relate strongly to the social/environmental principles of the social enterprise. Ideally, these partners should also have practical qualities including good local links, the right skills sets, ‘commercial’ as well as ‘social’ attributes, and the capacity to acquire or use existing funds for set up.

Conclusion

What is clear from the research is that there is not a one size fits all solution. However, with better support, understanding and networks, those organisations seeking to use social replication will be able to decide on the best form of replication for them and go on to deliver even greater social, environmental and economic returns.

INTRODUCTION

“For social franchising to really work, what is needed are exceptional people with a passion for change and a national vision and concept for how the social enterprise could work.”

What does it take to grow the social enterprise movement? This is one of the biggest questions facing us. While there are numerous outstanding examples of social enterprises across the UK and more interest in social enterprise than ever before, there remains little in the way of concrete evidence of how we can replicate these outstanding examples in order to grow our movement. This report responds to increasing interest in social replication: what it means, how it is used, and how prevalent it is across the UK.

While our research started out with a remit to investigate social franchising, it soon became clear that such a narrow focus would significantly limit the research. What emerged was that a spectrum of replication practice existed, within which social franchising is one model.

Drawn from a series of in-depth interviews and case studies, the research presents insights into the drivers, challenges and benefits for organisations that have completed or are on a social franchising, licensing or other replication journey. The report examines different

methods of replication as well as how they are being applied by the organisations involved in the research. The report goes on to provide an overview of the studied organisations, their profiles and motivation for replicating.

The research then probes the obstacles encountered by social enterprises starting out on the replication journey, and the challenges faced by those who have already undergone the process. This is followed by a look at the enablers and success factors common to social franchises and licences that have progressed well.

The research concludes with an analysis of the experiences of social replication for social enterprises that have undertaken it and the organisations that support them and a set of recommendations.

METHODOLOGY

The research design consisted of qualitative, in-depth interviews with respondents from 22 organisations. Respondents were recruited via various channels, primarily using the Social Enterprise Coalition (SEC) networks, but also from conferences and workshops relating to social enterprise as well as from the British Franchise Association (BFA). Respondents were contacted either directly or offered to participate in the research themselves on hearing about it.

The respondents represented social enterprises at various stages of replication, as well as individuals from social enterprise support organisations who had prior experience with social franchising in particular. The interviews were semi-structured and largely conducted by telephone (17 interviews), with five face-to-face interviews. These were supplemented with further email consultations with other interested organisations. Selected case studies are included in the appendix¹.

The majority of respondents identified their organisations as social enterprises. While three were registered charities, they contained a strong entrepreneurial streak/trading arm. The final sample can be broken down as follows:

- 8 social franchisors/licensors
- 11 social enterprises interested in/about to undergo replication
- 3 social franchisees/licensees

Respondents were taken through a series of questions relating firstly to the nature, scope and mission of their organisations, followed by their interest in replication and social franchising. This was done in order to elicit their motivations and the scale and context within which they

¹ Some respondents did not want to be included due to the potentially commercially sensitive nature of the information divulged.

operate, including the extent to which they referenced commercial franchising models for guidance.

They were then asked about the support and training they received prior to and during replication. In the case of existing franchisees, licensees and partners, they were asked about the degree of support they receive from the parent organisation and their obligations within this. The implications of replicating - specifically social franchising and licensing - were then probed. This aimed to consider how replicating impacted – or may impact – on the organisations' core social and environmental objectives, their financial sustainability and the balance between the two, as well as on other factors, such as internal capacity and intellectual property.

Finally, respondents were asked about the extent to which they are connected with other social enterprises which have either replicated in some form or are interested in franchising or licensing. They were also asked if they would value more regular networking opportunities and, if so, what would be the most beneficial format of such a network.

THE SPECTRUM OF REPLICATION

This section examines respondents' perceptions of the different models of social replication, against the working definitions of the relevant terms.²

Social replication shares the same language and structure as commercial replication, including the dissemination of information about a particular approach, the expansion of the geographic scope of an organisation's activities, and running particular projects through affiliate organisations.

Specifically in the context of this research, social franchising, social licensing, and less formal collaborations were the three prominent models of replicating the brand and social impact of an organisation.

Standard Business Franchising: is the replication of a proven business in exchange for an up front payment plus ongoing management service fees for an agreed period of time. It requires two forms of compliance on behalf of the franchisee: expected business growth, so the franchisor receives a percentage of the revenue generated and can take action if this underperforms, and an obligation to meet brand standards and the expected way of working.³

Social Franchising: is the replication of a proven business model within prescribed boundaries. However, in this case, a clear social or environmental benefit needs to be

² Working definitions of replication terms used in this research were constructed using both the cited literature and the knowledge of stakeholders from both the commercial and social replication spheres, who acted as an advisory group to the research.

³ Ahlert et al, 2008.

embedded within the business objectives or profit distribution. With this in mind, the social franchising model is often used in two different ways:

- a social enterprise franchising their business model to another organisation; and
- a social enterprise purchasing a commercial franchise, and using this to deliver social or environmental objectives, for example employing people who are long term unemployed.⁴

In comparison with these definitions, which focus essentially on the contractual relationships between different entities, our research respondents' views of social franchising focused more on the principles behind it, incorporating three key elements:

1. the act of transferring a successful social enterprise delivery model into another context (whether a locality or another organisation);
2. enabling other parties to use this model, with a detailed operations manual ('business in a box'); and
3. a belief in local people being best placed and trusted to deliver a local service.

Licensing agreement: an agreement between a parent organisation and a partner. This is similar to a franchise in that it involves the replication of a business within certain parameters. However, license agreements entail fewer obligations on the part of the licensee.

Social licensing: the replication of a business within certain parameters, as with social franchising. However, social licensing agreements are primarily based on social objectives and values, with the parent social enterprise still defining the ethos and activities its licensees need to follow, but with fewer prescribed boundaries than social franchising.

Research respondents tended to understand social licensing as an agreement whereby another individual or organisation could use the original social enterprise's brand (logo) and receive support in the form of marketing and training, but in a fairly 'hands-off' way based more on trust. Social licensing was also seen to entail greater flexibility to local context and population than social franchising.

Collaboration/partnership agreement: an arrangement where two or more organisations pool resources (usually complementary) to achieve a specific task.

Amongst the organisations interviewed, the instigating organisation typically partners with another to deliver a particular activity or service (usually for a discrete period) and enables them to use their logo, as well as offering training and support where necessary. The partnered organisation is then marked as working 'in association with' them and may either primarily use their own existing infrastructure, resources and processes (e.g. marketing) to actually deliver the activity, or pool these with the instigating organisation, depending on the initial agreement.

⁴ CEiS (2008) *Social Enterprise Business Models: An Introduction to Replication and Franchising*.

Debating the spectrum of replication

Overall, the research revealed a dichotomy between what was considered to be more prescriptive 'franchising', and less prescriptive social licensing agreements and collaborations. A tension also appeared to exist between a 'commercial' and 'social' approach.

Some respondents attempted to reconcile some of these tensions by aligning the appropriateness of different models of replication with the business model and social impact of the parent organisation. For example, where a more 'charity-derived' trading arm was in discussion, social licensing was seen as the better option. Some respondents also felt that a social licence may be a more flexible option over franchising, suggesting the model lent itself better to swifter action in cases of non-compliance, as a licence is easier to revoke than a franchise agreement. Supporters of this view also added that a licence agreement could make it easier for the licensor to withdraw and leave the licensed organisation as a self-sustaining entity – something which several respondents felt should be an aspiration of replication.

By contrast, social enterprises looking to replicate in consumer and corporate markets were seen to need a sound 'commercial head' and a business format-type franchise was therefore seen as best. Social franchisors argued that more prescriptive boundaries are necessary in order to protect the standards of a social enterprise and ensure the franchises abide by certain guidelines. Social franchising should use the same operational model as a commercial franchise, but with inherent social objectives. As one respondent summed up, "social franchising is a systematisation and codification of tacit knowledge held within the organisation, so that the key features of the business model are made transparent and obvious – and therefore deliverable by a third party".

It was felt that when replicating through partnership or collaboration, the relationship between the two organisations was seen to be as critical as the business model alone. For example one proponent of collaboration felt this would ideally be carried out 'in association with' another organisation that had broadly the same values as the parent organisation. In addition, using a partner organisation's existing infrastructure can build on collective strengths and enable the pooling of resources, while still having certain elements enforced by contract.

On the basis of this discussion it could be argued that having clear-cut boundaries and definitions on the various models of social replication would be desirable, particularly given how much confusion exists over the different meanings, legalities and potential ramifications of replicating for the integrity of social enterprises' brands.

However, given that social replication is still in its early stages, it may be useful for these guidelines to remain fairly open to enable social enterprises to discover what works best for them. As a few respondents who had already licensed and franchised indicated, allowing for this openness had allowed them to adopt hybrid models which worked best for their specific circumstances.

The spectrum of replication

- Three key models: franchising, licensing and collaboration
- Tension between a more commercial (often associated with franchising) and a more trust-based approach (often associated with licensing)
- Deciding which replication model to adopt may be contingent on the funding/investment streams that are available and business model being replicated
- There is a need for clearer definitions of models of replication but also need to ensure flexibility and hybrid models remain an open.

CASE STUDY PROFILES

This section outlines the profiles of the organisations studied for this research, which include those that have franchised, licensed and collaborated with others, as well as franchisees and licensees. They vary in terms of their core social/environmental values and mission, their customers and beneficiaries, sector, legal form, turnover size and geographical remit. However, the majority agreed that replication of some kind would be the most favourable way for them to grow and realise their future ambitions, whilst simultaneously fostering and securing greater financial sustainability⁵.

Social franchisors, licensors, and collaborators

All of these organisations engaged in this research have been established within the past 30 years, some in the 1970s and 1980s and others as recently as 2008. Geographically, they are spread across the UK. Their core remits are varied and include:

- catering;
- young people's services;
- health and social care;
- environmental conservation and recycling;
- training and employment creation.

The majority strongly identify as social enterprises. Two of them (Fruit to Suit and My Time) are registered CICs, while the remainder have different legal forms: Green-Works is a charitable, limited company; Unlimited Potential is a community benefit society; Hidden Art is a company limited by guarantee; and the '&Grow' organisation employs an umbrella company limited by shares structure which contains the '&Grow' franchises, which are themselves companies limited by guarantee. These differences in legal form were found to impact significantly on each organisation's scope for replicating, as will be discussed further in the enablers and barriers section.

⁵ As stated earlier, not all respondents wanted their organisations to be showcased in this research owing to the potentially commercially sensitive information divulged.

Respondents recounted decisions to replicate at different points in their journey. For example, Green-Works is a social enterprise which recycles and processes used office furniture for re-sale to small business and social enterprises. Given that this work entails collecting corporate clients' office furniture for recycling around the country, it made sense for Green-Works to franchise almost from the start, to ease logistical constraints and bring the option of environmental furniture disposal to as many businesses as possible (see Appendix case study 5). By contrast, CASA was a more recent development that evolved from Sunderland Home Care, after the latter built up a good reputation and consistent track record of delivering quality home care services in one particular location (see Appendix case study 11).

Another point of difference is the fact that the organisations have different models of income generation. Organisations with a mixed funding model include Fruit to Suit (see Appendix case study 3), which has direct contracts with individual primary schools to operate healthy eating school tuck shops. These are run by (largely lone parent) mothers, with additional income generated from sales and contracts to provide enterprise training to pupils so they can run the tuck shop themselves. Similarly, the '&Grow' umbrella social franchise, which evolved from Mow and Grow, generates income by offering innovative gardening services for vulnerable people in the community and community groups, whilst also providing life skills and accredited training for disadvantaged groups.

Other organisations have franchised models that are dependent on grant funding such as Hidden Art, which was set up to promote and support the work of designer-makers and OneWorld UK, an international charitable foundation which operates its own social licence in Africa – Mobile4Good.

Social franchisees and licensees

Two licensees and a former franchisee agreed to take part in this research. The licensees were two Green Gyms groups, including one at Sonning Common (see case study 10). The franchisee had worked for a commercial business in the home maintenance and repair sector that he perceived as having enough intrinsic social value and local embeddedness to be replicated as a social franchise; i.e. 'converted' from the commercial to a social enterprise model.

Green Gyms were conceived 11 years ago by BTCV in order to combine the benefits of outdoor exercise with conservation work and achieve a wide geographical spread of this ideal, which drove their replication model. Today, there are over 100 Green Gyms across the UK, of which 20 are unincorporated and community-run, and 14 of which are bolted onto organisations licensed to run them, with one of each featured in this research. Even though BTCV is a charity, the Green Gyms themselves take the form of 'mini-social enterprises': they are self-sustaining with trained leaders and committee members to coordinate activities, which is why they were included in this research.

The two Green Gyms licensees and the social franchisee fundamentally differ in that Green Gyms, functioning via licence agreements, have been bolted onto existing organisations; conversely, the pilot franchisee acted as an individual in taking on a social franchise in a different sector and with much more defined boundaries.

This reiterates that there is no one right way to replicate, a theme which is again picked up in the following discussion with respondents from organisations considering replication.

Social enterprises exploring the possibilities for replication

As with the existing franchisors/licensors, organisations exploring replication are concentrated in a variety of sectors and have different legal forms and governance structures. They include a members' cooperative (Bay Broadband), charities, companies limited by shares (e.g. Whole School Meals, where the majority shareholders are schools themselves), and a range of CICs (Health Exchange, Change through Partnership, Solar Learning Services).

The sectors they work in are varied and include: health; accommodation; digital inclusion; catering; landscaping; and work with young people. Roughly half are dependent on public sector contracts, with three generating some or most of their income from other markets including from other third sector organisations (CAN) or individual consumers (such as gardening and landscaping in the case of PM Training), and wholly commercial income for Caecus (please see Appendix for case study details).

All of these organisations demonstrated a strong identification with social enterprise and strong inclinations to replicate using both social franchising and social licensing. It was among this group that the dichotomy between franchising as a more prescriptive model and licensing as looser and based more on relationships of trust was most keenly felt, perhaps because these social enterprises are still considering which routes to take and so engaging more with these initial conceptual issues than those who have already replicated.

KEY RESEARCH FINDINGS

The drivers behind social replication

In considering motivations for replicating their social enterprise, many respondents felt that this is a good way for social enterprises simultaneously to grow and spread their social impact, a finding widely reported in existing literature.⁶ As one respondent put it, his organisation is considering specifically franchising firstly as a way of spreading the social innovations they are developing, and secondly as a means of generating a new, alternative income stream, providing finance which can then be reinvested into the organisation.

The ability to scale while retaining sensitivity to local context was a key motivation across the replication spectrum. For example, respondents whose organisations undertake work with schools and either have replicated, or are planning to, said that they chose replication as the best way to expand as it would keep the enterprise rooted in the local community. Furthermore, it would source local labour whose participation was part of the organisations social mission, e.g. employing lone parents. They emphasised the need for local knowledge and passion, and the assurance that the people involved had a genuine understanding of local families' and children's concerns, rather than being a detached "branch employee". As

⁶ e.g. see Volery, T. And Hackl, V. (2009) *The promise of social franchising as a model to achieve social goals*.

another respondent whose organisation is about to franchise commented, their interest in doing so “comes from our belief in local people being best placed and trusted to deliver a local service”.

Some organisations decided to replicate as a response to the external environment, whether to harness or avoid its potential limitations for social enterprise. For example, one respondent stated that her organisation is considering social franchising because health policy is changing considerably under the new Coalition Government. This, she says, is making it increasingly difficult to compete for public contracts. Franchising would therefore enable the organisation to spread its reach and access contracts in different areas.

Some respondents considering franchising believed it to be an effective tool to spread both the message and the benefits of social enterprise. This also resonated with those interested explicitly in social licensing.

Barriers to replication

Respondents at various stages of the replication process identified several factors that had initially hindered and/or continued to present a challenge to successful replication. These were particularly encountered in the case of social franchising rather than other forms of replication. While this was often seen as the most effective way of replicating, it was also perceived as the most onerous and costly. Broadly, constraints could be grouped into internal factors – relating to issues such as the relationship between franchisor and franchisee – and external factors including funders, commissioners, and the political and economic environment in which they operate.

The wrong partner: Internally, the overriding factor that was found to hinder or cause a social franchise/licence agreement to fold was deemed to be the wrong partner. In practice, this meant that the franchise/licence manager either had the wrong skills/attitudes from the start, or did not understand the purpose or nature of the enterprise as it progressed.

Internal resistance to replication: Other respondents mentioned internal ‘parochialism’ and wariness often on the part of an organisation’s board to replicate their social enterprise. The concerns were that the organisation could lose its stronghold as a local brand and that existing local ownership (and by implication, board control) would be lost or diminished.

Linked to this attitude is a sense of ‘local preciousness’ that a couple of other respondents identified from their experiences, where social enterprises may think their community and its problems are unique and therefore they should keep the enterprise local.

The challenge of attracting finance: Perhaps unsurprisingly, the majority of respondents cited the challenge of attracting finance as the main barrier to either replicating or expanding an existing replication. One respondent related this difficulty specifically to the recession – the corporate markets they operated in were slower and they faced increasing competition for funding.

Start-up funding challenges arose for all the studied social franchisors/licensors, and were particularly acute for those more reliant on grant funding. One respondent from a largely grant-

funded organisation stated that the key problem with the franchise they had successfully set up was the difficulty in generating income beyond the initial grant. The franchise had been bolted on to an existing well-established organisation which generated its own funding and start-up costs for the franchise; however, later internal restructuring owing to public sector funding cuts meant that this organisation was no longer able to support the franchise. Without a steady trading income, given its primary reliance on grant funding, this franchise therefore had to fold. This raises the question of whether franchising works for models that are more dependent on grants. This respondent concluded that looser models of replication, such as collaboration, would be more favourable in such cases.

Lack of understanding of social enterprise and 'social' replication: The biggest problem around attracting finance was the fact that social franchises were seen to fall into a 'funding black hole'. In other words, funders were perceived as reluctant to allocate grants on the basis that 'franchising' has commercial connotations. Investors, meanwhile, were perceived as suspicious of the notion of 'social' franchising and the possible implications of this for returns on investment and degrees of risk.

In other words, social enterprises may hit 'the classic social enterprise wall', as one respondent stated, whereby they cannot be seen to grow too easily, but are equally unlikely to attract the higher-risk finance which could help them set up a franchise model. The challenge of attracting finance for social replications can therefore be seen as symptomatic of a general lack of understanding of social enterprise.

Another case of funders misunderstanding the nature of social replication was when one social enterprise applied for funding to replicate in different regions. The problem arose because the same organisation's name was therefore submitted for multiple bids for the same fund. In fact, the bids were for the potential franchises of that social enterprise, i.e. actually separate organisations in different geographical areas, but the funders were unable to recognise and/or process that.

Further research would be useful here to illuminate these issues. Respondents suggested that one way of smoothing these processes may be to have a brokering mechanism to match social enterprises looking to replicate with seed funding.

Key drivers of social enterprise replication

- Spreading social objectives and innovation
- A means for social enterprises to diversify/increase income
- Allowing scale while being sensitive to, and therefore more embedded in, local context
- A pragmatic response to external market constraints
- A means of fostering partnership working and spreading the broader message of the social enterprise movement.

Discrepancy between funders' drive for innovation and commissioning/grant-giving practices: One respondent whose social enterprise had been about to receive substantial funding from a large public funder recounted how they were blocked from progressing as they had planned. In this case, the funder had recommended that the organisation focus on centrally controlled public sector contracts as a way of expanding to other areas, rather than take forward their proposed and preferred franchise model. Throughout their discussions, there was the sense that the funding body – which itself emphasised the need for innovation in its funding criteria – did not really understand social franchising and was suspicious of a 'commercial' franchise model (as it was typically understood) being allocated public funding. Therefore, although this social enterprise was open to a mixed funding/investment model, certain external factors and – crucially – a lack of understanding around social franchising, did not enable this.

Market access: A related challenge to replicating social enterprises is the perceived difficulty of breaking into public service markets. For example, the lack of consistency in local commissioning arrangements makes it difficult for social franchises to standardise practice, which several respondents viewed as a fundamental element of successful social franchising.

Perception of social enterprise as 'amateur': Other respondents raised the related argument of social enterprises that were locally rooted being perceived as 'amateur community projects,' which local commissioners (and individual consumers) would be reluctant to engage with. However, despite these considerable challenges, the situation for social replication is not all bleak. Significant inroads have clearly been made into these new models for social enterprise growth, as the next section makes clear in discussing the factors contributing to their successes.

Enabling replication: success factors

Existing social franchisors and licensors were asked about the progress of their models to date. Most stated that progress had been good, both in terms of the number of replications they had established and, crucially, in terms of the projected social impact these were having. Significantly, the process of franchising itself was felt to have increased the success of the social enterprise as a whole, because franchising helped to spread the vision and bolster the social enterprises' double, or in some cases triple, bottom line (e.g. Green-Works, which pursues environmental, social and economic benefits).

It should, however, be noted that 'success' itself was defined in different ways, notably correlating with whether the social enterprise had franchised along 'business format' or licensing lines. One observer noted that in his experience the most successful social replications have taken on the typical business franchise format. The same interviewee also commented that social franchising works well in one of two spaces: the non-state space, e.g. in retail or independent markets, or the public sector within the remit of a nationwide statutory programme, such as the Future Jobs Fund (FJF). He also suggested that social franchising is less effective when undertaken when there are large numbers of local variables and less security coming either from a tried and tested marketplace or state support.

However, those who had successfully licensed did not necessarily take the same view. They favoured a more localised approach and the possibility of social licences flexibly adapting to best suit the needs of that particular community, while remaining faithful to the mores of the brand as a whole. Social licensors perceive achieving the right balance between these two elements as the key to success.

Enablers and success factors

- The 'saleability' of the concept is most effective when it appealed both to individual consumers and/or public sector contractors
- An enabling commissioning environment
- Having an appropriate legal form that is conducive to investment
- A business model that is based on a greater percentage of income-based trading than grant funding, and has diverse income streams (e.g. a mix of public sector contracts and individual customers).

Training and support

A crucial factor in helping social enterprises decide on the model for their replications is the degree and quality of formal support received – such as business training and legal advice. Social franchisors/licensors and respondents from social enterprises considering these paths were asked about the support they had received to help them with this journey, how effective this had been, and what they felt was missing.

In particular there was found to be a lack of support and signposting for accessing finance. It emerged that financial support services should be embedded with social replication support.

Respondents from organisations still considering replication voiced concerns about the possibility of brand/reputation damage where Intellectual Property (IP) was not adequately protected. Even more experienced social franchisors or those considering setting up social franchise agencies acknowledged that there is never a 100 percent guarantee that the brand name will not be damaged, and support for managing this was felt to be lacking.

A few respondents commented that self-confidence was also important, especially at start-up stage. They commented they may have benefitted from more personalised support, such as coaching, to help them make the transition to a social enterprise and specifically a 'replication mindset'. As one interviewee commented, "I was just a teacher, not a businesswoman," recalling her low confidence in terms of networking and making contacts.

Several respondents commented that their internal capacity had been over-stretched by the demands of managing this new dimension. This suggested there may be value in a network that connects social enterprises at these early stages with quick and effective sources of pro bono support which they may otherwise be unable to access.

The degree of internal support for the replication idea at different levels of the organisation is, therefore, significant. As indicated earlier, those who felt alone in their drive to replicate, i.e. without the support of other staff or senior management/the board, faced the most challenges in terms of the personal commitment and capacity demanded of them.

Key areas of support to bolster social enterprise replication

- Greater understanding of the different replication models and legalities
- Sourcing funding for franchises and licence agreements
- Managing franchises and internal capacity
- Sector-specific implications of social franchising, eg. protocols for how health and social care social enterprise spin-outs may replicate, compared with how more grassroots arts and culture groups may do this
- Deciding the right franchise fee strategy
- Better guidance on intellectual property – what it is, why/when it is important, and how to protect it.

Relationship dynamics

This section considers how the social franchisees and licensees studied selected their replication partners and the nature of their relationship. This partner could either be an individual wanting to set up their own organisation, or an existing group, social enterprise or commercial company.

Potential social franchisees, licensees and collaborating partners were sought through a variety of channels, including trade publications, online networks (such as Working Mums, in one organisation's case) and national newspapers. Instigating organisations subsequently took them through a job interview-type process. In the case of Green Gyms, communities themselves came together and decided they wanted one, having first heard about Green Gyms via doctors' surgeries and other local organisations.

All social franchisors and licensors interviewed said their franchisees/licensees paid them a start-up and/or management fee. The arrangements varied according to the type of social enterprise, the perceived ease or difficulty of accessing start-up funds, and the degree of flexibility required by the nature of the business itself. For example, one respondent said they supported their licensees by not charging an up-front fee but instead taking a percentage of revenue once this began to be generated.

Start-up fees ranged from £2500 - £5000, with the social franchisor/licensors subsequently taking a percentage of sales revenue largely to cover management, marketing and various operating costs.

The support offered to replication partners ranged from regular 'hands-on' contact, to more sporadic communication. For example, one franchisor managing several franchises across the

country described how their franchisees are not simply given a training manual “and then let go” but are encouraged to maintain constant contact with her and ask for support. It was suggested that building such relationships with franchisees was a steep learning curve and sometimes resulted in a work overload for the management.

Quality assurance was a priority for all the social franchisors/licensors interviewed. This ranged from formal to informal assurance mechanisms, often depending on whether the agreement was a franchise, licence or collaboration. Social franchisors and licensors said they offered a comprehensive training package for their franchisees, including elements such as leadership training, internal/external communications, and any technical training required. At this point, many of the respondents emphasised the importance of setting clear expectations, both in terms of what was required of the franchisee/licensee, as well as also in terms of what the core organisation would offer them.

However, from the licensee’s perspective, it emerged that these expectations did not always match the reality; some felt they were given less support than initially suggested, while others found it difficult to conform to rigid monitoring requirements. For example, one licensee commented that they were required to complete a regular questionnaire to monitor the physical and mental progress of their group to inform the core organisation’s central dataset. These forms were found to be cumbersome and difficult to complete, and not tailored to the needs of this particular client group. They approached the licensing organisation with the request to adapt the form but were told this would not be possible. This reflects a certain tension between the benefits of local solutions on the one hand and, on the other, the need for conformity to a central model.⁷

In most cases, the relationship between the parent social enterprise and its replication partner was described as positive and conducive to furthering both the social aims and sustainability of that organisation. Some, particularly those about to franchise, had built these relationships beforehand, trading and/or delivering programmes together in some cases and thereby building up the professional trust and rapport necessary.

The overriding implication here is that, while it may be possible to ‘box’ a business and hand over the model for precise replication, it is not so easy to ‘box’ a relationship. Ultimately what is sought in a replication partner, whether this is an individual or organisation, is resonance with the parent social enterprise’s core objectives, as well as robust management and commercial skills.

⁷ It should here be acknowledged that a low number of partnered organisations and individuals (ie franchisees and licensees) were engaged as part of this research, which may offer a limited view of the replication relationship from this perspective.

Key criteria determining the eligibility of social replication partners

- Individuals/organisations who strongly relate to the principles of social enterprise
- Individuals/organisations with good local links
- Having the right skills set, knowledge and experience – a good mix of commercial and ‘social’ attributes
- Partners’ funding capacity; while this was said to be particularly important in the early stages, this is also something that parent organisations can help potential replications with, e.g. by helping them source and bid for public contracts.
- On a personal level, people with characteristics in some way resonating with those of the franchisor/licensor.

Growing the social enterprise movement – the ideal network

Very rarely did respondents know or communicate with other organisations which were either interested in or had undertaken some form of social replication. Where they did, this was usually by way of other networks they were linked with. In short, social replication is currently a highly fragmented landscape with actors who currently do not share knowledge or best practice with one another. However, the research indicates that this is largely owing to the fact that there is no dedicated space in which to do this.

The majority of interviewees said they would value the opportunity to connect with other social enterprises interested in or undertaking replication of their model, whether through franchising, licensing or other forms. However, there were variations in the preferred purpose, intensity and nature of the interaction that such a network should facilitate. Primarily, it was felt that the network should simplify the replication landscape for social enterprises and make the options as clear as possible, also signposting to available support.

The most popular option was to have an easily accessible online network where interested parties could approach one another. The point was often made that such a network should primarily be functional and tailored to commercial opportunities, rather than a ‘soft’ space for learning and discussion. A valuable network would be one that offers a functional platform for social enterprises and replication partners to find each other. Other respondents made the point that a personal dimension was important, such as having stories of individuals and successful franchises to which they could relate. Others also highlighted the importance of having a conceptual dimension where members can share ideas and inspire innovation.

In terms of who to include in this network, respondents interested in replication preferred to connect with organisations that have already gone through the process rather than, as one respondent said, consult “people with theories” about it; in particular, those who had successfully attracted finance for replicating. For their part, respondents from social franchises that had successfully raised their own loan finance or attracted other investment/funding said they were keen to share this knowledge as their contribution to growing the movement. It would also be beneficial to bring in banks and social investors, perhaps within a strategic

virtual space where social enterprises could pitch social franchising/licensing ideas to potential funders/investors.

In addition, given the importance placed on finding the right franchisee with the right values and attitudes towards profit-making, the network could also help direct franchisors to niche networks or communities where they could source the people and organisations they need. Ultimately, a network dedicated specifically to growing the social enterprise movement should not aim to 'reinvent the wheel' but, rather, be geared towards developing new models that work.

CONCLUSION AND RECOMMENDATIONS

The dominant finding throughout the research was that, if done properly, social replication is not only a beneficial way for an individual social enterprise to grow and diversify, but can also lend momentum to the social enterprise movement itself. However, it was also clear that there is a long way to go before social replication is sufficiently understood and supported for it to reach its potential.

One of the greatest challenges is that does not exist a 'one-size-fits-all' solution for social replication, given that social enterprises themselves occupy such a variety of sectors and markets, and exhibit many different financial models. However, what is clear is that if social enterprise is to fulfil its potential then more needs to be done to share outstanding practice and reach new audiences, and social replication is a important mechanism through which to do this.

At its simplest, greater clarity is required on what social replication is, the different models available, and how and when each method can be most appropriately used. Similarly, there is a great deal more to be done to ensure the external environment is open to social replication – from funders and investors, to commissioners. Alongside this, more needs to be done to create demand among the individuals and organisations that may be interested in taking on a franchise or licensed business.

At a practical level, better support is required for the organisations undertaking this journey. From helping organisations to reconcile the potential tension between the social and commercial elements of replication, to the importance of trust, support and finding the right partners. Alongside this, support is needed for protecting intellectual property and in setting appropriate fee structures.

General recommendations:

- The language of social replication needs to move beyond 'social franchising' alone and recognise the full spectrum of replication methods. This should include social licensing as well as hybrid forms of replication which contain elements of, for example, both franchising and licensing.

- Clearer parameters need to be set on what each term means, but these should not be so prescriptive as to prevent flexibility.

For social enterprises

- Organisations and individual instigating replication need to be clear on their motivations. This is essential for both determining if the organisation has the necessary skills and capacity to successfully replicate; which method of replication is best suited to them; whether this is in keeping with the organisation's mission; and to ensure that potential funders clearly understand the plans.
- Finding the right people and/or organisations to partner with is a crucial element in successful replication. This is a particularly crucial point as trust is such a critical success factor. As much time should be invested in nurturing this as in deciding the operational processes of the replication.
- It is important that social enterprises understand what IP they have; what they can do with this and how they can go about protecting it.

For support organisations and policy makers

- A seed funding agency specifically for social replication could be immensely beneficial. This could also offer intensive start-up support on a case-by-case basis and insight into legalities, IP, financial models and replication management strategies.
- A brokering service for replicating organisations and those interested in becoming partners could significantly aid the process of finding the right relationship and ensuring both parties know the other brings the right mix of 'social' and 'commercial' attributes. A less formal peer support network could monitor and comment on this brokering service, and provide ad hoc advice to members.

For investors

- The role of funders and investors is crucial and needs to be highlighted both in policy and practice. Funders need to be educated in social replication and its fundamental aims of spreading social objectives and innovative practices to achieve these, as well as a means for social enterprises to diversify and increase their income as a way of feeding into these aims.

For commissioners

- The role of commissioners is also important given the importance of public service markets to social enterprises. For this reason, commissioners themselves need further support in understanding the benefits of a social franchise undertaking the delivery of public services, ie. removing the need to constantly reinvest the wheel. This will become particularly pertinent as the public spending cuts deepen and previously grant-dependent organisations, such as charities, look to become increasingly entrepreneurial. Such organisations may benefit from a ready-made social enterprise model that has inbuilt scope for replication.

APPENDIX: SELECTED CASE STUDIES⁸

1. Bay Broadband

Bay Broadband (BB) is a community-led and run social enterprise providing affordable broadband services to a rural community (of around 600 homes). BB is run by volunteers (with some paid technical support) and is run as a cooperative, with each member owing a part of it, which entitles them to a vote. This also means that there is much expertise spread across the membership itself, meaning that there are always resources on hand to draw on to help with the enterprise, e.g. from technical aspects such as setting up the aerial to software skills.

BB charges members £5 per month for its services and currently makes an annual profit of £5k, which goes towards paying for monthly technical support and an annual village barbecue and Christmas party for the village – ‘it holds the community together’. The enterprise itself is run on an informal basis, with the volunteer directors meeting weekly to discuss any issues and hold surgeries with members (of whom they have over 100). BB creates its own publicity as all members who join receive regular emails and help spread the word. They also rewarded the first 20 members to come on board with free broadband as an incentive.

The set up costs range from £2-8k depending on the size of the area, and within that remit can provide a broadband connection for hundreds of people very cheaply. This also means they undercut the bigger players, such as BT, and make a profit. The model is an easy one to set up as there are no planning restrictions on it – it is simply a question of sending out the broadband wireless signal and seeing who picks up on it.

The respondent emphasised that the BB model should not be restricted to rural communities alone and could be extremely viable in urban areas given the higher density of the population and the possibility of even smaller social enterprises broadcasting from their roof and then encouraging members to join up when they receive the signal as the costs are low. In turn, the broadband income could boost the financial sustainability of the social enterprise as a whole.

However, the respondent also conceded that not all organisations (especially smaller community groups or social enterprises) would have the time or staff resources necessary to set this up, as it would require some technical training and new equipment being purchased (although newer versions of the latter are now available online, potentially easing this part of the process). The fact that the individuals running it would not be able to make a living from it alone may be another factor, although the enterprise could be a modest income generator and a very good addition to an existing social enterprise.

⁸ Some respondents whose organisations' replication journeys were used to inform this research did not want these to be used as case studies owing to the commercially confidential information divulged, and as such have not been included here. The case studies that have been included have been edited for sensitive information.

2. CAN

CAN was set up in 1998 as a charity and had a strong entrepreneurial strand from the start, with all revenue being in direct pursuit of charitable objectives. Its core mission is to provide affordable office space for third sector/social enterprises and, using these 'Mezzanines' as a hub to create communities of social interest where collaboration and innovation can occur.

CAN Engage is another element, 'matchmaking' corporate HR staff with charities or social enterprises in need of support in this area. The HR staff team are assessed as part of their formal organisational training, which motivates them to give the best of their efforts to what is essentially a pro bono exercise.

CAN operates in two sectors: corporate relationships/training and the office property market. Currently there are three CAN Mezzanines housing 125 organisations and 1,000 people in London, with a turnover of £4m and 16 CAN employees. Approximately 86 per cent of income comes from rents and contracts, and the remainder from grants, although 97 per cent in total could be seen as traded income depending on the boundaries drawn. The respondent identified CAN today as both a charity and social enterprise.

The main advertising channel for CAN is word of mouth, as 60-70 per cent of existing organisations who rent from them tell others about CAN. Exhibition stands and sponsorship at events are other means; they also advertise via their website and press coverage, and have had adverts in the underground.

The future ambition is to grow through the core sphere of CAN's operation, i.e. by planting Mezzanines around the country (see below). CAN is also involved in the social investment area. In the same way that it is leveraging corporate skills through CAN Engage, CAN Invest is leveraging corporate funding through its Breakthrough programme with a private equity organisation to help social enterprises scale up and providing them with management support.

In terms of CAN itself franchising out, one of the major drivers behind this is the local market knowledge and promotion/strategic relationships this would enable, rather than CAN building this up from a distance and then 'parachuting in' with no local connections or skills base. The franchising model therefore allows a process of collaboration and co-production to take place which ultimately embeds the social franchise within the community as it is owned by the local entrepreneur.

The respondent emphasised that a real franchise, while providing a rigorous operations manual and brand identity to the franchisee, is not dictatorial but rather ensures that the franchisee delivers on the good reputation of the business. Such a model also ensures there are strong communication channels whereby franchisees are enabled to disseminate good practice to move other social franchises forward.

3. Fruit to Suit

Fruit to Suit was established four years ago, its founder having perceived the need (working as a teacher at the time) for healthy snacks in the (inner city, primary) school tuck shop. She started trialling healthy snacks and found them to be hugely popular with the children; so she set up a healthy tuck shop, and then another – and from there the franchise spread.

Alongside the healthy eating aspect, she also developed business and enterprise training for school pupils themselves, so that they can take over the management and running of the tuck shops, with a supervising adult (i.e. the franchisee) to help. The training is done once yearly with evaluations conducted with the children every term thereafter.

Today, the founder has numerous franchises across the UK. She is the central point of contacts for franchisees and currently does this herself, with no additional staff support. She is based in the Wirral (North West) and her franchises are UK-wide (eg one in Liverpool, two in Essex, one in South Wales, one in South London and one in South Shields, among others).

While the schools own the tuck shops themselves, Fruit to Suit's franchisees supply the materials, ie the healthy snacks, and the business and enterprise training. The respondent stated that Fruit to Suit is a social enterprise and a registered CIC, although she is unsure about the legal format of the franchisees themselves, and whether they can be defined as individual social enterprises. In terms of the sector that Fruit to Suit works in, the CIC is registered under the catering remit, although it could also be seen as part of the education sector given the business and enterprise training they offer.

Fruit to Suit was not affected by the recession as the healthy snacks provided are very cheap, so parents could afford to give children money for them.

In the future, the founder hopes to widen the scope of the franchises by boosting the business and enterprise training element; currently this is done with primary school pupils and she hopes to move this into secondary schools, with the first one upcoming. She commented that this is a core, unique element of Fruit to Suit as essentially children are taught to run operational businesses – a model she has not seen so far.

The interest in franchising emerged from the respondent wanting to spread her idea in such a way that people, who were actually local to the school and who could pay personal attention to the children there, were involved. She did not want to employ people to work in different branches as they might not have the same local knowledge and passion needed to connect with Fruit to Suit's agenda – she wanted new businesspeople who were passionate and motivated in their own right and came to her with this 'fire'.

What makes the franchises 'social' to her is the fact that all the franchisees have the same passions and are committed to encouraging healthy eating among schoolchildren, and giving pupils themselves the tools for running their own enterprises. In addition, she also wants to encourage children's awareness of social enterprise from an early age. She did not consider commercial models when she started to franchise.

Franchisees pay her a start-up fee of £2,500 and thereafter pay her 4 per cent of sales. This covers the resources and food supplies she gives them and brings in a bit of extra income, but the accumulation is proving gradual.

The respondent is in regular contact with her franchisees throughout the year (by phone/email as they work from home/school) and they all meet every six months. She emphasised that her franchisees are not just given a training manual 'and then let go' but that they are encouraged to maintain constant contact with her and ask for support.

Franchising will help Fruit to Suit's financial sustainability as it will build a baseline and carve/establish new ways of engaging schools and potentially charging more for their business and enterprise training (which was initially free but owing to high demand they were able to charge for it). The respondent also commented that having these financial objectives in mind will not compromise their social goals – crucially, the balance will be maintained as long as they have the right franchisees on board.

The social impact of Fruit to Suit has not yet been measured but they are developing a questionnaire for parents to establish if/how many children are asking parents at home for the healthy products that Fruit to Suit provides in school. This will be one way of assessing how children's awareness and uptake of healthy food has progressed.

4. Green Gyms

Run under the auspices of the BTCV (British Trust for Conservation Volunteers), a national charity with a trading arm, Green Gyms were conceived 11 years ago by BTCV in conjunction with Dr William Bird, who recognised the benefits of people exercising outdoors by doing conservation work. Today, there are Green Gyms across the UK, operating in many different open spaces where local people can be connected to nature through physical activity, eg in urban parks, in clearing and rejuvenating land on housing estates, maintaining allotments, etc. Aside from physical health and environmental advantages, knock-on benefits include increased self-esteem, countered isolation that can occur as a result of particular medical conditions, and a sense of pride and achievement in one's local area on seeing the results of Green Gym's work.

Dr Bird partnered with BTCV as they already had active conservation groups in place as well as the staff skills and resources to take this further and operationalise the Green Gym concept. Today, there are over 100 Green Gyms operating, of which 20 are community-run Green Gyms, and 14 organisations are licensed to run them. They are mainly concentrated in urban areas and would fit under the remit of the health and environment sectors.

The community groups take the form of 'mini-social enterprises', although they tend to be unincorporated and are all volunteer-led, with income below the registration threshold of £6,000. The volunteers vary widely in terms of personal circumstance, health condition, age, employment status, nationality, etc. The main idea behind the community groups is that they should be self-sustaining, with trained leaders and committee members to coordinate activities.

To enable Green Gyms, BTCV work in partnership with organisations in the health sector, such as PCTs wanting to refer their patients to join a group. In this case, the PCT would purchase a licence from BTCV to run a Green Gym locally. The licence identifies basic core competences and criteria that a Green Gym needs to meet while still providing sufficient operational flexibility to suit local circumstances (rather than more prescriptive franchise agreement). Other partners include Local Authorities (LAs) and housing associations, eg a housing estate might talk to its local council about improving its open space, and BTCV would be brought in to help, bringing the Green Gyms idea with it.

BTCV's head office is based in Doncaster. Since its inception the Green Gym concept has attracted significant national media attention and continues to attract far more media coverage than any other BTCV brand. In addition to working in partnership with PCTs, LAs and established community organisations to develop new Green Gyms interested volunteers can approach BTCV for help with setting one up.

The reason that licensing was seen as a good model for Green Gyms was largely due to the financial considerations. If Green Gyms were all managed centrally as branches, BTCV would need many more staff to do this and it would logistically be very difficult to coordinate as community group interest has tended to 'mushroom up' all over the country. The other aspect is the emphasis on Green Gyms being self-sustaining and owned by the local community groups themselves – rather than being 'swallowed' by a sprawling social enterprise. This also

means the groups are independent, able to run themselves and consequently generate a higher sense of achievement for those involved, thus reinforcing a core aim of the Green Gym concept. As the respondent commented, BTCV is the 'midwife' of the community groups rather than 'having the babies itself' – the people at the grassroots are the ones who breathe life into the idea.

Ultimately, the idea behind the community group Green Gyms is that they 'come up from the ground', ie emerge when people in a community decide they want to create one. BTCV then supports the group (typically 6-12 people, usually not more than 20) in acquiring funding for start-up costs and the Green Gym licence (e.g. signposting them to their local grant-making trust and showing them how to write an application). BTCV also helps with overheads such as tools, newsletters and storage space, as well as providing a 2-day accredited leadership training to the selected coordinator to ensure that each of the groups meet the standards expected of them when they carry the Green Gym logo. Once established, many of the community Green Gyms cover their costs by making a small charge to the landowner for whom they are undertaking the environmental work. Licensees then gain access to the UK-wide Green Gyms network and can share knowledge and experience, and there is also a helpline for them to call.

While the community groups and licence-holder organisations pay a modest fee to BTCV to have the Green Gym logo and support, this is used solely to cover costs rather than generate profit for BTCV (which is a charity). Licences then give the leaders of each community group the right to use the registered name.

Licensees – ie leaders of the community groups – are selected according to whether they have enough time to devote to organising the activities and if they have chosen a suitable location for them. After this, BTCV gives them the support and training they need, including an information pack that clearly outlines what they get and what their commitments are. This way, 'no-one is startled' – clear expectations from the start are important. In any case, the organisations holding licences are those who have established contacts with BTCV.

The respondent felt that the licensing model of Green Gyms complements the core activities of BTCV and maintains their sustainability while also ensuring that the internal capacity for running the franchise model is not overburdened. Financial sustainability is very much down to the groups themselves as they need to generate sufficient income to cover their running costs. Often this can be as little as a few hundred pounds a year.

So far, none of the Community Green Gyms set up have folded and, given that they operate at a fairly concentrated local scale, they have a reasonably good impact. Their success is also owing to the intensive support given to them on start-up and the knowledge that they can set up safely in terms of working practices, as by now it is a well tried and tested model. In addition, the fact that the group volunteers are not committing any of their own money to it also helps maintain their accessibility to all.

5. Green-Works

Green-Works (GW) was set up in 2000 with the original aim to divert waste from landfill, specifically the collection of office furniture which could then be sold at low cost to small businesses, charities and social enterprises. Initially GW started with small contracts to clear offices, its breakthrough coming with a major contract with an international bank to remove their office furniture (including 8,000 workstations) when they moved out of the City and into Canary Wharf.

Subsequently, GW went to market to big banks and corporate organisations, giving them a very green option for disposing of their furniture and managing 0.5million tonnes of waste in their first year. They charge their corporate clients for clearing furniture and for transporting it to GW's nearest depot. The respondent emphasised that they do not sell the furniture on to trade, as their corporate clients are giving them business precisely because of where the furniture ends up, i.e. with charities and social enterprises. This gives these contracts a social edge and fits well within their Corporate Social Responsibility agendas, unlike other removal competitors. GW's founder and CEO, Colin Crook, is also on the board of London Community Resource Network and has links with other social enterprises with whom they can trade.

The social enterprise aspect of GW (alongside its environmental one) is contained within its workforce, of whom a large number are volunteers, long-term unemployed people, ex-offenders and from other disadvantaged groups. GW works closely with job centres, prisons and other services to recruit people and give them basic skills and paid training/part-time employment (eg in saw and forklift training, retail, etc). They have also recruited 50 people via the FJF.

GW is a charitable, limited company and holds the Social Enterprise Mark. Respondent Colin already had a background in recycling businesses. He worked in partnership with the social enterprise First Fruits in Silvertown when GW officially started, and the first franchise was established there. John joined GW to help boost business outputs and bring greater commerciality and therefore sustainability to GW. At their peak, GW had a turnover of £2.4million; currently this is £1m. They employ 57 staff full- and part-time.

GW today has a broad geographical remit owing to its several franchises across the UK, ranging from Scotland to Bristol. These run largely as bolt-on businesses with various partner organisations, including charities and other social enterprises. The respondent emphasised that while their preference is to partner with other social enterprises, they also need to consider their financial sustainability, which smaller social enterprises may not have the capacity or scope to maintain.

GW franchised within the first 2-3 years of trading, the reason being largely logistical as GW's corporate clients have branches across the UK. Having local GW plants to do this therefore greatly reduces this cost and makes the service much more favourable for clients. Ultimately GW's aim is to have a franchise less than 100 miles from each major client office.

In terms of the support GW itself gives to its franchisees, they recognise the difficulty of accessing the lump start-up sum required up front (eg for staff, storage, etc) and so encourage

their franchisees to pay in quarterly cycles. GW also gives them training in the core skills and knowledge necessary to run the business, as well as marketing support (eg contacting the local press) and helping them build their stakeholder base, eg by buying local databases of small and medium enterprises to then target and raise awareness of the franchise's service. GW has also produced a handbook and a website that all franchise partners can access. The franchises themselves do not need complex machinery as their furniture processing is largely cosmetic – the GW headquarters in Wembley is the only site that does actual re-manufacturing.

GW's franchise model is typically one where the legal agreement with the franchisees is a bolt-on to their existing business/charity. They pay a fee for the GW logo and tonnage from clients, which GW headquarters sources, and then the franchisees just process the furniture. The franchise fee is used to pay GW sales people on the road who find the corporate leads to arrange contracts for the franchises, and also for marketing costs.

Franchisees are selected following several meetings, all the mutual due diligence, and 'poring over the franchise agreement'. Often GW meets potential franchisees at the Furniture Re-use Network conference and gains further contacts from there. So far, the respondent commented, they have had a good relationship with their franchisees, one that is businesslike and helpful, in the sense that GW proactively wants the franchises to attain the same level of success it has. They tend to be in contact a few times a month, with regular monthly quality assurance conducted on the franchises to ensure they are complying with the terms of the agreement, with clear expectations laid out from the start – a key to avoiding conflict.

Some of GW's franchises did not work out, largely owing to the external factor of there simply not being a constant enough stream of furniture to process, meaning that the franchise did not have a consistent income. The respondent emphasised that this was always the major challenge for social enterprises – sustainability, different to profitability – and is really tough to achieve. For this reason, he stressed that social enterprises, including their franchises, must base all financial decisions on a commercial model.

However, he argued that this complements rather than compromises the integrity of the core social objectives. Franchising has significantly spread GW's social vision and has bolstered its financial viability. They measure the success of GW's franchises according to a triple bottom line – environmental, social and economic. So far, the franchises have largely proved sustainable, taking on many staff and diverting substantial amounts of waste from landfill.

6. Health Exchange

The Health Exchange (HE) was set up in 2005 in Birmingham, following a group from the local PCT and Local Authority believing in a better model of promoting lifestyle choice and behavioural health changes than the one then in place. They saw the need to move from exhortation, eg 'stop smoking because it kills', to more of a dialogue/exchange process where information is mediated to people in such a way that it belongs to them and locates them at the centre of it rather than being imposed 'from above'. Over time, this group extracted itself from the PCT to become the standalone entity of HE, which is registered as a CLG/CIC and strongly identifies as a social enterprise.

The core mission is to disseminate the tools for behavioural change/health promotion and help people make these changes when they are ready. HE provides online support and training to engage people in this dialogue about change; the respondent emphasised that they do not use the NHS logo deliberately in order to highlight their separation from the 'old' health promotion approach to better engage those who do not trust the NHS.

HE advertises its services through various channels; for example, it is co-located with other community organisations, e.g. an Afro-Caribbean and Somali organisation, and can put up banners and other publicity on their walls as well as reach out through their networks. Graham emphasised that this 'clustering' approach is a very effective way of getting known by a wider audience. They also advertise in GPs' surgeries, pharmacies and Primary Care Centres.

HE currently has a turnover of £2.8m and 72 employees, of whom 40-odd are working on contract. They do not generate large surpluses owing to their scrutiny by the commissioners (board trustees).

In terms of their funding model, most of their income comes from contracts/commissions to deliver their services, e.g. they are commissioned by the PCT in Birmingham and also get money from the health and well being LSP, and a grant from the SE investment fund for scaling up. They are currently seeking funds to assist with creating a volunteer base.

The interest in franchising HE also comes from the belief in local people being best placed and trusted to deliver a local service; for example, the founder would not have the same level of local knowledge for other areas, as he has for Birmingham, that would be crucial to franchising.

Once the licence agreements/franchises are established, the respondent envisages that they will pay HE a small fee to cover overhead and support costs, e.g. help with winning contracts, with HE taking a small percentage of the money awarded in those cases.

Franchise partners (established organisations rather than individuals) are chosen by HE working with them first, trading with each other and delivering programmes together before establishing that they could move a step further and do business together. The respondent emphasised that this was not a quick process and was necessary to protect the integrity of the brand and its values.

7. Hidden Art

Set up 20 years ago, Hidden Art (HA) is a not-for-profit organisation that exists to promote and support designer-makers in various crafts, including jewellery, furniture, ceramics and fashion among others. It provides marketing and business support to people interested in becoming designers and setting up their own ventures, and enables them to showcase their designs at relevant events and exhibitions (eg art fairs).

HA advertises its services largely by word of mouth and also through its presence in art/design colleges and via its website. People pay to become members of HA, with different levels of involvement according to a fee scale (London-based members also receive additional benefits). All members are eligible to attend HA's support programme and can apply to be showcased at events.

While HA identifies as a social enterprise given the nature of its activities and reinvestment of all profits into the community, the respondent emphasised that it is based on a mixed funding model, with grant funding (eg from the European Regeneration Fund) contributing a significant proportion alongside traded income. The latter is drawn from items sold via HA's e-shop, membership fees and events tickets. Currently the turnover is between £500-700k; the organisation employs eight members of staff and also has a work placement scheme for volunteers.

The profile of the people HA engages varies widely and includes 60 per cent women/business run by women, 20 per cent non-UK residents, 15 per cent people with disabilities (commonly dyslexia), and varying ages, from college graduates to over-50s looking for new avenues having been made redundant during the recession. The main focus of HA is how to boost their marketing and branding strategies, and to enable them to run their businesses more efficiently.

HA set up a franchise in Cornwall in 2005, which stopped operating in 2008, largely owing to the external challenge of attracting finance (see below). HA's strategy for the future is to focus on collaborations and working in association with partners rather than entering into formal franchise agreements. Key challenges to this include HA's limited internal capacity to implement growth and comprehensively evaluate the impact of collaborations.

HA sought advice from a commercial franchise lawyer on how to get the right person on board for their franchise and they also attended a (commercial) franchising fair. When HA Cornwall was established, HA supported it by sourcing funding bids on their behalf and securing contracts, for which the franchise then provided outputs.

HA advertised in the Guardian for franchisees and was approached by University College Falmouth (UCF) in Cornwall, given the high number of designers in the area in need of this service. They set up a franchise agreement with formal guidelines in place and the university then recruited a manager and support worker to run the franchise on a day-to-day basis, based in the business support section of the university. HA then integrated HA Cornwall on its website to give them that support.

A key criterion for selecting this franchisee was an understanding of HA's principles and processes. HA charged the UCF a franchise fee but this was subsidised by a Phoenix Fund grant. Subsequently, the franchise relied on events and membership fees for its income, alongside further grants facilitated by the university.

The key problem with the Cornwall HA franchise was the difficulty in generating income. While the university funded the start-up costs and employed the individuals to run the franchise, the department that hosted them merged with another owing to their own funding constraints and HA was no longer a priority partner. Without a steady income, the franchise had to fold and its members were given the option of moving to HA UK membership, as this would still give them the visibility that was a key element of the franchise. This centrality of funding raises the question of whether franchising works for a model like HA's, which is more dependent on grants than able to generate its own income.

However, HA continued their operations in Cornwall by partnering with another organisation to hold the Cornwall Design Fair, which had been a major output of the franchise. The collaboration has proved successful as the partner organisation already had its own infrastructure in place and so did not necessitate further funding; this also helped with resources as all the systems were in place so HA did not have to invest their own time/staff in setting up the fair.

Given this experience, HA have decided to simplify their growth model and put the emphasis on collaborations. These are also more favourable during economic downturns as they do not involve complicated structures or financial obligations, but can essentially deliver the same services. For example, working in association with its partner organisation means that the latter hosts the fair but benefits from using HA's logo in association. Thus the collaboration builds on everyone's strengths and enables the pooling of resources, in contrast to a more rigid franchise agreement, while still having certain elements enforced by contract (eg appropriate use of the HA brand).

8. OneWorld UK

OneWorld UK (OWUK) is part of an international foundation, a registered charity aiming to promote global justice and empower communities through the provision and use of ICT. OWUK is a limited, not-for-profit company and is part of the OneWorld Network with 12 centres across the world.

While encompassing several projects (such as the 'One Climate' project and the phone based Lifelines for farmers in India), OneWorld has also worked on social franchising models, notably a project addressing unemployment using mobile phone technology – 'Mobile for Good' (M4G). The project used mobile phones as a portal to connect people seeking employment with potential employers in Kenya (in Africa), whereby job seekers and employers alike subscribe to the service for a nominal fee, which allows them a certain number of text messages each week, and which they receive with details of specific jobs/prospective candidates.

This has essentially enabled a direct job platform to a ready workforce with no need for intermediaries. The project was funded by Vodafone and Accenture, and eventually handed over entirely to a local social entrepreneur, becoming a standalone business model in its own right. OneWorld advertised the service through direct marketing to local businesses and via word of mouth for the workforce.

The vision for the future is to replicate the model across Africa, where mobile phones are ubiquitous and where this would create vital links to foster employment. One challenge that has arisen is that of working in low-income countries where it is difficult to source the significant start-up finance necessary for this enterprise.

The reason that social licensing was seen to be a viable option for M4G is that it is highly targeted to the locality and so resonates well with the population. The respondent emphasised that this was a business like any other but that, given the necessary sensitivity to the local context, may not end up being exactly the same product everywhere – especially if they need to pitch to a different segment of the working population.

While the onus is on the local social entrepreneur to find the start-up finance, Vodafone initially grant-funded the project, and OneWorld can offset the costs to an extent by offering comprehensive, pro-bono marketing, business and project management support to the entrepreneur. OneWorld can also help them pitch to investors and write grant applications.

The structure of the relationship is such that franchisees sign a licence agreement with OneWorld, stating clearly what each party gets (e.g. the M4G logo for licensees) and how the revenue is shared. Given that income generation is initially difficult as it is still a new model they're rolling out, OneWorld will usually not charge franchisees an upfront fee but have a revenue share model once money starts coming in.

In terms of selecting franchisees, these could either be individuals or existing organisations wishing to set up M4G as a bolt-on business. To source franchisees, OneWorld advertised in the national daily newspaper in Tanzania, Kenya, Nigeria and Cameroon. They also held a job interview process, vetting candidates on the basis of their capability to run a business, their

motivations for wanting to own the licence, and the availability of any funds to help get them started.

In terms of maintaining the integrity of the core social objectives, the respondent commented that this depends very much on the people running the franchise, emphasising the importance of the initial franchisee screening process. In Kenya too, the entrepreneur himself who took over the franchise instigated a quality assurance process to ensure the social objectives were always on track and that sufficient checks and balances were built in to help evaluate the project and so inform others.

9. PM Training

PM Training was established over 20 years ago as a family business, with a focus on training and employment preparation for disadvantaged young people and families with a history of worklessness, in the fields of landscaping, maintenance and gardening services. Around 12 years ago, they won a contract with their Local Authority (LA), Stoke-on-Trent (they operate across North Staffordshire), to maintain the gardens for the city's council tenants. To undertake this, they set up different teams to do the gardening for different groups of people, including the elderly and those with a disability, and expanded their remit into painting and decorating. Since then, they have experienced slow but steady growth over the past ten years.

In 2008, the family business was sold to the registered social landlord (RSL) Aspire Housing and set up as a social enterprise; the respondent commented that while its core social objectives had always been in place, the difference now was that there were no longer private family shareholders but that profits would be reinvested back into the enterprise.

Today, the two main elements of PM Training are: to direct services provided to housing organisations, such as gardening, painting and decorating, estate management, etc, and keep this delivery linked to the way in which an RSL manages stock; and also to offer a work programme to low-qualified young people where they can train and prepare for employment or a further apprenticeship, with a supervisor/mentor to every 4/5 young people.

The young people typically spend six months on a programme (there are 37 different teams), comprising up to 30 hours a week, during which they are trained in an OFSTED-approved learning environment. In this sense, PM Training can be seen as an alternative education provider, whereby 16/17-year old students are eligible to receive an Education Maintenance Allowance and also receive an additional £10 weekly incentive to attend regularly. The respondent emphasised that while this is a tough learning environment with firm rules and boundaries (e.g. to do with time-keeping and attitude), they also have an embedded understanding of why young people do not always conform to rules and very rarely close the door to anyone.

PM Training also offers opportunities for more skilled work training and takes on some paid apprentices (at minimum wage, some of which PM Training have received funding for, e.g. from the then-Learning and Skills Council for construction apprenticeships), for vocations such as bricklaying, landscaping, metal/wood work and boundary wall making for regeneration projects.

Trainees can progress to working on vans and in a team on actual contracts, which is often when they really start to address some of their issues and areas of weakness to work on (eg basic literacy and numeracy, which PM Training also helps them with). When trainees are ready for an apprenticeship (elsewhere) or indeed employment, PM Training can put them in touch with one of 300 employers they have partnered with for matching purposes. So they may get offered a 4-6 week initial place, and if the employer likes them this may develop into a 1-2 year apprenticeship, after which they are in a much stronger position to enter the labour market.

The respondent stated that they are very proud of their 'positive progression route' – nearly 70 per cent of their trainees move into apprenticeships, which is a major achievement given the difficult home backgrounds they tend to come from. PM Training receives a one-off sum for every trainee that goes into a trainee or apprenticeship. Currently their turnover includes £2.4m per annum of traded income within an overall c.£4.2m, making it c.57 per cent of income.

They are currently thinking of growing through social franchising, a model where at its heart young people learn what the world of work is like. However, they are still considering if this would be a favourable path, also partly because they have recently undergone a huge expansion process since being acquired by Aspire. While their whole ethos centres on their social aims, they also need sufficient funding to deliver them. When PM Training became a social enterprise, the family business' profile was traded off to deliver more social aims. The implications of this for social franchising are therefore that it would also need to extend the social impact over a wider area to maintain this ethos.

As a way of mitigating some of the potential pitfalls, they might initially take out a social licence and use it as a pilot for future franchising potential. Overall, the respondent feels that social franchising is not an easy thing to do, given the prescriptive 'business in a box' boundaries that it entails. Moreover, there is also the risk that it might actually compromise the integrity of the core social objectives, as PM Training is built on a long history of people in the organisation working together rather than being fragmented.

10. Green Gyms licensee 1

This GG was set up in partnership with a Health Centre as its arm's length group that patients could be referred to. The group had a paid organiser (by BTCV) to begin with who stayed on until the volunteers themselves were able to take over; they now have a rota of members who take the lead each week.

Currently the group work (one or) two mornings a week on different sites. It is one of the biggest GGs in the country and one of its most successful, in the sense that they have a substantial number of members (roughly 35 in total with 18 regularly active ones) and are active on a range of sites including those run by the National Trust, schools, commons and wooded areas among others. The group operates on these sites within a 15-mile radius, undertaking activities such as felling trees and clearing footpaths.

The group does not formally advertise their services but rely on word of mouth. Usually site owners (many of whom are now 'regulars') approach them and the group decide if the project is feasible. Decisions are made by the group as a whole through quarterly planning meetings as well as the AGM; the respondent emphasised their democratic governance. The group charges site owners £30 per 3-hour session in order to cover costs such as tools and internal newsletters, making the service extremely good value.

BTCV visit this GG and also require that a risk assessment is carried out on every site prior to starting work. BTCV have also supported them by giving the initial organiser leadership training. Overall, the group's relationship with BTCV is fairly distant; while they come under their umbrella, they are not really in regular contact, which is working out well.

The group have not found it a problem balancing their exercise, financial and social/environmental objectives, eg they make up to £60 a week which is enough to cover costs, and also make a tangible difference to the sites they work on. The respondent attributed the group's success to a number of factors, including: a critical mass of a varied group of people (from professionals to housewives) who get on very well together, have a sense of humour and enjoy the work they do – meaning the group has a social function as well as a health/environmental one; and efficient session leaders who keep the group to task. Timing is also important, in the sense that there is currently a topical interest in health and exercise.

11. Sunderland Home Care

Sunderland Home Care (SHC) was started in the 1970s originally as a group of women getting together in a coop to run a nursery, called 'little women'. This had not only community benefits but also the effect of boosting the women's self esteem, so the founder decided to take it further and in 1980 established a home care coop – 'little women home help services'. This was targeted specifically to help people who couldn't otherwise access these services from their local authority (LA), and was also a response to the 1980s' 'care in the community agenda' where LAs were mandated to outsource these services – so a workers' coop delivering them could be seen as the ideal solution.

This developed into the larger SCH when, in the 1990s, they were awarded a major contract to deliver 450 hours of these services per week. For this purpose, SCH took on 20 long-term unemployed people and trainers to supervise them. The Board, elected by the workforce, wanted to grow bigger and so diversified into other areas, including academic support for disabled students at Sunderland University, and the Independent Futures partnership between health and adult learning services. Home care is still the core business.

SCH is based in South Tyneside and employs 360 people. It is employee-owned, giving workers a free share in the business. SHC has a turnover of £3.5m and plans to keep growing via the umbrella social franchising unit it set up. In 2004, SCH decided to replicate the model. As they value the people they work for and with, and take their ideas from them first, they set up 'Care and Share Associates' (CASA) to be an umbrella replication unit for the health and social care sector. They set up their first franchise in North Tyneside, followed by Newcastle, Manchester, and then Halifax, with another being tendered for in Knowsley.

The reason that SCH decided to venture down the franchising route was the consideration that people in different areas have different needs, and that those especially in economically hard-pressed communities with a low skills base need tailored training and support. CASA provides this, giving local ownership of the franchise while also providing them with training, financial infrastructure, tendering support, policies and procedures, HR management and of course use of the CASA brand – all contained within a comprehensive operations manual.

CASA's franchises are funded through a mix of grants and loans (see above); after these are secured, their offices are set up and a manager found (whom they advertise for locally). In terms of the support that SHC itself had in establishing CASA and thereafter managing the franchises, the respondent said they largely relied on the skills and experience of the four SHC directors, which has significantly affected their internal capacity as they are very busy writing tenders for the franchises and generally providing support.

Their partners tend to be other organisations which then hire individuals to run the business, rather than individuals setting up franchises themselves, as these organisations are better able to provide the necessary support and have the infrastructure already in place. Organisations are selected on the basis of being employee-owned and being able to deliver the service to SHC's standard. They are charged a licence fee which goes towards facilitating CASA, which in turn acts as a quality controller to ensure the standards are being met. The respondent emphasised the importance of having the right franchise manager in place, in

terms of their skills, knowledge and experience, and also that they live near the franchise itself. She said that CASA have a very good relationship with their franchisees.

CASA franchises have so far proven successful in terms of delivering their mission and also in terms of the quality of life for staff, evidenced by low staff turnover and high levels of commitment. The respondent also feels that they are helping to boost their core social aim by spreading them out and speeding up the democratising process throughout the home care industry. Particular success factors include the fact that they have a sound model and good people working for them.

12. Whole School Meals

Set up in 2006 in response to the founder's (a school governor) recognition of the poor quality of food in schools being delivered by a private contractor, Whole School Meals (WSM) aims to provide nutritious, locally sourced and tasty alternatives to children.

The opportunity arose to establish this when contracting arrangements in Kent changed; previously, schools had been grouped together for catering services, meaning that only a big contractor could usually deliver these. However, in 2006, Kent county council divided this group into much smaller school clusters, making the contracts to deliver services in those schools much more accessible to smaller players.

WSM was created and won their first contract for a 21-school cluster. WSM was set up as a CLS with two types of share, one for the directors and one which may only be owned by schools, the latter comprising 75 per cent of overall equity and shareholder voting power. 25 per cent of shares have been issued to directors in recognition of the time and effort they have put in entirely voluntarily thus far. WSM employs 65 catering staff and a paid operations manager.

The respondent strongly identifies WSM as a social enterprise, especially given their track record of trading (for the past four years) and relying primarily on this income. Initially, they had to borrow some money to get them started (eg with the help of a social loan). While they had losses in their first two years, they broke even in their third. WSM also have contracts in two independent schools in Dover and Folkestone, but not as franchises. Currently they get 90 per cent of their income from trading activities and 10 per cent from grant funding (see below). They also receive the standard £70k food quality subsidy from Kent council that goes to every contractor in the area.

The respondent commented that school meals can clearly be a profitable business, evidenced by the many large private contractors undertaking them (such as Rentokil). As a social enterprise, WSM can use this profitability to grow and give profits to their school shareholders and also apply them to activities within the local community, rather than large corporates delivering this but not contributing to the local economy.

As WSM has now demonstrated that their model works, the next stage is potentially to franchise out, bidding for 2-3 contracts in different areas to secure the necessary start-up finance. Franchising out to local areas would also help their social mission as the respondent emphasised that they do not necessarily want WSM as a single entity to grow too large, as a major part of their ethos is to remain close to local schools and embedded within communities. This is reflected in their outreach programme which holds healthy eating and cookery workshops, and is grant-funded from different sources (including the Big Lottery, PCT, Kent County Council).

However, there is also scope for a social franchising approach to go wrong so it is very important to control the quality of delivery. They are committed to maintaining WSM's strong reputation and do not want it potentially to be watered down by a franchisee organisation doing a poor job.

The respondent emphasised that their aim – if they went along with social franchising – would not be to make profit for its own sake but to spread their social objectives. Social franchising then becomes a good ‘evangelical’ tool to achieve this. However, they may be more inclined in the end to go with social licence agreements as these can be based more on trust. Here, WSM would set up different models that work best in particular localities and/or offer a consultancy service to franchisees wishing to do this, eventually setting them free as entities in their own right.

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The Social Enterprise Coalition is the UK's national body for social enterprise. The Social Enterprise Coalition represents a wide range of social enterprises, regional and national support networks and other related organisations. As well as showcasing the benefits of social enterprise, and sharing best practice we work closely with our members to inform national policy.

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