

## **The Future of Social Entrepreneurship: Civil Society Relations and Sustainability**

**February 26 2013, TÜSEV Karaköy Office**

**10.00-12.00**

TUSEV has organized a seminar on “**The Future of Social Entrepreneurships: Civil Society Connection and Sustainability**” on **February 26th** within the scope of the Social Entrepreneurship Project supported by the British Council. The key note speaker of the meeting was **Filippo Addarii**, the Director of the EUCLID Network. Moderated by TUSEV Secretary General Başak Ersen, the seminar received high participation from civil society organisations, social entrepreneurs, and academicians.

TUSEV has been working a Social Entrepreneurship Project along with the British Council since 2009. For the last 3 years, TUSEV has produced “ Social Entrepreneurship in Turkey: A Needs Analysis Report”, established [www.sosyalgirisim.org](http://www.sosyalgirisim.org), written policy papers on public and private support for social entrepreneurs, and organized the first regional conference on social entrepreneurship. Başak Ersen has stated that although there has been a significant increase the number of seminars, competitions, support programs provided by different organizations on this field, some issues still persist. Since there is not a legally defined structure for social entrepreneurship, social entrepreneurs often establish their organization under different entities which often does not suit the mission of these entrepreneurs. To provide a solution to these persisting legal constraints, The Ministry of Development has been working on a Social Entrepreneurship Support Program which can significantly contribute to the field.

After the introductory remarks, Filippo Addarii initiated the seminar and introduced the three topics that would be the focus of his presentation: **Distinction between civil society and social entrepreneurship, Funding mechanism and Sustainability, and European policy.**

## Civil Society and Social Entrepreneurship

Social entrepreneurship can engage communities and provide a long term solution to persisting economic and social problems.

It is essential to understand the difference between social entrepreneurs and CSOs. When talking about values, civil society organizations and social entrepreneurs demonstrate the same motivation ( finding solutions to social problems); the difference is how they implement these values.

The “social entrepreneurship” definition which the European Commission is working on includes key concepts:

- **Mission**
- **Profits** (although the Commission hasn't solved how or where the ceiling on distribution of profits would be)
- **Governance** (by which the Commission means inclusive governance, including dialogue, democracy. the Commission is not very clear on how to measure this either).

With these questions in mind, it may be more productive to give a broad definition to social entrepreneurship.

Following observations can be made about social enterprises and CSOs:

- A social enterprise that doesn't produce economic income but depend on public funding/donations are not social enterprises.
- Relationship with stakeholders is one of the key issues for social enterprises. (In Italy the social enterprises depend completely on the government.) But the new organizations tend to move away from this relationship.
- Volunteers and professionals: A social enterprise includes a greater number of professionals whereas a CSO relies largely on volunteers.

### Civil Society and Social Entrepreneurship: Chi Rom...e Chi No (Naples, Italy)

In order to understand the dynamic between civil society and social entrepreneurs, Addarii gave an example from Naples, Italy. One of the most deprived neighborhoods in Naples is located in Scampi where the majority of the community has Roman identity. Although the government has spent a lot of money to integrate them into the society, efforts have been ineffective in creating a sustainable change. To try alternative solutions, the Eudclid Network has started a social innovation initiative in which the Roman community was directly involved in. The initiative worked with the Community and asked them “how can you solve this problem?”, a question which overall received 200 answers. As an answer, rural women from Scampia proposed to open a catering company called “Chi Rom...e Chi No” which would be operated by them. This answer was accepted and now they are moving from catering business to a restaurant. **This example demonstrates how one of the worst problem in Italy could be solved with an entrepreneurial solution, with a bottom-up approach,**

- A CSO is rooted locally. A Social enterprise may be rooted locally but it needs to increase the scale; not just the size of their organization but their overall impact.
- A CSO should have a democratic or at least inclusive governance; a social enterprise should also take into consideration the effects of the market.

An example of a CSO that became a Social Enterprise can be considered Euclid. Euclid started on grants and later on transformed into a social enterprise model which provides services for a fee. At the moment, Euclid is a sustainable model with economic activities.

### Questions and Answers for Filippo Addarii:

❖ **Does the elements or characteristics of social entrepreneurs demonstrate cultural differences? Also, is it necessary for social enterprises to require education?**

There is no such a thing as a European social entrepreneurship culture. Europe is like a gigantic body of social innovations. The purpose is not to give a definition on social entrepreneurship but to ask the right questions. In terms of educations, people need to teach at an early age that community values actually work well with entrepreneurial understanding. Communities should also have a peer-to-peer network in which people can learn from each other and experiment. Fostering a culture of trying and permitting failure can be crucial for communities.

❖ **In terms of the economic structures of social entrepreneurs, what is the right approach to distributing profits? This profit distribution may be easy in business models like restaurants, but what about other structures?**

In terms of understanding profit distribution, it is essential to make a distinction between foundations (or their capacity building efforts) and businesses. Private foundations can help organization in capacity building measures but that would be a part of philanthropy, not social entrepreneurship. But aside from having a coherent business plan, public institutions can play a significant role in the start-up phase of social entrepreneurs. Philanthropy and public institutional support (which can include injecting education and funding) in the start up phase can lead social entrepreneurs to succeed in later stages. Many social enterprises, in the form of restaurants, have opened up with double-bottom up approaches (like the restaurant opened up by Jamie Oliver in UK, which employs ex-convicts.) But with the financial crisis, many of the restaurants have closed down which gives a lesson; social enterprises need to have a coherent business plan to compete on the market just other businesses.

❖ **In terms of organizational structures, should't both CSOs and social enterprises run on professionals and volunteers, considering the fact that social enterprises still run on limited resources?**

The issue is at one point, volunteers may want to get paid and become a part of the success. In that case, deciding whether to pay the volunteers or the Board becomes a critical point to

discuss. A board that gets paid may have a better overview of the procedures but that depends on the organizational structure and dialogue.

## Funding and Sustainability

The economic crisis in Europe has meant a decrease in available funding for both CSOs and social enterprises. With the end of public funding and decreased donations in Europe, most organizations have to rethink the way they run their operations. An already ambiguous relationship with the public sector becomes insecure, and for that reason, social enterprises are forced to reassess income generation. To survive economic difficulties, every successful organization has developed a mixed income strategy. To this end, organizations that do not innovate will perish. You can find a few example below that use mixed strategies successfully to achieve financial sustainability.

### Purpose

([www.purpose.com](http://www.purpose.com))

Purpose defines itself as a social business which can be seen as an example of a social organization in the 21st century. The mission of Purpose is to create a civic movement in the 21st century with the participation of millions of people. Purpose serves as a two-heads business: 1) receives grants like a foundation, 2) sell services to 3rd parties. Now they are developing Purpose Europe.

### Engaged Investment

([www.engagedinvestment.com](http://www.engagedinvestment.com))

Engaged Investment is an example of an organization where “finance is realigned with a social purpose.” Engaged Investment has developed an index for investors who would like to have a financial return as a product of their investment but also make a social impact. In other words, this is an index for impact investing. The website helps social businesses to attract funding

### Terzo Valore: A crowd-funding Example

In Italy, any investment that is expected to earn a return needs to be reported. This also make microdonations or investments (as part of crowdfunding) impossible. To make crowdfunding possible within legal constraints, Terzo Valore asked the question: Why not create a bank guarantee? With banks creating guarantees, the investor could actually invest in the bank who would then take the liability and invest the fund in a social business. This is an example which shows innovative ways to get around legal barriers and limitations.

### Questions and Answers for Filippo Addarii:

❖ **Microfinance has been criticized on many levels, what are your thoughts on this subject?**

There are many organizations around the World who successfully gives small credits (like microfinance institutions in London who give small credits to Bangladeshi community). But there are also European organizations who give as much as 20,000 euros which can not be considered “micro.” In post-industrial countries like Turkey, microfinance (small credits like 10 dollars) may not work since the model is primarily designed for underdeveloped/developing countries.

### European Commission and Policy toward Social Entrepreneurship

To see the European Commission’s interest in the subject, one should look at the developments in last few years. In 2008, the first workshop in social innovation was hosted by Commissioner Barroso who believed “there is an economic value in society that contributes to growth that matters.” In 2011, the **Social Business Initiative** was included in the Single Market Act. It was stated that “social enterprises and impact investment are fundamental for economic growth, employment and liberalization.”

There are three strands of work in the Social Business Initiative which includes;

- Legal Framework
- Funding
- Visibility

By these three strands, the goal is to make social enterprises mainstream and known by the public. People need to understand this model is important for their own lives. But when discussing social entrepreneurship model within Europe, thorny issues still persist:

- **The clash between purist and innovators:** legal definition vs. realising social impact. Governments, who tend to operate through legal framework, find it important to give a definition to social entrepreneurship. But there is the possibility that legal definition could constrain social innovation. Social impact approach and proving your organization’s social impact may be a better alternative than focusing on definitions.
- **Social Impact Measurement:** Although social impact measurement is important for social enterprises, easy solutions should be carefully assessed. As social impact is not a figure, it would be misleading for people to put a numerical value and make investments accordingly. Using a mapping approach may be an alternative: having different figures to explain impact may be more productive than showing numbers. And organizations can be creative in demonstrating their impacts.
- **Return on Investment:** Non-profit vs. profit redistribution: If social enterprises earn profits, how should they be distributed? If there is a ceiling, where should that be located? While

these questions should be carefully assessed by the organizations, it should be remembered that; if they don't offer a return, they will always depend on donations.

#### Questions and Answers for Filippo Addarii:

❖ **What would you advise for countries like Turkey to benefit from the Social Business Initiative?**

Establishment of sub-group can be highly beneficial for countries like Turkey which could lead governments to speak with each other. Using the group in a pro-active way can enhance the network of governments who could share their experiences with each other.