



## Module 1 Unit 2

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## Module 1 Social Entrepreneurship and Strategic Analysis

### Unit 2: Social Entrepreneurship and Strategic Analysis

#### Entrance

#### Keywords

*Social entrepreneurship, social economy, policy, vision, mission, strategic analysis, company analyses, benchmarking*

#### Learning Objective



The second unit will review the role of the Social Entrepreneurship and the place of Social Economy in Europe according to European Union's position and policies. Later the course will present some central concepts in strategy such as vision, mission, and company values. Then the course will turn to the basics of a successful analysis of a company that every manager should be able to perform on its own. Lastly, the suitability of an SME's strategy is examined and benchmarked against competitors.

#### Estimated Time



It should take you around **75 minutes** to complete this unit.

#### Introduction

Social entrepreneurship is the recognition of a social problem and the use of entrepreneurial principles to organise, create and manage a social venture to achieve a desired social change. While a business entrepreneur typically measures performance in profit and return, a social entrepreneur also measures positive returns to society. Thus, the main aim of social entrepreneurship is to further broaden social, cultural, and environmental goals. Social entrepreneurs are commonly associated with the voluntary and not-for-profit sectors, but this need not preclude making a profit. Social entrepreneurship practised with a world view or international context is called international social entrepreneurship. Nevertheless as every business orientated company a social enterprise needs a proper strategy planning based on well elaborated analyses.

## 2.1 Social Entrepreneurship

### Keywords

*Social entrepreneurship, social economy, company role*

### Introduction

The European Union includes the social economy in its entrepreneurship pillar. Social economy represents, through its four large families a major activity sector. Quantitatively, the sector is important as to its economic weight: 8% of the European enterprises and 10% of the European employment and covers a wide range of activities such as: social protection, health social services, banking, insurance, agricultural growth, crafts, employee ownership, supplying, proximity services, education and training, cultural, sport and leisure activities, insertion through work of disabled persons, etc.

Moreover it has been noticed that certain activity fields are mainly managed by the social economy enterprises (i.e. additional health insurances).

### 2.1.1 What is Social Entrepreneurship?



Social Entrepreneurship is the product of individuals, organisations, and networks that challenge conventional structures causing inadequate provision or unequal distribution of social and environmental goods by addressing these failures and identifying new opportunities for better alternatives.



Social entrepreneurship must display all three of the following key characteristics:

**Sociality:** a context, process and/or set of outputs that are for public benefit.

**Innovation:** the creation of new ideas and models that address social or environmental issues This can be manifested in three ways: a new product or service (institutional innovation); the use of existing goods and services in new, more socially productive ways (incremental innovation); and/or the reframing of norms to redefine social problems and suggest new solutions (disruptive innovation).

**Market orientation:** the performance-driven, competitive, outlook that drives greater accountability and co-operation across sectors. Market-orientation can include anything from conventional competitive markets to the exchange of social and/or environmental value.

No official definition has been standardised to define social entrepreneurship. Diverse understandings of the term exist across the world. Due to different local context, based upon diverse socio-historical, political, and economic foundations, various nuanced definitions of social entrepreneurship have naturally emerged.

As such, researchers, field-building partners, and practitioners are exploring the evolving conceptualisations of social entrepreneurship. A healthy debate surrounding the discourse of the term is driving new understandings of how we understand the field and key agents within it. This growing discussion is firmly encouraged, as it offers new perspectives and insights into how we may understand the evolution and future of social entrepreneurship.

### **2.1.2 Role of Social Entrepreneurship**

Social entrepreneurship overcomes the gap between the business and the public sectors, as it is connected to the “non-profit” or the “third” sector, as well as to the concept of the “social economy”, with emphasis on objectives to serve communities and society rather than generating a company’s profit.

How important are social entrepreneurs for economic development? There are 4 different points of view as follow:

#### **1. Employment Development**

The first major economic value that social entrepreneurship creates is the most obvious one because it is shared with entrepreneurs and businesses alike: job and employment creation. Secondly, social enterprises provide employment opportunities and job training to segments of society at an employment disadvantage (long-term unemployed, disabled, homeless, at-risk youth and gender-discriminated women).

#### **2. Innovation / New Goods and Services**

Social enterprises develop and apply innovation important to social and economic development and develop new goods and services. Issues addressed include some of the biggest societal problems such as HIV, mental ill-health, illiteracy, crime and drug abuse, which are confronted in innovative ways.

#### **3. Social Capital**

Next to economic capital one of the most important values created by social entrepreneurship is social capital. Social capital refers to the institutions, relationships, and norms that shape the quality and quantity of a society's social interactions. Increasing evidence shows that social cohesion is critical for societies to prosper economically and for development to be sustainable. Social capital is not just the sum of the institutions which underpin a society – it is the glue that holds them together.

#### **4. Equity Promotion**

Social entrepreneurship fosters a more equitable society by addressing social issues and trying to achieve ongoing sustainable impact through their social mission rather than purely profit-maximization.

## Summary of Key Points



The Social Entrepreneurship is characterised by a strong personal involvement of its members in the management of the company and the absence of seeking profits in order to remunerate shareholders capital. Social Entrepreneurs are set up to fulfil social needs, generate employment, tackle poverty, encourage local economic development, promote citizen participation in policy-making processes, integrate disadvantaged groups into the labour market, innovate production and provision of goods and services, and yield social added value.

## 2.2 Social Economy in Europe

### Keywords

*European Union, social economy characteristics, background, project findings*

### 2.2.1 European Union Position

The European Union:

- Believes that the social economy plays an active role in the strengthening of the European social model;
- States that the social economy constitutes one of the instruments to reach full employment, conciliating quality employment and employment for all, including the most vulnerable ones;
- Believes that it is necessary to support the development of social economy as a work integration tool, so to put forward its potential in the fight against social exclusion;
- Points out that the social economy enterprises can contribute with a key added “societal” value, through the participation in the economic development of our societies, by facilitating a better democratic functioning of the enterprises’ world (through an equal participation of the users/members and the employees) and by implementing concepts of corporate social responsibility (CSR) and proximity services;
- Notes that if certain social economy activities and enterprises supply real interest services and must have the possibility to count upon public financial resources, others operate within the “classical” market; moreover, although subject to competition they are profitable and have benefits which are reinvested in the development of their activities or allotted to the development of activities concerning the community;
- Assesses within this context that social economy enterprises fall within the scope of the objectives of sustainable development while representing a specific entrepreneurship model;
- Points out that they can be portrayed as a model in the seeking to bring globalisation under control, for their opposition to the achievement of uniformity of the capitalist enterprise model. Hence requests that their specific characteristics, including the

organisational freedom, be recognised, so as to allow them to be recognised as economic actors in their own right, and refuse to confine them to the non-profit areas, experimenting fields, or charity organisations.

### 2.2.2 Social Organisations Characteristics

It can be stated that social enterprises have three common characteristics:

- Social Aims – they have explicit social aims such as job creation, training and provision of local services. They have ethical values including a commitment to local capacity building. They are accountable to their members and the wider community for their social, environmental and economic impact;
- Enterprises Focused – they are directly involved in the production of goods and the provision of local services to a market. They seek to be viable concerns, making a surplus from trading;
- Local Ownership – they are autonomous organisations with governance and ownership structures based on participation by stakeholder groups (users or clients, local community groups etc) or by trustees.

Profits are distributed as profit sharing to stakeholders or used for the benefit of the community.

### 2.2.3 SESP project findings

 The desk research review has shown that there is no universal definition of social enterprises but there are some common characteristics that are combining the entrepreneurial, economic and social dimension of the social enterprise in four countries Austria, Bulgaria, Lithuania and Portugal:

- A growing activity to produce goods and/or selling services;
- Mainly independently managed;
- Combine monetary and non-monetary resources such as well as paid workers and volunteers which means a minimum amount of paid work;
- Has an explicit aim to benefit the community;
- Launched by a group of people that have common aims or needs;
- The nature is participatory, which involves the persons affected by the activity;
- Limits are set on profit distribution.

Summing up, it is important to develop a learning structure that will provide relevant expertise and support to the social enterprises. For the purpose of making serious step forward systematic training should be developed:

Simultaneous and parallel practice of more activities such as training, project preparation, lobbying in business, change in legal regulations, informing the public through media, etc. may, in few years, lead to a bigger progress.

Insufficient organized access, not having complete image and capacities built, deficit of assets for promotion of social entrepreneurship are stressed as problems and, therefore, there is a need to develop marketing tools to strengthen the image of social enterprises.

It is necessary to provide full analysis of the good practices from the social enterprises, development of programs and plans for implementation of the social entrepreneurship from more advanced countries such as Austria that understands social problems and efficient system functioning for the purpose of providing better life quality for the citizens.

Also it seems to be really necessary to provide technical training support on various grant competitions and how to get benefit from EU Funding opportunities.

### Summary of Key Points



In Commission's enterprise policy is pointed that "The so-called Social Economy, including cooperatives, mutual societies, foundations and social enterprises, provides a wide range of products and services across Europe and generates millions of jobs". SEs are part of this policy aiming at promoting enterprises, in general and more specifically SMEs, independently of their business form. The actions foreseen in the Small Business Act for Europe, also benefit SE to face the challenges arising out of globalisation, rapid technological change and global economic downturn.

## 2.3 General policy of the Social Enterprise

### Keywords

*General policy, vision, company mission*



The general policy of the social enterprise encompasses all company principles, which are shared with all stakeholders either in a written format or, sometimes, by word of mouth. Company principles dictate the behavioural guidelines within your company and the external environment. They express the vision, company values, norms and ideals, which make up your company culture. Through the establishment of a company policy the management tries to organize the company as a whole and establish solid regulations. Nonetheless, company policy should NOT be comprised of a rigid system of company guidelines, but it should convey a manner of thinking, according to which one should react when faced with various external and internal developments and which should also rate them in terms of their importance to the motivation and commitment of company staff. Once this has been done, then the orientation and content of company strategy should be decided upon.

Vision and mission are tools which help you formulate your company policy, a factor which provides clear orientation to your company.

 A good vision is characterized by the following three elements:  
The vision should not only be focused on the collective, but it should be directed towards the benefit of every worker who is employed in your company. A good vision can help reduce complexity, and it can make the processing and classifying of observations of the environment much clearer, so that correct orientation and order is established.

The vision should motivate employees. A good vision is based on a long-term view of the enterprise and hence it provides safety, continuity and stability.

A mission statement is defined as a statement of a company's purpose. It is typically comprised of a statement on what the company is trying to achieve and very often defines, in broader terms, the business in which it operates. A (strategic) mission expresses your company's fundamental reasons for existence and the aspired benefits for all stakeholders.

Therefore, if a mission outlines what a company is attempting to achieve on a short-term basis, then its vision offers a view of what the enterprise might become in the long run.

### **2.3.1 Why should I adopt a general Policy in my Social Enterprise Company?**

The main role of a general policy in a company is to express the vision of entrepreneurs or the management, so that all employees will work towards the same goal. The same concept and principles are applicable to any SME including a Social Enterprise. The main aims of a general policy should be:

- Clarity and direction of the employees;
- Creation of awareness with regards to problems faced and encouraging the development of solutions;
- Helping to achieve higher engagement and continuity amongst employees;
- Facilitating communication and coordination amongst all company departments;
- Provision of an identity for the company;
- To serve the company as a clear set of guidelines on business activity.

A vision supports your company in different ways:

- A vision creates hope and mobilizes strengths of the employees;
- It creates positive energy;
- A vision facilitates the achievement of managerial objectives;
- Lastly, a vision supports the sustainability of your company.

A mission, on the other hand, helps you find your own direction in the business environment, while reflecting the values and beliefs of a group, it acts as a source of inspiration, as it is action orientated and, most importantly, realistic. This is an important topic when you are managing a Social Enterprise. The mission and the added value that your company has should be emphasized as much as possible.

Normally such concepts are not only directed at company staff, but also at the general public. Therefore it serves as an important tool for the image of the company.



Please take some time to think what you have done in your company, in terms of adopting a general policy. Have you ever adopted a general policy in your company? If yes, then what were your employee's reactions?

A general policy should be created and adopted in almost every company. It should not only express the views of the management and business owners, but it must also be welcomed and adopted by every employee within a company. General policy should exist in written form, but what's most important is that everyone is aware of it at all times.

### 2.3.2 Where should you focus your Social Company Vision?

Effective company visions are holistic and their main aim is to find an optimal and harmonic equilibrium among all relevant groups of stakeholders and the same should be stipulated and be a practice at SEs. As a consequence, the vision of the company should be directed towards a wide range of groups. Therefore the vision is important for all the departments and stakeholders of your company. A vision is not set in stone and can be adapted when needed, according to the situations your company may be faced with. Nonetheless keep in mind that the core principles of the vision should remain unchanged. A vision should motivate, give your company direction and provide your activities with a purpose beyond merely making money and maximizing profit. (Grant, 2002)

### Summary of Key Points



Vision and mission are tools which can help you formulate your company policy, which should give your company focus and direction.

A vision is an underlying idea for the existence of a company. Nowadays many business ideas are called vision but they shouldn't be referred to as visions, unless the ideas formed are focused on the future of the company. Hence, it is of great importance to have a view of your company's future and goals and you should align your activities accordingly. Effective company visions are holistic and can help you find an optimal and harmonic equilibrium among all relevant groups of stakeholders.

The general policy of your company represents your company principles, which are either written down or shared by word of mouth with all stakeholders. They can take the form of a mission statement. Company principles indicate rules of conduct not only within your

company, but also how employees act with regards to the external environment. Thus it is essential to adopt a general policy in your company, which should be reflected by the management and every employee in your company. The general policy should exist in written form, but the most important aspect is to make sure that everyone in your company refers to it at all times.

## 2.4 Analyses of the Social Company

### Keywords

*Analyses, methods, SWOT, balanced scorecard, cost-benefit, benchmarking, break-even*

### 2.4.1 How to proceed?

This subsection presents different methods to help you analyse the internal environment of your company. You do not need to include all of them, but each of them is helpful in providing a detailed picture of your company.

Benchmarking helps you learn from other companies or organisations.

SWOT deals with strengths and weaknesses of your company as well as with opportunities and threats posed by the external environment and it analyses the internal processes of company as well as external factors.

The Balanced Scorecard allows managers to have a wider overview of an organization since it contains financial and non-financial measurements in a single report.

The Cost-benefit analysis considers and quantifies future benefits that are not only of a monetary character. It is a rather strong method which can deduce the value of investment alternatives.

A Break-even analysis is a mathematical method to determine the quantity of production and sale that is necessary to gain profits. All of these methods have their advantages and will be described briefly.

### 2.4.2 Which are the most important Analysis Methods?

Analysing your company's internal environment is crucial for your business success. There are different methods with different objectives which can help you to analyse the internal environment of your company. Using only one of these methods is often not enough. This section deals with the following methods: Benchmarking, Balanced scorecard, Cost-benefit analysis, Break even analysis and SWOT-analysis.

## Benchmarking



There are numerous definitions for benchmarking. One of the most popular definitions, established by the pioneer in benchmarking, Robert C. Camp, describes benchmarking as “the search for the best industry practices which will lead to exceptional performance through the implementation of these best practices” (Camp, 1989). Camp considers benchmarking as a good tool for organizations aiming to improve their processes.

## Cost-benefit analysis



Cost-benefit analysis helps you to evaluate potential investments. Costs incurred can be calculated easily and precisely, but there are not many good methods available to assess future effects. In addition, these effects are subject to high levels of risk. Cost-benefit analysis closes the gap between the current costs and future benefits of a project or an investment.

## Break-even analysis



Break-even analysis on the other hand, is an instrument used to calculate the amount of products, which you have to sell in order to gain profits. With the aid of the Break-even analysis you can find the break-even point which is determined as the point that separates profit from losses.

## SWOT analysis



The SWOT analysis displays important external and internal influence factors. It helps you to identify a multitude of strategic options. A SWOT analysis contains a strengths-weaknesses (S-W) analysis as well as an opportunities-threat (O-T) analysis. It summarizes the main results of research into internal processes as well as research into influencing factors of the environment.

## Balanced Scorecard



Robert Kaplan and David Norton proposed the concept of a balanced scorecard (BSC) as a methodology for measuring an organization’s performance beyond profit margins and dividend yields. The balanced scorecard measures four dimensions of an organization—financial, internal business, innovation and learning, and customer. For each of these dimensions the scorecard demand managers to develop metrics, performance targets and at the end of each period collect and analyze the data gathered.

## 2.5 Benchmarking

### Keywords

*Strategic benchmarking*

#### 2.5.1 Why employ benchmarking?

The key idea behind benchmarking is that companies (competing or non-competing) shall improve business processes by comparing performance measures and learning about best practices. Benchmarking takes place within the company, against competitors and against companies from other sectors. The following table presents advantages and disadvantages of benchmarking:

*Advantages and disadvantages of different benchmarking types.*

Type	Advantages	Disadvantages
Internal benchmarking	Data collection relatively easy Good results for diversified, “excellent” companies	Limited view Internal prejudice
Competitor benchmarking	Business relevant information Products/processes comparable Relatively high acceptance Well-defined positioning in the competition	Difficult to gather data gathering Risk of just copying a competitor
Functional benchmarking	Relatively high potential of finding innovative solutions Broadening of spectrum of ideas	Relatively difficult transformation of structures and processes Comparability in question Time-consuming analysis

While the Cost-benefit analysis employs hard facts (costs) and soft facts (expected benefits), Break-even analysis is a mathematical tool used in strategic planning. As mentioned before, both tools are simple to use. The advantage of the Cost-benefit analysis is that you can

quantify (expected) benefits. The main advantage of the Break-even analysis is that you can illustrate it easily by drawing a diagram.

## 2.5.2 How to implement a strategic benchmarking?



Strategic benchmarking involves seven steps, and several of these steps can be run simultaneously:

- **Step 1:** Identification of the benchmarking object: Companies, structures, working places, products, components, individual parts, core processes and supporting processes can be subject to the benchmarking process;
- **Step 2:** Formation of a benchmarking team: A project leader is designated and team of 5 to 6 people is formed. The team members need certain preparation and training;
- **Step 3:** Intern (Internal / interim) analysis of the benchmarking object: The benchmarking team defines the key data required (time, financial, quality and input/output);
- **Step 4:** Determination of the benchmark best practice case/company: Best practice cases/companies can be found within the company (Intern benchmarking) as well as within (competitor benchmarking) and outside your sector (functional benchmarking). It is your task to find an appropriate benchmarking partner;
- **Step 5:** Analyses of the best practice case/company: This step is the most difficult and time-consuming one in the benchmarking process. The analysis of best practice cases/companies happens on two levels. First of all the “What” (key data, objectives) will be determined, secondly the “how” (proven, good practice processes). The focus of the questionnaire deals with question of “How”. The best way of data collection is to have a personal conversation with the benchmarking partner;
- **Step 6:** Evaluation of results and analysis of outcomes: You have to consider structural differences between the best practice case/company and your own company in the evaluation. The main task here is to find out how the results are affected by internal and external conditions. The more both companies are alike regarding size, complexity, structure, life expectancy of the products, ownership structure etc, the easier it is to implement successful benchmarked processes;
- **Step 7:** Determination of new goals and processes and implementation of recommendations: Based on the results of the previous steps, the benchmarking team sets goals with the management. The team proposes measures (action plans, communication, controlling etc.) and is also responsible for their implementation.



Benchmarking against a competitor is difficult and will take a lot of resources, when the competitor does not cooperate. Indeed cooperation will happen quite rarely.

## Summary of Key Points



Benchmarking is a very helpful tool for organizations who wish to improve their processes. Benchmarking takes place within the company, with competitors and with companies from other sectors.

## Summary of Learning Objectives



This unit dealt with the foundations of our future work. After an overview of the concept of Social Entrepreneurship and its role in European Union member states, you have learnt how to develop a general policy in your company and also how to implement it. The course then followed the key elements of a successful analysis of the company. Lastly, the unit proposed an overview of which step should you follow when benchmarking your company.

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## Glossary of terms

**Social entrepreneurship** is the recognition of a social problem and the uses of entrepreneurial principles to organise, create and manage a social venture to achieve a desired social change. While a business entrepreneur typically measures performance in profit and return, a social entrepreneur also measures positive returns to society. Thus, the main aim of social entrepreneurship is to further broaden social, cultural, and environmental goals.

**Social economy** refers to a third sector in economies between the private sector and business or, the public sector and government. It includes organisations such as cooperatives, non-profit organizations, and charities.

**General policy** encompasses all company principles, which are shared with all stakeholders either in a written format or, sometimes, by word of mouth. Company principles dictate the behavioural guidelines within your company and the external environment. They express the vision, company values, norms and ideals, which make up your company culture.

**Company vision** is finding an optimal and harmonic equilibrium among all relevant groups of stakeholders. As a consequence, the vision of the company should be directed towards a wide range of groups, and is important for all departments and stakeholders of a company.

**Company mission** should guide the actions of the organization, spell out its overall goal, provide a path, and guide decision-making. It provides the framework or context within which the company's strategies are formulated.

**Strategic analysis** is one of the most basic and useful tools for strategic business planning. It will define your organization's position relative to the competition and operational environments.

**Company analysis** incorporates basic info about the company, like the mission statement and apparition and the goals and values. It also focuses on understanding the needs of the business as a whole, its strategic direction, and identifying initiatives that will allow a business to meet those strategic goals.

**Strategic benchmarking** is the process of comparing what your company is doing with what the best performing company in your industry is doing. It represents a long-term view of company direction relative to the future strategies of competing companies.