

# Module 1

## Introduction to Social Entrepreneurship

### Lesson 2



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# How is a social enterprise governed?

Some people wonder if there is a difference in governing a social enterprise and a traditional business. Since social enterprises are quite new, there are still some questions pending of responses on how to govern them. However, like in every organisation, good governance starts at the board level (**Board of directors, assembly**)

Social enterprises can take different forms: An ltd, Public Limited Company, Non-profit organization, NGO's, S.A., S.L., Coops or any other structure that suits the purpose of the enterprise.

The basic governance requirements for a social enterprise are no different than for other organisations, be they for-profit or not for profit. All of these organisations have a **board of directors** or **assembly**.

The aim of the board is monitoring the programs being executed, to work in order for the project to reach its social and environmental aims while they also make profit to reinvest in the organisation.



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# How is a social enterprise governed?

The composition of the board requires a mix of entrepreneurs, business specialist and social purpose experts. A multidisciplinary team.

The board can also be made up of friends, as well as the assembly

The philosophy of a social enterprise is that its governance is its management, as well as its property, be democratic and transparent. This is in decision making is also in the stakeholders (people interested in the business) hands. **Stakeholders** are the workers, providers, other civil organisations, beneficiaries, customers, etc.

Boards and assemblies play a crucial role in successful SE for they provide strategic direction. **Strategic direction** is a course of action (roadmap), planning, the guidelines and basic elements that lead to the achievement of the goals of an organisation.

So we can find different models of governance in a SE

1. Those where the board of directors is made up of professionals and owners who's sole responsibility is decision making.
2. Those where the board of directors is mixed. It is made up of Stakeholders and other professionals.
3. Those that have no board of directors and decision making is taken through assemblies where stakeholders and all the people linked to the ES participate.



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# How is a social enterprise governed?

The following are the governance responsibilities, regardless of the form that the board of directors takes, must take responsibility for:

- Setting up and revising the organisation's mission, values and objectives (social or environmental), and the major organisation's strategies.
- Formulating a suitable strategic plan (strategic direction) to see what we want to accomplish and how.
- Approving and monitoring major programs and services provided by the organisation.
- Distributing the resources and ensuring economic sustainability
- Supporting and evaluating the people that will be in charge of the managerial responsibilities..
- Behaving with integrity. Be honest, fair and independent, managing conflicts of interest.
- Protecting and promoting the good reputation of the SE



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# How is a social enterprise managed?

The management of a social Enterprise is usually undertaken by a leader (social entrepreneur) or a management team.

Leaders/managers have the capability of engaging and motivating their teams by creating an organisational framework that really promotes social changes. Leaders/managers work to make the social enterprise grow and become consolidated in the social market.

Usually, the manager or management team look for social, environmental or economic problems and by its entrepreneurial spirit develop a project to solve it. The leader/manager makes sure the social Enterprise is well managed to achieve the goals through coordination mechanisms.

A **coordination mechanism** can adopt different forms.

1. It can be one person who takes the role of a general coordinator who makes sure that all the pieces from the gear system work.
2. It can be decentralized and have different area coordinators that engage in this practice in a specific department. They make sure everyone knows the tasks they have to do and make them all work together.



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# How is a social enterprise managed?

If it's a small SE, the people working in it usually coordinate among themselves without the need of a leader/manager. They organise themselves in small units.

Nevertheless, leaders, in SE, tend to assume the role of managers. A leader who manages, provides structures and systems to their teams so as to provide them with a direction. The leader/manager allocates tasks and provides guidelines to the team of workers. At the very beginning, most decision making processes are taken by the manager. If the leader/manager is a good motivator, the workers will follow him/her to achieve the goal that the SE has set up. It's important for managers to build committed teams for the services or production of the SE to run well.

## Some traits of good leaders/managers:

- Humble demeanor- establish an unpretentious and gentle relationship with the workers
- High ethical leadership (trustworthy leaders)
- Strong social commitment. To promote and make possible the social changes
- Make sure the enterprise works well. By working hours and recruiting a good team of workers.
- Show respect and concern for the staff
- Empowerment leadership. Encourage independent action and self-development of the employees and the achievement of mutually agreed performance goals



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# How is a social enterprise managed?

A leader/manager provides a good management system to adapt to the changes and new needs, and to the growth (in case there is one) of the SE. The manager develops loyal bonds between her/him and her/his workers.

Once the social enterprise is running, and bonds have been developed, it's time for the manager to delegate to the rest of the workers. Once she/he puts her/his trust on the working team members, it contributes to the empowerment and development of the workers' potential so they start taking responsibility for some management tasks. The manager who launches the SE, leads it at first, and after prepares other workers with the coordination of tasks.

## How to manage

- Know how to meet the needs of the SE with the available budget
- Training the employees to guarantee that they share the mission, the vision and the values of the SE
- Knowing how to delegate to the employees the implementation of the projects while the leader stays at a more strategic level.



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# How is a social enterprise funded?

Social enterprises can be funded in different ways: with **public** or **private** money.

**Private:** Some of the most accessible private funding ways are:

- Crowdfunding
- Crowdlending
- Ethical Banks
- Philanthropic investment
- Foundations

**Public:**

- Local development agencies
- Public administration: call for proposals or tenders (local, regional, national, European)
- Social Impact Bonds - SIB



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# How is a social enterprise funded?

## PRIVATE

**Crowdfunding:** it's a type of a collective funding where different people finance initiatives and projects of other people or organisations. Some crowdfunding platforms are: *migranodearena.org*, *Pozible.com*, *Razoo.com*, *Teaming....*

**Crowdlending:** multiple investors invest in your project. In order to access it we should go to the market place where investors and social entrepreneurs meet.

**Ethical Banks:** Banks that finance social and environmental projects as well as social enterprises. Some of this are *Fiare*, *Oikocredit*, *Triodosbank...*



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# How is a social enterprise funded?

**Foundations:** *Good.bee*: ERSTE Foundation and Ashoka created this financial service to help people with low incomes that have no access to credit from banks to start up.

**Philanthropic funding:** It can include donations, investment, or other types of support for social enterprises

## **PUBLIC**

**Local development agencies:** they provide services such as social incubators as well as funding for those projects of relevant interest for the community welfare and for the most vulnerable groups of people.

**Public administration:** Call for proposals or tenders (contracts for services)



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# Signposting to further learning and support

## Other sources of funding:

### Social Impact Bonds

It is a contract between the public sector and a social enterprise where the Public Administrations commits itself to pay for improved social outcomes with a social positive impact and that result in public sector savings. Its aim is to tackle social exclusion by services offered by social enterprises. SIB can also be public-private or private.

One of the aims of social enterprises is to create an ecosystem with a social value which the Public Administration acknowledges. So the latter buys products and hires services from them. This would mean a great deal of economic input for social enterprises in order to be able to go on with their social task. This is also a way to help the social market grow.



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