
What will
**Social
Enterprise**
look like in
Europe by
2020?

Foreword

The creation of a vision for social enterprise in Europe 2020 is part of the British Council's Global Social Enterprise programme. This programme supports our cultural relations mission to build trust and create opportunities between people and institutions in the UK and other countries and support them to contribute to a more inclusive, sustainable and prosperous future. Through our Global Social Enterprise programme we support dialogue and debate on social enterprise globally, utilising our reach into 110 countries. In many countries including India, Greece and China, we also support social entrepreneurs through training and access to investment.

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The views expressed in this document do not necessarily reflect the position of the British Council. We commissioned Mark Richardson and Richard Catherall to author this piece and we are indebted to them for their work. The vision offered is not necessarily one we should all be aiming for. It offers an opinion of where social enterprise might be heading in the coming years. At times this vision is deliberately controversial. But we hope it will provoke debate and discourse about the vision for social enterprise we want to see achieved by 2020.

The authors wish to thank a number of people from across Europe and beyond who were willing to share their views, and help inform this vision.

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This document is just the start. We would like to gather the opinions of the world's social entrepreneurs. Tell us what you think. Join the debate at

www.theguardian.com/social-enterprise-network/2013/dec/05/live-discussion-social-enterprise-eu-2020 or on Twitter using the hashtag #SocEnt2020. This will help inform a final version which will be published in January 2014.

We look forward to hearing from you

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Introduction

It is 2013 and social enterprise has become a small but integral part of the world's economy. Its influence and impact grows year by year. There are many factors that shape its development: economic conditions, social and environmental challenges, government policies, technology and investment, to name but a few. The question is, how will social enterprise respond to these influences over the next few years? What might social enterprise look like by the year 2020?

This brief paper is one attempt to answer that question.

Will there be any need for a social enterprise sector in Europe by 2020?

Already, in 2013, traditional voluntary organisations, charities and associations across Europe are embracing social enterprise: trading for social purpose and reinvesting any profits. The economic and political climate is forcing all but the smallest, volunteer-led organisation to consider service delivery contracts or other forms of earned income streams. By 2020 almost all charities and associations will be somewhere on the 'social enterprise spectrum' – generating some if not all of their income through trading activities.

Meanwhile, by 2020, more and more private sector businesses will have to demonstrate their social credentials, and many of them will be better at this than traditional social enterprises. Legislation at national and European level is putting social value as a more central component of public sector procurement. Government employment programmes encourage private businesses to take on unemployed people and invest in their training. Internet campaigns expose the dirty practices of large corporates, forcing more ethical behaviour. Small and medium-sized enterprises (SMEs) are seeking ways to generate customer loyalty, or simply to give something back to and engage meaningfully with their communities. Many private businesses will fall within the broad definition of social enterprise by 2020 – delivering increasing social value and reinvesting some of their profits for social purpose.

At the same time, across Europe, governments will be contracting rather than delivering more and more services in healthcare, leisure, criminal justice, social care, education and a host of other areas. These contracts increasingly blur the boundaries between public services delivered by government and public services delivered for government. Many traditional social enterprises will struggle to preserve their social innovation, client centred approach and

independent voice within the tight constraints of service delivery contracts. And for-profit companies will compete to deliver the same services for lower and lower cost. Competitive tendering will force down the wages and employment conditions of employees. For many people social enterprise will come to mean the privatisation of public services by the backdoor.

In many countries in Europe and beyond, particularly in emerging economies, there will still be little concept of social enterprise, simply enterprise. When the biggest social problem is unemployment any enterprise creating jobs, particularly good jobs, is delivering a social benefit.

In a Venn diagram the independent circles of charities, for-profit business and public sector will overlap more and more, and the space in the middle, the social enterprise activity, will grow. But if, by 2020, this social impact activity is being carried out effectively by other sectors, what role do traditional social enterprises - independent not-for-profit, social purpose businesses – still have to play?

There will be a move from sector silos to a spectrum of social impact

Definitions of social enterprise have always been vague, with arguments over essential characteristics. But as boundaries between sectors blur, governments, funders and investors will move away from defining social enterprise according to legal structures and instead start to categorise organisations according to their ability to deliver a social return on their investments. The debate will no longer be about how to define social enterprise, but how to agree, measure and compare social impact.

By 2020 social impact measurement will not only be mainstream in the social economy, amongst social enterprises, charities and associations; there will be mounting expectation in both public and for-profit sectors too. Social impact measurement and reporting will become increasingly sophisticated with the result that all organisations will be judged on a 'Social Impact Spectrum', affecting the way buying, giving and investing decisions are made. In fact by 2020 many organisations will produce an annual Impact statement covering social, environmental and economic impact.

The existence of an agreed Social Impact Spectrum, from positive, through neutral, to negative will allow society to judge all organisations according to their genuine social benefit. No more greenwash. No more publicity-focussed CSR. Traditional social enterprises will no longer be able to claim they are better than private or public sector organisations just because of their business model or

legal structure. Instead superb, ethically run businesses will compete with the best social enterprises and most outstanding public services to be at the top end of the Social Impact Spectrum, delivering enormous social good for minimum financial input. And poorly run, ineffective social enterprises will find they are judged to be delivering limited or even negative social value. Long-standing programmes delivered by public, private, and social economy organisations will close as new models are able to demonstrate far greater social value.

By 2020 people will no longer care what sector your organisation notionally sits in, they will care only about the long-term results that you produce, and how much it costs to deliver those. Governments, funders and investors will demand higher and higher standards of proof of a social return on their investment. More resources will be invested in the measuring and demonstration of social value, but far less will be wasted on ineffective programmes that only deliver superficial or short-term results. Instead money and resources will go to those organisations that can demonstrably deliver the greatest social impact for the least input.

Simply claiming to be doing good work will no longer be enough. Social enterprise will cease to be a label behind which to hide poor businesses. But equally the best social enterprises will deliver a better social return on investment than the best for-profit, public or charitable association. By generating an income and yet prioritising social over financial returns the best social enterprises will provide outstanding examples of what positive social impact really means.

This move to a world of measuring and proving your social impact will not be an easy one for most traditional social enterprises. Most are small with shoestring budgets. Good impact measurement can be costly, particularly when it is first implemented, with investments to be made in new systems, staff training and external expertise. Public sector organisations, corporates and even larger SMEs typically have more resources and more money to invest in this area. So today's social enterprises may find, in 2020, they have to work extra hard to prove their social value, if they haven't invested in this area. In a more connected culture it will not be a surprise to see small enterprises collaborating to quantify and demonstrate their impact, especially where their ideas combine for greater social value.

Social Finance will become mainstream

A large driver for improved social impact measurement will be the growth and development of the social finance sector. In turn the mainstreaming of social impact measurement will drive further growth in social finance. Longer investment terms and longer-term measures of success will help to focus on long-term impact, not just easy-to-measure outputs.

By 2020 the traditional model of foundations investing money for maximum financial return and then giving that money away for social benefit will seem hopelessly flawed and outdated. Instead foundations will be monitoring their social impact across all their investments and grants, and looking to maximize their overall social return.

Pioneering models of social investment such as Social Impact Bonds and Social Investment Bonds will bring together private investors, charitable funders, governments and social enterprises in new and more intimate relationships. This will have an initial impact of increasing the availability of private sector money for social causes and reducing the risk on both the public purse and on the social enterprises themselves.

These new hybrid models which help to monetise social outputs will also begin to unlock the vast financial reserves of pension funds for social investment. A similar shift will occur as the hundreds of millions locked up in the reserves of Charities and associations begin to be invested for a blended return of social and financial profit, not just to maximize financial return.

By 2020 there will be a growing category of social enterprises that are geared to maximise social impact while also delivering a financial return. They will become increasingly 'professionalised' as the emphasis moves towards 'investment readiness', and impact reporting. This growing supply of investable social enterprises will lead to mainstream financial institutions offering social investment products, partly as a way to rebuild their reputation.

The closing gap between commercial and social finance will intensify the pressure on investors to consider social and environmental impact in all of their investments. As the social finance sector grows, the movement of staff between commercial and social sectors will spread some of the ethos and practices of social finance, and magnify the transformative impact that social enterprise practices are having on for-profit business.

At the same time social enterprises will become more involved in the delivery of financial services themselves. Trusted social enterprises with their roots in poor communities will offer bank accounts and loans to people otherwise excluded

from mainstream financial services. They will partner Credit Unions, financial mutuals and commercial banks; gradually taking custom away from both high street and door-step lenders as the public look for financial services with integrity.

But while the growth in social finance will bring huge benefits to many social enterprises, there will be difficult transitions to make. 2020 will see governments start to invest less money in social programmes, increasingly only paying for results that can be proven to save the government money. Large new sources of social finance will bring greater competition from the corporate sector which has greater resources to invest in impact measurement and reporting than the traditional social enterprise sector.

The growth in social finance will lead to more and more funding being available as a loan or an investment rather than a grant. Foundations, European Funds, Government programmes will all start to look for financial as well as social returns. Organisations and social causes which are not most appropriately dealt with through debt or equity finance will nevertheless find themselves pressured to follow that path.

And as the funding pendulum swings away from grants towards loans and venture capital, priorities start to be assessed based on which social outcomes can be profitable, monetised or marketised. Social issues where it's difficult to put a financial value on the outcomes will become much harder to fund. This will lead to a new 'underclass' of social causes. Meanwhile some of those causes that have been difficult to fundraise for in the past, such as work with ex-offenders, will become fertile ground for social investment.

The other shift in funding priorities that will occur in this move from grants to investment is a shift from short-term funding of new and innovative ideas towards investment in proven ideas and concepts. Some movement in this direction is most certainly to be welcomed, but there is a real danger that the social enterprise 'engine of innovation' is starved of fuel.

The drive for social enterprises to become investment-ready will lead to increasing demand to develop the skills, particularly the business skills, of their leaders. Experienced business leaders will be brought in from the for-profit sector, but by 2020 there will also be far more resources put into developing the skills of indigenous social enterprise leaders. This will be supported by a raft of courses and qualifications in social enterprise from universities and business schools. Their growth will be driven by the move of the for-profit and public sectors into the social enterprise space, as much as by the demands of social enterprises and investors.

There will be a swing away from innovation towards scale and replication

The increased levels of impact measurement, reporting and investment seen by 2020 will mean that innovative social enterprises delivering high levels of social value will be under pressure to scale up their activities rapidly to have national and even international impact.

Just as traditional finance drove businesses to become bigger and bigger, so social finance could do the same for social enterprises. Some social enterprises will have enormous turnovers by 2020. A pan-European cadre of leading social enterprises will develop, tackling complex issues. They will inspire investment. They will contradict and challenge the discourse in equal measure. They will define themselves by their impact, culture, successes and what learning they can share. These large social enterprises will break out of being at the margin of marginal sectors and challenge mainstream business models, governance and leadership.

The challenge for these mega-social enterprises will be to keep their distinctive social enterprise DNA: the corporate sector is full of businesses which started with strong social values that were gradually eroded in pursuit of profit and shareholder value. And it is much harder for a large organisation, whatever its motivations, to remain responsive to the needs of its stakeholders. The focus on geographic expansion will put pressure on locally centred social enterprises such as development trusts, risking damaging their distinctive and most precious asset.

One solution to the dilemma of how to grow social enterprises that work without losing what makes them special is social franchising. Although modelled on commercial franchising it requires a much greater level of partnership between the franchisor and the franchisees; usually independent, community-based social enterprises.

Social franchising will help to scale great ideas rapidly across Europe and beyond. By 2020 specific investment funds will have been established to franchise effective models and social franchise intermediaries will have taken root. This will all help social franchising become more professional and develop into a distinct sector in the same way as commercial franchising.

Social franchises will provide community-based social enterprises with new streams of income and more professional services, building on rather than destroying their strong community roots. It will offer an opportunity to balance the need to disseminate good models and retain local ownership and knowledge.

Social franchises will also be taken on by traditional charities and associations, by churches, schools and local authorities, and even by for-profit businesses. Again this will continue to blur the lines between sectors and organisations, increasing collaboration and cooperation, and facilitating the spread of good social enterprise ideas beyond the social enterprise sector.

Complex networks will transform social enterprise

Our understanding of scale will become more sophisticated. By 2020 the pioneers shaping social enterprise activity in Europe will no longer consider scale in blunt terms of turnover, profit, or numbers of beneficiaries reached. Success will not be measured by longevity. Instead social enterprises will be more concerned with, and more conscious of, the scale of their impact. Impact through changing the business practices of others, through changing government policies, through spreading solutions that work. Some of the most successful social enterprises will do themselves out of a job

The increasing interconnectivity of social entrepreneurs will also see a trend of highly networked micro-social enterprises, collaborating across international boundaries. Strong connections will be made to tackle a specific social issue and will then dissolve again for new connections to be made: crowdsourcing expertise and capacity as well as funding. For young people in particular, the 'digital natives', this direct, collaborative approach to solving local and global problems will become an attractive alternative to organised political participation.

Over the past 50 years for-profit business has gone global, with large corporates spanning countries and continents. Government has not done the same. The result is an imbalance in the world of financial profit prioritised over social value. But by 2020 the growth of social enterprise as a concept will be at the vanguard of spreading democracy, equality and opportunity for the disadvantaged across Europe and beyond, nation building, and crossing international borders in a way that governments cannot.

Cooperation and collaboration across national boundaries will be encouraged by European funding and policies, facilitated by evermore powerful technology, and driven by more accurate, comparable and useable social impact reporting. Those social enterprises trying to solve similar problems, or carving out a niche in a particular market will be able to share learning. Social enterprise models that are effective will spread through this informal sharing, even more rapidly than through more formal mechanisms like licensing or social franchising.

So if not a sector, what will social enterprise become?

Social enterprise has never been about a sector, about legal structures or models of governance. It is about working at the margins; pushing the boundaries of what's possible, working with the people and problems failed by for-profit business, government or traditional charity.

The role of social enterprises in 2020 is still to take risks and push the boundaries. But the boundaries will have moved. Mainstream charities and private businesses will be carrying out much of the work that is now being developed by cutting edge social enterprises. Some of today's social enterprises will have become the mainstream charities and businesses of 2020. But some will continue to innovate and challenge, and new ones will develop. The nimble, adaptable, shoestring budget social enterprises will continue to act as Europe's Research and Development (R&D) lab, inventing and testing better ways to make a better society. The successful innovations will become mainstream, the unsuccessful ones will not.

One of the big changes to social enterprise by 2020 will be our attitude towards failure. Recognising that social enterprise provides an R&D function changes our expectations. Social enterprises that fail for trying something new are no longer seen as something to be ashamed of, but important steps on the way to success. Inspired funders and investors will set aside money for these high-risk investments, assessing their social return not on a project by project basis, but across a portfolio. In the same way that venture capitalists expect one investment in ten to pay for the nine that don't work, so venture philanthropy will come to expect the social return from the big success stories to make up for the ideas that don't achieve all they set out to.

Considering social enterprise as an R&D lab should also change the conversation around competition and collaboration. By 2020 social enterprises will no longer be talking primarily of competing with the private sector for business. Instead there will be greater emphasis on cooperation: social enterprises actively working with for-profit, public and charitable sectors to develop more effective solutions to social problems and rolling out those innovations into the mainstream.

Universities and schools will increasingly feature social enterprise as a core component on their curriculum, an integral part of many subjects. Often this will be driven by social enterprises themselves, collaborating with the education sector to inspire and equip the next generation of social entrepreneurs. This will further expand the breadth of disciplines in which social enterprises are active,

generating an explosion of highly educated social entrepreneurs in a wide range of disciplines; from art to engineering; from sports science to micro biology.

Legal frameworks, financial instruments, and support infrastructure can all speed-up or slow-down the rate of social enterprise development, sometimes in unexpected ways. They can help make social enterprises more efficient or effective. But the social entrepreneurs, the disrupters, the change-makers will find a way of working within the confines of whatever environment and whatever market they are in to find a better solution to any given social problem. They exist not simply to sell in to markets but to make and shape markets: not to commercialise social problems but to revolutionise our approach to them.

In 2020 social enterprises will operate at the cutting edge of a range of complex social issues

Unemployment, particularly youth unemployment will remain stubbornly high in 2020, but the great success stories will be coming from social enterprises working with those most excluded from the jobs market; creating new jobs for disadvantaged people and in areas of poverty and deprivation. In many areas the only jobs that exist will be those created by social enterprises. It is in this area that we can expect to see young people leading the solutions themselves, through high impact businesses.

Encouraged by social investors using gender equality as a proxy for good management, social enterprises will increasingly demonstrate the value of gender balance at all levels of an organisation. As sector boundaries blur this will spread more and more rapidly into the public sector and for-profit businesses.

There will be a new wave of environmental entrepreneurs, setting up and running social enterprises to tackle the issues of water, energy and climate change. They will provide practical leadership; spreading effective practice across Europe and beyond; offering global solutions while governments haggle over short-term national interests. And the success of these social enterprises will not be measured purely in terms of their own social outputs, or financial sustainability. It will be measured in part by how effective they are at creating an environment where a truly sustainable for-profit sector can flourish, and at paving the way for effective government action.

A conclusion...

There may well not be a recognisable 'social enterprise sector' by 2020. Certainly any attempts to confine social enterprise to specific legal structures or models of governance will have ceased. But the concepts and ideals of social enterprise will be spreading rapidly into all corners of society, becoming mainstream. All organisations, whatever their ownership model, will be judged on a spectrum of social impact. Social finance will create new opportunities and with it new threats; driving organisations towards models that deliver a social and financial return. Investment will move from innovation towards replication of proven models; from short term outputs to long-term impact. Complex networks will lead to cross-border collaboration and the rapid spread of successful ideas.

And social enterprises themselves? They will be where they should be; working at the margins but no longer marginalised; creating and shaping markets; pushing boundaries; building nations; and creating the space for governments, charities and for-profit businesses to follow.