

Social Enterprise and Homelessness: What Works?

- A BRIEF GUIDE TO SETTING UP AND
RUNNING A SOCIAL ENTERPRISE THAT
SUPPORTS HOMELESS PEOPLE

By Mark Richardson
CLORE SOCIAL FELLOW

SOCIAL
IMPACT
CONSULTING

Research by: Mark Richardson
mark@socialimpactconsulting.org.uk

SOCIAL ENTERPRISE AND HOMELESSNESS: WHAT WORKS?

A brief guide to setting up and running a social enterprise that supports homeless people.

Over the past fifteen years more and more social enterprises have developed supporting disadvantaged people into employment. In March 2012 it was unveiled as one of the 5 key principles underpinning the Government's Social Justice Strategy. To date there has been little work done to understand what works, either financially or socially.

This brief report is aimed to provide the social entrepreneurs who are setting up and running these organisations with some evidence based suggestions of what does work, and the challenges to expect. It is part of a wider report into social enterprise and homelessness and reflects the experiences of the 15 social entrepreneurs I interviewed, and the 73 who generously completed my survey. This is all filtered through my own experience of setting up and running a social enterprise which is still employing homeless people 14 years later.

The full report can be downloaded for free at www.socialimpactconsulting.org.uk.

The research was undertaken as part of my Fellowship on the Clore Social Leadership Programme. The Fellowship was supported by Calouste Gulbenkian Foundation. I also received a non-stipendiary Fellowship from the Third Sector Research Centre.

I hope this information proves useful to everyone engaged in the valuable work of supporting homeless people into employment.

Mark Richardson, July 2013

Social Impact Consulting

www.socialimpactconsulting.org.uk

9 WHAT WORKS?

9.1 The journey from multiple exclusions to employment:

We can see from the research that there are parts of the journey from multiple exclusion to social inclusion that cannot be met through a social enterprise model; both because the demands of regular employment are inappropriate for individuals with severely chaotic lives, and because individuals with severely chaotic lives cannot form a profitable workforce.

However the research also shows that two different models of engaging with multiply excluded people can and do play an important part on that journey towards

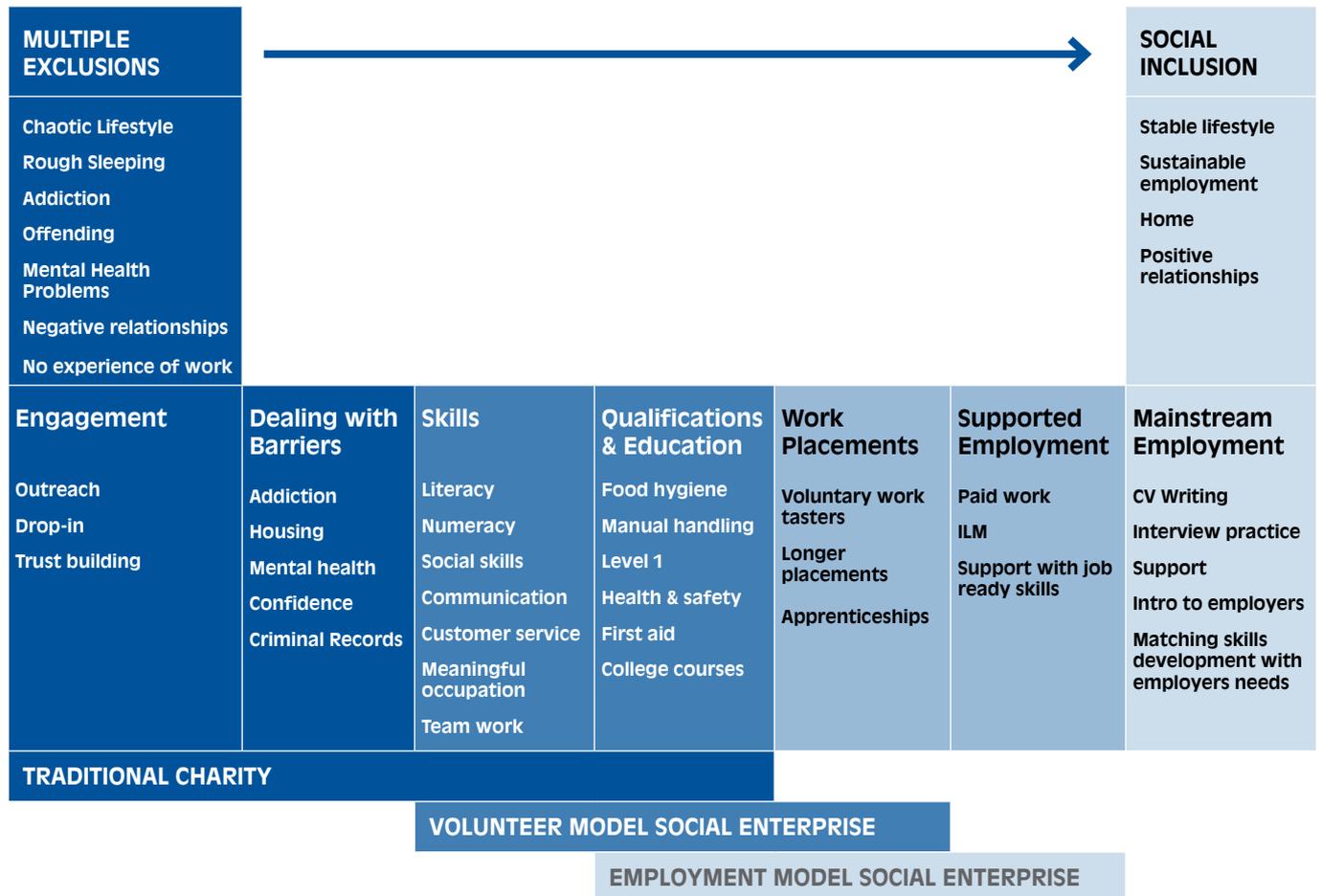
"Aspire Oxford is vital. We're the only organisation doing this work in Oxford and there's a massive demand for our services. But we can't do our work without the excellent support of drug and alcohol agencies, hostels and housing providers, mental health services, probation services, family and children services. We're part of the jigsaw, but an important part. We're almost the last piece."

Jane Harris, Aspire Oxford

mainstream employment. One key to the success of those social enterprises, both socially and financially, is understanding where they fit on that journey, and not trying to play a role that should be met through alternative provision.

The diagram below summarises where the different social enterprise models can be, and are being, effective:

9.2 Diagram: The journey from multiple exclusions to employment:



9.3 Linking the 'rungs of the ladder'

"A lot of the time, when someone has come through a range of services, once they are employed and housed those services generally stop. We have quite a high percentage of staff that had a drug or alcohol misuse problem, but all the support they were getting just dropped off because they'd become an 'outcome'. They've got through their drug problem so the funding stream stops. But actually that's probably the most critical point of somebody's life." Steve Weymouth, Shekinah Mission, Plymouth

Most social enterprises report seeing improvement in the majority of the people they work with. In this research the average was 91% of beneficiaries reported as showing some improvement and only 9% showing no improvement. The problems often come, however, when beneficiaries move from the support of one organisation to another. It is these 'gaps' between agencies where most relapses occur. This is recognised in the Government's Social Justice Strategy:

"Because a range of services is needed to tackle these complex issues there is a risk that people fall through gaps between different agencies – whether it be the local housing office, Jobcentre Plus or the local health service – with no single party responsible for making sure they are working together. And the problems they face can make it difficult for them to make those links themselves and access the support they need."³⁶

Research from MEAM³⁷ demonstrates that each organisation or service is more effective if there is one 'key worker' able to link each of them together, providing a point of continuity throughout the journey.

Where funding for key workers is not available social enterprises need to take particular care to at the 'entrance and exit points' of their organisation to ensure that beneficiaries are genuinely supported through these transitions. And it is at these points where true partnership working is essential.

The role social enterprises play in this is becoming even more important as funding restrictions are seeing significant reductions in the numbers of key workers for adults with multiple needs. The SNAP survey for HomelessLink found 53% of 134 projects have had to restrict key working and other support, including to highly vulnerable people with complex needs, as a result of reductions in their funding in 2011.³⁸

It is also vital that social enterprises link with the right external support services for their beneficiaries while they are working with them. Only 5% of respondents said the main support for their beneficiaries was delivered by external agencies, 18% by a parent organisation and 78% by internal staff. This is quite a surprising result. Given that few social enterprises have the capacity to deliver specialist support on all areas (housing, addiction, behaviour issues, employment skills, job search etc.) it would seem that either:

- Beneficiaries are not getting the specialist the support they need, or
- Social enterprises are not recognising the support provided by other agencies

From my own experience, where social enterprises supporting homeless people are not sufficiently well 'plugged in' to the wider network of support available they can try to be a 'one-stop-shop' of support services. This leads to an unnecessary and unsustainable burden on the social enterprise while the beneficiaries do not receive the most appropriate support available.

9.4 Does being a social enterprise help win business?

Whether being a social enterprise and employing excluded people is a commercial advantage or disadvantage depends upon who your primary customers are. Those selling products or services to housing associations, local authorities and large corporates with an eye for CSR, find it can open doors that would not be so easily opened by a regular SME. But it is less clear whether it is always a commercial advantage with the general public. For example Aspire Bristol find their social mission is an important selling point when selling their services to housing associations. However Crisis Skylight, a café open to the general public, are less convinced that their social mission helps them to achieve commercial success. All agree however that social mission alone will get you nowhere. The quality and the price have to be competitive to secure the deal and keep the custom.

Steve Weymouth from Shekinah Plymouth says you can use your social objectives to get a foot in a door with housing associations, for example. "It's a selling technique. 'You need to have an audience with us because you have social aims yourself'. But then it's about delivering on the commercial side of it. I would never just try to win people over for charity. If we're not doing the work they'll let us go."

Owen Jarvis from Aspire Foundation agrees. "Your social mission will get you in the door, but it won't save your business if the quality's not there."

Not all social enterprises are taking full advantage of this competitive advantage however. Christina Baby from First Fruit admits "We haven't been very good at promoting our social objectives and I've identified that as a missed opportunity." And Jim Blakemore at Bikeworks has also identified this as an area for development. "It's something that as we're becoming more retail focused we know we need to convey the social enterprise message in a clearer fashion. A lot of people don't realise when they come into our shops. It's an area we're working on."

But the social enterprise tag is not always a help. "Sometimes it's been a hindrance being part of charity. Some people think we won't be as good as a normal commercial business. You have that barrier to get through. Ultimately people want the work done and they want value

for money."

Christine McDermott who runs Crisis Skylight in Newcastle also feels it's not necessarily a competitive advantage with the general public. "The London cafe push the social enterprise thing like mad. I don't. I keep it very low key. It's on the back of the menus saying you're in a social enterprise, but I'm running a cafe and charging the same prices as my competitors, I do dinners and functions - you expect the same service as you would if you went anywhere else. I don't want to say it's rubbish because it was a social enterprise - it can't be rubbish."

There is also a question about whether shouting about your social mission is the right thing to do for the sake of your beneficiaries. Jane Harris at Aspire Oxford, for example says, "we're trying to change the discourse around homeless and offending and addiction away from the language of suffering and poverty to a recognition of the skills, commitment, hard work and perseverance that it takes to overcome these things. The challenge is, how do we have a profile that acknowledges our needs as an organisation while not buying into the old myths and stereotypes?"

Whether or not the social mission of an organisation is a marketing asset or not depends on a number of factors, and ultimately each social enterprise needs to find the right balance for their business and their beneficiaries. But as a general guide it can be a very useful marketing tool when marketing to businesses, public or voluntary sector organisations, but can be a disadvantage when marketing goods and services to the general public. However a careful balance needs to be struck between trumpeting the positive social impact an organisation is having and exploiting the background of its beneficiaries to their detriment.

10 RECOMMENDATIONS

10 Recommendations for practitioners

There are many things we can learn from this research; from the journey the group of Aspire social enterprises has taken over the past 15 years, the responses to the survey and the in depth interviews. Some of the most crucial learning in relation to employing adults with multiple needs is summarised below.

10.1 Good planning

Research and planning are essential. Most social enterprises starting now are unlikely to be doing much that has not already been tried and tested by someone somewhere already, so find the businesses and social enterprises that are already doing it and learn from them. Important tips for good planning included:

- Get help and training
- Learn from those who are already doing it
- Think long term
- Start small but always plan for scale and sustainability
- Build in impact measurement from the start, regularly review social goals and attainment and adjust if necessary
- Be rigorous, be flexible
- Be prepared to evolve as you grow
- Get the right structures – legal and operational
- Identify and celebrate milestones
- Use SMART targets
- Be very clear with the mission statement
- Have a building that is “Fit for Purpose”
- Write a business plan to consolidate and clarify your thinking
- Regularly revisit your business plan to review progress and revise expectations

10.2 The right partners

No social enterprise, even those embedded in a large charity, can offer specialist support for every issue faced by someone with multiple needs. It's vital to identify what part of the journey from multiple exclusion to social inclusion your social enterprise supports, then answer the following questions:

- Who supports your beneficiaries before they join you?
- Who else supports your beneficiaries with problems they face when they're with you?
- Who supports your beneficiaries when they leave you?
- Who employs your beneficiaries when they leave you?

To ensure beneficiaries receive the support they need it is important to establish both good personal relationships and appropriate systems and procedures.

10.3 The right business

There is no one business that works in every situation. The 53 social enterprises that responded to the survey were operating in 21 different industries. There are some criteria that can help choose one that will work however:

- A financially sustainable core business model is crucial. Window cleaning has been successful for Aspire Bristol, Aspire Blackpool and Aspire Foundation.
- There needs to be a strong market for the product or service
- It helps to have some guaranteed trade before you start
- It should ideally allow for multiple, complimentary trading activities
- The business activity needs to appeal to your client base
- It needs to provide entry level, manual employment
- It should provide the opportunity for beneficiaries to acquire skills and qualifications
- It should prepare beneficiaries for unsupported jobs that exist in your area

- You need to have, or recruit people with, the right skills to run the business
- A franchise (commercial or social) may offer the best chance of a financially sustainable business model
- Low set-up costs often mean low margins and a lot of competition
- A mixed offer of employment and volunteer placements is most effective socially
- A range of income streams is also crucial; a balance of statutory funding, or payment for social impact, as well as a variety of trading income streams.
- Income streams that can generate larger, longer-term contracts allow for greater scale and sustainability. E.g. grounds maintenance contracts with housing associations for Aspire Bristol and Aspire Foundation.
- Trade with the general public is hard, and generally smaller scale.
- A business staffed almost entirely by beneficiaries is hard to manage. As soon as beneficiaries are productive they leave for mainstream employment. A skilled and reliable core staff team is important.
- Work experience is a vital rung on the ladder to mainstream employment. There aren't enough organisations providing that for people with multiple needs.
- There needs to be a range of work opportunities. Most needs to be entry level and low-skilled but there also need to be opportunities for personal development; to develop skills and qualifications.

10.4 Proper capitalisation

Most businesses don't breakeven for the first 2-3 years. This can be substantially longer for social enterprises working with homeless people. It is vital that the business has enough cash in the bank (or guaranteed investment) to sustain it to that point. Even the most conservative business plan is usually optimistic. For example, vast amounts of management time were wasted at Aspire trying to secure sufficient investment to make it through the next cash-flow crisis.

The right sort of start-up funding is also important. Grant funding played an important role in the establishment of every social enterprise in our research, but many only became sustainable once grant funding was withdrawn.

Social investment can be great too, but the terms need to reflect a realistic expectation of the businesses performance and the time it will take to pay it back.

Which brings us on to...

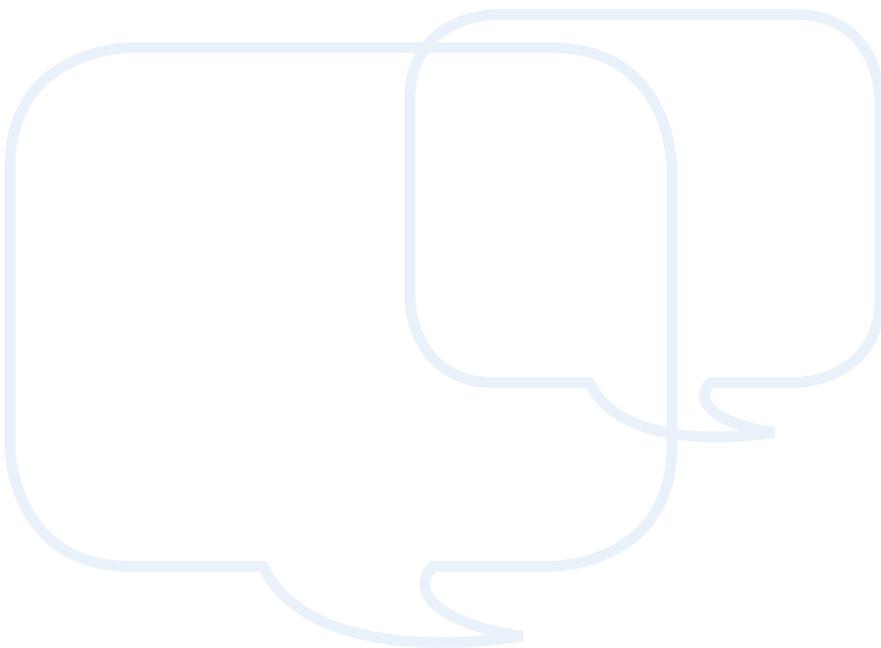
10.5 Realistic expectations

Optimism is a vital ingredient in getting a new social enterprise off the ground. Many social enterprises run on little else for the first few years. But an unshakeable belief that you can succeed needs to be tempered with some realistic expectations about how long this will take, and the resources and hard work you'll need to get there. Seventy percent of business start-ups fail in the first five years, and although research by New Philanthropy Capital suggests that the failure rate amongst social enterprises is 40% lower, realistic expectations at the start will help to ensure your social enterprise is one of the survivors.

Ultimately success will:

- Take longer than you think
- Require more work-hours than you expect
- Be smaller (initially) than you planned
- Be less profitable than you thought
- Require more support than you'd hoped
- Demand tenacity, ingenuity, flexibility, and a refusal to believe anyone who says it can't be done

And yet the results can still be overwhelmingly worthwhile.



10.6 Financial Sustainability

All social enterprises face a constant battle between business and social objectives. However, unless you have a reliable source of grant funding for them, a sustainable business is necessary to achieve any social objectives at all.

Having a manager who is commercially focussed is vital. Almost all social enterprises start with a social mission, and a focus on the commercial targets requires a change in mindset for a lot of social entrepreneurs, particularly so if they're spinning out of a more traditional charity. Training in this area can be helpful. Sometimes buying in the right expertise is the best answer.

Also important is a focus on the quality and reliability of the commercial product or service. This is arguably even more important for a social enterprise than a mainstream SME because the expectation is often that in delivering social outcomes you cannot also deliver a high quality commercial service. And while good social impact might help you get an initial contract, only quality of service will help you keep it. Most customers are not really interested in your social objectives, and certainly not in comparison with your ability to deliver a quality service or product at a competitive price.

Being specific about the role your social enterprise plays in an individual's journey from multiple exclusion to social inclusion can help to understand the right balance of social and commercial needs. No social enterprise can be the answer to every problem for everyone. Clients / employees / volunteers who threaten the commercial viability of the social enterprise should be supported by an organisation more appropriate to their needs.

If the social enterprise is working with those furthest from the jobs market the business model also needs to function without the majority of beneficiaries present to allow for high levels of absenteeism, unproductive work time and staff time taken up by personal or social problems. You will also need to allow for higher levels of grant funding and are less likely to be able to trade with the public sector.

Diversifying income streams can help to smooth out seasonal variations in one particular industry. The more diverse income streams a social enterprise has the less it relies on grant funding. Another way to increase the chances of commercial viability is to run a commercial franchise for social benefit, where the commercial business

model is already proved. Once you have an established, sustainable business you can increase the social benefits it delivers.

The push for financial sustainability can lead to a focus on those closer to job-ready. This may be the most effective position for some social enterprises to adopt. However payment for social outputs can provide capacity to work with those with multiple barriers.

Current economic pressures are having an effect on viability and social impact. Some organisations that were employing people have had to scale back and adopt volunteer based models instead. (Aspire Sheffield and Aspire East London).

"We've done social enterprise over the past 10 years. It's the past 3 years it's got hard." Christina Baby, First Fruit (Aspire East London)

In summary:

- Employ a manager who is commercially focussed
- Compete on quality of product or service, not on social value
- Be clear about the capability your beneficiaries need to have
- Beware of a model that relies on a productive workforce made up of vulnerable adults
- Look at franchise options to reduce the risk of failure
- Establish diverse income streams
- Grow your social benefits only when the business is sustainable
- Beware of the tension between social and financial goals

10.7 Don't rely on grant funding

Grant funding can play an important role in establishing new social enterprises. It can also be used effectively to buy specific pieces of equipment, or to pay for social costs that cannot be borne by the business itself. However it can also have a detrimental effect on a social enterprise. Grant funding can:

- Reduce the likelihood of a social enterprise reaching breakeven
- Distort the social and/or commercial focus of the enterprise
- Lead to the collapse of a good social enterprise when it is suddenly withdrawn

A social enterprise that relies on continued grant funding to operate is not sustainable unless that source of grant funding is sustainable.

10.8 Staffing and Governance

The right core staff are hard to find. They need to have an absolute commitment to the social mission of the enterprise, be good managing difficult people, but also understand the commercial necessities.

The most important member of staff is the social entrepreneur running the social enterprise. This may be the founder, it may be an appointed manager, but the single-most important factor in deciding the success or failure of a social enterprise is usually the qualities of the person running it. They need passion, enthusiasm, vision and strong commercial acumen.

There are high levels of burnout amongst managers of social enterprises in the homeless sector, so providing the right mentoring, support and safeguards are essential to long-term sustainability.

The rest of the staff team are also very important, of course. You need to have the right balance of skills and personalities, but importantly people with a can-do attitude who will roll their sleeves up and get stuck in where needed. Almost all social enterprises employing homeless people are small businesses and while carefully defined roles and responsibilities are helpful, sometimes the finance director might be needed to step in and clean the toilets.

There also needs to be a realistic ratio of core staff to beneficiaries. This will vary from business to business, but the stability of any one team will depend on a solid and reliable member of staff to anchor it.

A successful social enterprise also needs a strong board with the right balance of skills and experience and a remit to support, and where necessary, challenge the managing director. The right systems and procedures also need to be put in place, not just to ensure legal compliance, but also the effective long-term sustainability and growth of the enterprise.

Involving homelessness people themselves in the planning, design and management of the social enterprise can be extremely effective, but this needs to be done in a way that protects the enterprise, the staff and the homeless people themselves.

10.9 Support for beneficiaries

It is a fine balance to be struck between being an employer and running a business on the one hand, and supporting vulnerable adults through a very difficult transition into mainstream employment on the other. Where that balance is struck depends to a large extent on how excluded the beneficiaries are, and how commercial the social enterprise. However being clear about this balance is important for beneficiaries, staff, and the sustainability of the social enterprise.

The support structures for your beneficiaries should be designed, in partnership with other organisations, to provide as smooth a path as possible from multiple exclusion, through your social enterprise and into mainstream employment at the other end.

Not all vulnerable adults will want to engage with a social enterprise, and not all are capable of doing so straight away. So as already mentioned ensuring good links with partner organisations who can support those you can't is essential.

For those people who can benefit from employment opportunities even a regular voluntary commitment can be a huge step, never mind paid employment and all the pressures that brings. The support structures in place within (or alongside) your social enterprise need to recognise the enormity of this step. Intense, day-to-day support might be needed for a year or more.

Making sure there is sufficient support in place when an individual leaves your social enterprise is vital to the sustainability of your outcomes. Volunteer mentors can help to bridge this gap.

The right staff to beneficiary ratio is crucial to both stability and social impact. The higher the needs of the beneficiaries the more core staff you need in relation to beneficiaries.

There's sometimes a difficult balance to be struck in supporting beneficiaries to sustain their job / placement and getting drawn in to supporting outside of the work place. Strong links with external support agencies are essential.

Extreme behaviour and violence occur from time to time. They can't be tolerated for the sake of the other beneficiaries, the staff or the business.

10.10 Believe it can work!

An unshakeable belief that a social enterprise employing homeless people can work is an essential ingredient to success. The precise model may change beyond all recognition from your original plans, but the core aim of providing employment through a sustainable business model should not.

There are many examples now of successful, sustainable social enterprises that employ homeless people. The reality in almost every case, is that it's far harder and messier than the websites and press releases suggest. But many are surviving commercially and delivering impressive social outcomes. (51 social enterprises employing nearly 400 homeless people in our survey.)

It's a rollercoaster ride, but it is valuable work that provides an essential rung on the wobbly ladder from multiple exclusion to full time employment.