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8th May 2019

Re: Draft National Social Enterprise Strategy – Public Consultation Response

On behalf of the Irish Social Business Campus and BNest, we would like to offer the following feedback on the draft policy on Social Enterprise. In the note below is our detailed thoughts on the policy as drafted. However, as an overview to the detailed feedback we would first offer the following as a summary of our feedback.

Executive Summary

1. We strongly welcome the initiative to deliver a workable policy to help develop a thriving social enterprise sector within Ireland that can seek to achieve an impact that aspires to EU norms and beyond.
2. While welcoming the broad definition of Social Enterprise, we are severely concerned that in its current form it will associate “Social Enterprise” with non-profit making, voluntary organisations exclusively. While such endeavours are one element of social enterprise it runs the fatal risk of being perceived as excluding many individual social entrepreneurs which are central to an effective SE sector, as would be the EU norm. This faulty perception is further enforced by specifically identifying alignment with “voluntary” functions as critical. While volunteering is a critical piece in social enterprise, SE activity does not have to be on an exclusively voluntary basis
3. There is almost no focus on “market” in the policy, a critical problem impacting development within the sector. Social Enterprises, by definition, are unique combinations of “social purpose” through “enterprise activity”. The policy as written largely leaves the enterprise portion unaddressed entirely. This re-enforces the perception that SE in Ireland is to be a supported, largely voluntary, sector dependent on ongoing subsidies.
4. While the policy is clear on its intent, there is no specifics on what “Impact” the policy is seeking to achieve, nor any milestones associated with potential impacts. Many within the sector fail to understand the need to both understand and to report on impact. An effective SE Policy needs to demonstrate the importance of this by showing clear measurable alignment to impact.
5. There is a flawed assumption that adequate funding mechanisms exists and what is needed is more alignment among those mechanisms. Mechanisms exist within the country for supported social functions and separately for commercial enterprises. Neither however, fits well with “social enterprise” and this currently severely inhibits initiation and scaling of social enterprises. This is not addressed within the policy.
6. While the policy rightly references the importance of social innovation and social entrepreneurship in a vibrant social enterprise sector, the individual social entrepreneur is largely missing from the policy, reflecting an unintended bias towards agency and community led activities. However, even these elements of a social enterprise sector are dependent on an individual for initiation. There is little in the policy that addresses the needs of the individual social entrepreneur.
7. For a social enterprise policy to be effective, it must be a shared policy with aligned implementation across a number of critical government departments. While the

Department of Rural and Community Development can be the coordinator of the strategy, an effective strategy will require close alignment and cooperation particularly with the Department of Employment Affairs and Social Protection and Department of Business, Enterprise and Innovation.

The development of a vibrant social enterprise sector within Ireland has the potential to be a critical factor in the future sustainable growth of the country. A policy that succeeds should aspire to deliver as a minimum what others among our European partners have already achieved. Achieving this baseline would see the potential of one in four SMEs' being of a social orientation with the potential to add upwards of 100,000 sustainable jobs often in areas not easily addressed by other initiatives.

For a policy to succeed it needs to be one that both garners a workable aligned strategy across the multiple governmental agencies that impact on the sector and one that sees the social initiator as central to that policy.

While applauding the endeavour in creating this strategy we would be concerned that it is one that seeks more a synthesis of existing disparate endeavours rather than one that is sufficiently innovative and disruptive to generate the radical change that is required.

Finally, if there are items in our response that you would like further insight on, we would be delighted to directly engage with you on it, should you view that of benefit to you.

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Irish Social Business Campus, “ISBC”, draft response to “National Social Enterprise Policy for Ireland 2019-2022” Public Consultation Draft

ISBC Background

The ISBC is a regional collaborative initiative seeking to help foster a growing community of viable, robust & socially impactful businesses in Ireland.

ISBC does this through

- Raising awareness and knowledge about the sector
- Inspiring the creation and development of social impact businesses
- Providing education, resources and support services,
- Creating and enhancing connectivity between our participants and others, both within and beyond the sector

Headquartered in the Nexus Innovation Centre, U.L, it is a collaborative venture of BNest, Nexus Innovation Centre, Kemmy Business School, Ludgate Innovation Hub, SECAD, NEWKD and CLDC, supported via EI’s Regional Enterprise Development Fund. The initiative was born from an initial three year pilot programme delivered via BNest in the Mid West.

ISBC greatly welcomes the initiative to create and implement an effective Social Enterprise Strategy for Ireland, a policy it believes critical if the potential for the sector is to advance towards the norm of where social enterprise should contribute. With roughly 1 in 4 of SMEs’ loosely aligning to the definition of a social enterprise we strongly believe in the potential for economic and social advancement of the country will be greatly enhanced through a supportive effective policy. The following thoughts are offered on the draft policy in a constructive manner to aid the development of such a policy.

Feedback on draft National Social Enterprise Policy for Ireland.

A. Definition

- i. The broad definition of Social Enterprise applied in the policy we fully support as a narrower one would be restrictive and not capable of matching the broad spectrum of endeavours that genuinely are social enterprise in nature.
- ii. We would suggest altering the definition from “...an enterprise whose objective is to achieve a social impact rather than making a profit ..” to “...an enterprise whose objective is to achieve a social impact **above** making a profit for its owners ...”. What ever exact wording is applied, we believe that the definition needs to recognise that a social enterprise can and indeed should seek to generate profit if it is to strive for viability. The false assumption that “not for Profit” equates to “no profit” is widespread across the sector and seriously impacts on participants realising that it is an “enterprise” that delivers a social purpose. The definition, further on, correctly addresses the restrictions on the use of profit/surplus so avoids any ambiguity such a change might make.

B. The spectrum of Social Enterprise activity

This is indeed wide as outlined on Page 8. At the heart of most social enterprises in an initial instigator of the initiative, in effect the Social Entrepreneur. Our experience is that many of those individuals do not recognise that terminology as applying to them. We believe the “spectrum” as outlined will be perceived by them as “agencies”. Without the social entrepreneur there cannot be a vibrant social enterprise sector and more effort should be made to appear ‘inclusive’ from their perspective.

To be effective we strongly believe that the policy needs to place active participants as the central focus clearly drawing out that agencies role is providing critical supports to serve their needs. While this may be viewed as semantics, we strongly believe in seeing the active entrepreneur/enterprise as the central focus, with supports being to “support” not “direct”.

C. Primary Objectives

We would be in strong agreement that the core three objectives are the primary objectives. While other objectives could be included, within the targeted policy period effective delivery on these objectives would be the most productive.

D. Policy Objective 1

1. *“Working closely with social enterprise stakeholders to develop an Awareness Strategy to raise the profile of social enterprise in Ireland.”*

- a. We believe both “Understanding” and “Awareness” are required for success as there is significant misunderstanding around social enterprise currently
- b. We believe that **consistent clarity**, across all social enterprise stakeholders themselves, is itself vital as currently there is much ambiguity and variation in their understanding.
- c. Without first establishing consistency of understanding among the stakeholders, a policy of raising broader awareness will fail.
- d. We believe consistent understanding across governmental functions is also key as any policy to succeed will need cross departmental alignment.

2. *“Identifying, with social enterprise stakeholders, best practice examples of social enterprises to improve public understanding of such enterprises and to highlight their contribution to society and the economy. “*

As previously mentioned, a significant number of active social entrepreneurs and enterprises do not see themselves in that language. Partly this is due to some existing stakeholders not recognising such individuals and enterprises as social initiatives. A spectrum of best practise examples needs to be selected aligned to the definition, not necessarily those that are PR optimal. Specifically, endeavours, done via a commercial company structure or sole trader need to be recognised as social enterprise activity, sectors that some agencies currently regard, incorrectly, as not social enterprise.

3. *“Holding an annual Social Enterprise Forum for all stakeholders to participate in shaping policy, building understanding of social enterprise, disseminating information, and sharing best practice”*

This could be a good initiative if delivered in an effective manner. It would be useful if such a forum was to draw on the concept demonstrated by the Citizens’ Assembly, being both representative and a working entity, with an emphasis on constructive debate to action as against purely a PR initiative. The key for effectiveness is engagement from active social initiators. It will be a challenge to gain their attention and attendance, but it will be key to achieve the desired results.

4. *“Supporting social innovation and social enterprise start-ups through programmes and initiatives.”*

This is a primary area of focus of ourselves within ISBC. Our own experience has altered and evolved our own thinking on this space. The need to radically alter the approach here is clear.

Most importantly, supports needed to be grounded on actual needs not perceptions of needs. There is a widespread view that provision of “training” satisfies this. Much of what is offered is flawed and not grounded in the reality of social enterprise. In our view, looking at enterprise creation as a voyage of discovery to find the enterprise to build from the concept, the emphasis becomes one of “learning” not “provision of training”. This is a much more demanding requirement.

While much of what applies to commercial start-ups applies to social enterprise a fundamental difference is that most social entrepreneurs are personally intertwined with the enterprise itself. This makes the already complex psychological effort of a commercial start-up even more difficult and support programmes to be effective must deal equally with that side.

Equally, supplying such supports, without related and aligned funding approaches is completely ineffective. There is no real support for the entrepreneur at the initiation phase. Such supports as are there, geared around employment schemes, understandably favour established entities, leaving the initiating individual far less supported than on the commercial side.

5. *“Exploring the scope for further inclusion of social enterprise and social entrepreneurship modules in the education and training system”*

Clearly an important initiative but one where people have already started to try to achieve this ahead of a policy. Where such initiatives are occurring, the policy should be one to support. Drawing a working group together of those already active to render this a more coherent approach would in our view be a more effective initiative.

6. *“Working with education and research bodies to further support the development of social innovation “*

This should be an inherent outcome of the action that would address 5 above.

E. Policy Objective 2 - - Growing and Strengthening Social Enterprise

- 7. *Compiling and making available information on the various business supports available to social enterprises, along with details of the providers of those supports.***
- 8. *Identifying any gaps which may exist in business supports available to social enterprises and working to address those gaps.***
- 9. *Providing access to advice and supports to assist social enterprises and social entrepreneurs to develop their business proposals.***
- 10. *Providing tailored training for social enterprises to help them to improve their business potential as well as leadership and governance skills.***

Objective 2 is essential to be achieved for a vibrant social enterprise sector and culture to exist. However, the actions outlined from 7-10 are flawed based on an assumption that currently such an infrastructure exists which if tweaked and modified somewhat will be fit for purpose.

Critical gaps exist, within the current approach, which will require radical change to address.

Specifically,

- Early Stage funding approaches are dis-functional
- Most Social Enterprises, especially in early stage, are disenfranchised from the Tendering processes
- The level of bureaucracy around funding is disproportionate to the level of funding both impacting access, effectiveness and good governance.
- Marketing understanding and application within the sector is grossly inadequate and ranks at least as highly as leadership.
- Funding mechanisms discriminate based on legal structures (CLG vs Commercial) as against social purpose, impact and viability.
- There is inconsistency in access and application of supports
- There is no practical seed level funding to help potential social endeavours evaluate both social and commercial viability

A coherent support approach should be developed that is “designed with” the social entrepreneur not “for”, in keeping with best practise of design thinking principles.

- 11. Cataloguing and disseminating information on financing/funding schemes available to social enterprises at national and EU levels.**
- 12. Identifying gaps in financing/funding schemes and working to address those gaps.**
- 13. Exploring the potential for new innovative funding schemes for social enterprise.**
- 14. Seeking to improve alignment of funding schemes to support the objectives of social enterprises, whilst avoiding any displacement of existing supports for Community and Voluntary organisations**

Our comments here would largely echo our previous comments. There are, to our mind, a number of critical flaws in the current approach:

- a) There is NO realistic seed funding capability for an innovative entrepreneurial individual seeking to prototype a concept. While some limited options exist, they are almost completely oriented towards CLG entities or those seeking to address at a “national” level. At the initiation phase this is excessively restrictive.
- b) There is a critical misalignment between funders expectation and practicality at initiation. Funders seek proof of concept for seed funding levels of investment. This is impractical. Seed funding is inherently explorative and availability of low level (€10-25k) seed funding with criteria being on potential not delivery is needed.
- c) Funding beyond seed level is inadequate to task. The task of building an enterprise is not fundamentally different for a commercial or social enterprise and a realistic level of funding (above €100k+) needs to be providing. This funding should be done on a proper, genuinely competitive basis with a high bar of expectation. While “funding offers ” often merges

cash with “BIK” through mentor/training etc, realistically the cash need should not be discounted by “BIK”.

- d) Employment grants such as CE schemes are helpful, but don't allow the driver of the organisation to be so paid. No embryonic enterprise can emerge without a dedicated leader and some support for the leader position is crucial.
- e) The level of bureaucracy associated with funding is impractical and neither adds to quality of governance or judgement on investment.
- f) The funding approach to deliver in proportion to investment needs a fundamental re-think and an approach that concentrates on raising awareness of what is currently there will only add to frustration as to many it is inaccessible.

15. Supporting capacity-building for social enterprises in relation to procurement processes through workshops and training.

16. Working with stakeholders to identify how to improve opportunities for social enterprises in the business-to-business supply-chain.

17. Helping policy makers to better understand how procurement can be used to facilitate the advancement of social policy objectives within appropriate and structured public procurement guidelines.

A practical access to procurement processes is a critical issue for the fostering of a vibrant social enterprise sector. The challenge in creating this is two sided. On one side, there is very limited if any understanding of the capacity of social enterprise to serve the needs of such procurement opportunities. Equally though, the vast bulk of existing social enterprise initiatives are currently too small, financially unstable and organisationally immature to be viable in tendering for such opportunities.

Within the strategy of ISBC we are trying to initiate some activities that address both sides of this problem. The critical need on the procurer side is getting a cohort willing to work with the social sector, but on a business footing not a goodwill approach if it is to sustain.

The critical need on the provider side is significantly more than training as organisation competency and capacity both need to be addressed. This is directly linked to funding approaches and why we strongly believe the second stage funding approach, post seed funding, needs to be substantial and targeted at those entities who are truly seeking to scale to meet the needs of such provision.

F. Policy Objective 3

18. Developing a better understanding of the interaction between social enterprises and relevant policy areas across Government to ensure closer alignment with social enterprise and enabling social enterprises to increase their contribution to delivering on policy objectives.

One of the core difficulties with supporting social enterprise with an effective strategy is that such a strategy requires close alignment between different government departments. While the Department of Rural and Community Development is the coordinator of the strategy, an effective strategy will require close alignment and

cooperation particularly with the Department of Employment Affairs and Social Protection and Department of Business, Enterprise and Innovation.

As an example while the CE scheme can be in some cases prove beneficial to Social Enterprise in other circumstances it is severely limiting in that the “steps beyond the immediate impact” are uncoordinated and sometimes contradictory.

We would be concerned that the benefits the potential strategy should deliver, without a significant step change in coordination across connecting schemes in these three core departments, will be hard to realise.

Indeed, failure on this action will prove fatal to the overall proposed strategy.

19. Ensuring that Ireland engages closely on social enterprise policy developments at international level so that Ireland can influence international Social Enterprise policy development and, where relevant, social enterprises can benefit from international supports.

Within our own strategy in ISBC, we see the need to link within Europe as hugely important both for the learning acceleration this will give as well as the potential opportunities that might be possible from such interactions. A specific supportive programme to help with fostering such initiatives would be beneficial and most welcome.

20. Improving data collection relating to the extent of social enterprise and the areas in which social enterprises operate.

21. Developing mechanisms to measure the social and economic impact of social enterprises across the full spectrum of social enterprise.

The Data analytics for the sector are very poor which has a direct negative impact on developing connections to the public procurement or commercial sectors. In addition, impact and reporting of such is poorly understood on both sides. Some agencies indeed step into the breach of trying to translate activity to impact for social enterprises to ease the burden and are to be commended for this.

We believe that clear, understandable linkage between activities and impact needs to be developed and are currently evaluating within ISBC an approach to this.

The definition of Social Enterprise is critical here. As stated earlier we very much applaud the broad definition of social enterprise as a constructive approach. However, this needed span of definition does make the data analytics more complex. Regardless, we believe this requires an innovative analytics approach rather than an attempt to solve by narrowing the definition.