

*Practical considerations for deaneries and churches wanting to set up and run successful church or deanery projects or social enterprises*

### FOREWORD

There has always been an aspect of service in the Church's approach to mission and ministry. Service in the sense that there are those in our communities that need our help and it is our Christian duty to help them. For some time though, there have been a number of things happening:

1. In many areas if church attendance is not declining, church congregations are increasingly elderly on fixed retirement incomes.
2. At least two - maybe three - generations have no or very little experience of church or the Christian faith.
3. There is a growing gap between the "haves" and the "have nots". The poor are getting poorer and find it increasingly beyond their resources to access the products and services that will move them out of poverty and improve their lives.

Whilst not new, recently the church has been catching on to and reassessing the mission and ministry opportunities that emerge from serving through providing services and products needed by our communities. In fact the Government is actively encouraging faith groups to deliver services in our local communities as it acknowledges faith communities are ideally placed with excellent and well-established networks.

A properly organised and well-run project or social enterprise can achieve a lasting impact on the lives of the people; addressing real issues for those "have nots" in our communities. This can be through delivering direct services that they need or alternatively through a successful social enterprise generating a surplus can make funds available to underpin vital services. These projects introduce and enable people to experience the church - maybe for the first time - through its actions and join their local church thus enabling church growth.

There are numerous opportunities for setting up a project or social enterprise. Many do not get off the ground because the risk of failure is a deterrent. Many more good ideas and initiatives fail to deliver due to a

lack of experience and expertise to see it through or insufficient planning.

This short booklet draws on extensive experience and resources to provide some practical considerations to help parishes and particularly deaneries, to think through the issues and develop successful projects and social enterprises.

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**He has worked in the voluntary sector for more years that he cares to remember as a consultant through his company 'Charity Support Services' specialising in developing social enterprises. Currently he is Chief Executive of Link Line.**

### FIRST THINGS FIRST

#### WHY DO IT IN THE FIRST PLACE?

Why get into this project or social enterprise thing in the first place. It must be for the right reasons. It is important to determine what is the motivation for embarking on the initiative. It may be a social concern for a particular segment of society or market coupled with the opportunity to show the Church and Christian faith in action.

Recently, one group of churches explained that they needed to generate income to prop up church finances and help pay the parish share. It is questionable if this is really justifiable - to expect a project, and in particular a social enterprise, to produce a surplus on its operations in order to under-write church finances.

It is possible and legitimate for churches to benefit from these enterprises. For example churches can be paid a market-based rent for the use of church facilities or resources such as photocopying and reprographics and IT etc.

A word of caution though. Most initiatives need help to get started and it may be detrimental to make these charges at the start. Providing access to these resources can be part of the support the deanery or church can give

to help the project get off the ground. Once it is established then charges could be introduced.

## WHY THE DEANERY AS OPPOSED TO PARISH?

Some individual churches have an abundance of gifts, talents and resources -including people and finance - to easily be able to undertake establishing and developing a successful project or social enterprise. For some the lack of resources is a deterrent and for others they see undertaking some form of project or enterprise as taking up valuable resources needed for mission and ministry.

This is an ideal opportunity for the deanery to pool resources and work together:

- **It can help the deanery learn and grow together**
- **The whole can achieve more than the individual units (parishes) working independently.**

## SETTING THE SCENE

### PROJECT OR SOCIAL ENTERPRISE?

#### ***What is a project?***

The term "project" is used in all sorts of contexts. A broad definition is:

- **A plan or proposal; a scheme or**
- **An undertaking requiring concerted effort**

In the context of what could be described as a voluntary sector or church initiative there are four important features. A project:

1. **Is unique** - it is new and different and innovative not just a copy of what you have done before
2. **Has a beginning and an end** - it is time limited due to funding or other constraints that limit their ability become permanent
3. **Creates change** - there is a vision to make a measurable difference that lasts after the initiative has ended
4. **Is goal orientated** - its strategy sets out to make an impact through a managed, realistic and achievable plan

Projects are generally grant funded or have a contract (service level agreement) with a statutory agency such as a Primary Health Care Trust (PCT) or Social Services to undertake and deliver a strategic piece of work.

#### ***Social enterprise defined***

The concept of social enterprise is emerging and evolving rapidly. The term started to come into common use and take on a definition in the mid 1990s. The changing legal, social and economic environments continue to shape and define how social enterprise is perceived.

**The Department for Trade and Industry defines a social enterprise as "... a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners."**

Social enterprises come in all shapes and sizes therefore defining them can be difficult as they mean different things to different people and organisations.

The Social Enterprise Coalition suggests that social enterprises have three characteristics in differing measures

- **Enterprise Orientation** - they are directly involved in producing goods or providing services to a market.
- **Social Aims** - they have explicit social and / or environmental aims such as job creation, training or the provision of local services. Their ethical values may include a commitment to building skills in local communities.
- **Social ownership** - governance and ownership structures are based on participation by stakeholder groups (e.g. employees, users, clients, local community groups and social investors).

In short a social enterprise is a business the same as any other business - it produces/sells products or provides services to a market. The difference is there is a social outcome and it uses its profits to reinvest in ways that will benefit society or the community.

The prime considerations as to whether your initiative is a project or a social enterprise is how it will be financed and if you intend the initiative to be ongoing. Some initiatives are clearly social enterprises from the outset. They have products or services to sell and will use the income to meet the costs of the business.

For others, at the conception stage, there is some doubt as to which camp they are in. It is unusual, or even unrealistic, to plan to keep a grant-funded initiative going beyond three years.

Most grant makers are not keen to provide funding beyond the three-year point. Yes, it is possible to find replacement grant funding to keep it going after year 3 but it becomes increasingly difficult. Funders too like pieces of work that are new, different and innovative not

just a copy of what you have done before. This means that to keep the show on the road there has to be alternative income. This income stream usually comes from some form of trading activity - selling products, services and or expertise to others. Gradually the "project" becomes a social enterprise.

Whilst the remainder of the booklet focuses on social enterprise much of the development process applies to projects.

## ENCOURAGING INNOVATION

Whether you opt for a project or a social enterprise will depend on what the initiative will deliver or provide and on what basis as outlined above. These days for most deaneries and churches it is likely to be some form of social enterprise.

### 1. HERE'S A GOOD IDEA

In reality there are few original ideas for products, and services in particular. Most successful innovations are an adaptation of an existing concept or the connecting together of a problem and a solution. Innovation usually builds on what is already happening.

Finding a new way to meet a need is a typical innovation. The voluntary sector and the Church in particular, has a track record of developing innovative ideas to meet existing and emerging needs. However, if we are to have new, different and innovative opportunities to develop into successful initiatives we have to have an environment that encourages the process of innovation:

- **Creating an atmosphere that encourages new thinking**
- **Encouraging creative thinking**
- **Exploring possible sources of new ideas**
- **Managing innovation within the church or deanery**
- **Developing ideas into conceptual proposals to be researched and evaluated**

Creative thinking can be learned and honed like any skill. There are various techniques and models that can be used to free up our thinking and encourage creativity. Common blocks to creative thinking include:

- **A tendency to conform - this is the way it has always been done**
- **Fear of risk and failure - instead of learning from experiences**
- **Failure to challenge conventions and assumptions**
- **Polarising alternatives and choices**
- **Fear of looking foolish**

- **Working to rigid drawn parameters, boundaries and frameworks**

There are a number of common creative thinking techniques:

### BLUE SKY THINKING OR BRAINSTORMING

Brainstorming is a well established tool. It works on the basis that from a wild or unusual idea something that is practical, creative and useful will emerge. There are three simple rules to brainstorming:

- **A problem or question is posed.**
- **As many possible ideas are generated and recorded by the group.**
- **All ideas are reviewed and possible solutions built on.**

In the second stage it is important to go for as many ideas as possible. Participants should be encouraged to think freely and say whatever comes to mind. No criticism or discussion of anyone's idea should be allowed at this stage. All ideas should be recorded on a common list so that in the third stage no one feels obliged to defend or justify their idea.

### LATERAL THINKING

Edward de Bono developed the idea of looking at a problem both logically and laterally. Logical thinking follows a rational plan; the problem is defined, information is gathered, formal criteria for solving it agreed, options discussed and the most efficient option selected. Logical thinking is useful and helpful. However it can be restrictive and lead to solutions that are predictable and unexciting.

Lateral thinking is different. Greater emphasis is placed on challenging the problem - challenging any assumptions in the way that the problem is posed -and trying to turn the problem upside down. The central idea behind lateral thinking is to avoid moving directly from problem to solution. Instead it encourages you to search for an answer by looking at the situation differently. For example a problem might not be a problem at all. A threat can at the same time be an opportunity and a strength can also be a weakness.

### SOURCES OF NEW IDEAS

New ideas can be discovered and developed from many different sources:

- **A fresh look at what you are already doing**

- **Challenging the way you look at a problem or fulfilling a need**
- **Adapting a solution from elsewhere to a new problem or market**
- **Recognising and developing an opportunity - say from customer enquiries, requests or feedback**

## HOW TO KILL A GOOD IDEA

Beware it is all too easy to kill a good idea and if it happens more than once good ideas will dry up or they will take the ideas elsewhere

- **It has been tried before and it didn't work - how do you know the circumstances have not changed or other factors make this a real possibility?**
- **There is no money in the budget / we don't have money to spend on new initiatives**
- **There could be risks involved / we can only consider ideas where there is a guarantee they will work**
- **An interesting idea, we'll set up a committee to do a study**

And there are more that will guarantee to stop an idea stone dead!

## 2. GETTING UNDERWAY

Your church or deanery has the idea so now to get underway - but hold on. The vast majority of social enterprises fail because of a lack of research and poor planning. Before starting any enterprise you will have to undertake some serious research and take the results seriously. If the results suggest the ideas are off beam or the risks to great it could be disastrous to press ahead. Better to pursue another idea.

### KEY QUESTIONS

Before embarking on the enterprise get some answers to key questions to establish if it is a good business idea:

- **Are there enough customers? How big is the market? Will it support what we need to survive?**
- **What is your USP (unique selling point)? Do you have a competitive advantage?**
- **Is the business strategy right?**
- **Is the business plan and financial model robust and credible?**
- **Are the people right for the business (skills, experience and expertise)?**
- **What happens if things do not go according to plan? Is there a realistic survival or exit strategy?**

Most enterprises need someone with vision, determination and who are prepared to rise to a challenge, take a risk and trust their own judgment to succeed. They are called entrepreneurs. Social entrepreneurs are no different, however, as a church or deanery considering the venture you will have to act responsibly balancing the need to innovate against taking a chance.

## WHAT IS A GOOD PRODUCT OR SERVICE

A successful enterprise is one that assesses the idea against the market and provides the product or service that customers want; to a consistent standard for a price they are willing to pay.

A good product or service:

- **Focuses on meeting real customer needs#**
- **Helps achieve the vision and builds on strengths and values in your organisation**
- **Has a competitive advantage in the market**
- **Gives an acceptable return on investment and effort**
- **Is within acceptable risk boundaries**

## THE VIABILITY TEST

- **How do you know the product or service is needed?**
- **Is the market big enough? Are there enough potential customers? Is there a fixed life to the product or service?**
- **What about competitors? How does your product or service match up?**

There is no substitute for good market research. That may mean getting out on street and undertaking or commissioning a market research survey or counting the footfall if your venture will be reliant on passing trade.

Now armed with all the market intelligence, build a financial business model to determine if it all stacks up. Are the expected results realistic and worth the effort? In short, **can it work financially?**

Finally: **Does it fit with the ethos of the church or deanery and with the mission and ministry expectations?**

## SKIPPING THE VIABILITY ASSESSMENT

You could choose to skip the viability assessment. Whilst it seems reckless, it is worth remembering that many successful enterprises - social or otherwise - would have failed a viability assessment.

So it may be worth skipping the viability assessment, when:

- **Delaying the start of operations could have a detrimental effect on the venture say giving a competitor the edge. In which case it is more important to do something rather than wait.**
- **You can live with it failing - if you have sufficient confidence and backing to live with it if it all goes wrong and you can cope with the risks involved if the venture fails.**
- **You can minimise the risk - there is enough flexibility in the venture that it can be adapted to what works and stop what does not.**

If you are satisfied with all of the answers and even if there is an element of risk - but you can live with the risk - now is the time to get down to business.

## STRUCTURES AND MODELS

### LEGAL STRUCTURE

It is important that the enterprise is properly structured and has a robust governance as well as being kept separate from Church or Deanery structures. That is not to say that the church or deanery would not have the majority representation on the Board of Directors or Management Board, in most instances the deanery or church would be the majority shareholder or the only member.

The regular and existing work of the Church and Deanery must be protected from any potential risk. It is also easier to raise capital or funding if the enterprise is a separate entity. Developing an entrepreneurial culture can be easier if the enterprise has its own identity and legal structure.

There are a number of possible structures for a social enterprise. When considering which would be the most appropriate legal framework for your particular venture it is essential that you seek legal or specialist advice.

### FIVE POSSIBLE LEGAL FRAMEWORKS:

- 1. Company Limited by Guarantee**  
Currently most frequently adopted corporate legal structure; can be adapted to suit most purposes.
- 2. Community Interest Company (CIC)**  
New limited company structure for social enterprise

with a secure "asset lock" and focus on community benefit.

### 3. Industrial & Provident Society (IPS) (Co-operative)

For bona fide co-operatives that serve members' interests by trading with them or otherwise supplying them with goods or services.

### 4. Industrial & Provident Society (IPS) (Community Benefit Society)

Benefit community other than just own members and have special reason not to be companies.

### 5. Charitable Incorporated Organisation (CIO)

Expected to come on stream in 2008. First ready-made corporate structure specifically designed for charities.

### START FROM SCRATCH OR USE A TRIED AND TESTED MODEL

If your venture involves a new innovative product or service then it is likely you will have to start from scratch with all that entails with product/service development and market testing to ensure it is what your customers need and want. In other words will they buy it?

Often, though, there is something similar or someone has done something before on which you can base your enterprise - but make sure you do not infringe any copyrights, trademarks or business models without consent. Social Enterprises are often keen to share their models and experience as long as your operations will not have an effect on their business.

### SOCIAL FRANCHISING AND WORKING IN PARTNERSHIP

Social franchising is used to describe a wide range of replicated social businesses often using franchising, licensing or partnership to build networks around a tried and tested product or service.

This is an attractive proposition as someone else has worked out the best way to operate and avoid the pitfalls.

Most Social Franchisors offer a form of "turn key" package, in effect they have a "box" which contains everything you need to start the new venture including advice and support to get started. This means you can get up and running much easier and quicker.



To a successful enterprise franchising offers a way of promoting further growth without accepting all the risk. To a deanery or church entering a new field, franchising offers the possibility of building on someone else's experience.

## SOCIAL FRANCHISES/PARTNERSHIP OPPORTUNITIES

### **FareShare**

FareShare is the national charity working to relieve food poverty by redistributing surplus food from the food industry to vulnerable people in the community and providing quality food & other support services to organisations working with disadvantaged people in the community. 020 7394 2468: [www.fareshare.org.uk](http://www.fareshare.org.uk)

### **SmartMove**

Crisis SmartMove is a nationwide programme giving people who are homeless or vulnerably housed access to homes in the private rented sector by offering landlords a guarantee in place of a cash deposit. 08700113335: [www.crisis.org.uk/page.builder/about\\_smartmove.html](http://www.crisis.org.uk/page.builder/about_smartmove.html)

### **Link Line**

The Link Line provides a regular telephone support service for those whose health or circumstances could put their quality of life at risk. It enables them to retain their independence and to live a full a life as practically possible. 01902 405878: [www.linkline.org](http://www.linkline.org)

## RESOURCES

The detailed operational planning needs to take into account how the actual product or services are going to be produced. What resources will be required? What materials will be needed? How will these be sourced? What premises will be needed? Will paid staff or volunteers or a combination of both undertake the operation?

All this will be used to build the Financial Business model that in turn will provide the information needed to determine how much money- start up capital investment and working capital - is needed to keep the venture going while the enterprise develops.

## THE FINANCIAL BUSINESS MODEL

It is vital to build a financial business model using sales forecasts, staffing, production, operational costs and overheads to test of the viability of the enterprise. Using

a spreadsheet application such as Microsoft Excel, you can try out various "what if" scenarios to help identify possible risks or events that will negatively impact on the enterprise.

As a minimum the financial model should include a sales or income projection, a cash flow forecast and year one budget with forecasts for years 2 and 3. The sales or income will provide targets against which to measure if you are bringing in enough business and the cash flow will tell you how much money you need and when (working capital). The cash flow will also enable you to monitor how you are doing and identify where the financial pressure points are or will emerge.

## THE BUSINESS PLAN

A business plan is a document, which describes a business or organisation and its plans for the next 1-3 possibly 5 years. It converts the general principles and aspirations of a strategy into a quantitative forecast of activity, staffing levels, resource requirements and resource acquisition. At least as important as the document is the process of thinking through the implications and feasibility of different strategic possibilities and their implementation.

A business plan explains what your social enterprise does or what it will do and gives an outline of those who will buy or use the products or services and why. It includes financial forecasts - how much money is needed and where it will come from - and sales forecasts.

In the case of Church or Deanery projects these financial projections are not just about grant and fundraised income but increasingly includes earned income from "selling" services -trading income - to be self sustainable as with a Social Enterprise.

### A BUSINESS PLAN IS LIKELY TO INCLUDE:

- **A one-page or short executive summary**
- **The business aims and objectives and how the enterprise vision fits into these**
- **A description of the venture**
- **An analysis of the need, with figures of the product or service customers**
- **A survey of similar or related products or services provided by other organisations**
- **A work plan for year one including objectives, method of achievement, and a target to be achieved within a set timetable**
- **Details of how you will monitor your achievements**
- **A management structure**

- A budget and cash flow forecast for each year
- A funding plan with key dates
- A marketing plan with key dates
- A summary of your organisation's track record of delivering similar projects
- Staff requirements, including the skills of key people involved in the project or enterprise.

## MARKETING, AWARENESS & PR

The word 'marketing' is used to describe a variety of functions used to facilitate and promote the enterprise together with its products and services and this can and does lead to confusion. 'Marketing' is sometimes applied to:

- Publicity
- Direct Marketing
- Promotions
- Sales
- Brand
- Media
- Advertising
- Public Relations

Marketing is all of these and may be more. It is about where and how the products and services are presented to show potential customers how they will meet their needs and motivate them to buy them - maximising sales.

For many Churches and Deaneries marketing is not something they undertake in a planned way. It is therefore important that, in the overall planning process, detailed thought is given to developing a marketing strategy and plan.

In the early days of the enterprise there will probably need to be increased marketing activity to ensure the enterprise and what it does gets known. This is likely to cost money so it is vital appropriate budgets are established for marketing.

How much to set as the marketing budget? This will depend on a number of factors. If you can cost the marketing activities this will provide an accurate budget. Alternatively in the early planning stage set a ballpark figure of around 15% of the total of all the other costs.

## FINANCING THE ENTERPRISE

As with any other enterprise social enterprises are no less reliant on access to appropriate finances than their private counterparts. As well as financial support from

the Church or Deanery there is finance available from other sources:

- Grants, donations and help-in-kind say from the diocese, deanery or parishes
- Contracts to deliver public sector services or programmes
- Programmes and initiatives from Government departments and agencies
- In some areas there may be access to European funding initiatives
- Investments from foundations and trusts as part of specific programmes
- Development finance from commercial banks, social banks (such as Charity Bank or Unity Trust Bank) or community development finance institutions (CDFIs)
- Equity finance, either as shareholders with limited rights or through accessing social venture capital or in some cases, mainstream equity

## MONITORING SUCCESS

Once the enterprise is up and running it is essential to have good regular reporting procedures in place. It is important that all who are involved - staff and volunteers, board members, stakeholders and customers - know how the enterprise is doing. Key areas to monitor are:

- Sales - actual against targets
- Social Output targets - it is not just about "profit" for a social enterprise. Success is also measured against the social aims and benefits
- Financial reporting- the main reason for failure of social enterprises is poor financial management. It is vital to have accurate cash flow information together with effective controls on expenditure and to ensure there are sufficient reserves (working capital).

## SO NOW YOU CAN GET GOING

A booklet such as this can only scratch the surface and provide pointers about what to consider. If a church or deanery gets through all of this and is not put off then go for it. There is help out there; from people who have done it before or are doing it now that will be only too pleased to give you the benefit of their experience, to specialist agencies and organisations to experts who can help on a consultancy basis. **Good luck and God bless you in your endeavours. Let us know how you get on.**

## SOURCES

- **Charity Support Services resource library**  
Tel: +44(0) 1543 268678;  
Email: [charity.services@btclick.com](mailto:charity.services@btclick.com)  
[www.charitysupportonline.co.uk](http://www.charitysupportonline.co.uk)
- **Tools for Regeneration - Practical advice for Faith Communities**  
Published by: The Faith Based Regeneration Network  
UK Tel: 020 7471 6791/1: Email: [admin@fbrn.org.uk](mailto:admin@fbrn.org.uk)  
[www.fbrn.org.uk](http://www.fbrn.org.uk)
- **The Complete guide to Creating and Managing New Projects for Charities & Voluntary Organisations**  
by Alan Lawrie  
Published by Director of Social Change  
Tel: 08450 777707; Email: [publications@dsc.org.uk](mailto:publications@dsc.org.uk)
- **Introducing Marketing** by Gordon Wills, John Cleese, Sherril Kennedy & Angela Rushton;  
published by Pan Business

## FURTHER INFORMATION

There are numerous resources both printed and on the web. Some sources of information and help:

- **Government funding website**  
[www.governmentfunding.org.uk](http://www.governmentfunding.org.uk)
- **Business Link**  
Tel: 0845 600 9006 [www.businesslink.gov.uk](http://www.businesslink.gov.uk)
- **Capacity Builders**  
77 Paradise Circus Birmingham B1 2DT  
Tel: 0121 237 5100 [www.capacitybuilders.org.uk](http://www.capacitybuilders.org.uk)
- **Charity Bank**  
PO Box 295 25 Kings Hill Avenue West Malling Kent ME19 4WD  
Tel: 01732 520029 [www.charitybank.org](http://www.charitybank.org)
- **Church Urban Fund**  
Church House Great Smith Street London SW1P 3NZ  
Tel: 020 7898 1647 [www.cuf.org.uk](http://www.cuf.org.uk)