

Toolkit for social enterprise

# What is Social Enterprise?

## GUIDE

*A beginners guide to social enterprise and impact-led business in Aotearoa.*

### **Use this tool to:**

1. Understand the concepts behind social enterprise, and other types of impact-led business.
2. Understand how social enterprise delivers impact through business.
3. Understand some key challenges for social enterprise and plan for them.

## How to use this tool

This is a guide all about impact-led business and social enterprise. Social enterprise is one way of delivering impact through business that you can have in your toolkit of delivering impact. Use this guide to think about if social enterprise is the right approach for your business idea, and understand where social enterprise fits in the context of New Zealand's economy.

## Definitions used in this tool ([See our guide on this for more](#))

Term	Our definition
Charity	A society, an institution, or the trustees of a trust that is or are furthering charitable purposes in accordance with the law of New Zealand and registered as a charitable entity under the Charities Act 2005.
Community Enterprise	Community owned and led purpose driven businesses that trade to deliver cultural, social, economic and environmental benefits in a particular community of place.
Impact	The positive social, cultural or environmental changes, or outcomes, that happen as a consequence of an activity.
Impact-led Business / Impact Enterprise	A business that delivers impact as part of their work. This is a broader category than social enterprise but is sometimes used interchangeably.
Impact model	A visual representation of the logic of how an activity will lead to social or environmental change. The framework identifies the intended causal links between activities, and outcomes over a length of time.
Social Enterprise	Purpose-driven businesses that trade to deliver positive social and environmental outcomes.
Trade	The organised exchange of products and services for money. Trading enables social enterprises to be financially sustainable so they can continue to deliver positive impact.

# What is Social Enterprise?

Let's start with this: there is no legal definition for "social enterprise" in New Zealand, and there isn't a legal structure either. But, that doesn't stop thousands of social enterprises operating in New Zealand, so don't let that stop you!

Think of social enterprise as a **way of doing business**, rather than a type of business.

Ākina has a definition we have developed and use to explain social enterprise:

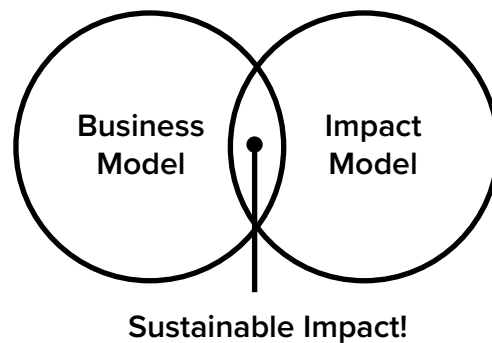
**Social enterprises are purpose-driven businesses that trade to deliver positive social and environmental outcomes.**

The key term here is **trade**. What that means, is that you deliver your impact in a financially self-sustainable way. For example, selling products and/or services to generate revenue or income, and using the profit from sales to reinvest into your impact.

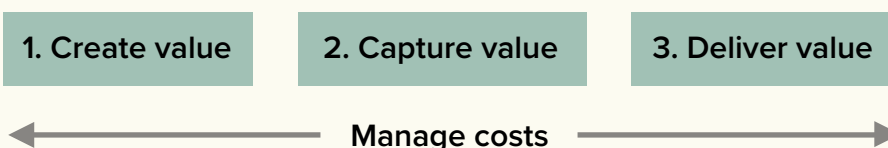
The model of "social enterprise" is not as well-known as the traditional for-profit business, or creating impact through a not-for-profit or charitable trust. However, it is not a new concept!

In New Zealand, Māori (like other indigenous peoples) have long championed for and run businesses that focus not only on profit, but also social, cultural, environmental, and/or other sustainability goals aligned with their ideologies.

There are two key parts to a social enterprise that are equally important. You will need both a solid business model, and an impact model to create sustainable impact.

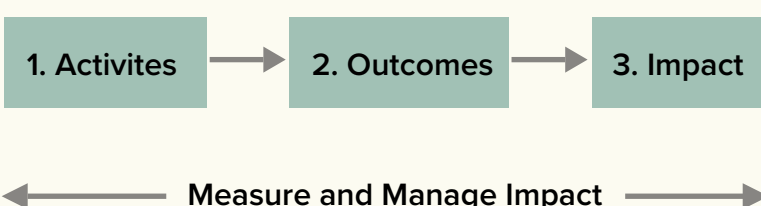


## The business model at a glance



A business model is a way that you **create, capture and deliver value** to a customer or market in a unique way.

## The impact model at a glance

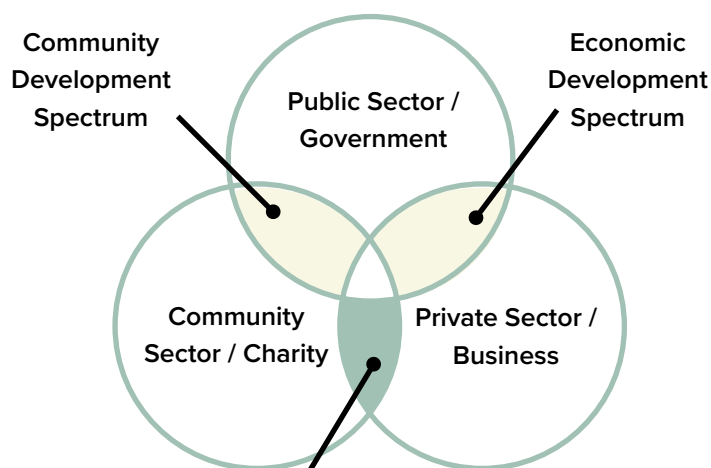


An impact model is usually a diagram that shows **how an activity links to social or environmental change**. It usually includes what activities you do, what outcomes you achieve, and how this links to your overall impact goal.

# Where Social Enterprise Fits

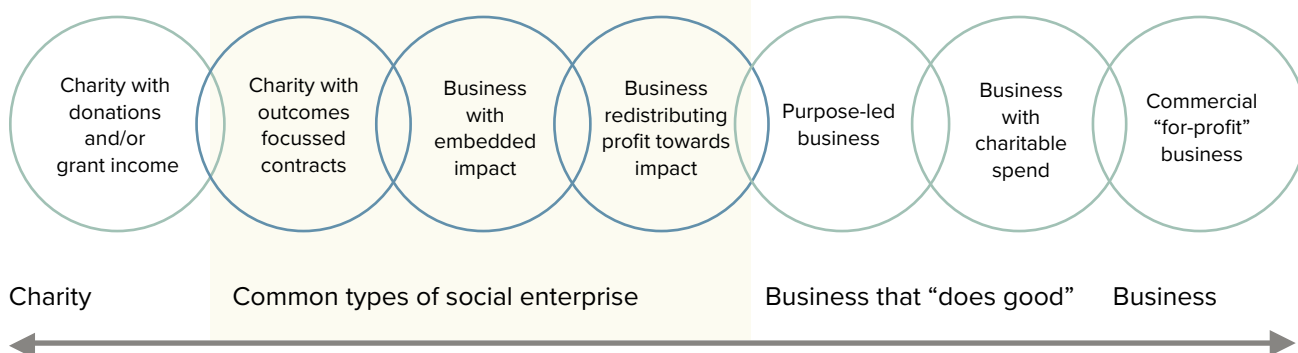
## Three Sectors Model

adapted from "Part of a Larger Whole" report 2018, by Billy Matheson



## Social Enterprise Development Spectrum

adapted from the Nesta/Young Foundation 2011 diagram



Social enterprise ideas are born from and typically respond to a combination of:

- market failures,
- community-identified goals and
- urgent social and environmental needs.

This means that the impact of social enterprises is often closely aligned with the Government's priorities.

Within the social enterprise development spectrum in the diagram on the left, there is a range of business models that go from mostly charitable, to mostly for-profit business. Social enterprise can fall anywhere in between this range.

Of course, not all social enterprises identify with the term 'social enterprise', but that does not minimise the good work they do!

Ākina refers to all of these ways of delivering impact collectively as impact-led enterprise or impact-led business.

Other terms you might come across:

- Impact enterprise
- Social impact business
- Purpose-led business
- Community enterprise

Similar terms that are not technically social enterprise (usually) and have their own principles and communities to respect

- Social innovation
- Ethical business

# How Social Enterprise Delivers Impact

How you deliver impact through your social enterprise is a combination of these things:

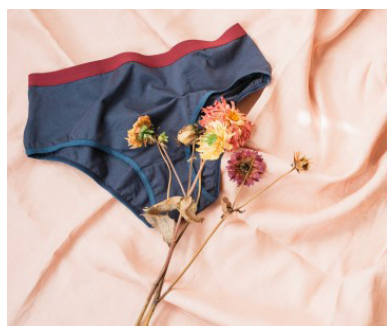
- The products and services you sell
- The impact you want to create and people or environment you are working with to do this
- How the money flows through your organisation

The three most common models are:



These social enterprises deliver impact by employing disadvantaged people to produce or sell their products and services.

For example, Nisa employs refugee women in Wellington to produce underwear using their existing sewing skills.



[www.nisa.co.nz](http://www.nisa.co.nz)



These social enterprises will sell a product, and then give away the same or similar product to a disadvantaged group.

In New Zealand the most well-known example is Eat my Lunch. For every lunch they sell to business people at work, they give a lunch away for free to a child at school.



[www.eatmylunch.nz](http://www.eatmylunch.nz)



These social enterprises focus on selling a frequently purchased product to generate a lot of profit, then they partner with a charity and give that profit away to them.

Alloyfold produces commercial seating for stadiums and cinemas. They give their profit to the charity that owns them, Pathway, to support people to make a fresh start in life.



[www.alloyfold.co.nz](http://www.alloyfold.co.nz)

See our guide to [business models for social enterprise](#) for more examples

# Common Challenges for Social Enterprises

## Impact management

As a social enterprise with a goal to create positive impact, it's important that you set a plan from the start that captures:

- The impact you want to achieve, usually over a period of time
- The activities (e.g. products or services) that you will sell to achieve this, or the activities you will deliver with your profits.
- How you will measure the change or outcomes for people or the environment because of your activities, then adapt or grow your activities to create more impact.

If you don't do this from the start, it can be harder to collect data and information to backtrack. It could even mean finding out you've been putting effort into the wrong things, or causing negative impact!

**Take a look at our [impact model canvas](#) for a simple impact planning tool.**

## Designing a solid and scalable business model

A social enterprise is a business, so it needs a solid business model behind it! There are a lot of tools and processes for testing your business model and product ideas, and identifying the value for your customers.

To have a scalable business model and sustainable social enterprise, it's important that the product or service you sell is high quality and specifically meets a customer need. The

impact of social enterprise is valued, and is particularly useful in marketing and as a point of difference, but you'll also need to compete on quality, price and how it solves a customer's problem. This is especially the case when selling to other businesses (B2B).

**We recommend using the [Social Lean Canvas](#) to map out your business model ideas, and identify where there might be risk.**

## Choosing a legal structure that will support your future goals

Because social enterprises can use almost any legal structure in New Zealand, and there is no specific legal structure for social enterprise here, you might be finding it difficult to figure out what legal structure is right for your social enterprise.

Fear not, it can actually be quite simple! Use your impact model and business model plans to inform your decision, or speak to a lawyer if it's not clear. There are two common legal forms for social enterprise

- Charitable Trust
- Limited Liability Company

You can apply for charitable status for either of these legal forms. If you will most likely rely on grant funding long term, Ākina generally recommends applying for charitable status which also protects your impact. If that's not the case, a Limited Liability Company will be a simpler approach, and you can protect your impact in your constitution document.

**We have a [guide for locking your impact into your constitution](#) here.**

**This guide was created as part of The Impact Initiative.**

The Impact Initiative is the online home of the Social Enterprise Sector Development Programme; a partnership between the Department of Internal Affairs on behalf of the New Zealand Government and The Ākina Foundation. They are supported in partnership with the Community Enterprise Network Trust (CENT)



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