

CABI TOURISM TEXTS

Rural Tourism and Enterprise

Management, Marketing and Sustainability

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COMPLIMENTARY TEACHING MATERIALS



CHAPTER 5

Social Enterprise and the Rural Landscape



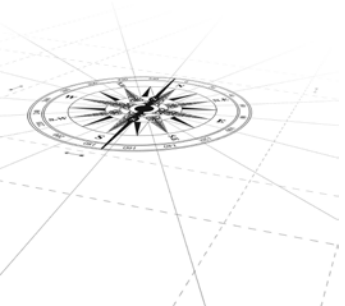
LEARNING OBJECTIVES

By the end of this chapter you will be able to:

1. Define the term 'social enterprise'
2. Explain the importance of social enterprises within a rural landscape
3. Describe a range of contexts in which social enterprises may prosper
4. Identify key differences in management and operations of social enterprises to that of other organizations

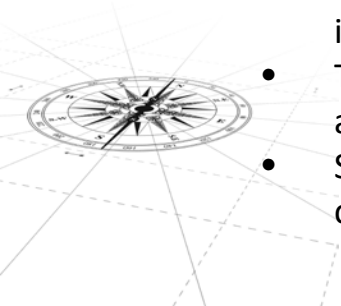
1 INTRODUCTION

There has been a growth in social enterprise in rural landscapes due in part to changes in government policy but underpinned by the entrepreneurial spirit supplying solutions to consumer need. The management and marketing of social enterprises differs from other organizations because of the philanthropy which underpin them and the unity of purpose which drives them.



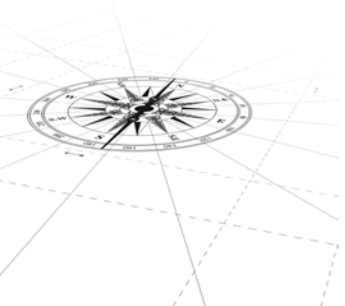
2 SOCIAL ENTERPRISES

- Social Enterprises are differently defined across international contexts; changes in definition appear to be dependent upon the diversity in funding policies to non-profit making organizations within different countries.
- A definition adopted by funders of social enterprises in Cumbria is “a business with primarily social objectives whose surpluses are principally reinvested in the business or community. Village halls, Community Exchanges, village shops and other community groups are usually social enterprises, even if they don't think of themselves in that way” ([Cumbria Action, 2015](#)).
- Social enterprise organizations are at core non-profit making.
- Dependent upon combinations of earned income from trading and various forms of funding to maintain sustainability.
- Are innovative in nature.
- Often entrepreneurial in spirit.
- Driven by social objectives.
- Compete in the market like any other business but they pursue and make a profit which is reinvested in creating social value.
- Key identifying factors in social enterprises include economic and social criteria, often including a high degree of autonomy combined with a significant level of risk.
- The organization may be providing continuous services or products against a lower than average opportunity for paid work as the workforce may be volunteers.
- Specific aims will benefit the community, with organizations often launched by a number of citizens, and decision making powers not based on capital ownership.



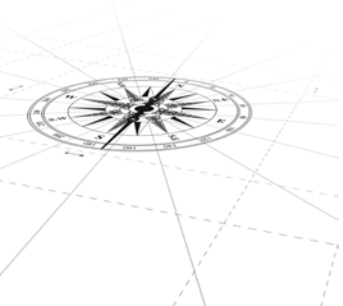
3 KEY CHARACTERISTICS OF SOCIAL ENTERPRISES

- Multi-dimensional
- Create action
- Provide unity of purpose
- Contains moral complexity



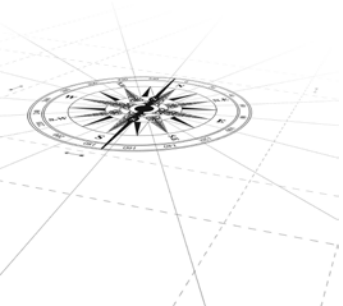
4 SOCIAL ENTERPRISE AND THE RURAL ECONOMY

- Changes in statutory sector spending in the UK and the state's welfare interface have led to a greater need for social enterprise in recent years
 - Globally governments are increasingly recognizing the value of social enterprises
 - They support their initiatives and delegate responsibilities in society's most vulnerable communities.
- Rural communities are more vulnerable than urban populations.
- The infrastructure makes access to services challenging particularly for:
 - people who do not drive,
 - who are not able to afford public or private transport,
 - who reside in an areas where public transport is not available,
 - who are not physically able to make the journey.
- Increased need has resulted in increased opportunities for social entrepreneurs to support rural communities.



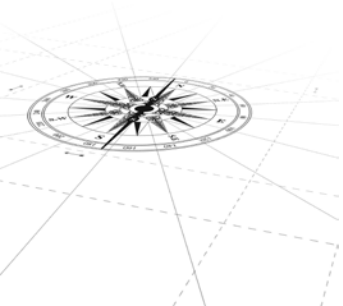
5 MANAGEMENT AND MARKETING OF SOCIAL ENTERPRISES

- Social enterprises are created to solve a social problem or address a market need within communities
- They have a social mission which helps to solve a need
- They require the resources and management to be able to become sustainable
- Challenges in leadership and management are complex
- Key differences to profit making organizations include:
 - Governance
 - finance and funding
 - marketing
 - human resource management



6 LEADERSHIP AND MANAGEMENT SKILLS

1. Leadership (of self, teams and organizations)
2. Management (of people and of tasks)
3. Reflective practice (for self, personal and organizational development)

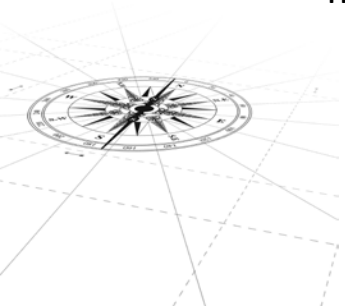


ACTIVITY

- Consider Case Study 5.2: The Brathay Trust
 - What might the leadership and management challenges be for this organization?
 - How could such an organization be governed?
 - Identify sources of funding or finance from the information provided
 - Identify the different marketing challenges the organization might have
 - Why might there be specific issues for its HRM team?

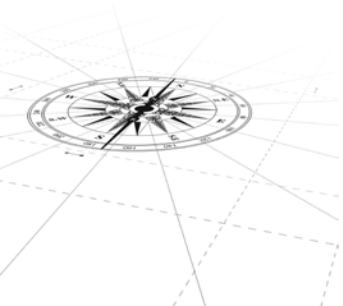
8 GOVERNANCE

- Governance can be described as providing the most appropriate framework against which the organization can conduct its activities in order to achieve its aims and objectives.
- The framework is prescribed by a governing body such as a Board of Directors and is often implemented by a Management Team.
- For commercial organizations in the UK there is an established UK Corporate Governance Code that all listed companies have to follow (details at www.frc.org.uk).
- For charitable organizations there are a number of publications provided by the Charities Commission which provide guidance for Trustees on governance matters (<https://www.gov.uk/topic/running-charity>).
- For other types of voluntary and community enterprises a consortium of organizations has written a Good Governance Code that is widely accepted and supported by the Charities Commission (www.governancecode.org).
- The purpose of governance is “to facilitate effective, entrepreneurial and prudent management that can deliver the long term success of the company” (FRC, 2014 p.1)



9 MODELS OF GOVERNANCE FOR SOCIAL ENTERPRISES

- Governance for a social enterprise will involve “strategic and operational board level leadership, enabling service users, managers, trustees and other defined stakeholders to create and maximise social benefit” ([Doherty et al., 2009. p.16](#))
- Common models include:
 1. The Stewardship Model
 2. The Stakeholder Model
 3. The Institutional Model
- Governance structures will usually develop over time
- Avoidance of the issue may occur
- However a constitution is needed to ensure transparency

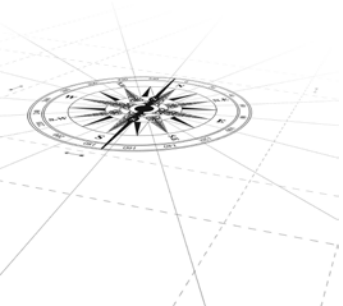


ACTIVITY

- Compare the Governance structure of three different social enterprises
 - What are the similarities and differences?
 - In your research into the organizations identify why they may be different or similar i.e. what are the factors you think have decided the governance structure.

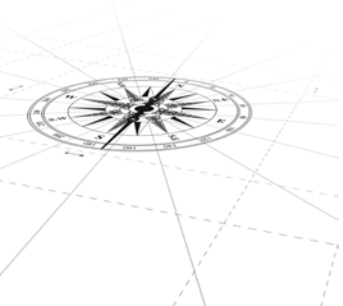
11 Finance and Funding

- Profit making organizations and social ventures are no different in that they both need to raise capital in order to start up and grow.
 - Profit making organizations will develop a business plan to present to lenders, such as banks, building societies, potential partners, or venture capitalists.
 - They will usually be required to 'match fund' the capital needed using personal assets
 - Final funding needed could be made up of a range of debt (borrowed) or equity (invested) monies.
- Social enterprise funding is slightly different.
 - Depends much more on the ability to network and build relationships with a wide variety of stakeholders.
 - In order to access funding the social enterprise will need to consider the ethics and moral compass of those from whom they are requesting funding.



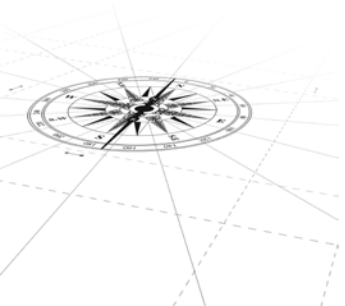
12 Funding

- Some social entrepreneurs will raise capital by using personal funds and relying on friends or other relationships.
- This method of supporting the enterprise is unsustainable, unless the founder is very wealthy.
- Nevertheless social enterprises will want to reduce any debt funding as the requirement to pay back such loans will be a drain on resources available to support their mission and objectives.
- It will be vital that social enterprises draw on non-repayable funding sources.
- Funding can be obtained through:
 - grants and donations
 - a number of charitable foundations
 - a number of large and small businesses or individuals who provide support through their philanthropic activities



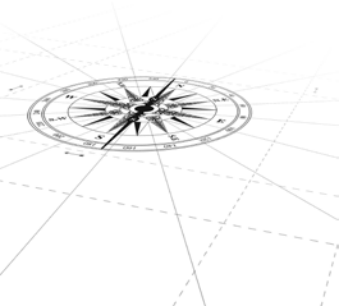
13 FINANCIAL ACCOUNTING

- Important to produce a surplus for sustainability
(Revenue – Costs & Expenses = Surplus)
- Vital to have sound financial management
- Thus:
 - Organization of financial statements for current and historical periods
 - Budget forecasts
 - Management and variance analysis on an ongoing basis
 - Planning forwards for capital and technological expenditure



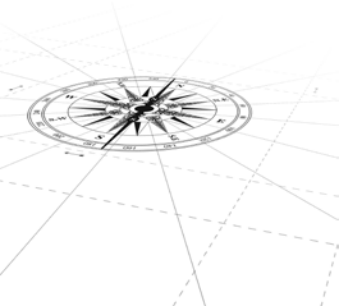
14 SOCIAL ENTERPRISE MARKETING

- Marketing often overlooked by social entrepreneurs
- Profit making business typically target key profitable consumer segments
- Social enterprises tend to identify multiple target markets
- Marketing mix factors include reduced price/profit margins and funding objectives
- Marketing focus on social mission and building reputation
- Social enterprises add value by offering 'share of mind' and 'share of heart'
- Not actively seeking market share
- Seeking collaborative partnerships and cooperation



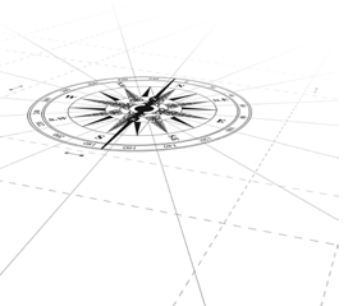
15 **MARKETING FORMATS**

- Traditional
 - Newspaper
 - Magazine
 - Blogs, social media & website
- Relationship marketing
- Entrepreneurial marketing, leveraging innovation and first mover advantage
- Self promotion and PR



16 SOCIAL ENTERPRISES AND THE HUMAN RESOURCE FUNCTION

- Management of human capital
- Complex
- Paid vs volunteers
- Difficulty of small organizations multi tasking
- All need the usual HR systems and policies
- Challenges include:
 - Direct employees
 - Volunteers

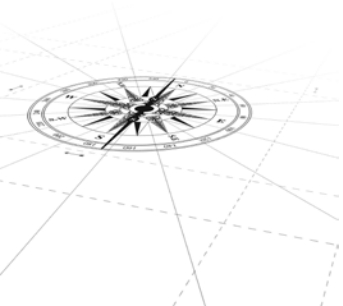


ACTIVITY

- You have offered to volunteer at your local youth club which is run as a social enterprise
- The club is open in the evenings and at weekends
- The paid manager has another 'day job' to supplement their salary
- What are the HRM challenges you may face as a volunteer?
- How could the manager's situation contribute to, or alleviate, those challenges?

18 SUMMARY

- Rural communities are vital in the development and sustainability of tourism experiences
- Social enterprises are helping to support and maintain those communities, which house many vulnerable people, at a time when government funding is being withdrawn from public services
- The complexity of social enterprises does not depend upon size
- There are a range of management concerns which raise important questions for such organizations including:
 - How they are governed, financed, marketed and staffed
 - Staffing, that is often via volunteers, needs careful policies and processes that mirror effectively those for directly paid employees



Further Reading

Defourny, J. and Nyssens, M. (2008) 'Social enterprise in Europe: recent trends and developments', *Social Enterprise Journal*, 4(3), 202-228.

Haugh, H. (2006) 'Social enterprise: Beyond economic outcomes and individual returns'. In Mair, J., Robinson, J. and Hockerts, K. (eds) *Social Entrepreneurship*, Basingstoke: Palgrave Macmillan.

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