EXECUTIVE SUMMARY

This research report explores the definitions of social enterprise in academic literature and in the experience of the venture philanthropy practitioners of EVPA. It moves beyond merely defining social enterprise and investigates how EVPA members support social enterprise in different ways, identifying some common trends and challenges facing those supporting developing social enterprises. The aim of this research is to establish common ground in order to promote peer learning and enhance the exchange of ideas. This paper is a first in a series of EVPA initiatives on social enterprise and its practice.

Definitions of social enterprise

The first part of the report scans a number of academic studies on social enterprise and concludes that no standard definition of social enterprise exists as of yet. Comparing findings from this review with data derived from interviews, the report documents the diverse definitions of social enterprise adopted by EVPA practitioners. EVPA itself offers a broad definition of social enterprise as an organisation that *focuses on achieving social impact, applying market-based solutions to address public sector and market failure in innovative ways.*

The absence of a universally agreed definition for social enterprise, the report suggests, makes it more difficult for EVPA members and other social enterprise support practitioners to capture and share learning. One way around this obstacle, the report finds, is to identify significant sub-types of social enterprises and study these. Some possible sub-types of social enterprises emerged from the research with EVPA members. These included social enterprises that:

1. Are led by a social entrepreneur, applying entrepreneurial solutions to solve social problems;

2. Grow up within or alongside charities, usually with the purpose of supporting the charity through trading activities;

3. Trade extensively with the public sector;

4. Are private sector businesses with a social purpose;

5. Form part of a broader, integrated programme for social benefit;

6. Share a legal form recognized in individual countries as social enterprise.

Developing support approaches

The second part of the report explores and documents different approaches that EVPA members are currently using to support social enterprise development in different kinds of organisations. Drawn directly from the research with EVPA members, four case studies highlight a range of techniques and provide examples of VP funds that:

1. **Focus on social entrepreneurs** to support the development of financially sustainable social enterprises;

2. **Help charities and other not-for-profits set up social enterprises** with revenue-generating activities, enabling them to better achieve social change;

EXECUTIVE SUMMARY

3. **Provide a range of support mechanisms** targeting the specific organisational needs of the investees can help social enterprises move towards greater social impact and financial sustainability;

4. **Work to promote awareness** and understanding of social enterprise practice and create a favourable environment in markets that lack institutional support for social enterprise.

Common dilemmas and challenges

Finally, the research carried out for this report found a cluster of common dilemmas and challenges faced by EVPA members who support the development of social enterprises. These are driving some of the changes to the way the venture philanthropy funds are working with social enterprises and shaping their support approaches:

- Founder syndrome: An over-emphasis on the founder and social entrepreneur can hinder growth and professionalization of the enterprise.

- Attracting managerial talent: The social sector still struggles to attract the best people because of its lack of reputation and financial resources.

- Appreciating the need for support over the longer term: Social enterprises may need support for a longer time period than was initially envisaged by VP funds.

- Rethinking the exit strategy: How can the exit strategy form part of the processes that makes social enterprises more resilient and ready to move on to the next stage of their development?

- Taking governance seriously: The board needs to be an engaged strategic part of the process.

- Struggling with impact measurement: There is a desire for standardization, but at the same time a realization that the social sector is complex to "measure".

Conclusions

The report concludes that EVPA members need to develop their support mechanisms in line with the quickly evolving social enterprise movement. Much work lies ahead if a separate asset class for social enterprise is to be established. With this report, the EVPA has provided a starting point for future work to build on.