

## Stockholm Speech: Social Enterprise – Panacea or Pipedream

16<sup>th</sup> September 2011.

For all you power point junkies out there, let me take a moment to warn you: this is a power point-free talk...just you and me and the sharing of some ideas, some thoughts; some reflections.

On the plane coming over, I got into conversation - as one does - with the guy sitting next to me. He runs a business where 95% of sales are in the West but the production base is in China.

We seemed to touch on every subject within the two hour and a half hour flight: from football to favourite restaurants; from the Arab Spring to the recent inner city riots that have scarred our country in recent weeks.

He felt very strongly that we do not have a *broken society* - as some of our political leaders seem to think. Refreshingly, he thought that the culture of responsibility needs to change; that we all need to re claim our right as individuals to make a difference; that it is not the responsibility of governments to exclusively carry this burden; that it must be a shared responsibility for government, for business and for individuals to come together to create ALCHEMY...to make that difference.

He was passionate and was clearly a man driven by a strong value-base. But, when I suggested that if he practised what he preached, he would consider transferring his manufacturing base from China to Europe!

The conversation got unhelpfully (or helpfully perhaps for him) interrupted by our arrival into Stockholm Airport.....and hopefully, I will be meeting with Peter again to continue our discussion.....

But he has got me thinking.....actually, he drove me to re write big chunks of my speech....

Now, here's a good guy: He wants to find a way to combine profitability with investments that could also benefit communities. But he can't quite make sense as to how this might come together. After all, the bottom line: the profitability of his company is important above all else. Isn't it?! I mean, if you don't have a profitable business, you cannot have a business that employs people; that trains people; that creates apprenticeships; that produces sustainable products; that is environmentally friendly. In short, an enterprise that is socially minded or, to describe it differently, a social enterprise.

I suppose the big question for Peter and perhaps for many of you out there is: How do I run a business that is both ethical in process and socially and environmentally friendly by impact.

Before I continue, please indulge me with a show of hands in response to a couple of questions:

- How many people out there love your job?
- How many of you hate your job? Finally...
- How many of you would like to work for a company or create or create a business that combines both: makes money; makes a difference?

Now, just look at that...most of you go for question number three. Well, congratulations. You are all potentially future social entrepreneurs.

Well, I am Gordon D'Silva and I suppose people have been known to call me – amongst many things: “A Social Entrepreneur!”

Now what on earth does that this mean?

For me Social enterprise is fundamentally a business model that seeks to combine profitable with social and environmental benefit for communities. There are many versions of social enterprises. Most to date are associated with the not-for-profit sector...which perhaps is a slight irony given that they are entrepreneurial businesses and “not-for-profit by definition”, is not. The social entrepreneurs, the people who drive these businesses, are people like you and me. At some point however, there is a perchang moment in their lives; that moment is when you arrive at a cross roads in your life; where going back – to wherever you have been - is no longer an option and going forward on the same road no longer makes any sense.

Well, my perchang moment was when I became insolvent back in 1992. I was made homeless. I had no money. I lost everything. But I had a blank sheet of paper. How often do you have a second chance? This was my chance to create a future that I wanted rather than on that I just fell in to.

On my blank sheet of paper I put down all the things I didn't want to do. I did not want to create another business that was just about making profits. I wanted to do both: make profits. Make a difference.

In 1995 I set up a charity called Training for Life that combines entrepreneurial expertise to deliver against key social agenda's that I feel strongly about. Our business model is simple: We convert physical space – derelict properties that are of heritage and community interest - into sustainable environments that help to transform the lives of people trapped in poverty and long term unemployment through training, through enterprise and through employment. Each building known as a

Prospect Centre, are purchased and refurbished through a combination of capital grants, investment and social investment finance. As a capital asset, they also provide for the potential of realizing equity. Prospect Centre buildings are designed to host social enterprises that are committed to the provision of training and apprenticeships in profitable businesses and I commit 100% of all profits are covenanted back to the parent charity.

So how has success been measured since we opened our doors back in 1995?

Since 1995 TFL have returned 17,000 people to full time education & employment; created profitable social enterprises like the award winning, Michelin Recommended, "Apprentice restaurant brand; created 150 jobs as an employer and over 500 successful apprenticeships entering the catering and hospitality sector.

Prospect Centre buildings are also themselves social enterprises. Each building is either a restored derelict heritage or community building. Because we own the properties, we have built up over the years a valuable asset that substantially strengthens our balance sheet. However, perhaps the greatest asset value we have is our intangible assets. By this I mean the influence our business model has had on other social entrepreneurs choosing to do the same thing like Jamie Oliver's 15 and the ethically bank on Acorn House in London.

Whilst Training for Life may well have been one of the pioneers of the social enterprise industry, it is perhaps fair to say that social enterprise as a business model has itself reached its very own crossroad.

It needs to face some key questions:

- Is it sustainable when government funding is removed?
- Can it attract investment to scale successful social enterprise brands?
- Is social enterprise not the antithesis of bottom line business priorities?
- When profitability is at variance with social investment, can/should one be prioritised over the other?
- Is triple bottom line economics (explain) a limp wristed vision of the future or a legitimate alternative to the more traditional monetarist or Keynesian view of the world?

So, is social enterprise panacea or pipedream? Well, the answer is: probably neither. It is certainly not a pipedream. Over 55,000 social enterprises now exist in England & Wales with an annual turnover of something in excess of £5b a year. Equally, it is not necessarily the panacea either.....unless that is....**IF ALL THOSE HANDS THAT WENT UP IN THIS AUDITORIUM A MOMENT AGO (in response to question three) BELIEVE THAT: *THEY CAN ALSO APPLY THEIR SKILLS INTO ACHIEVING A TRIPLE BOTTOM LINE PARADIGM OF GROWTH.***

Well, **CAN YOU?** Hands up those of you who are now at that crossroad?

What's stopping you? What's stopping you? What's stopping you?

Can I ask another question...? Did you hate being picked upon? Well, one on the most important things that the instinctive entrepreneur knows is how important timing and positioning is: It is the art of being in the right place at the right time...and in my view; social enterprise is at the right place and at the right time.

Today...and tomorrow and perhaps the day after and perhaps for some time to come, I believe that social enterprise poses for us all a great opportunity...right now, in the front seat...your time is now. The opportunity is now. Grab it. Let me tell you why..... There are an estimated 4billion low income consumers (that constitute the majority of the world's population), known as the BOP markets (Base of the economic Pyramid). The challenge and the opportunity here is:

- how to meet their needs;
- how to increase their productivity and income levels;
- how to introduce them into the formal economy as consumers.

BOP markets are THE hidden opportunity. In Asia and the Middle East for example, BOP markets are 2.86billion people with a total income of \$3.47trillion. In former Eastern Europe it is estimated at \$458billion. In Latin America it is \$509 billion. In Africa it is \$429 billion. The global BOP market is thought to be worth in excess of \$5 trillion

So, is social enterprise a pipedream? I think not.

BUT... it does need you and you and you to take part and to help realise this unrealised opportunity. Real change in civil society can only come about if you, the creators of wealth also realise that we all need to share direct responsibility for the investment in communities that we seek to profit from. I think we might just need to revisit the free market/trickle-down economy alter of Milton Freedman. We might just benefit if we were to genuinely re consider the contention that profitability without taking account of the environment and communities we live in is just not sustainable. The recent riots in London tell us clearly how costly it is likely to be for all of us, if we do not begin to think beyond traditional models of free market economics.

So, what am I proposing?????

I am proposing that social enterprise and ethical business should be seen one day as one and the same thing.

We don't need to keep on doing the same thing again and again...and failing. We don't need governments doing more of the same: spending our money and achieving little in return. We don't need corporate philanthropy financing projects that has no potential for sustainability. You know, the definition of insanity according to Albert Einstein is:

*"doing the same thing over and over again, expecting different results."*

We simply cannot continue to do the same things that have failed before but expect them to succeed the next time round. So, what am I proposing? I am proposing? I am proposing that:

- Governments should enable and facilitate and not seek to manage and control
- I am proposing that “Corporate responsibility” needs to be part of the core business objectives and not a detached as a low impact function that it remains today.
- I am proposing that collaborative partnerships and networks come together across relevant disciplines to achieve simple solutions to intransient problems.

The social enterprises give us a blueprint of how to create profitable cities that can also be civil and safer cities. Profits at all costs can no longer be the only route way for CAPITALISM.

If we continue down the road of pure-ists monetarists economics, it WILL come back and hurt the profits we make; the people we love.

Just look at what the Arab Spring and our inner city riots tell us. It tells us that the Blackberry and FACE BOOK generation will not allow for anything else...but the need to combine how we manage our businesses....and countries with how we look after the people who work and live in them.

So - social enterprise: panacea or pipedream? Well, it is certainly at a crossroad...the cross road of becoming relevant to business or “yesterday’s big idea”; the cross road of turning viral and destined to become an integral part of any business paradigm that wishes to combine profit with sustainability....OR just another form of CSR (corporate social responsibility). Whatever, the case, ignore the BOP groups at your peril. Your profits will suffer. Society will suffer.

So, going back to Peter. What should he do? What would you do in his place? What are you going to do in yours?

Thank you.

Gordon D’Silva

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