

# Social Enterprise: An appropriate model for a child and youth care organisation?

**Graham Bell and Lesley Fuller**

## **Abstract**

This article charts the journey of Kibble, from one of Scotland's oldest child and youth care charities, to an award-winning social enterprise. It explores the definition and history of social enterprise and how Kibble created a Victorian blended income-stream long before the term 'social enterprise' had been coined. The authors discuss the daily challenges and opportunities of adopting a social enterprise model in a child and youth care organisation. Finally they outline the need to blend purpose with profit and explore the impact on stakeholders, beneficiaries, staff and ultimately on wider society.

## **Keywords**

Social Enterprise, Mission, Social Innovation, Child and Youth Care

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## **Introduction**

This article will explore and discuss Kibble's journey from a traditional grant-funded charity to a social enterprise and attempt to determine whether social enterprise is an appropriate model for a child and youth organisation. Kibble is one of Scotland's oldest charities, and today a leading social enterprise. Kibble works with young people from five to 25, offering a uniquely integrated array of services that include emergency and respite; residential and through-care; secure and close support; day and community; education and youth training; intensive fostering; young adult; and youth employment and training. Kibble provides a place of safety, structure and stability, opening up new possibilities for young people to play a useful part in society and prepare them for a happy and fulfilled adult life.

We will begin with a definition of social enterprise, followed by some background on how Kibble was founded and boldly assert that Kibble was in fact operating as a social enterprise when it opened in 1859. This will be followed by a discussion of the day-to-day practice of running a social enterprise and the impact of this model on stakeholders and beneficiaries.

## Social Enterprise Definition

A search of both the academic and wider literature offers a variety of definitions for social enterprise. However, there is no such legal entity. It is therefore descriptive of an ethos and approach rather than carrying any formal authority. The consultation paper *Building a New Economy: Scotland's Vision for Social Enterprise 2025* (CEIS et al., 2015) describes social enterprises as: 'businesses that trade for the common good rather than the unlimited private gain of a few. They address social needs, strengthen communities, improve people's life chances, enhance culture or protect the environment'. Demarco (2015) describes social enterprise as: 'a business which operates for public benefit - and which re-invests any profit towards its embedded social purpose.' Social Enterprise Scotland describes social enterprise as a dynamic and inspiring way of doing business. The agency state that social enterprises are innovative independent businesses that exist to deliver a specific social and/or environmental mission, trading in all markets, selling goods and services to individual consumers, local authorities, government and private businesses. In Scotland, one key principle is that social enterprises have an asset lock on their buildings, land and other assets. Many organisations have signed up to the Social Enterprise Code of Practice ([www.se-code.net](http://www.se-code.net)) the aim of which is to: 'set a bench mark - that establishes clear blue water, between social enterprise and particularly the private sector. This centres on the unequivocal affirmation of the defining characteristics - that social enterprises do not distribute dividends'.

## A Lasting Legacy

Miss Elizabeth Kibble wrote her Last Will and Testament 175 years ago, in which she set out instructions for money to be used: 'to found and endow, in Paisley, an Institution for the purpose of reclaiming youthful offenders against the laws'. A trust was established comprising local clergymen, businessmen and the Sheriff, and after 17 years of fundraising and planning, ground was purchased on the outskirts of Paisley, building commenced and the Miss Elizabeth Kibble Reformatory Institution was officially opened two years later in July 1859. Kibble's operating model at that time was to take young boys and men from the local ragged school or from prison and provide them with accommodation, education and vocational training in the trades of the day (carpentry, shoemaking, farming, tailoring). Our record books from the 1860s tell us that fees were charged to the more enlightened burghs and sales from the produce of the boys' work helped finance the organisation's running costs. This mix of sales, fee income and philanthropy is a wonderful example of a Victorian blended income stream - regarded by many as the holy grail of social enterprise today. In July 1868, the record books tell us that a contract was entered into with the Burgh Parochial Board to supply 396 pairs of boots for the poor house.

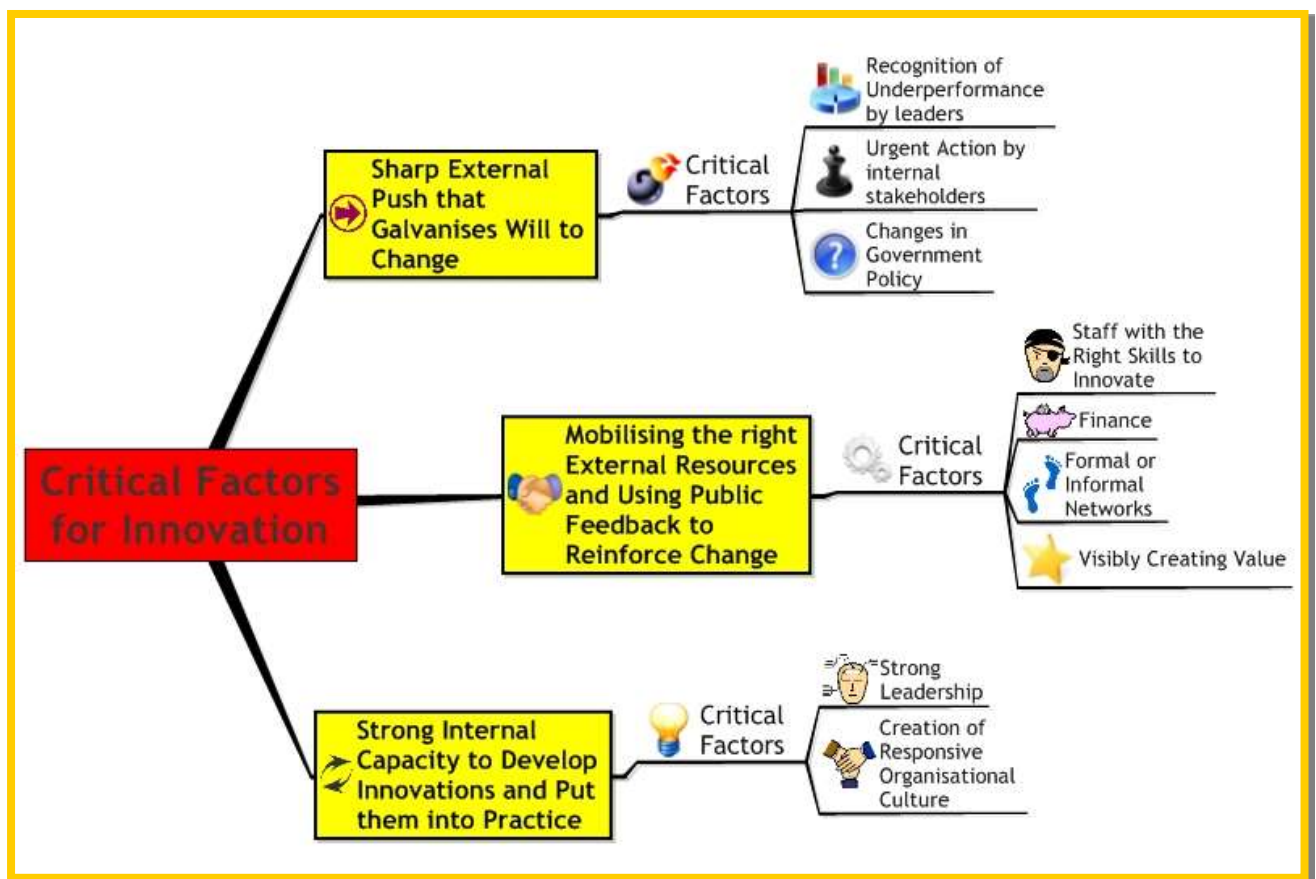
In August 1859, we learn of Kibble's first marketing campaign.

Two hundred copies of 'The Rules' were printed. One was to be sent to each of the Clerks of the Criminal Court of Renfrewshire and to the Clerks of the principal courts of neighbouring counties 'excepting Lanarkshire', along with 'a circular intimating that the Institution is now open for the reception of boys and requesting that the communication may be laid before the magistrates'.

## A Perfect Storm

The shift away from independence to a centralised funding model occurred during the 20<sup>th</sup> Century, principally with the introduction of the Children and Young Persons (Scotland) Act 1937, and this approach became the model for charitably run public service delivery for most of the 20<sup>th</sup> Century. However in 1995 local government reorganisation meant that Kibble's 100% grant funding, together with local and central government administrative control, were removed and the organisation was faced with the stark realisation that if it was going to have any chance of survival it would need to reinvent itself. This perfect storm was the driver for Kibble's reinvention, but at that time we considered ourselves to be a social business. Social enterprise was far from our radar, principally because the term was largely unknown in the mid-1990s.

Research undertaken by Bacon, Faizullah, Mulgan and Woodcraft (2008) into meeting social need found innovation to be the most important condition for survival in a changing environment. They also highlighted three groups of critical factors which explained the need for innovation. Kibble's critical factors in 1996 are shown below.



In 1995, the senior management team and board of trustees entered into a period of formal business planning and the decision was taken to form a separate trading company with its own board, with Miss Elizabeth Kibble's Trust retaining its role of guidance and governance. Kibble Education and Care Company (a company limited by guarantee with charitable status) was formed in 1995 and a local retired lawyer, James Jack MBE, was

invited to form the Board of this new operating company. James Jack's foresight and shrewd business sense together with his unfailing commitment to his role as Chairman were pivotal in providing strong leadership in the early days. Critical was his decision to bring the four members of the senior staff on to the board as executive directors to ensure shared decision-making, risk and commitment. This business model is very unusual for a charity, and indeed one charitable trust refused to support us because of our 'business' approach.

### **UK Social Enterprise of the Year**

Around the time of the millennium, social enterprise was beginning to attract more attention nationally and internationally, and in the UK, the Social Enterprise Unit was created within the Department of Trade and Industry. In 2003, a competition was launched by the *New Statesman* to find the UK's social enterprise of the year. Around this time, our board had decided to begin promoting Kibble's work more widely, and we had tentatively begun producing marketing materials, presenting at conferences and events and had re-launched our website. We entered the Social Enterprise of the Year competition, and much to our surprise won the award. This created yet another perfect storm and thrust us into the spotlight, not only in the UK, but also in North America, since the Social Enterprise of the Year award included attendance at the Social Enterprise Alliance conference in San Francisco. This opened up a huge network for us and was also pivotal in giving us the courage to drive forward some of our ideas, particularly in relation to developing our training and employment activities for young people leaving care or custody. Our KibbleWorks social enterprises were effectively modeled on North American organisations including Juma Enterprises, Homeboy Industries, and our transitional jobs model was pioneered by REDF in California. These links and networks continue to form a key plank of our ongoing social enterprise development. It is interesting to note, however, that we have come across very few child and youth care organisations, nationally or internationally, who would describe themselves as 'social enterprises'.

External evaluation is always a useful benchmark and we were delighted to be chosen as a case study in research commissioned by the Scottish Government (2010) to 'evaluate the success factors for establishing a thriving social enterprise in Scotland'. The critical success factors are shown in the diagram below.



The case study research explored the experiences of a diverse group of 11 high profile and successful social enterprises and it uncovered a number of common traits that are critical to the success of social enterprises, many of which are common to businesses of all forms. It also highlighted that while social enterprises are susceptible to adverse market conditions and shocks, their continuing success and resilience relies heavily on strong and effective entrepreneurial leadership.

### Social enterprise day by day

Having consciously operated Kibble as a social business for the past 19 years, it is now hard to remember what we did when grant supported, or indeed speculate on what we would do differently today if still traditionally funded. Arguably social enterprise is so much part of our organisational DNA that we are the last people who can or should critique it. Perhaps some critical friends may step forward?

However, it is worth commenting on some of the features we regularly think about that may not be as prevalent in other kinds of organisations.

Since the 'reinvention' of Kibble in 1996, governance has been something of a totem. First and foremost we are a charitable purpose social enterprise. We earn our income through sales of services (There are businesses that call themselves social enterprises but are profit distributing and charities that depend on grants that do likewise). Our directors are *de facto* trustees, with the obligations of stewardship of purpose and resources that this brings. We are a non-profit distributing organisation, so surpluses are reinvested for social good. Secondly, we are a legally constituted company which brings obligations to operate in a financially sustainable way. Both of these factors have resulted in us promoting very strong and active governance. Our board of directors is still deliberately geographically skewed to the Renfrewshire area of Scotland where we mainly operate. We are also a national specialist resource, so in recognition of this we have directors from a wider area. All our directors, executive and non-executive, fulfil their directorial responsibilities for

no remuneration. Given the scale, complexity and risk profile of our organisation this is a very significant ask. The fact that we are able to have people of such high calibre perform these often-onerous functions for no personal gain demonstrates that the charitable ethos is very much alive within Scottish society.

This volunteer expertise and commitment helps us to reinforce the ‘values and value’ that a real charitable purpose social enterprise needs to bring to every aspect of its activities. Sometimes also referred to as the blending of purpose and profit; a successful social enterprise needs to keep a deliberate tension between these conflicting objectives. The board needs to fulfil its statutory and fiduciary responsibilities and does so with monthly board meetings and sub-committees overseeing the increasing range of Kibble’s activities. However, also embedded since the inception of the company, operational responsibility lies with the senior staff team and it is their duty to meet the social and financial targets that the board lays down. The importance of this in effective social enterprises is gaining attention internationally but is also being reinforced by the social enterprise support agencies in Scotland.

From a business perspective it is sometimes easier to recognise the importance of investment and almost from the outset the Kibble board tasked the senior staff with strategic and continuing investment planning across the work we do with children and young people (researching what works, why, for whom and when), the capital investment required for good places to live, learn and work in and finally in the financial investment in staff training and development. Pivotal to how Kibble has developed was research into the nature of the work we were doing: why were young people being referred to Kibble? And what was the most effective way to help them? So while in social work it is now common to implement evidence informed intervention models, there is a business ‘investment’ parallel and a social enterprise is perfectly placed to balance these. Interestingly one of our fears around some of the earlier commissioning models was that ‘contractors’ were required, delivering services in a highly prescriptive manner where continuing evaluation and research would be squeezed out. An approach of partners in procurement is therefore of more long-term benefit for both this and future generations.

This continuing research and evaluation has resulted in Kibble’s most distinguishing feature - a uniquely integrated array of services. Perhaps this model would be hardest to deliver within other organisational models and one where a social enterprise approach is most effective. The genesis of this model lay in understanding that Kibble’s mission was in work with young people in trouble, not an early intervention model, or for those only in a particular category, rather for those young people for whom other interventions had not worked. Working with such a group soon dispels any notion that there is a ‘silver bullet’ approach, rather ‘whatever it takes’ needs to be the pragmatic approach, not just in the day to day tenacity and commitment of staff but in the design and nature of the services being offered. So today Kibble offers secure care, a wide spread of campus and community based residential services, foster care, day services, peripatetic outreach ‘as and when’, education, a range of therapeutic interventions, community benefit activities, youth transitions support, and training and employment programmes. These are simultaneously closely interlinked and separate business units, and offer both continuity and variety, dependent on ‘ages and stages’. This requires continuing investment and a social

enterprise can draw on many funding streams. When it is operating both efficiently and effectively, it may be able to generate surpluses. If it has a track record of operating profitably it may be able to access mainstream financing such as bank lending. 'Social investment' - funding tailored to seek a social and financial return - is also a possibility. Government grants may be available because of the community benefit and non-profit distribution nature of a social enterprise. Some, although not all, charitable foundations may support charitable social enterprises, with the caveat of community benefit. Kibble has utilised, and continues to use, many different funding models to develop what it does.

So a successful social enterprise has to be more skilled in the use of the language of business as it is often working at the intersection of the charitable, business and government sector. This opens us up to criticism: we have to ask if it is right that we train staff in business qualifications as well as in care and education? And could our risk of 'mission drift' be not that we drift into other areas of social need, but rather that we over-'commercialise' what we do and how we do it? These are our continual ethical dilemmas, but in any setting, there are ethical considerations that need to be acknowledged and addressed. We believe that by keeping these open for debate and scrutiny that we are better held to account and become better, in every sense, at what we do.

Perhaps one of the biggest 'ethical' debates within Kibble lay around the decision about whether to develop a secure service. The funding model dictated commercial borrowing (around 65% / £7million, with the remainder provided by grant). There was no 'traditional' charitable funding model that could deliver this. We had seen what had happened in England when charities had refused to become involved: a privatised model that delivered little social benefit. We believed that we had a moral obligation using a social enterprise model, one that would work to provide alternatives to secure care and integrated after care models. This was tough to sell to the banks. In their eyes, we were going to actively try to underutilise our facility! Moreover, we were determined to provide a coherent approach to secure care that would reduce the numbers of young people in custody, not a balkanised, freestanding model - and all this was to be done with no guaranteed income stream. There would be no 'fiscal floor' or safety net put in place, it would be a market free for all. Ultimately, we decided to go ahead and work to develop a new model of secure care that was located firmly within a child and youth care context. We are under no illusions: this is a high-risk service, operationally and financially. Sometimes we have to work in the world as it is, not as we would like it to be. Is it the best way to deliver such specialist support to the most challenging and vulnerable young people? We have our doubts. What we do know is that by consciously implementing the 'values and value' social enterprise approach we have been able to mitigate some of the worst excesses of secure care that we have seen in other parts of the world.

So what are the motivations and qualifications of the staff that come to work in a social enterprise, as opposed to a local authority, commercial operation or traditional charity? The answer seems to be that most front-line staff care little about the organisational model, but are most interested in direct work with young people done to a high standard. Of course, they will want to ensure they have decent terms and conditions of employment. We took the decision to broadly match local government conditions in the



area where we work. That means that from the entry level living wage employee through to the senior staff there is a matching grade point in the public sector. This was to prevent a race to the bottom in pay for lower skilled staff and avoid the excesses that some businesses were paying to senior staff. Consequently, we consistently seem to attract highly motivated and talented staff. Managerial appointments, however, tend to be those more interested in entrepreneurial approaches. The rise of social entre/ intra-preneurship means that many managers come looking to be leaders and change-makers, often with a degree of dis-satisfaction with the status quo. Inevitably, a social enterprise business model offers more scope to this group of employees.

## Conclusion

If 1996 was the perfect storm for Kibble, the time since has been spent creating a vessel fit for stormy waters. While we yearn for blue oceans and tranquil voyages in balmy conditions, our daily reality is of turbulent white water and strong winds. The nature of the work we do and the society in which we live indicates that today's organisational vessels need to be robust yet manoeuvrable, with good navigation systems and powerful engines. Well run social enterprises offer the child and youth care sector a model that brings in strong business disciplines while retaining at their heart the passion and purpose essential for the work we are committed to.

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## Useful links

Homeboy Industries: <http://www.homeboyindustries.org>

Juma Ventures: <http://www.jumaventures.org>

REDF: <http://redf.org>

Social Enterprise Alliance : <https://www.se-alliance.org>



Social Enterprise Code of Practice: [www.se-code.net](http://www.se-code.net)

Social Enterprise Scotland: <http://www.socialenterprisescotland.org.uk>

## Endnotes

Graham Bell joined Kibble in 1993 and has been responsible for leading Kibble through its transformation from a traditional charity to one of Scotland's most effective social enterprises and a multi-service centre for young people. Graham holds a BA, CQSW and MBA and has over 38 years of national and international experience, encompassing residential childcare, youth work and the Third Sector. He is board chair of the Scottish Social Enterprise Academy, a former Winston Churchill Memorial Trust Travel Fellow, former Entrepreneur in Residence at the University of the West of Scotland, board member of Engage Renfrewshire, and of the international child and youth care network [www.cyc-net.org](http://www.cyc-net.org).

Lesley Fuller is Kibble's Funding, Marketing and Communications Manager, and has been with Kibble for 20 years. In 2010, Lesley received her MBA from the University of the West of Scotland and was awarded the Court Medal. Lesley has travelled extensively in Europe and North America and co-presented and facilitated sessions on Leading and Learning in Social Enterprise. Lesley and her team have brought in over £11m of investment from a wide range of philanthropic, European and Government sources and she plays a pivotal role in managing the social marketing and communication activities of the organisation.

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