

Third Sector Research Centre

Working Paper 79

## **Scaling up social enterprise: strategies taken from early years providers**

Fergus Lyon and Heather Fernandez

April 2012

## Abstract

This paper examines the strategies social enterprises can use to scale up their impact. A traditional view has been for growth to occur through setting up new sites owned by a single organisation. This paper examines the range of other alternatives for scaling up social impact ranging from maximising the impact internally (through new activities, and more sites) to growth beyond the confines of the organisation (through social franchises, use of kite marks, training and networks). The paper is based on an analysis of case studies in the early years sector supporting children and families. The following research questions will be addressed: In what ways can social enterprises scale up their operations? What are the challenges entailed in these scaling up processes? The paper concludes by proposing a model to help define the strategies by which organisations can scale up their social impact.

### Keywords

Scaling up, growth, social enterprise, social impact, value, early years.

### Acknowledgements

The paper would not have been possible without the contribution of staff at London Early Years Foundation and Hill Holt Wood who gave their time and shared their views. This paper is part of the Third Sector Research Centre (TSRC) programme of work and the Social Enterprise Research Capacity Building Cluster. The support of the Economic and Social Research Council (ESRC), the Office for Civil Society (OCS) and the Barrow Cadbury UK Trust is gratefully acknowledged. All views expressed are those of the authors.

A revised version of this paper is forthcoming in the Social Enterprise Journal, Volume 8, No. 1, <http://www.emeraldinsight.com/products/journals/journals.htm?id=sej>.

# Contents

- 1. Introduction..... 2**
- 2. Growth and scaling up in social enterprises..... 3**
- 3. Early years provision in the UK ..... 4**
- 4. Methodology ..... 4**
- 5. The case study material for developing new ways of meeting early years provision ..... 5**
  - Case 1: London Early Years Foundation..... 5
  - Case 2: Ossington Nursery..... 6
  - Case 3: Bendall Community Nursery..... 6
  - Case 4: Acorn Childcare ..... 7
- 6. Strategies for scaling up social enterprise operations ..... 8**
  - 6.1 Growth within the organisation ..... 8
    - Maximising social impact of existing provision..... 8
    - Diversification..... 8
    - In-house growth of existing nurseries ..... 8
    - Starting new nurseries ..... 8
    - Taking over existing nurseries ..... 9
    - Winning contracts from local authorities or employers ..... 9
  - 6.2 Scaling through formalised relationships with other providers ..... 9
    - Spin-out organisations ..... 9
    - Social franchise..... 9
    - Kite marks and quality standards..... 9
  - 6.3 Open access sharing and disseminating good practice ..... 10
    - Training and accredited courses..... 10
    - Networks established to share good practice ..... 10
    - Provision of open source material and encouraging learning..... 10
- 7. Discussion ..... 11**
- 8. Conclusion ..... 14**
- References ..... 15**

## 1. Introduction

There is considerable interest in the concept of social enterprise from policy makers and those delivering social or environmental services. While social enterprises can provide examples of different ways of delivering services, there is considerable expectation placed on these types of organisations to have a larger scale of impact. However, the activities of social enterprises tend to be localised and small scale (Amin et al., 2002). At the same time there is evidence of social enterprises having considerable ambitions to grow (SEUK, 2011). The challenge facing social enterprises is how to scale up their impact beyond small successful projects (Dees et al., 2002). Bloom and Smith (2010: 127) see this form of growth as taking a 'programme that has helped to resolve a problem in a limited way and then scale it up so that the programme's impact on society becomes wider (i.e. helps more people in more places) and deeper (i.e. reduces the negative effects dramatically)'. This requires an understanding of what the social impact might be and also the development of strategies for growth. This paper examines how social enterprises can increase their scale and expand their social impact. The paper sets out a framework for identifying the different ways in which social enterprises can grow, drawing on an empirical study in the childcare sector. The paper makes the distinction between scaling through organisational growth and other forms of increasing social impact beyond the organisational boundaries.

The early years sector provides a useful context for understanding scaling. An examination of illustrative cases of social enterprise childcare in London found that these nurseries were characteristically 'providing additional forms of support for families, making childcare more affordable, supporting parents into employment, helping with parenting and building community capacity' (Capacity, 2008: 36). There are questions over the social impact of enterprises maximising business owners' or shareholder profit (Penn, 2009), particularly when focussing on childcare provision where social relations and trust between the providers and users are so important (Ball and Vincent, 2005).

Community-based social enterprise has been highlighted as a model with the potential to provide quality childcare that can reach both affluent and disadvantaged communities (Mutuo, 2002). At the same time there is growing interest in business models by voluntary sector organisations. However, research has found that there was little understanding or awareness of social enterprise even among those providers highlighted as delivering this model (VCS Engage, 2007) and that non-private sector childcare providers were often uncomfortable with the idea and language of 'making a profit' from childcare (Hare, Jones and Blackledge, 2007). Another key challenge raised was the perceived lack of 'business' skills among third sector providers (VCS Engage, 2007) and the ability of organisations to develop business propositions for investment (NESTA, 2011).

Social enterprise is best understood as a loose concept with a range of definitions and a range of interpretations of the commonly accepted definition promoted by the UK government (Lyon and Sepulveda, 2009). The definition currently used by the UK Government is taken from the 'Social

Enterprise: Strategy for Success' document: 'A social enterprise is a business with primarily social objectives, whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profits for shareholders' (DTI, 2002). How organisations define 'primarily social objectives' is open to interpretation with some considering that the provision of any affordable early years services is a social aim, while others look to social enterprises to have a more distinctive approach that has wider social benefits through affordable fees and supports local communities through employment and purchasing strategies.

In the next section we examine the literature on growth before examining the current early years provision in the UK in section three. We then outline the methodology taken in the data collection. In section four, we present the four cases to demonstrate how they currently aim to maximise social impact. In section five, we draw on these case studies, together with other research material, to examine the different approaches to scaling up early years social enterprise. In section six we draw out the conclusions for practice, policy makers and further research.

## 2. Growth and scaling up in social enterprises

This paper examines the range of potential approaches to growth. These may begin through internal changes aimed at maximising the social impact and finding ways of demonstrating this to others (Paton, 2003; Nicholls, 2009). This can include differentiation of services (Nicholls, 2006), diversification (Doherty et al., 2009), increased market penetration, and growth through multiple sites (Grossman and Rangan, 2001).

Scaling can also come about through external developments beyond the confines of the organisation. Sharir and Lerner (2005) examine the types of alliances needed to get resources and political support, others examine the potential of social franchising. Central to franchising is having a business model that is proven and suitable to a franchise relationship (Bradach, 2003; Johnson et al., 2007). Dees et al. (2002) show how there are challenges in identifying what is licenceable and the danger of wasting resources by pursuing avenues that are unlikely to work in such an approach. Tracey and Jarvis (2007) and Johnson et al. (2007) identify the challenge of finding suitable franchisees. This is harder in the social enterprise sector than in the purely commercial sector, as franchisees are organisations rather than individuals and have to be assessed on their ability to achieve social as well as commercial benefits (Tracey and Jarvis, 2007).

Research has examined how scaling up requires different resources and capabilities (Bloom and Smith, 2010). Building on Uvin et al. (2000), this paper aims to examine how different approaches to scaling up (within and beyond the boundaries of organisations) will require different types of resources and capabilities at different times.

### 3. Early years provision in the UK

Of the 15,600 full day care nurseries, providing care for one million under-fives, 73% are in the private sector, 15% in the voluntary sector and 12% in the public sector. The private, voluntary and independent (PVI) childcare sector has a value in excess of £3.9bn per year (Laing & Buisson, 2009). The majority of the sector is made up of sole providers and 16% is made up of large chains leveraging their offer from venture capital and carrying high levels of debt. The proportion in the social enterprise sector is not known as it straddles the boundaries of the private, voluntary and independent sectors.

The wide range of voluntary groups, charities, and 'not-for-profit' organisations include playgroups, child-care co-operatives, community nurseries and family centres. A recent report on the sector found that 'among them are many large organisations, which have come to resemble elements of both public and private bodies and which in outlook and scale are vastly different from small stand alone community groups; while within the private childcare sector, there are many small businesses with a well developed social ethic and purpose' (Capacity, 2008:4). This report also supports the findings of Hare et al. (2007) who found that many organisations do not consider themselves a social enterprise despite meeting the government definition.

Previous research confirms the benefits of good quality childcare and family support to children from these backgrounds particularly with regards to narrowing the achievement gap and reducing life-long social and economic poverty (Sinclair, 2007). The New Economics Foundation (NEF) (2009) shows how this achievement gap translates into a high fiscal cost for society and demonstrates how investing in preventative services for children (including high quality universal childcare provision) would result in reduced public sector spending as children grow up. However, a report by Ofsted (2008) found children in deprived areas are still getting the lowest quality childcare and nurseries in these areas remained at the highest risk of failure and closure. This is supported by previous research on the effect of quality childcare on children (e.g. Sylva et al., 2008). Issues of social justice increasingly pervade the childcare market and alternative models are being put forward as further consideration is given to what the role of markets should be and under what conditions they should operate (Moss, 2009).

### 4. Methodology

This paper draws on a detailed case study combined with three less intensive case studies of a range of early years providers. The nature of the research questions and the need to explore different strategies requires a qualitative approach that examines the processes that organisations are developing. The four case studies were purposely selected to offer a cross section of types of provider. The balance between the very detailed case study and the less intensive case studies of other organisations allows for both the depth of understanding, and cross case comparison (Yin, 2003). For each of the shorter case studies, interviews were held with the manager or director. For the detailed case study of the London Early Years Foundation (LEYF) interviews were conducted with 10 nursery managers, four of the senior management team and other key stakeholders. Observations within nurseries and within the organisation over a 21 month period provided a detailed picture. The case study material is complemented by a review of the literature regarding growth, scaling up and social franchising that has been developed outside of the early years sector.

## 5. The case study material for developing new ways of meeting early years provision

### Case 1: London Early Years Foundation

LEYF is a charity and social enterprise supporting London's children, families and local communities through early years education, training and research. Established in 1903, LEYF now employs over 320 staff across 23 community nurseries and children's centres in five London boroughs. While providing early years education to over 1700 children, LEYF's pricing system ensures those from a disadvantaged groups can access nurseries and any surplus is put back into the service being provided or to develop new services. There is also a focus on quality of provision with staff training, quality food, working with parents and programmes for the local community. LEYF also delivers a number of work-based training programmes supporting 250 students since 1997 and 60 apprentices who were previously 'not in employment, education or training'. This provides both LEYF staff and external students with qualifications, which in turn can lead to greater career opportunities, earning potential and community involvement. Attention is also given to the environmental impact with regard to procurement, including the purchasing of food from a co-operative in Kent. There are also cooking workshops for parents and children, and recycling projects.

The business model is based on having an enterprise that is not reliant on grants and donations, but running the organisation as a business that ensures its sustainability and attractiveness to investors. There is also a diverse range of income sources from different types of nurseries in different areas that reduces the risk of fluctuations in income. LEYF also prides itself in being innovative and able to adapt to different opportunities and challenges.

The analysis of the current operations within LEYF can identify a range of enterprising elements within the organisation that have been developed to meet the needs of children in different locations and allow LEYF to respond to opportunities. These include: mixed income nurseries with parents paying according to their income; nurseries in more affluent areas where generated surplus can be used to support other nurseries; contract nurseries, where LEYF has a contract to deliver for an employer or a local authority for a fixed fee; and finally the Centre for Research, Learning and Development that aims to provide training and support within and outside the organisation, as well as action research to improve the quality of childcare.

LEYF has scaled up its impact through the following aspects:

- ensuring its current activities have a maximum social impact through quality of education, access for disadvantaged groups, local procurement, staff development and services for the wider community;
- having a diverse range of services including early years education, Children Centre advice centres, and training provision;
- increasing the size of some sites to allow for more children to use the services;
- taking over other sites when those organisations find they are unable to operate to an adequate quality and be financially viable without economies of scale;

- winning contracts to provide nurseries for local councils and particular employers (such as the contract to provide childcare for employees of the Houses of Parliament);
- training people who take the skills to work in other organisations, raising the quality of services for children outside LEYF;
- supporting a network of other early years providers to share good practice.

They are also considering options for social franchising, accreditation, quality assurance and quality marks as ways of scaling up their impact.

### **Case 2: Ossington Nursery**

This single site nursery opened in 2002 and is a registered charity, governed by a board of trustees formed of parents as of 2009. The nursery is committed to providing accessible, responsive childcare, including affordable places for families living and working in the area. Additionally, it provides activities to enhance parental skills and child development and gives advice and assistance to families in relation to the costs of childcare. There are subsidised nursery places and flexible hours are offered, to allow parents to use their nursery education grant allowance and top up with additional sessions as desired.

Nursery income is mainly from fees, with a small proportion coming from grants. The nursery both runs and hosts workshops for the local community and cultivates an entrepreneurial approach to relationships with other businesses. For example a local hairdresser comes in to cut the children's hair on a monthly basis, and 'Theatre Tots' use the building rent free in exchange for free sessions for the nursery children. A policy of purchasing local produce is actively pursued and vegetables are grown in the nursery garden.

There is a policy of staff development and skills are continually updated by both internal and external training sessions, with almost all staff holding childcare qualifications of NVQ3 standard and a few working towards their degree. Local childcare students are also hosted in the nursery for their work placements. A key stakeholder for the nursery is the local council, which provided support in the transition to a parent led management structure and is now keen to arrange a contract for social services childcare places.

The nursery intends to scale up its impact by increasing the amount of community activities and workshops it hosts by working with other organisations. They also aim to provide the childcare service to more families from disadvantaged backgrounds by taking on a social services contract and by using their space more effectively.

### **Case 3: Bendall Community Nursery**

This single site community nursery became both a charity and a Company Limited by Guarantee in 1995 and all parents who use the nursery can become members of the company. It is governed by a Management Committee of parents and community representatives. The nursery is in a very diverse setting and promotes equality and values diversity by reflecting the different backgrounds of the children. The organisation holds learning events for parents looking at how adults can help children to learn and develop.

Approximately two thirds of the nursery income is from fees, while a third comes from a grant, which is used to subsidise a certain amount of nursery places. Extra income needed for investment comes from fundraising. Lower income families are actively targeted (by distributing flyers in the council estate) and approximately half of the children are on the lower band of fees. The nursery liaises closely with the children's centre, local school, elderly care home and local authority.

The nursery has a stated objective to improve adult learning and has been shortlisted for awards for team development of staff. In addition to childcare training and qualifications, staff are offered training and qualifications in nutrition. There is a policy of offering placements to students during their studies and then offering them employment once they have completed their qualifications. As the students come from local colleges, over 50% of current staff live in the local borough. The nursery has been considering its environmental impact and has implemented an environmental and recycling policy.

#### **Case 4: Acorn Childcare**

This private Company Limited by Share started as a single site nursery in 1989 and has since expanded to incorporate a total of eight nurseries which it runs in addition to a series of crèches, holiday play schemes and out of school clubs. Profits have never been distributed to company shareholders and the owner is now seeking to change its legal form. In the past, a staff profit share scheme was trialled, inspired by the employee owned model, but the amounts involved were found to be too small to motivate employees. The owner has also set up a separate Company Limited by Guarantee training centre which acts as a sister organisation and provides professional development training and qualifications to both internal and external early years practitioners. In addition, the training centre runs Forest Schools, which all 3-4 year old children from the nurseries attend as part of the nursery offer.

The organisation's income comes from fees and is supplemented by occasional local authority capital grant funding. Fees operate on a flat rate basis in the individual nurseries, but vary across the organisation as some nurseries subsidise others with higher rates. They also offer a degree of flexibility whereby parents who access student funding and those placed by social services are allowed to pay fees in arrears. There are also subsidies for a limited number of children to cover the shortfall between full fees and the rate of 'vouchers' paid by the state for each child's statutory entitlement to 15 hours care. In operating this policy of inclusion poorer families are not charged for nursery activities (e.g. yoga, French, Forest School). Their stated market is local families, and they have very strong links with local schools, in which 3 of the nurseries are sited.

Every member of staff has a personal development plan, which includes planning for training, career progression and community involvement. There is a transparent pay scale which has different bands according to experience and length of service. Staff are recruited locally and college students are accepted for their work placements, for which the nursery pays them a non-compulsory minimum wage.

## 6. Strategies for scaling up social enterprise operations

The options for scaling up can be seen as a continuum ranging from internal organic growth controlled within the organisation to wider dissemination of good practice. This continuum therefore represents a shift from the complete control within an organisation to a situation where the originator of the innovations and developments has limited power over how this is implemented. In each case the objective is to increase social impact, although how this is done may change. The cases therefore show the importance of considering scaling according to social impact rather than crude measures of organisational growth. Based on an analysis of existing nurseries and a review of literature on forms of scaling up, the following strategies can be identified. These strategies can be divided into those that allow organisational scaling, scaling through formal relationships and scaling through open access and dissemination of ideas.

### 6.1 Growth within the organisation

#### ***Maximising social impact of existing provision***

Organisations can increase their social impact by ensuring that the activities currently undertaken maximise the benefit to the communities they serve. While provision of nursery services in itself has social benefits, there is also greater potential for social enterprises to maximise benefits for children from poorer families and support the wider community through their purchasing and employment strategies. Impact can also be raised through attention to environmental issues. Challenges remain in ensuring that the social benefit can be sustained at the same time as keeping the organisation economically viable. It is this balance between the social and financial objectives that makes social enterprises distinct.

#### ***Diversification***

Growth of social impact can also come about through diversifying into other services or types of activity. For example LEYF increased its role in the community it serves by having services in addition to its nurseries such as the contracts to run Children Centres, offering advice and support to parents and training. The third and fourth cases (Bendall and Acorn) were also diversifying by having alliances with other providers of specialist services such as theatre for children, yoga or play schemes.

#### ***In-house growth of existing nurseries***

Organisations can grow by increasing the number of children using their services, through developing more places at nurseries, increasing the hours of provision and offering new services such as sessions during school holidays. This is a form of organic growth building on existing assets, staffing and skills. Key challenges include the more efficient use of resources such as existing nursery space and ensuring that quality is kept high.

#### ***Starting new nurseries***

New nursery settings allow an organisation to increase their impact and draw on their current resources and expertise. These new sites may be filling gaps where there are unmet needs or moving into an area to compete with other providers. The challenges of such growth are managing the new operation, and finding economies of scale from having some activities carried out centrally for a number of sites.

### ***Taking over existing nurseries***

Social enterprises are also shown to grow as they are asked to take over nurseries that have not been sustainable under other organisations, or that have closed due to lack of financial viability. While this form of growth allows social enterprises to inherit an existing nursery site, it may also be inheriting a number of problems and perceptions of lower quality held by parents that had caused the numbers to decline in the past. Challenges in taking over nurseries may relate to rebuilding the reputation of the nursery site and communicating with parents of existing and potential children. Organisations therefore need to draw on strong branding and marketing skills to rejuvenate the nursery.

### ***Winning contracts from local authorities or employers***

The rapid growth of LEYF is shown to be related to their success in winning contracts to deliver nurseries for local authorities or other parts of the public sector. In such cases the social enterprise can draw on its existing systems and values to differentiate itself from other bidders. Challenges for this strategy relate to the ability to write detailed bids and to compete with large commercial organisations that have the capacity to invest resources in multiple bids.

## **6.2 Scaling through formalised relationships with other providers**

### ***Spin-out organisations***

Acorn Childcare (the private nursery) was found to be scaling up through starting a spin-out organisation as a not for personal profit Company Limited by Guarantee which would provide training and Forest Schools. This is independent but retains strong links to the parent organisation as some people are directors on both boards.

### ***Social franchise***

None of the social enterprise case studies had developed social franchise approaches although one case was developing a franchise offer where independent nurseries would pay an annual fee for the use of shared operating systems and branding. The analysis of other examples of social franchise show that this approach requires a formal relationship between the franchisor and the franchisee with the ability of the franchisor to penalise or end the relationship if the franchisee uses the franchise brand without meeting the requirements in terms of quality and assurance. A key challenge for such an approach is finding ways to enforce the contract if the terms of the agreement are not being kept and standards are not up to the agreed level. This is a challenge in the commercial world but even more so in the social enterprise community where legal proceedings against another social enterprise may be considered unacceptable by some staff.

### ***Kite marks and quality standards***

Scaling can also come from developing or supporting quality standards and kite marks to raise quality and increase attention to social outcomes amongst those signing up. Organisations are inspected or are able to provide necessary information to the kite mark operator that demonstrates that their services are reaching a required quality level. At present there are kite marks specifically for the early years sector including those set up by the Pre School Learning Alliance and National Childminders Association as well as local authorities. There are also cross-sectoral examples such as the 'social enterprise' mark that shows that the organisation meets some minimum degree of social aims and also trading activity. Other kite marks include the PQASSO quality mark, designed for small charities to show that the organisation has some quality standards in place. LEYF has used the Social

Enterprise Mark as well as using standard systems developed for mainstream businesses such as the ISO14001 Environmental Management Standard.

While there may be demand for an early years kite mark the challenge is finding a model where other social enterprises will pay for the administration of the programme and costs of checking that those endorsed are conforming to the standards required. Quality standards can be spread more widely by lobbying policy makers to include such aspects in regulations and early curriculum. For example, much good practice that was developed by early years social enterprises is now part of the Foundation Stage curriculum and carried out by almost all nurseries.

### **6.3 Open access sharing and disseminating good practice**

#### ***Training and accredited courses***

Organisations can increase their impact through training others and raising the quality of provision in other settings. This can be part of formal accredited courses or more bespoke courses offered for a particular topic. LEYF have a considerable impact on early years provision across London through its current training provision. This is focused on training those working with children and covering topics related to early years support. LEYF not only has training for childcare qualifications, but also gives staff throughout the organisations the opportunity to obtain a management qualification. There are other cases of less formalised support such as mentoring systems. Social enterprises may face challenges balancing the social aims of sharing ideas while retaining intellectual property in increasingly competitive markets. This pressure comes from the range of early years providers competing for limited funds from government and the limited number of parents paying fees. In terms of scaling up impact, training others can have considerable breadth of benefit but the training provider has no control over how the knowledge provided is converted into improved services for children and families.

#### ***Networks established to share good practice***

Knowledge exchange through networks can be informal as well as more formalised. LEYF was found to be developing a network of providers interested in the social enterprise model. This group was meeting irregularly but was a way of sharing good practice. It was jointly co-ordinated by an established campaign group called the Day Care Trust. Other nurseries are involved in different networks such as the Pre School Learning Alliance that offers members support to improve the quality of provision and meet requirements. Interestingly, this organisation is now running services and has become one of the largest providers of children services in the voluntary sector. There are challenges of getting people to give their time and participate, whether in face to face networks or virtually. Furthermore it is difficult to cover the costs of setting these up. In terms of scaling up impact, the number of individuals and organisations benefiting from networks can be substantial although the extent to which benefits from this transfer of knowledge translate into impacts on beneficiaries can be variable.

#### ***Provision of open source material and encouraging learning***

Organisations can use their own resources and experience to provide open source material, such as good practice guides and case studies. In this way a large number of other organisations can be reached. The scale of this form of sharing and the lessons that those accessing such resources are taking are very hard to ascertain. There is a risk that organisations will learn about what is possible and make claims that they are carrying out good practice activities without this being verified.

**Table 1: Strategies taken by different case studies**

Strategy for scale	Case 1: LEYF	Case 2: Ossington Nursery	Case 3: Bendall Community Nursery	Case 4: Acorn Childcare
Maximising through existing provision	X	X	X	X
Diversification	X	X	X	X
In house growth of existing nurseries	X	X	X	X
Starting new nurseries	X			X
Taking over existing nurseries	X			
Winning contracts for new nurseries	X			
Spin out organisations	X			X
Social franchise				
Kite marks and quality standards				
Training and accredited courses	X			X
Networks	X			
Provision of open source material	X			

## 7. Discussion

Analysis of the case study material shows that there are a number of different models of early years provision that have elements of social enterprise in evidence. On the one hand there are organisations emerging out of the charitable and voluntary sector, usually Companies Limited by Guarantee as well as having charitable status. These organisations are able to benefit from favourable tax positions and some benefits, such as subsidised rent from local authorities, which are not available to other legal forms. Other organisations follow a co-operative model with ownership by staff members. Thirdly there are organisations that have private sector legal status with the owners able to extract a profit for themselves but deciding to put all surplus after paying salaries to social benefits. All of these meet the loose social enterprise definition set by the government.

In terms of scaling up impact, the approaches outlined above in the early years sector can be used to provide a model for understanding scaling up in social enterprises more generally. Figure 1 shows how these approaches range from maximising social value for a single site to the much wider impact on a larger number of organisations through processes such as networking or training. However, the cases also show that with these increases in scale, the original innovator wanting to scale up will have less control. Aiming for a wider potential scale of impact therefore requires the social enterprise to relinquish both ownership of intellectual property and control over how this knowledge is used.

The strategies can be divided into three categories: where there is growth in social impact within the organisation; where there is scaling through formalised relationships with other providers (kite marks or social franchise); and finally open source sharing and disseminating good practice. In the first category, there is likely to be considerable control within the organisation, although some social

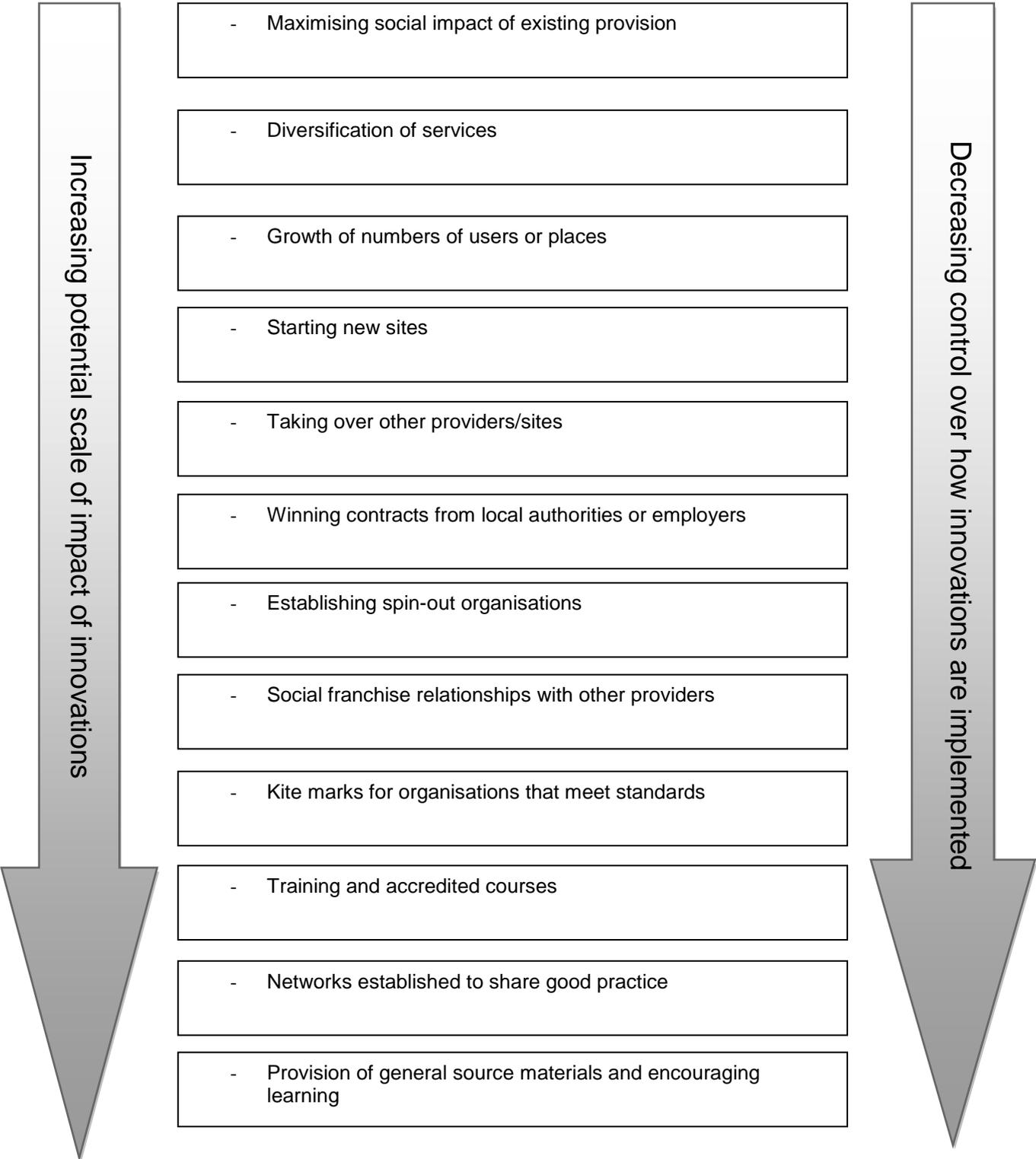
enterprises have less hierarchical management systems and allow more democratic approaches that result in variation within an organisation, especially when it is delivering over many sites. The formalised relationships, such as franchises and kite marks, can be backed by legally binding documents which allow a degree of control over others but can be hard to implement. The final approach to scaling up would entail an organisation relinquishing control and allowing others to take ideas and adapt them as they feel fit. All approaches were found in the case studies and each strategy aims to scale up social impacts in different ways.

Each strategy also requires a range of skills, resources, and networks within the innovating enterprise. Drawing on the case studies, we can see the skills and approaches required for each strategy. These are shown in table 2.

**Table 2: Skills and approaches required for different strategies**

<b>Strategy for scale</b>	<b>Skills and approaches required</b>
Maximising through existing provision	Internal leadership and management skills
Diversification	Relationship building skills
In house growth of existing nurseries	Marketing skills to increase customers and fundraising skills (e.g. if refurbishment is needed)
Starting new nurseries	Growth management skills Capacity to have a central head quarters which offers support to different sites
Taking over existing nurseries	Ability to manage pre-existing staff and work cultures Ability to manage central resources over additional sites
Winning contracts for new nurseries	Bid writing skills Able to invest time without definite outcome
Spin-out organisations	Business planning Investment in market research
Social franchise	Ability to identify business theory of change and what needs to be replicated Significant central co-ordination and management Investment in the identification and development of franchisees Capacity to provide training and business support as part of package
Kite marks and quality standards	Ability to formulise core qualities, marketing skills to attract users, capacity to inspect others and enforce standards
Training and accredited courses	Training skills, marketing skills to attract students and learners
Networks	Networking skills Ability to define and deliver on benefits of belonging to network
Provision of open source material	Time to invest without financial recompense

**Figure 1: Strategies for scaling up impact**



Source: analysis of case study material

## 8. Conclusion

At a time of recession and severe public sector cut backs, there are high expectations of social enterprises. In the early years sector, social enterprises are demonstrating an alternative way of providing services, different to conventional approaches of the private and state sectors. Through a range of strategies they are able to increase their social impact. The different cases examined in this study show some common strategies that organisations can use to scale up social impact.

Each of these strategies requires different types of capabilities within an organisation to overcome the challenges. Much can be done within organisations themselves to improve their social impact. Through the wide range of social impact measurement tools, these benefits can be measured and changes over time can be monitored. The greater challenges come when reaching beyond the boundaries of organisations. Innovative processes need to be developed that build on franchise approaches but adapting them to the social enterprise context. These are the strategies that are least developed in the case studies and more widely in the social enterprise sector. Through further understanding of successful franchising models in the commercial sector and other parts of the social enterprise sector, some of these challenges may be overcome.

The results of this paper have a wider contribution to understanding social enterprise growth beyond the childcare social enterprises. There is a need to go beyond a preoccupation of growth within specific organisations to also consider how scaling of social impact can be achieved through building networks, sharing approaches and supporting other organisations to replicate, develop and adapt approaches. Social enterprises need to develop a range of strategies to maximise their social impact that can include growth within their organisations as well as supporting scaling of social impact outside the organisation. Further research is needed to explore the effect of organisational growth on social impact within a community as a whole. The hybrid nature of social enterprises with a balance of both social aims and financial objectives can present particular challenges as there is a pressure to both retain intellectual property and to share ideas that can have a social benefit. Within the diversity of social enterprise approaches, there are different ways of balancing this.

## References

- Amin, A., Cameron, A. and Hudson, R. (2002) *Placing the Social Economy*, London, Routledge.
- Ball, S. and Vincent, C. (2005) 'The 'childcare champion'? New Labour, social justice and the childcare market' in *British Educational Research Journal*, Vol. 31, No. 5, pp. 557-570.
- Bloom, P. and Smith, B. (2010) 'Identifying the drivers of social entrepreneurial impact: Theoretical development and an exploratory empirical test of SCALERS', *Journal of Social Entrepreneurship* Vol. 1, No.1 pp.126-145.
- Bradach, J. (2003) 'Going to Scale: The Challenge of Replicating Social Programs,' *Stanford Social Innovation Review*, Spring, pp.19-25.
- Capacity (2008) *Social Enterprise: A childcare solution for London?* Available at [http://www.capacityltd.org.uk/docs/Social\\_Enterprise\\_Report.pdf](http://www.capacityltd.org.uk/docs/Social_Enterprise_Report.pdf) Accessed 4 January 2012.
- Dees, J. G., Anderson, B. B. and Wei-Skillern, J. (2002) 'Pathways to Social Impact: Strategies for Scaling Out Successful Social Innovations,' Centre for the Advancement of Social Entrepreneurship (CASE Working Paper Series, No. 3).
- Doherty, R., Foster, G., Mason, C., Meehan, J., Meehan, K., Rotheroe, N., Royce, M. (2009) *Management for Social Enterprise*, London, Sage.
- DTI (2002) *Social Enterprise: A Strategy for Success*, Social Enterprise Unit, London, Department of Trade and Industry.
- Grossman, A. and Rangan, V. K. (2001) 'Managing Multi-site Nonprofits', *Non-profit Management & Leadership*, Vol. 11, No. 3, pp 321–337.
- Hare, P., Jones, D. and Blackledge, G. (2007) 'Understanding social enterprise: a case study of the child care sector in Scotland', *Social Enterprise Journal*, Vol. 3, No. 1, pp. 113-125.
- Johnson, T., Richardson, K. and Turnbull, G. (2007) 'Expanding Values; A Guide to Social Franchising in the Social Enterprise Sector', SIPS Transnational Partnership (Sustainable Business Concepts for the Social Economy).
- Laing & Buisson (2009) *Children's Nurseries UK Market Report*, London, Laing & Buisson.
- Lyon, F. and Sepulveda, L. (2009) 'Mapping social enterprises: past approaches, challenges and future directions', *Social Enterprise Journal*, Vol. 5, No. 1, pp.83-94.
- Moss, P. (2009) *There are alternatives! Markets and democratic experimentalism in early childhood education and care*. Working Paper No. 53, The Hague, The Netherlands, Bernard van Leer Foundation and Bertelsmann Stiftung.
- Mutuo (2002) *Child's play: new mutual models for childcare*, London, Mutuo.
- NEF (2009) *Backing the Future: Why investing in children is good for us all*, London, New Economics Foundation.
- NESTA (2011) *Growing Social Ventures*, London, National Endowment for Science, Technology and the Arts.
- Nicholls, A. (2006) 'Playing the Field; A New Approach to the Meaning of Social Entrepreneurship', *Social Enterprise Journal*, Vol. 2, No. 1, pp. 1-5.

- Nicholls, A. (2009) 'We Do Good Things Don't We?': Blended Value Accounting In Social Entrepreneurship', *Accounting, Organizations and Society*, Vol. 34, No. 6-7, pp755-769.
- Ofsted (2008) *Early Years Leading to Excellence: A Review of Childcare and Early Education 2005-08 with a Focus on Organisation, Leadership and Management*, London, Ofsted.
- Paton, R. (2003) *Measuring and managing social enterprises*, London, Sage.
- Penn, H. (2009) 'International Perspectives on Quality in Mixed Economies of Childcare' in *National Institute Economic Review*, Vol. 207, No. 1, pp. 83-89.
- SEUK (2011) *Fight Back Britain A report on the State of Social Enterprise Survey 2011*, London, Social Enterprise UK.
- Sharir, M. and Lerner, M. (2005) 'Gauging the success of social ventures initiated by individual social entrepreneurs', *Journal of World Business*, Vol. 41, No. 1, pp.6-20.
- Sinclair, A. (2007) *0-5: How Small Children Make a Big Difference*, Provocation Series Vol. 3 No. 1, London, The Work Foundation.
- Sylva, K., Melhuish, E., Sammons, P., Siraj-Blatchford, I. and Taggart, B. (2008) Effective Pre-school and Primary Education 3-11 Project (EPPE 3-11): Final Report from the Primary Phase: Pre-school, School and Family Influences on children's development during Key Stage 2 (7-11). DCSF Research Report, DCSF-RR061, London, Department for Children, Schools and Families.
- Tracey, P. and Jarvis, O. (2007) 'Toward a Theory of Social Venture Franchising', *Entrepreneurship: Theory & Practice*, Vol. 31, No. 5, pp. 667-685.
- Uvin, P., Jain, P., Brown, L. D., (2000) 'Think Large and Act Small: Toward a New Paradigm for NGO Scaling Up', *World Development*, Vol. 28, No. 8, pp. 1409-1419.
- VCS Engage (2007) *Applying social enterprise approaches to services for children, young people and families*. Available at [www.ncb.org.uk](http://www.ncb.org.uk) Accessed 4 January 2012.
- Yin, R. (2003) *Case study research design and methods*, London, Sage.

## About the Centre

The third sector provides support and services to millions of people. Whether providing front-line services, making policy or campaigning for change, good quality research is vital for organisations to achieve the best possible impact. The Third Sector Research Centre exists to develop the evidence base on, for and with the third sector in the UK. Working closely with practitioners, policy-makers and other academics, TSRC is undertaking and reviewing research, and making this research widely available. The Centre works in collaboration with the third sector, ensuring its research reflects the realities of those working within it, and helping to build the sector's capacity to use and conduct research.

Third Sector Research Centre, Park House, 40 Edgbaston Park Road,  
University of Birmingham, Birmingham, B15 2RT

Tel: 0121 414 3086

Email: [info@tsrc.ac.uk](mailto:info@tsrc.ac.uk)

[www.tsrc.ac.uk](http://www.tsrc.ac.uk)

## Social Enterprise

What role can social enterprise play within the third sector? This work stream cuts across all other research programmes, aiming to identify the particular characteristics and contribution of social enterprise. Our research includes theoretical and policy analysis which problematises the concept of social enterprise, examining the extent to which it can be identified as a distinct sub-sector. Quantitative analysis will map and measure the social enterprise sub-sector, and our qualitative case studies will contain a distinct sub-sample of social enterprises.

## Contact the author

**Fergus Lyon**

**020 8411 6856**

**f.lyon@tsrc.ac.uk**



This work is licensed under the Creative Commons [Attribution-NonCommercial-NoDerivs 3.0 Unported License](https://creativecommons.org/licenses/by-nc-nd/3.0/).

© TSRC 2012

The support of the Economic and Social Research Council (ESRC), the Office for Civil Society (OCS) and the Barrow Cadbury UK Trust is gratefully acknowledged. The work was part of the programme of the joint ESRC, OCS Barrow Cadbury Third Sector Research Centre.