

A GUIDE TO SOCIAL FRANCHISING



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INTRODUCTION

This how-to guide provides a general introduction to replication, with a specific focus on social franchising and licensing. It covers how to choose which approach to take, and practical steps for putting replication into action. It is aimed at organisations in the youth sector seeking to replicate their model and their work.

The 10 steps below give a simplified indication of how replication works for most organisations.

10 Steps of Replication

1. Consider different forms of replication: **choose** the one most applicable to your organisation
2. Go through a replication **readiness** exercise
3. Raise money or dedicate **resources** to invest in infrastructure / staff time
4. Address / **strengthen** any weak or 'unready' areas
5. Prepare any necessary **documents** (contracts, agreements, manuals)
6. Set up 1-2 replication **pilots**
7. Provide any necessary **training**, information and induction
8. Assure **quality** in line with obligations
9. Assimilate **learning** and evaluate the impact and success of pilots
10. Strengthen, improve and **repeat** with greater numbers

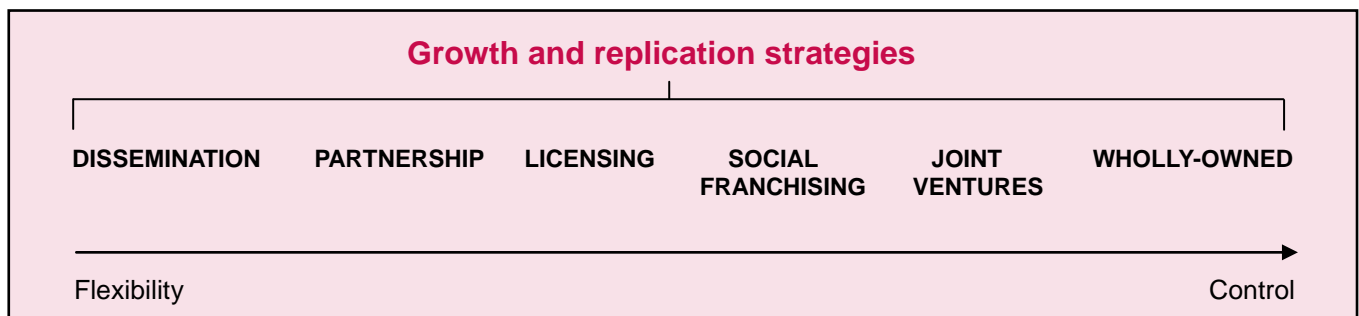


1. What is social franchising and what are other replication approaches?

In its simplest definition, social franchising is simply the application of commercial franchising methods and concepts to achieve socially beneficial ends. Or, to put it slightly differently:

Social franchising is the use of a commercial franchising approach to replicate and share proven organisational models for greater social impact

A standard definition of social franchising has not been agreed to date, and the term has sometimes been used interchangeably with 'replication' or 'scaling'. This causes unnecessary confusion, as there are *several different approaches to replication* and scaling, of which social franchising is one.



Social franchising is part of a spectrum of replication strategies which range from the very flexible and loosely controlled (dissemination, giving away for free, open source) to the more restrictive and tightly controlled (wholly-owned by central organisation). Social franchising sits between these two extremes, demanding a large degree of involvement and control from the parent organisation.

The initial definition above does require us to understand what we mean by commercial franchising. The most usual form of commercial franchising is business format franchising.

Business format franchising is where the owner of a franchise system (the franchisor) enters into a legal agreement with another person or organisation (the franchisee) which grants that franchisee a licence to use its systems, brand and other intellectual property, and to use those to operate an identical business in a particular area.

The franchisor teaches the franchisee the entire business format, and provides support via training and communications to the franchisee for the duration of their business relationship. In return for these systems and services, the franchisee pays an initial fee and ongoing fees to the franchisor.

The same applies to social franchising, which should also include the following:

- A legal agreement between franchisor and franchisee
- Ongoing obligations between franchisor and franchisee
- The entire business format being duplicated, including the same brand
- The franchisee being granted a particular territory to operate the business
- Fee payments from franchisee to franchisor



This list is also helpful in distinguishing franchising from licensing, which is a related but distinct approach to replication.

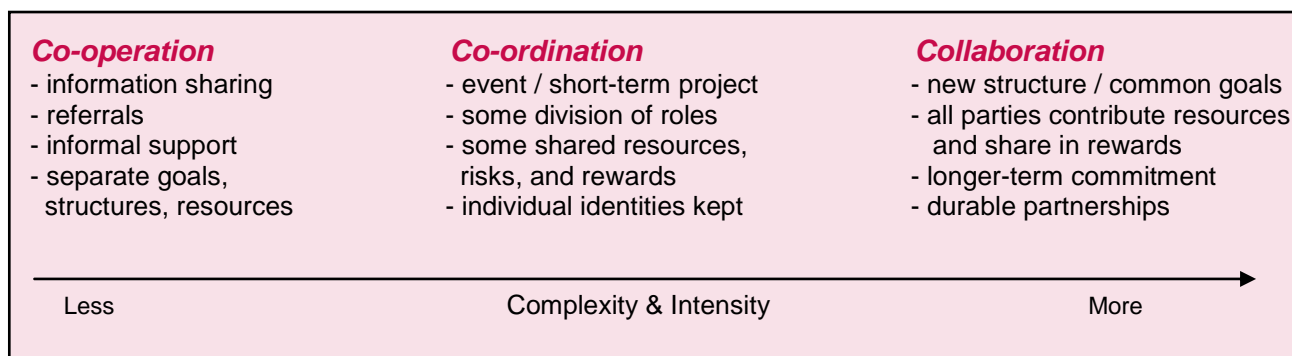
Licensing usually involves being granted a licence to provide a service or sell a product, rather than an entire business format or system. The relationship between a licensing organisation and licensee is also looser than its franchising equivalent. This usually means a much smaller package of training and support (with less ongoing support), and often no ongoing fees payable after the initial licence purchase. Quality assurance processes will also usually be more light touch than franchising. Moreover, licensees will usually not receive exclusive territorial rights, and the granted rights are usually more limited.

It is crucial that organisations choose the replication methodology most fit to their particular model and circumstances: franchising and licensing are just two options.

Other **replication approaches** include:

Joint venture: A contractual agreement joining together two or more parties for the purpose of executing a particular business undertaking, often for a finite period. The parties share control over the enterprise, and agree to share in the revenues, costs and assets. A joint venture often involves a new legal structure in which joint ownership is taken.

Partnership: An agreement or arrangement in which two or more parties agree to work together for mutual benefit or to advance their interests. Partnership can vary in complexity or involvement, and it is helpful to also think about a partnership continuum:



Joint ventures are an example of a formal collaboration, and mergers would come even further to the right of this continuum where complete integration is the aim, involving multiple variables and significant complexity.

Open source / free dissemination: An approach to replication in which the methods, design, and content (all intellectual property) of a product or system are made freely and publicly accessible. The natural impulse of many in charities and social enterprises is to simply share their learnings and methods openly, and disseminate them freely. In recent years, this has tended to be referred to as 'open source', after the open source software movement which shares openly its source code for anyone to use and improve upon.

Wholly-owned: This is also known as a 'branch' structure, in which the parent organisation creates, owns and operates the replicated entity. Unlike franchising or licensing, all the systems, governance, employment of people, and ownership remains with the central body. This allows for a greater amount of control and consistency, but less flexibility to tailor to local circumstances, needs or expertise.



2) Which form of replication to choose?

One of the key considerations for deciding which form of replication to pursue is to think about the balance of flexibility and control that is necessary for, appropriate to, or wanted by the parent organisation. This simple tick-box tool, developed by LKM Consulting¹, gives a swift indication of whether an enterprise and its model would benefit from an approach to replication with more flexibility or more control.

Affiliation-based replication strategies²

DISSEMINATION
PARTNERSHIP
LICENSING
SOCIAL FRANCHISING
JOINT VENTURES
WHOLLY-OWNED

Flexibility
Control

>> Place a tick in each box on either the left or right-hand side of the table

	Factors that favour flexibility over control		Factors that favour control over flexibility
	Straightforward model		Multifaceted, complex model
	Concept-based business		Brand and mission requires protection
	Low risk business		High risk business where mistakes could have significant consequences
	Small, informal and low cost operations		Established, proven business model with strong structures & policies
	Dependent on circumstances, and adaptable business structure		Package with considerable client recognition and trust
	Self-funding, earned income operations		Evidence of impact across operations required for funders/investors
	Independent, contextualised organisations: lessons not always transferable & learnable		Need for regular sharing of information and transferability of good practice
	Few potential economies of scale		Significant economies of scale to be exploited

If a significant majority of ticks are on the left, the enterprise is more suited to a flexible, open approach; if on the right, it is more suited to an approach with more control

This exercise also helpfully identifies **risk** as an important factor. If a charity or social enterprise works with young people, at-risk groups, individuals with mental health problems or other disadvantaged parts of society, it may well be that mistakes would have major, damaging consequences. This can make the higher levels of control (and associated performance management and quality assurance) available in franchising and licensing attractive.

¹ The report in which the original version of this table appears was produced for ATA Management by Loic Menzies of LKM Consulting (see www.lkmconsulting.co.uk)

² Some refer to this group of replication strategies as 'affiliation-based replication strategies' (ABRS) as they involve working with an affiliate or partner to achieve replication.



Why social franchising?

Listed below are several reasons why franchising can be particularly suited to social enterprises and charities

- Grows social impact in line with mission, but without growing organisation in a traditionally hierarchical way that creates distance from the frontline
- Avoids reinvention of the wheel (and shares existing learning), making it quicker and easier to start up
- Allows for local ownership, flexibility and tailoring to context and circumstance
- Achieves benefits of national organisation (joint purchasing / bidding, policy credibility, effective communications, economies of scale)
- Shares successful models in a way that combines social and financial goals (social impact, financial sustainability)
- Works through genuine partnerships and mutual benefit, under a common identity
- Devolves power and encourages entrepreneurship

The most important of these is arguably that **social franchising combines the social objectives** (sharing learning and methodologies for greater social impact) **with the financial objectives** (charging fees for intellectual property and services for greater economic sustainability). In the current context of scarce finances and growing social problems, this helps explain why many consider social franchising an interesting option. Licensing, as detailed above, also shares many of the same characteristics.

Social franchising's close combination of social and financial motivations is in contrast to both traditional wholly-owned growth, in which little is shared but the organisation ensures its own sustainability, and also open-source dissemination, in which everything is shared, but with no revenue or currency flows attached.



3) How to assess replication readiness?

This simple readiness tool is designed to provide a starting point for assessing whether an enterprise is ready for franchising or other forms of replication. It looks at whether the model of delivery is ready, the central systems and processes are ready, and the franchising organisation itself is ready.

For each of the 10 areas, score the enterprise / organisation on a scale of 1-10, where 1 is “not at all ready” and 10 is “completely ready”.

Commitment: buy in from staff team and board	<input type="text"/>
Learnable: transferable knowledge and methods	<input type="text"/>
Operations: systems and procedures in place	<input type="text"/>
Need / demand: from end-users, franchisees and policymakers	<input type="text"/>
Evaluated: proven social impact	<input type="text"/>
Duplicable: able to be replicated locally	<input type="text"/>
Finances: sustainable and stable	<input type="text"/>
Identity: brand reputation and recognition	<input type="text"/>
Rewards: socially and economically valuable for both parties	<input type="text"/>
Model: clearly understood and codified	<input type="text"/>

TOTAL: _____

Scoring

75-100: ready or almost ready to replicate

50-75: strengthening needed before replication undertaken

25-50: some replication potential but too early currently

0-25: not at all ready to replicate

This is not in any way an exact science, and is intended primarily to highlight areas of weakness which need to be addressed or strengthened. A useful supplementary exercise beyond the simple scoring is to ask the following three questions for each of the 10 areas:

- i) What strengths does the organisation have?
- ii) What weaknesses does the organisation have?
- iii) What actions can be taken to improve this?

This will help formulate the organisation an action plan for getting prepared for replication, and for addressing the key areas required.

It is worth noting that for different replication approaches, different areas from the ten listed above have more importance. For social franchising, all ten are important, but for open source dissemination, for example, the model being learnable, transferable and codified will be more important than rewards (incentives) or brand identity. Crucial for all, though, is the external need and demand, the commitment and internal capacity of staff and board, and the proven social impact. Without those three elements in place as a minimum, any form of replication should not be on the table for consideration.



Another specific tool of this sort which is useful in answering the readiness question is UnLtd's *Replication Readiness Overview*, which uses a similar diagnostic approach to helping a social entrepreneur or social enterprise think through whether it is ready to replicate. That replication tool also emphasises the crucial factors of need/demand, internal commitment/capacity, and understanding/proving social impact; it further adds important questions about governance:

- Does your mission statement reflect the proposed activities?
- Do your corporate objects allow the activities?
- Are your governance structures, policies and procedures scalable in line with your proposed replication?

This replication readiness diagnostic is part of a suite of useful, practical resources and publications published by UnLtd as part of a dedicated replication project³.

³ See <http://www.unltd.org.uk/template.php?ID=95&PageName=replicationstudy> and <http://www.unltd.org.uk/template.php?ID=121&PageName=publications> to access the full list of resources



4) What are the key elements of a (social) franchise?

- A business model, with associated systems and processes, which has been codified into an operations manual*
- A legally-binding franchise agreement (see *Sample agreements section*)
- A common brand (usually trademarked); often a centralised marketing budget
- Training and support provided from the centre (at start-up and ongoing)
- Demand (or need) for the model to be replicated elsewhere, from potential franchisees, investors or end-users
- Quality assurance system (including monitoring performance)
- Clear franchise fee structure (initial and ongoing)
- Learning culture (openness to feedback, innovation, new practice)

It is worth noting that many of the above are also features of **licensing**, particularly the brand, a legal agreement, a fee structure and some training + quality assurance. The primary difference is that licensing usually involves a product or service, rather than a whole business model. The necessary initial training, ongoing support and quality assurance are therefore often significantly less than with franchising (as are the fees).

* An **operations manual** is the 'franchise bible', and varies in length and scope depending on the business, but normally includes:

- Introduction (mission, values, philosophy, history)
- System outline
- Description of activities, services and/or products
- Tasks and roles (HR and recruitment)
- Administration (internal policies and procedures)
- Brand/identity usage guidelines
- Marketing, sales and communication
- Quality standards (or performance standards)
- References to relevant external documents (appendixed forms library)

Key things to consider for the operations manual:

- i) How will it be used? (training + induction; reference; quality assurance?)
- ii) Who writes it? (founder; key employee; external specialist?)
- iii) What format, how updated and how protected? (hard copy; copyrighted?)
- iv) What length is useful and navigable?



5) Franchise agreements and fees

Franchise agreements also vary in size and scope, but do not need to include the detail of the operations manual. It is important that they strike a fair balance for franchisee and franchisor, and should deal with the higher-level issues, which include the following:

- Organisations / parties involved
- Nature and extent of rights / licence granted
- Length of term (and renewal)
- Geographical territory (and exclusivity)
- Obligations of franchisor (support and services)
- Obligations of franchisee (financial, performance data etc)
- Fees (initial and ongoing)*
- Brand rights / usage (logos, trademarks, domain names etc)
- Reference to other relevant documents (eg. operations manual)
- Ownership of intellectual property of new innovations / developments
- Exit / intervention / breach / termination clauses

Franchise agreements are often complex and extensive legal documents, and will vary considerably depending on the particular business model and franchise set-up. For these reasons, getting professional (ideally specialist) **legal advice on the agreement is strongly recommended**, particularly as the franchisor.

[Licensing agreements tend to be less complex, with fewer obligations on both sides, and no exclusive territory granted, but they will include important areas like brand, intellectual property, rights granted, length of term, and financial fees.]

A further note worth considering with franchising is how much information and details are to be shared in the pre-agreement / development stage, and whether a Memorandum of Understanding (MoU) or non-disclosure agreement (NDA) is needed.

Whilst important to have things necessarily protected and set out legally, it is worth remembering the maxim that **“the best franchise agreement is one that is never used”**. If the expectations are clear from the outset, the model works, and the culture and relationships are strong and open, an agreement need be consulted only on renewal.

***Franchise fees**

Franchise fees can be calculated in several ways, but the fee structure always includes:

- i) Initial / advance fee
(e.g., to cover set-up, development, trademark, legal, recruitment costs)
- ii) Ongoing / management fees
(often a percentage of turnover)

As a useful rule of thumb, in the commercial sector the average initial fee is around 3% of turnover, while the average ongoing fee is around 7.5% of turnover. Often, the initial fee is kept low to provide a realistic point of entry, while the ongoing fee percentage scales downwards as turnover increases (to incentivise the franchisee to grow the business).

Setting the level of fees is crucial for social enterprises, which is about the balance of financial and social objectives, and about aligning incentives. Should the initial fee aim to recoup all up-front costs (+ a margin) or be based on what the market can bear/afford? Should ongoing fees only cover the costs of central services/support (so more is spent on frontline delivery) or make a profit that can be reinvested centrally in the social mission?



6) What are the key differences between social and commercial franchising? What is the 'social' element of a franchise?

Incentives and aligned objectives

The primary difference between social franchising and commercial franchising is very similar to the difference between social enterprise and commercial enterprise: that the aims are not purely financial (to make profits), but also social (and/or environmental). Indeed, the social impact and mission of the organisation will often be primary, with profits reinvested to further the social mission.

This raises interesting questions where franchising is concerned, as commercial franchising is powered by financial incentives:

- the franchisee takes up the business for themselves to earn a living, and the more profit they make, the better off they will be personally
- the franchisor receives fees from the franchisee which are usually directly related to the financial success of that franchise (eg. percentage of turnover); the franchisor is therefore also financially incentivised to provide excellent training and ongoing support to those starting up and running the business

In short, the interests of both parties are aligned around the financial bottom line: growth benefits all. This becomes more complicated in social franchising, which involves a double or triple bottom line, and raises some key questions or challenges for those considering the social franchising approach:

- Can the interests of both parties be aligned around two or three different areas?
- Can incentives be developed which marry the financial and the social objectives?
- Can only social enterprises with a business model that makes an evident profit (or surplus) adopt a franchising approach to replication?

Developing incentives which drive good behaviours from franchisees (and franchisors) in relation to both social and financial objectives is a critical issue: are the incentives related to financial growth, quality of performance, social impact measures, or a combination? For example, a franchisor may choose to link serving more beneficiaries (growth of social impact) to a reduction in franchise fees (lower financial cost).

Franchisee selection

There are also some differences in relation to franchisee selection between the commercial and the social:

- commercial franchisees can quite often be an individual, rather than an organisation; this is less likely in social franchising, given the type of products and services being replicated
- as discussed above, in social franchising, the franchisees must share all of the objectives of the franchisor, including not only the financial ones, but also the social objectives that flow from the organisation's mission; this will often form a key part of the selection criteria for franchisees in social franchising
- social franchisors may be more likely to place an emphasis on the values and culture that underpin their approach, and make this a key part of the selection criteria and training
- social franchisors may decide, as part of the above mission alignment, to only select franchisees which have a similar (non-profit) legal structure

Social impact measurement

As with social enterprises, it is not only measuring the financial bottom line that is important in social franchising, but also measuring the social impact. This would obviously not be a part of a traditional commercial franchise.

Social franchises should ensure their evaluation framework for measuring social impact is established before replication, as it will form part of the systems that are being utilised by



franchisees. Social franchisors may collect such data centrally as part of their quality assurance procedures, and offer overall evaluation work (collation and analysis of data) as an additional central service to franchisees. This emphasis on shared evaluation also helps ensure that:

- a) the focus remains on achieving social impact (the original reason for replication)
- b) the focus remains on the experience of the end user / customer / client
- c) there is a system for continuous improvement

Finance and funding

Commercial franchising is often viewed by mainstream banks as less risky and a safer option for investment, because the business model is proven and there will often be other franchisees as direct evidence of that fact. Social franchising is in its infancy, and there are currently too few examples for mainstream financiers and investors to take much notice. Similarly, social investors have been slow to identify the opportunities, or have made the judgement that there are not enough proven and credible models to justify investment.

Either way, franchising is costly and requires significant upfront development of infrastructure and systems before any can be recouped from franchise fees. To date, the finance for social franchising has either come from a small number of forward-thinking investors (primarily trusts and foundations) or from an organisation's own cash reserves.

These differences should not obscure the fact that there is much more that is common between social and commercial franchising, namely:

- model must be **proven, easily learned, and scalable** (duplicable)
- high levels of **upfront development and ongoing involvement** and obligations; with which there are associated high costs
- **common, shared identity**; which means there is risk for the franchisor; risk which necessitates a high level of control
- based on a **legal agreement**; which licenses use in particular territories; and sets out fee payments



7) Frequently Asked Questions

These FAQs are intended to answer some of the most commonly asked questions on the topic of replication and social franchising.

1. Will social franchising help the enterprise raise more income if it is struggling?

No, franchising requires significant up-front development costs, and though it can provide additional revenue in the medium to long-term, it is not a route out of financial problems (in fact, the opposite is true). If the finances of the original business model do not stack up, this problem will be replicated, not disappear.

2. Will pursuing replication distract from the core business?

Taking on any replication requires a new set of skills and is effectively a 'new' business alongside the original one; a business that is about transferring knowledge and providing some degree of central support and services. This new business requires resourcing and appropriate capacity, and often separate budgets and teams; the more controlled form of replication that is chosen, the more capacity is generally needed to implement it.

3. Should the replication work be separated from the day-to-day core business?

Opinion varies on this subject. As stated above, it is a 'new' business requiring new skills, teams, and budgets. So some separation, even if this is only internal to the organisation, can be helpful. However, maintaining a delivery outlet at the centre means the parent organisation retains credibility with its affiliates and partners, and can pilot and test out new innovations. These are compelling reasons to keep its hand in the game, particularly where franchising is concerned.

4. Does the word 'franchise' put people off in the social enterprise movement?

The word 'franchise' can occasionally deter people from involvement, as it is associated in people's minds with fast-food and profit maximisation. Explaining the approach, and how it is centred on locality, mutuality and partnership, alleviates these fears.

5. Can you 'learn by doing' with replication?

It is possible, as with all entrepreneurial endeavour, to learn by doing, but it is crucial that the model is ready to replicate and the organisation is ready to pursue it. Pilots are an excellent idea to learn by doing, and ensure that most mistakes and learning takes place with a small number of understanding partners.

6. How protective is it best to be of intellectual property?

Ultimately, an idea or methodology cannot be protected, only how it is expressed in text (eg. the copyrighted text of an operations manual). Alongside this is the brand, which is so central to franchising that some protection (trademarking name / logo) is usually recommended. It can be useful to think of an intellectual property 'portfolio' in which some information is shared freely, some is shared with pre-agreement potential franchisees, and all is shared on signing a franchise agreement.

With other replication options, different approaches to intellectual property can come into play. Open source traditionally gives these away, or utilises innovations such as Creative Commons (<http://creativecommons.org>) licences which allow for sharing with certain restrictions.

7. How can pressure to scale be resisted in the early years of development?

There is often interest and 'buzz' around exciting new enterprises, which are encouraged to scale up. This is flattering, but should often be resisted. Utilising a simple replication readiness tool will help to bring objectivity to the decision, and assess whether the model is ready and the organisation is willing and able.



8. **Is social franchising a cheap approach to replication?**

No, franchising is a high(er) cost approach to replication, and requires up-front investment in central infrastructure, systems, processes, legal agreements and so forth. It should be viewed as a long-term approach, based on business relationships and partnerships.

9. **What makes the perfect franchisee?**

Finding the right franchisee is arguably the most critical success factor for any franchise. Most ideal franchisees are a kind of 'entrepreneur-lite': they must have the drive and skills to lead and own their own business, but not be so entrepreneurial and opportunistic that they cannot follow the franchise system they have signed up to.

For social enterprise, it will often be a case of finding (or recruiting) such a person within an organisation, and also seeking an alignment of mission, values and culture. This makes franchisee recruitment a challenging task: drawing up a set of criteria will help with screening and deciding on potential franchisees.

10. **How many branches, franchises or licences should be established?**

The number of geographical territories offered in a franchise or the number of licences to be awarded depends enormously on the business model: what is the size of market that provides the necessary a) demand/need; b) income/revenue?

This will vary significantly depending on the social enterprise model, the type of end-user, the average turnover of the business and so on, and requires some analysis and market assessment.

11. **What quality assurance techniques are most effective?**

Some franchises use external quality systems (e.g., accreditations / health + safety), while others develop their own systems and frameworks of quality standards and assurance. Alongside any paper-based and auditing processes (which may be done annually, quarterly or more regularly), it is worth also considering 'mystery shopper'-type approaches to ensure that the end-user is receiving a high quality service.



8) Support, training and advice

The business support that is specific to social franchising and licensing that is currently available to practitioners is minimal. Although there is a body of experience from a practical perspective in the field, it is limited in scope, fragmented, and has not been translated into targeted, accessible and relevant support. There is more available research on replication more generally, but limited practical and focused support

Currently, a social enterprise or social entrepreneur seeking support and assistance with replicating via social franchise or licence has a few options to choose between:

1. Attend a specialist support programme
2. Seek (pro-bono) assistance through their existing support agency / funder
3. Gather information informally from peer organisations who have franchised
4. Employ an independent consultant or agency with (social) franchising expertise
5. Read up on the available information, and 'learn by doing' it themselves
6. Utilise a combination of some or all of the above

Specialist programmes

- **Scaling to Success:** dedicated social franchising and replication programme run by School for Social Entrepreneurs in partnership with Social Enterprise UK

>> www.sse.org.uk / www.socialenterprise.org.uk

- **FranchisingWorks:** programme using commercial franchising for social aims (employability and job creation), run by Shaftesbury Partnership and delivery partners

>> www.franchisingworks.org

Consultants / support organisations

- **AMO Consulting:** commercial franchise consultants who have done some work in the social field >> www.amoconsulting.com

- **British Franchise Association:** the governing body for franchising in the UK, with advice, information and links to support >> www.thebfa.org

- **Community Action Network (CAN):** CAN has experience from running the Beanstalk social franchise programme, the Breakthrough growth programme, and commercially within its staff team >> www.can-online.org.uk

- **Economic Partnerships:** North East-based firm which helped establish a trans-national European social franchising network, and worked with a flagship social franchise, CASA Associates >> www.economicpartnerships.com

- **LKM Consulting:** Consultancy which worked on a project with established social franchise the Hub, and developed some useful tools and experience >> www.lkmconsulting.co.uk

- **Social Pioneers:** Social development agency specialising specifically in public sector innovation and reform, and also with experience of large-scale growth and replication projects >> www.socialpioneers.com



9) Further information

Recommended reading

- *Social franchising: a way of systematic replication to achieve social impact* by Martin Ahlert et al (Bundersverband Deutscher Stiftungen; Spring 2008)
- *Scaling social impact: frameworks and strategies* by Center for Advancement of Social Entrepreneurship (Duke University; www.caseatduke.org)
- *Social Enterprise Business Models: an introduction to replication and franchising* by Gerry Higgins et al (CEiS; June 2008)
- *An Enterprising Failure: why a promising social franchise collapsed* by Owen Jarvis + Paul Tracey (Stanford Social Innovation Review, Spring 2006)
- *Growing social enterprise: research into social replication* by Lidija Mavra (Social Enterprise Coalition; January 2011).
- *Social Franchising: Scaling up for success* by Simon McNeill Ritchie et al (Shaftesbury Partnership; January 2011)
- *The Guide to Franchising* by Martin Mendelson (Cengage Learning EMEA, 2004)
- *Social Franchising: the magic bullet?* by Loic Menzies (LKM Consulting, December 2010)
- *In and Out of Sync: the challenge of growing social innovations* by Geoff Mulgan et al (NESTA/Young Foundation; September 2007)
- *Replication Study* by Adrian Clarke et al (UnLtd; 2007/8; www.unltd.org.uk / UnLtd Ventures), includes:
 - *Choosing a social enterprise replication strategy*
 - *Social enterprise replication*
 - *Replication Ready Overview*
 - *Developing a franchise agreement*



APPENDIX 1: CASE STUDIES

The following six case studies are designed to provide real-life examples of replication of youth projects and business models, and to draw out particular points of learning from that experience. They have been chosen to represent a diverse mix of different types of replication, experience, organisation, and learning. Key insights are drawn out in the box at the end of each page.

The organisations featured are:

- A) Street League (wholly-owned / branch structure)**
- B) DePaul NightStop UK (affiliation-based replication)**
- C) Livity (international)**
- D) MyBnk (social franchising)**
- E) PM Training (merger)**
- F) Positive Futures (national:local)**



A) Street League

Project / business overview:

Street League was founded in 2001, and aims to transform young people's lives through football. It does this through delivering combined football and employability programmes to some of the most disadvantaged and marginalised young people in the UK. Street League works primarily with 16-24 year-olds who are NEET (Not in Education, Employment or Training), substance users or offenders.

The structured programmes use football as the 'hook' to build young people's confidence and life skills, and give them the qualifications necessary to move into training, education and employment.

Replication experience:

Street League started in London, and has grown rapidly as a result of the success of the model. Its impact is impressive: the organisation works with over 3000 young people each year. Of these, 72% of Street League Academy participants progress into training, education or employment; 75% of the offending group do not re-offend while participating in Street League; 54% reduced their substance misuse whilst with Street League; and 86% improved their health and wellbeing.

Street League replicated to Glasgow in 2004, originally as an offshoot project, but this Scottish work has now expanded significantly. More recently, it has expanded into the North East, working with a partnership of universities from the area to deliver the programmes. All three locations deliver operations under a branch structure, which remains under the central control of the central office. This is partly because of the nature of the clientele the organisation works with (who are relatively 'high risk') and also because of the small number of locations it currently focuses on, all of which are areas of high deprivation.

The North East example demonstrates how the organisation seeks to work in partnership, though, with the Sport Universities North East England (SUNEE) group; the Street League Academy in Sunderland, for example has opened through collaboration with the university there, who provide a facility amongst other support. The programme co-ordinator is also employed locally, as Street League seeks to find the appropriate balance between its proven, established model and the need to build credibility locally through both institutions and individuals.

In close working with venture philanthropy organisation Impetus Trust, Street League has expanded its work in Scotland, opened its third centre in the North East and, importantly, begun to collate learning and best practice from all its work to date for continual improvement in all its delivery locations. It has also invested in its monitoring and evaluation systems which will prove crucial as it continues to grow its work and scale its impact in other areas across the UK.

Key insights:

- Models with high-risk groups may require replication with high levels of control
- Wholly-owned branches does not preclude local tailoring and involvement
- The number of locations is not the key metric of impact
- Investing in infrastructure and systems proportionate to scale is crucial

Please visit their webpage at:
<http://www.streetleague.co.uk/>



B) DePaul NightStop UK

Project / business overview:

Nightstop is a service which provides emergency accommodation for single homeless 16-25 year olds in the homes of approved volunteers. The host volunteer offers a bed for the night, washing facilities, food, and an opportunity for the young person to have someone to talk to. The first Nightstop originated in Leeds as an initiative by local Christian Churches responding to challenges highlighted in a report by the Archbishop of Canterbury, and began operations in October 1987.

Across the UK over 6800 Nightstop bednights are offered to homeless young people by volunteer hosts each year, with dedicated volunteers donating over 100,000 hours of their time to Nightstop services.

Replication experience:

From 1987 to 1991 Nightstops were started outside of Leeds in Durham, Birmingham and Leamington Spa, before a BBC documentary in early 1992 led to the number of local Nightstop services growing to ten in the next eighteen months. Barnardo's and the organically formed Nightstop National Network then worked on national development, with a first National Nightstop Co-ordinator put in post. A further rapid growth followed until, in 1999, a new independent national organisation was set up: Nightstop UK. In 2007, following consultation with all the local Nightstops, Nightstop UK merged with DePaul UK (a well-established homelessness charity) to become DePaul NightStop UK (DNUK).

There are now almost 50 affiliated Nightstop services across the UK, with each affiliating to the national body in order to use the name and brand. Each Nightstop service agrees to work within the Quality Standards and Affiliation Criteria of DNUK, and receives support in return. The central support includes:

- help with setting up and running a service (including relevant policy documents, training packs for volunteers and so on)
- organising meetings and an annual event for Nightstops to meet each other, alongside producing a regular newsletter (and e-newsletter)
- a free database to help with collection of statistics and management of information
- information on all operational and governance matters
- sharing best practice and developmental support
- ensuring and assessing all services with Quality Standards Assessment visit and report

The affiliate organisations vary in size from big charities like Barnardo's and YMCA to small independent charities. This is in keeping with the concept of Nightstop being responsive to local need and being of a size proportionate to that need: some services operate with only 3 or 4 volunteer host families, while others have over 20. Each Nightstop is responsible for raising and managing its own budget and again these vary in size, from basic expenses right through to hundreds of thousands; they do not pay anything to the central body. For many, it is additional and complementary to services they are already running; still more have developed and added new services to the initial Nightstop idea (CrashPad, mediation and so on).

Key insights:

- Replication strategies can evolve over time
- Brand recognition and profile can drive growth
- Quality assessment is at the heart of successful replication
- The same service can be delivered by partners of different sizes

Please visit their webpage at:
<http://www.depaulnightstopuk.org/>



C) Livity / Live Magazine

Project / business overview:

Livity is a youth communications agency, founded in 2002, that works directly with young people, collaborating to co-create content and campaigns for (primarily) corporate clients. Its aim is to deliver high-quality shows and content that meet the objectives of their clients, whilst simultaneously improving the lives and opportunities of the young people they work with.

Livity works across the media spectrum, from interactive TV shows (Dubplate Drama) to online communities and youth magazines. They are based in open-plan offices where the young people work and gain access to training and experience that is rooted in the practical realities of working in the media industry. Livity provides access to mentors, training, pastoral care, apprenticeships and support into employment and education.

Replication experience:

Since it began work in its home in Brixton, its Live magazine has been one of its core products. Growing from small beginnings, the quarterly title now has a 35,000 print run, with an approximate readership four times that number. As importantly, the magazine has provided mentoring to over 1000 contributors each year, and helped 100 NEETs back into employment or education in 2009 alone. Its success has led to significant interest from other areas of the country, but Livity's only growth to date has been in its Whitechapel office in East London.

Instead, it is pursuing replication internationally, with one of its original employees spending 12 months in South Africa to work on the project (having gained a fellowship from the Shuttleworth Foundation). The aim of the year is to research, develop and launch a version of Live Magazine in South Africa in order to do as it does in the UK: to engage, inspire, educate and empower young people.

Since then, a pilot test magazine was produced with 20 township teenagers (Ikamva Live), which helped make some key decisions about how the model should be replicated: young people from every background; that (like Livity in London), it would be city-based; that the magazine would be in English, as that is the language of employability, and that there would be an initial print run of 50,000.

Some things are very similar to the UK (the mix of backgrounds, the interests of the young people), but some things need to be changed: for example, cartoon strips and photo essays will gain more prominence, because of the lower literacy levels amongst some of the youth audience they are targeting. Whether Live Magazine becomes a more formal franchise or licensed international product remains to be seen, but there is significant potential in the combination of UK experience and expertise, applied with realism to a new country and culture.

Key insights:

- Consider secondments when people are key to knowledge transfer
- Seek external funding to pilot or test our replication strategies
- Do research to ensure the product is fit to the local market
- Pilot the approach before pursuing greater expansion

Please visit their webpage at:
<http://livity.co.uk/>

D) MyBnk



Project / business overview:

MyBnk are a social enterprise that aims to build young people's knowledge, skills and confidence to manage their money effectively and be more entrepreneurial. Under the leadership of founder Lily Lapenna, MyBnk have developed a holistic approach to finance and enterprise education which puts young people at the heart of what they do. This includes the first ever independent FSA-approved banking scheme run by young people for young people (MyBnk in a Box: for both savings and interest-free loans to set up enterprises), alongside financial education programmes on a variety of topics from university finance to starting up in business.

The first MyBnk in a Box was set up in Tower Hamlets in 2007, and the organisation subsequently went from strength to strength with over 30,000 students in more than 150 schools being engaged across London in the five years since.

Replication experience:

As a result of its track record in London, and a high brand profile amongst funders and the sector, MyBnk was receiving lots of enquiries from across the UK and internationally. Having worked with various corporate advisors, MBA students and business support agencies, MyBnk have concluded that a social franchise approach is the most appropriate way for them to replicate their work in other locations.

What MyBnk have learned is that, although their products, programmes and materials are easily licensable, there are other factors that are important to the success of the model. These are ongoing, face-to-face contact with young people from the 'right' specialist trainers, but also local networks and reputation of the delivery organisation; the latter is particularly important for schools and local authorities who commission and pay for the work. That mix of local know-how and networks, and the need to support specialist trainers, means that MyBnk thinks a social franchise will be the best approach: an affiliated partnership with a local organisation that knows the context and needs, wants to deliver financial and enterprise education, sees the value of a proven model, and will value the support provided to the specialist trainers.

MyBnk role as franchisor would then be to control quality, keep materials (and the information provided to trainers) up-to-date, oversee monitoring and evaluation, and provide developmental and operational support. Importantly for an organisation that provides financial and enterprise education, MyBnk also views a sustainable, long-term replication approach that is a financial and social win-win for both parties as apposite.

MyBnk is now piloting the idea with one test franchise, and has managed to raise some finance to support the first franchisee (which is fairly unique in the social franchising space, where finance has traditionally flowed to the franchisor). The plan is for this to test the franchise approach, assimilate learning and continue to assist the codification of best practice.

Key insights:

- Resist replication enquiries until the model is proven
- Get outside support and commercial business advice to aid strategic planning
- Consider supporting franchisees or partners by raising or brokering finance
- Piloting the approach before more rapid expansion is good practice

Please visit their webpage at:
<http://www.mybnk.org/>



E) PM Training

Project / business overview:

PM Training was established in North Staffordshire over 20 years ago as a family landscaping and gardening business, with a focus on training and employment preparation for both disadvantaged young people and also families with a history of worklessness. Around 12 years ago, they won a contract with their local authority, Stoke-on-Trent to maintain the gardens for the city's council tenants. To undertake this, they set up different teams to do the gardening for different groups of people, including the elderly and those with a disability, and expanded their remit into painting and decorating. Since then, they have experienced steady growth over the past ten years.

In 2008, PM Training merged with the larger Aspire Group, a housing association, and its operating profits are reinvested in to its mission via the group's charitable arm, the Realise Foundation. In 2010, the Foundation received £225,000 in profits from PM Training. The two organisations already worked in a complementary fashion, and the cultural fit was a good one. Since it was established in 1982, PM Training has provided training and work placements for well over 10,000 people, and its reach continues to grow apace.

Replication experience:

PM Training is a hugely successful organisation, and widely recognised in Stoke and North Staffordshire as a central player in the employment and training sphere. It was successful as a family business, but the merger in late 2008 marked the switch from a family business with limited capacity to a truly social enterprise with significant resources behind it. The social objectives had always been in place, but the change of structure meant that profits were now solely to be used for reinvestment in the mission of the organisation.

The merger made PM Training the largest social enterprise subsidiary of any housing association in the country, and has allowed them to significantly expand and diversify their work: with a new training workshop (Atlas Works) and substantial involvement in the Apprenticeships agenda, for example. This is alongside all the directly provided gardening and home services, and the employability and work preparation training.

Several of PM's initiatives have drawn attention and recognition, such as the award-winning Homeworks, the organisation's direct services provider. Homeworks provides services to partner organisations (including gardening, landscaping, caretaking, painting, metalwork etc) whilst supporting young learners to become ready for work or an apprenticeship. There are currently over 40 Homeworks teams, and they provide services to over 4,000 customers each year.

Such success has led to PM Training considering licensing and social franchising for some of its businesses. To date, however, the expansion in activity following the merger with Aspire Housing has meant that its focus remains on its core area of North Staffordshire. Their current belief is that replicating the local track record, strong local networks and a core of local people with a strong social ethos, all of which are key to PM Training's success, will be difficult to achieve.

Key insights:

- Social impact can be 'deep' in one geography as well as 'broad' across several
- Formal partnerships (like mergers) can be a fast-track to capacity and expansion
- Alignment of mission and culture is crucial to mergers
- Replication should not be pursued if it may jeopardise the core business model

Please visit their webpage at:
<http://www.pmtraining.org.uk/>



F) Positive Futures

Project / business overview:

Positive Futures is the national youth crime prevention programme, commissioned by national government (funded by the Home Office), and managed by young people's charity Catch 22. The programme targets 10-19 year-olds to help them avoid being drawn into criminal activity and substance misuse, and to help them move forward positively with their lives. The programme aims to give young people the opportunity to develop the skills and confidence they need to become active and responsible citizens.

The activities used to develop these skills vary widely, depending on location, circumstance and need, and range from kayaking to poetry, from film-making to yoga, and from circus skills to regeneration.

Replication experience:

Catch 22 is a large national youth charity, with a turnover approaching £50m. It describes itself as a "local charity with national reach", and like many of its projects and programmes, Positive Futures is delivered through a local network. In this case, the programme is delivered through 91 projects in some of the most deprived communities in England and Wales.

Catch 22 centrally provide the contract management, brokering of funds, and relationship with central government, but the delivery of the work is local. There is a strong emphasis on each project having a strong local identity, and the work delivered varies significantly across the various locations. This is based on identifying gaps in youth provision and particular local needs, then developing services and activities to plug those gaps and meet those needs.

While the choice of activity is flexible, Catch 22 does have a strict monitoring and evaluation system. They have their own corporate key performance indicator (KPI) system, which are similar to the government's Every Child Matters outcome areas; and have manuals and handbooks for staff and volunteers in different areas (eg. first aid, child protection), alongside insisting that all staff and volunteers are CRB-checked before beginning work on any project.

Additionally, in the case of Positive Futures, there is a specific Monitoring and Evaluation framework, managed by the organisation Substance: registers are taken of the young people attending and entered into a database on a weekly basis. This system allows for the breaking down of statistics locally and nationally as required: age, gender, ethnicity, number of hours attended, qualifications achieved, outcomes and so on. This is a crucial part for Catch 22 in their drive to achieve consistency in the programme, whilst also allowing for local projects to utilise their own specific skillsets and bring in more resources.

In 2010-11, over 57,000 young people attended Positive Futures projects, involving nearly one and a half million contact hours; 10,000 of those achieved qualifications.

Key insights:

- National Scale programmes can still have local flexibility
- Brokering resources gives a central organisation power in partnership
- Working with at-risk groups requires higher levels of control
- Central collection of impact data is a crucial system to get in place

Please visit their webpage at:
<http://www.posfutures.org.uk/>



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Catalyst is a consortium of four organisations working with the Department for Education's (DfE) as the strategic partner for young people, as part of the Department's wider transition programme for the sector. Catalyst will work to deliver three key objectives over a two year period. It will strengthen the youth sector market, equip the sector to work in partnership with Government and coordinate a skills development strategy for the youth sector's workforce.



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