

# 3

## Social Enterprise Case Study

### Reef - Sustainable Coastal Development

This case study is based on a real social enterprise. Some details have been changed to better suit training purposes and to enable the social entrepreneurs to be completely honest. It is one of three studies, each representing one of the following types of social enterprise:

- A social enterprise that has embarked on a strategy of growth that is so far proving successful, both in terms of turnover but also the social/community benefits it delivers
- A social enterprise that has reached what the managers feel is its natural limits or which would need a significant injection of resources to move onward. This does not in any sense imply that it is unsuccessful; simply that it is not currently scalable.
- A social enterprise that was founded and developed and then ceased trading.

Your task is to identify which case study represents which type of social enterprise and to outline the factors that led you to those conclusions.

#### ***General Description***

Reef will be a not-for-profit organisation dedicated to marine conservation, education and sustainable development in tropical coastal communities which will benefit the ecosystem and inhabitants of tropical coastal communities. The founders have identified that owing to financial and logistical restrictions within Madagascar, the local marine institutes have been unable to collect any baseline data to describe the status, health or biodiversity of the reefs. Reef will provide equipment, financial support and personnel to enable this to happen whilst also generating sufficient funds to support future developments on a sustainable basis.

The founders of the enterprise are two recent UK graduates of marine biology who discovered the paucity of data on tropical reef health whilst studying. Both have experience in organising travel through their involvement in university societies and have been on a number of reconnaissance missions to the area in question, forming relationships with governmental institutions, NGOs and local Malagasy communities. The founders have also worked closely with international bodies that are involved with coral reefs initiatives at the planning stage of the enterprise to ensure their mission is in line with the priorities set at an international level.

## ***Beneficiaries of the enterprise***

The main beneficiaries of the enterprise will be the reef environments. Other beneficiaries will be:

- Communities dependent on the reefs for their economic and cultural well-being
- Young people seeking to learn more about the environment and environmental activity and gain personal development from the experience
- Generating wider awareness of the risks to the delicate balance of the reefs amongst people in the developed world

## ***Proposed Activities***

The enterprise will run a series of carefully planned environmental preservation and restoration projects using volunteers who have paid for the opportunity to be involved. The volunteers will typically be young people studying related academic courses who will have skills and enthusiasm to offer the projects.

Reef's business plan has identified a growing number of young people who are interested in taking time out from education or work to participate in environmentally-focused projects in 'exotic' locations. Often actual or potential students of biology, ecology or the environment, these individuals tend to have access to the resources to pay for the personal development and work experience that the project will bring them. A number will already have relevant skills as well as enthusiasm and a willingness to learn. Reef can meet this demand for experience by setting up and managing relevant and valuable environmental projects – generating sufficient revenue from volunteers to support operational costs and to invest in future projects.

Reef's focus will be on working alongside the local communities for the long term, rather than simply parachuting in western volunteers for a couple of weeks. Initial work with the community groups in Madagascar leads the founders to anticipate that volunteers will work initially on projects to:

- develop educational and training programmes, and cooperation in local initiatives concerned with building sustainable environmental management strategies
- employ local staff, including training some to act as sub-aqua instructors and supervisors
- promote responsible reef-based tourism
- provide scholarships from surplus funds to support the education of children from local communities who would not otherwise access education

Reef will also be conscious of the environmental impact of its activities. In terms of land conservation, they will put measures in place that range from the location of their campsites, the use of water and energy and waste management. They will also ask volunteers to make contributions to the activities that will actively offset the carbon costs of their flights getting to the projects, such as buying and distributing solar-powered stoves.

## **Start Up Costs**

The financial forecast for the first year assumes that Reef will support and run three 12 week projects and three four week programmes. Volunteers will be charged slightly more per week for the shorter programmes as they will still require similar amounts of resource to scope, design and administer them as the three month projects. Using the enterprise's status as a not for profit organisation Reef will also apply for funding from a number of international organisations concerned with these issues.

Volunteers will provide their own flights and will live relatively simply once on site. If they do not bring their own sub-aqua equipment it will be available to hire. Reef will endeavour to keep volunteer costs to a minimum to recognise the contribution they will be making and the financial constraints some of the participants will face. Some operational costs will be met by a range of marine research organisations who will receive the data generated by the projects. Initial contract have been negotiated on this. Much of this work is likely to be recurrent.

There has been considerable interest in the sustainable economic development aspects of the enterprise and funding is likely to be made available through NGOs and international development agencies to support local employment and engagement with the projects. This funding has been applied for but not yet confirmed.

<b>Expenditure (£)</b>		<b>Income (£)</b>	
Staff – UK Founders, marketing manager, admin and travel staff	85,000	Volunteer payments (2x 12 week courses with 15 participants each)	94,000
Staff – Madagascar	15,000	Volunteer payments (3 x 4 week courses with 15 participants each)	67,500
Site rental, equipment	12,000	Marine research organisations (data purchase)	22,000
Volunteer subsistence costs	53,000	Workshop and consultancy activities	8,000
Project operating costs	20,000	Development grants and awards	30,000
Staff travel, telecoms and insurance	8,000	Equipment hire	3,000
<b>Total</b>	<b>193,000</b>	<b>Total</b>	<b>224,500</b>

As recent graduates the founders have been offered 24 months of free office space at their UK University's incubator facility.