

Social Businesses – How They Can Expand Internationally

by **Susan Ralphs** (www.ethicalproperty.org.uk)

Social businesses are a growing sector, and the most successful of them are already embarking or considering international growth. However such growth is not easy. It's challenging enough to thrive in the UK in the current environment – yet if you can the potential is huge.

To be successful as a social business there are some key issues that need to be addressed. To thrive in another country there needs to be a common enough understanding of the meaning of a social business, this is a challenge in the UK never mind overseas. Whether an organisation is a charity, a social enterprise, a social business or even the newer B Corp needs to be understood. This is vital, not only for consumers who are buying the product or service but also for investors. Ethical Property first expanded into Belgium, where the context wasn't too far away from our own. There was a thriving civil society and a growing, if less mature impact investment sector.

As in any industry, the business itself needs to have a critical mass sufficient to support growth and to be able to give sufficient attention to international growth, without it being a dangerous distraction from the domestic core business. In social businesses there is a strong missions driven culture, which can push a business to expand too quickly. This is admirable, but needs to be kept in check. Ethical Property didn't expand outside the UK until it was almost a decade old, and it still put considerable strain on the company, and there is still a tension between the resources we put into a growing, expanding UK market and the attention we can give to international growth.

Any social business needs to be sure there is an understanding of their product or service, and sufficient demand for that product or service. Social businesses are often at the forefront of innovative ideas, and they mustn't assume that there will be parallel demand overseas as there is in the domestic economy. For Ethical Property our first international growth was driven by an approach by a group of organisations wanting to establish a shared office in Brussels. These organisations understood our model of affordable



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shared office space for social organisations, and wanted to create a similar building in Brussels. This gave us an ideal platform from which to start international growth.

Not all models will travel overseas, and this needs to be tested carefully, and incrementally. At Ethical Property we were confident that in countries where there was both a thriving civil society and a demand for affordable shared office space, we would be able to penetrate the existing markets and have sufficient demand for our product. This was backed by experience in the UK where overall we have much more demand than supply, and have anticipated that once the model is known about, this will be the same in other countries.

Any expanding business, even one with social change at its heart, needs access to capital to some degree. The UK has one of the most sophisticated and mature impact investment markets in the world, so any businesses expanding overseas may struggle to access the local capital markets. There are four key actions which I think aids capital raising overseas.

Firstly, it is critical to use networks and try to find links between funders in the UK and overseas funders. There are networks of Europeans and international funders which can help investment raising. There are also some impact investors in the UK who will invest in overseas projects – Ethical Property has some investors who have invested in multiple members of the Ethical Property family. We have also had our UK investors travel overseas to talk to prospective investors to ensure there was a really good understanding of our model from an investor perspective. Investors get great comfort knowing that an organisation, institution or individual that they respect has invested ahead of them.

It's important to note that a majority of our 1350 shareholders are individuals, private investors who apply a venture philanthropy lens to their support for our company.

Secondly, we have found that when we are starting to grow internationally, a capital commitment from the founding company has a great impact, and can leverage funds. In Brussels, Ethical Property UK invested €2 million into the local company, and that led to further successful fundraising. Interestingly, when we tried to grow in Netherlands, without the ability to invest, that entity failed, due to a lack of investment, so financial support can be critical.

Thirdly, measuring impact simply and clearly is key to an effective and growing social business. Raising money successfully in a new market requires a very clear evidence based explanation of the model and the

impact it creates. The easier that is to cross boundaries the better. Ethical Property has its social impact externally audited, which also gives comfort to those who know little of us, that the impact is genuine.

Finally, we have found that the fact that there is a strong history of a successful business model in the UK, is very influential – it proves the model works.

So international growth is possible, and vital if the social business sector is to become in any way a global player; but my advice to those wanting to follow in our footsteps is to go slowly, research very well, communicate with all stakeholders and don't take your eye off the core profitable business.

Susan Ralphs qualified as a Chartered Accountant in London. On qualifying she worked for four years with Oxfam, eventually having responsibility for the finances of the whole of the overseas programme. She oversaw improvements in the financial management capacity to enable an effective response to catastrophes, particularly the genocide in Rwanda.

In 1995 Sue became Finance Director of YWCA England & Wales. Over a 10 year period, Sue managed the finances during a period of significant change, including the development of a framework to effectively manage an investment portfolio of over £20,000,000.

In 2007, Sue joined Ethical Property as Finance Director, prior to taking over as Managing Director in 2011. Since then, she has overseen a period of sustained growth culminating in the successful opening of our largest centre to date, The Foundry.

For a number of years Sue has been involved with the Oasis School of Human Relations. With colleagues at Oasis she has co-written a book on effective collaborative leadership.

About Ethical Property

Ethical Property was founded in 1998 through the transfer of three buildings owned by social entrepreneur Jamie Hartzell and philanthropist Andy King to the Ethical Property Company. We own, develop and manage commercial property for use by charities, social enterprises, community organisations and campaign groups effecting social change. We have raised £12m in the UK and with sister companies raising another Euro 9m in France and Belgium. In the UK, Ethical Property supports some 1000 organisations through serviced office accommodation and conference facilities in 25 centres and through IT support either in our buildings or directly to larger charities in their own buildings. Susan Ralphs is the Managing Director.