Realising the Potential of Social Replication

Research for The Big Lottery Fund by
The International Centre for Social Franchising

September 2013

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Foreword

Tim Davies-Pugh,
Big Lottery Fund

At the Big Lottery Fund we are always looking for ways in which we can help generate positive social change in the UK. There are currently many amazing social projects around the country, yet there is a great shortage of those that are operating at significant scale. Consequently, we have invested considerable time, effort and resources in improving our understanding of replication and helping social organisations to replicate.

This report goes a long way to broadening the knowledge base surrounding social replication and franchising. It will add to the Fund's growing body of knowledge about replication, in particular, building on what we're learning from the evaluation of our first programme dedicated to replication: **Realising Ambition**. Importantly, it demonstrates the widespread interest in replication among social organisations in the UK, and the challenges they face in trying to reach scale, as well as the value of enabling them to do so.

The social sector needs to work together to help social organisations reach scale and overcome the key challenges of access to finance, a lack of expert support, finding suitable partners or franchisees, and a lack of internal skills and/or leadership. By breaking the replication process down into five phases and highlighting the support required at each, this report outlines the steps which need to be taken and represents a clear call to action for the UK social sector.

I undertake to ensure that the Big Lottery Fund is at the forefront of the sector's efforts to help realise the potential of social replication. However, a joint effort will be essential and we look forward to working with UK foundations, trusts, intermediaries and others over the coming months and years.

Foreword

Dan Berelowitz,
The International Centre for Social Franchising

The ICSF was founded to help the best social impact organisations replicate their efforts to scale. This report, which builds on previous research carried out by the ICSF, shows what can be achieved when social ventures are able to reach scale through replication, not only in terms of increased efficiency, but also social impact.

This research has been critical not only in confirming ideas we have been pursuing to help others replicate, but also for creating new strategies to ensure every proven organisation that has the potential and desire for replication is able to. I am particularly excited by the idea of creating a social replication ecosystem to reduce the barriers which social ventures face when attempting to replicate. However, no organisation can create this alone: we hope this report will raise awareness across the sector of what can be achieved and the action that needs to be taken.

Cover photograph courtesy of Chance UK

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1 Executive summary

Background

In late 2012 the Big Lottery Fund (BLF) commissioned the ICSF to carry out research to assess the potential for social franchising in the UK. This document contains the findings of that research. This paper builds upon the ICSF report 'Investing In Social Franchising' carried out for Big Society Capital (BSC) that looked into the possibility of establishing a fund to support social ventures attempting to franchise.

Introduction

This report seeks to answer two questions:

1. What potential does social replication have for delivering social value in the UK?
2. How can this be realised?

Although originally intended to focus specifically on social franchising, one model of replication, it became clear that many of the findings were applicable to social replication in general. Consequently, this report addresses issues relevant to replication generally, although some findings relate specifically to franchising, being based on interviews with social franchises.

Social replication is defined as: replicating a successful social purpose organisation or project in a new geographical location. Social franchising is defined here as being where a successful social purpose organisation enables at least one independent franchisee to deliver their proven model under licence.

Its findings are based on three main outputs: a literature review, a 'Social Replication Survey' and interviews conducted with social franchises. The ICSF is extremely grateful to all who took part directly in the survey and interviews, as well as those involved in recommending organisations, advertising our survey and providing advice.

Assessing the potential for social franchising and replication in the UK

The social franchising and replication markets in the UK are still relatively new and underdeveloped, with few organisations having reached significant scale. On the other hand, large social needs, which are being effectively addressed in some areas, remain ignored in others.

Our report finds that when done well, social replication and franchising have the potential to deliver social impact to a much greater number of beneficiaries in a cost-effective way. However, our data suggests that social ventures attempting to replicate face considerable barriers and challenges, often becoming stymied in the early stages of the replication process and therefore failing to achieve significant growth. Our report outlines a number of interventions that will address these barriers and strengthen the capacity of social organisations seeking to replicate.

The research uncovered 8 key insights relevant to the replication of proven social ventures, some of which apply to social replication more generally and others more specifically to social franchising:

Insight #1 – Big interest, little information

There is considerable interest in social franchising and replication among social organisations. Of 123 survey respondents, 33 had replicated (15 multiple times). Of the remaining 90, only 25 had not considered replication, the other 65 had considered it but not yet replicated.

However, in our survey, 55% of those who had not replicated said they did not know enough to consider social franchising in the future. Even amongst those who had already replicated, 35% felt they lacked sufficient knowledge to attempt social franchising, indicating that often ventures do not consider all available options before replicating.

Insight #2 – The benefits of replication

The benefits of replication include:

- **Financial Efficiency:** Two-thirds of survey respondents who had replicated reported having achieved economies of scale as a result.
- **Professionalisation:** Both Christians Against Poverty (CAP) and YMCA Scotland had experienced taking on existing organisations as franchisees that had previous experience in their respective sectors and had been able to improve the quality of their work.
- **Improved data collection:** 80% of respondents who had replicated measured outcomes data as compared to only 62% of those who had not considered replication. Social franchises such as CAP, Home Instead and Foodbank are therefore able to gain a much fuller understanding of social problems affecting the country, improving their ability to influence policy.
- **Innovation:** Interviewees including Tatty Bumpkin and fruit to suit highlighted ways their offering had been altered to reflect learning across the network, increasing social impact.
- **Income diversification:** National Community Wood Recycling Project (NCWRP) and School for Social Entrepreneurs (SSE) were able to attract national contracts for their services after having reached a certain scale and could therefore offer their franchisees more income opportunities.

Surveyed organisations that had replicated were better able to win and deliver public service contracts, typically relied less on grant funding and were more confident in their income streams.

Insight #3 – Social franchising works

Social franchising can work across a range of sectors and business models, from philanthropy-based to commercial models.

Our interviewees addressed a variety of social issues including debt, child development and behaviour, waste re-use and social care.

Insight #4 – Social franchising takes time to get right

The potential for social franchising only begins to be realised after the franchisor becomes ‘franchise ready’ and has thoroughly piloted and refined their model. This can take a number of years, often longer than the grant cycles of funders. For example, Foodbank took around 6 years before its network began to rapidly expand.

Often, a franchise has to reach a ‘critical mass’ in order to become financially sustainable through franchisee fees or other means. Thus, until such franchises attract a sufficient number of franchisees, they need to ensure financial stability by other means while they are growing.

Insight #5 – The need for expert assistance

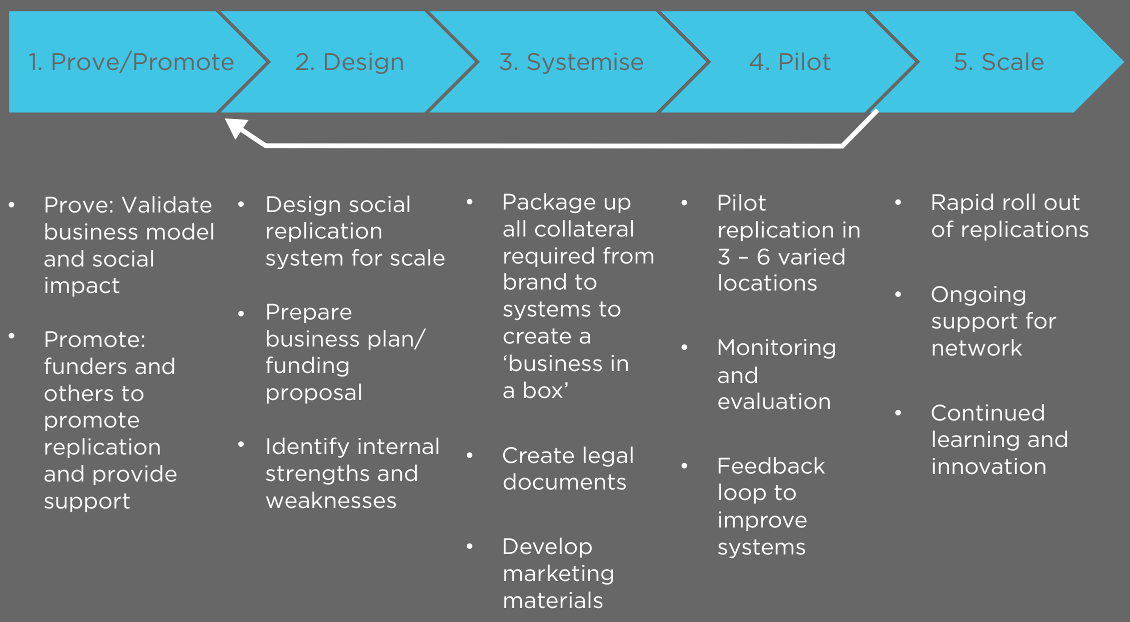
Social franchising can go very wrong if not carried out properly and expert advice is not sought or available from the design stage onwards. Both The Grow Organisation and fruit to suit did not receive adequate external support when designing their franchise systems initially and experienced problems later on as a result. For fruit to suit, pro bono franchise support was crucial to the remodelling of their now successful franchise.

Insight #6 – The 5 stages of social replication

The research found 5 key phases to social replication:

Clarity on these 5 stages will help both ventures who are replicating and support organisations understanding of how they can fit into a wider social replication ecosystem. As an organisation progresses through these stages, it will be necessary to revisit earlier stages and refine the system as a result of new challenges or opportunities.

Figure 1: **5 Stages of Social Replication**



Insight #7 – Barriers to replication

Organisations trying to replicate face 4 key challenges:

- **Access to finance:** Of the 63 organisations who had considered replicating but not yet done so, over 50% explicitly listed funding as an issue.
- **Lack of expert support:** Of those who had not replicated but felt they had sufficient knowledge about social franchising, over half said that there needed to be more external support available for them to consider social franchising.
- **Finding suitable partners/franchisees:** fruit to suit and the Grow Organisation highlighted the difficulties of finding partners that shared both their financial and social objectives. Our survey indicated that finding partners tended to be about networks, rather than being systematic.
- **Lack of capacity/leadership internally:** Existing literature is emphatic on the need for social ventures to equip themselves with the right skills and leaders, and to invest in the infrastructure necessary to achieve replication readiness. The Grow Organisation's experience demonstrates that the founder is not always the right person to take the organisation to scale.

Insight #8 – The importance of grant funding

The design and systemise phases of social replication and franchising are too high-risk for social investors. At this point ventures must assess, usually with the help of expert support, whether replication is right for them and which model is most appropriate to their circumstances. They must then invest in their internal capacity to make themselves replication ready. Returns on investment are not guaranteed at either stage, putting off potential investors wishing for a lower risk return.

Flexible grant funding has historically been vital in enabling social ventures to replicate. NCWRP was reliant on grant funding for years until it reached significant scale and introduced new income streams through national waste collection contracts. Foodbank received repeated donations from a dedicated funder over a number of years which were critical to their ability to franchise.

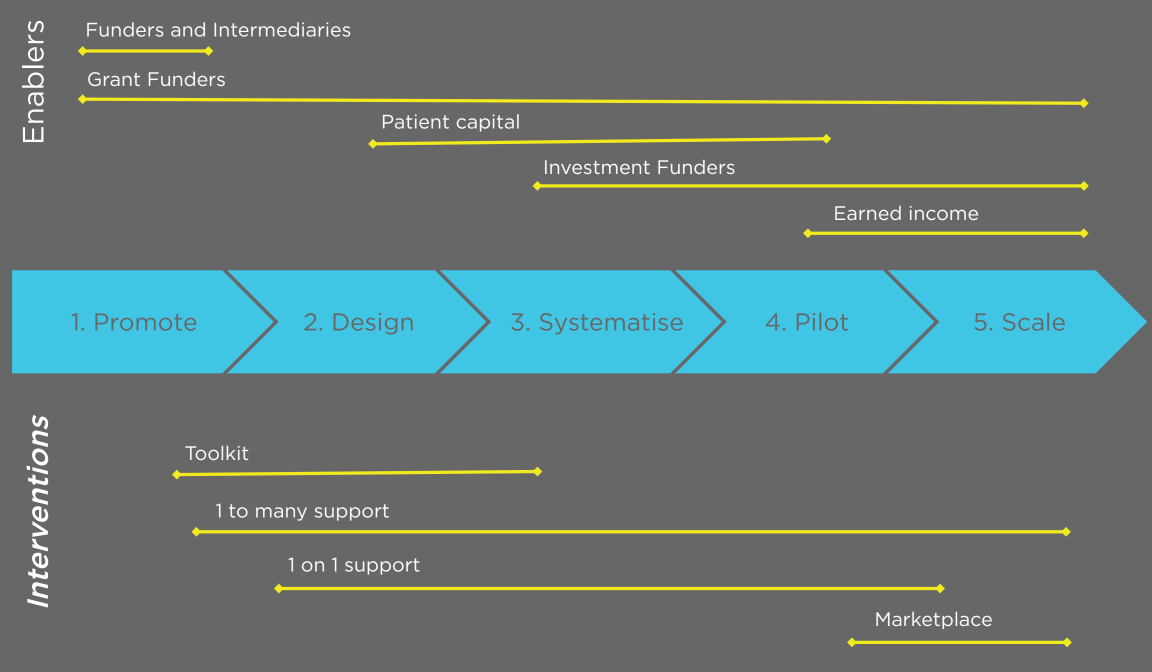
Realising the Potential: the Social Replication Ecosystem

In order for the potential of social franchising, and replication more generally, to be realised, we propose a 'Social Replication Ecosystem' should be created.

The enablers and interventions recommended by the ICSF to address the barriers to and challenges of replication as identified by our research are set out in figure 2 below.

Although social ventures such as Foodbank, SSE and CAP have achieved scale through social franchising and now assist thousands of beneficiaries across the country, they remain the exception rather than the norm. The interventions outlined in figure 2 will go a long way to addressing the barriers and challenges faced by social ventures looking to replicate. Together, they would make replication and franchising far more viable propositions.

Figure 2: **Enablers and Interventions to Aid Replication**



2 Introduction

"It makes sense to scale up what has already proven successful. Because the money, time and energy associated with implementing new projects are reduced, it is a cost-effective means of utilizing scarce resources, while simultaneously achieving greater impact" (Meuter, 2008).

In November 2012 the Big Lottery Fund commissioned a piece of research to answer two central questions:

- What potential does social franchising have for delivering social value in the UK?
- How can this be realised?

This report is a summary of some of the findings of that research.

There is a growing consensus that the social sector needs a greater proportion of organisations capable of creating social impact at a large scale, and that it needs to use scarce funding more effectively to deliver social impact. This report certainly does not argue that all social organisations should be scaled, or that being small inherently implies poor service delivery.

However, constantly reinventing the wheel by forever inventing new solutions when effective ones already exist, or failing to roll out an effective programme into other geographical areas, are failing to capitalise on the resources available to the sector.

Scaling - defined here as making 'a meaningful and sustainable impact by reaching greater numbers of people' (Clark et al, 2012) - existing solutions is therefore essential if we are to meet society's pressing needs.

Replication of effective projects and organisations is one way to achieve this. And social franchising is one option for effective replication.

In the UK the term social franchising is often used interchangeably with the broader concept of social replication:

Replicating a successful social purpose organisation or project in a new geographical location.

Consistent with our previous reports on social franchising, however, we distinguish social franchising more specifically as:

A successful social purpose organisation that enables at least one independent franchisee to deliver their proven model under licence.

The other main replication models are defined in section 4 of this report.

2.1 Methodology

Before this research there was almost no quantitative data on social replication and franchising. A survey had been carried out amongst members of the European Social Franchising Network (ESFN, 2011), and an attempt had been made in our previous report for Big Society Capital (Berelowitz and Richardson, 2012) to identify social franchises in the UK, but there was limited data to tell us what kind of organisations replicate, the barriers they face, or the impact that replication has. This research therefore fills an important gap.

The findings in this report are based on:

- A comprehensive literature review;
- An online survey of previous BIG investees and publicised through the networks of ClearlySo, School for Social Entrepreneurs, Social Enterprise Mark, Social Firms UK, Welsh Social Enterprise Coalition, Wales Council for Voluntary Action and others. This received 155 responses.

60% of respondents described themselves as charities, 32% as social enterprises, 5% as for-profit companies and 2% as cooperatives; and

- Interviews with 18 social franchisors and 5 social franchisees.

While every effort has been made to ensure the accuracy of the information in this report it has been carried out with a view to guiding decision-making and stimulating discussion, not as a rigorous academic study.

2.2 Reliability of data

The respondents to our survey were self-selecting from the members and networks of organisations who publicised it on our behalf. Since the survey was advertised as one about social franchising there will be an inevitable bias in the data towards organisations interested in replicating.

However, beyond that bias the data from our survey provides a representative reflection of the wider social sector, as can be seen by comparison with NCVO and SEUK data on the social sector.

Table 1: Geographic spread of survey respondents

Region	NCVO Data	Our data
Scotland	13%	12%
Wales	8%	8%
Northern Ireland	3%	4%
Northeast of England	10%	13%
Northwest of England	9%	12%
Midlands	15%	12%
Southeast of England	41%	23%
Southwest of England	5%	15%

Table 2: Size of organisations surveyed by income

<table>
<tr><th>Income</th><th>SEUK Data</th><th>Our data</th></tr>
<tr><td>Less than £50</td><td>19%</td><td>14%</td></tr>
<tr><td>£50-£100</td><td>14%</td><td>12%</td></tr>
<tr><td>£100-£250</td><td>20%</td><td>23%</td></tr>
<tr><td>£250-£500</td><td rowspan="2">19%</td><td>17%</td></tr>
<tr><td>£500-£1million</td><td>13%</td></tr>
<tr><td>More than £1million</td><td>20%</td><td>21%</td></tr>
<tr><td>TOTAL</td><td>92%</td><td>100%</td></tr>
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3 The benefits of scale and replication

Starting a project or organisation from scratch is an expensive and time-consuming business. Lots of resources are spent developing effective ways of working, and it can take several years before there is any evidence of the social impact it produces.

Since most funding is based on three-year cycles the majority of programmes have only just started to understand their impact and hone their model when their funding ends and a new project is set up.

Where projects and organisations have proven to be effective they should be encouraged to expand their impact into other geographical areas where the same problems exist.

As well as reaching more beneficiaries a project operating at scale can be more efficient financially. Two-thirds of respondents to our survey who had replicated said it had helped them achieve economies of scale.

Scale can also help an operation to professionalise. The package of services that are offered by Foodbank, for example, to its franchisees allows them to run a far more efficient service than an organisation running a food bank on its own ever could.

By collating social impact data across a wider area scale can also provide an organisation with a much richer picture of social issues and its own performance than the data available to an individual project.

With the right structures in place a project operating at scale should be more innovative than one operating in a single location. Improvements that are tried and tested in one area should then be cascaded through to other areas.

Written in 1998, a UNESCO discussion paper highlighting the potential benefits of replicating proven social programmes pointed to an environment of shrinking resources for the social sector and the pressure on both funding agencies and governments to “show results” (Van Oudenhoven and Wazir, 1998). This is as true now as it was then. The report argued that “replicating good practice is a cost-effective means of utilizing scarce resources.” This also remains true. Indeed, the lack of progress made promoting replication 15 years later should be cause for concern and provide an impetus to future action.

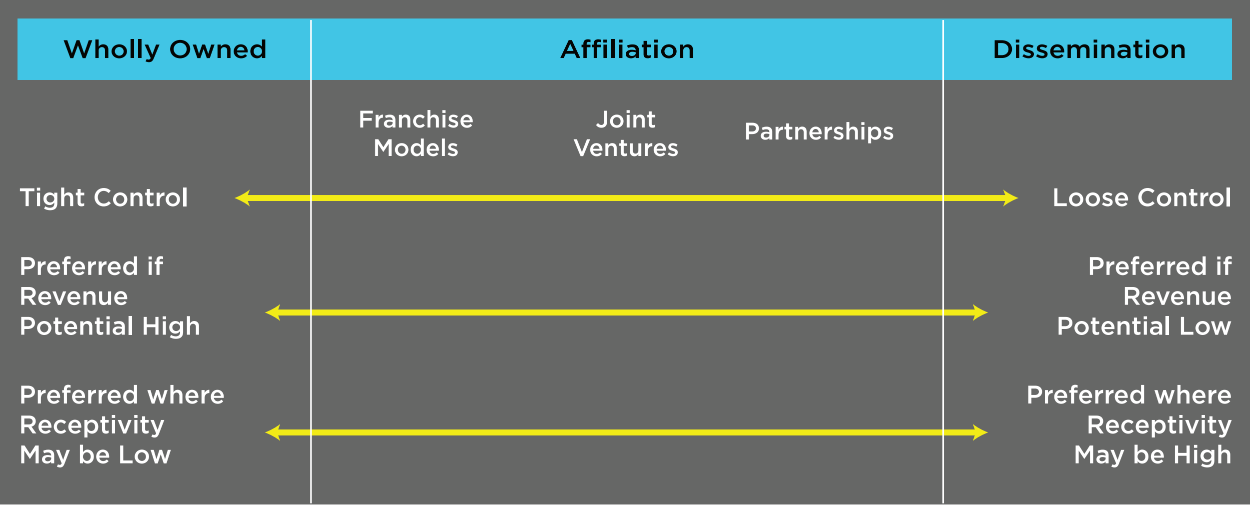
4 Different models of replication

We discussed in an earlier report on social franchising the spectrum of options open to social purpose organisations that wish to replicate into new geographic areas. The Shaftesbury Partnership report *Scaling up for Success*[1] provides a useful diagram that summarises that spectrum.

Social replication and franchising are defined in the introduction of this report. The other main replication models are:

- Wholly owned replication: “Branch” structure in which the social enterprise creates, owns, and operates the replicated entity.

Figure 3: **The different models of replication**[1]



- Joint Venture: Social enterprise joins an outside party to create a new entity; the parties share profits and losses.
- Partnership: Social enterprise creates a loose agreement with an existing organisation to deliver products or services locally.
- Dissemination: Social enterprise makes available information about its business model so that others can implement it.
  (UnLtd Ventures, 2008)
- Licensing is very similar to franchising, involving turning an innovation into Intellectual Property that can be protected and then licensed for use by others (Murray, Collier-Grice and Mulgan, 2010).

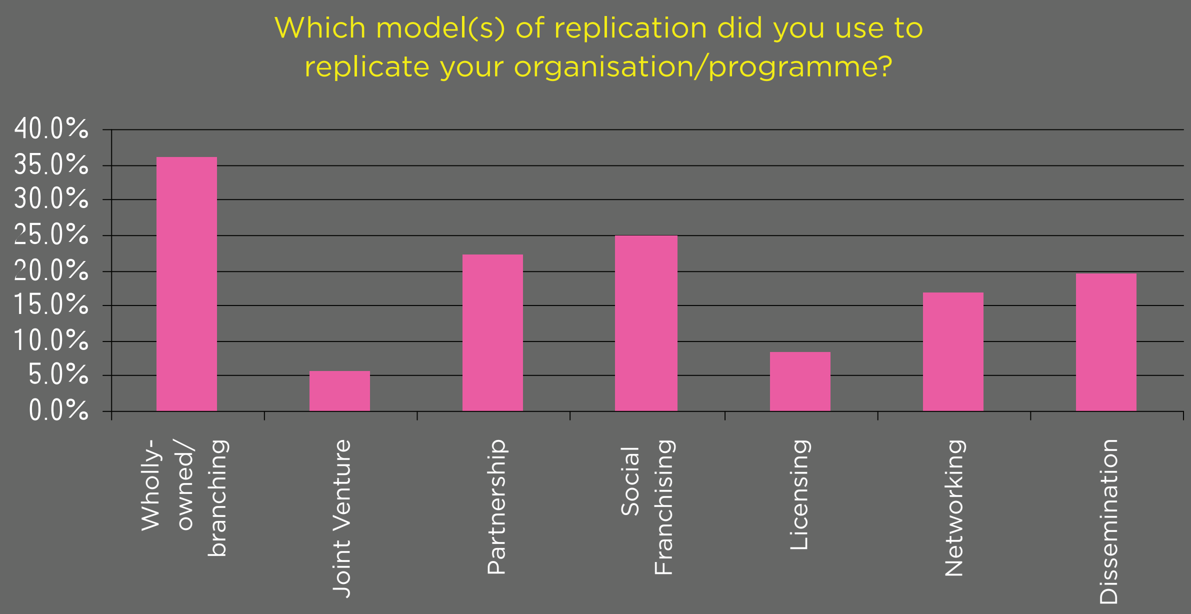
  However, licensing and franchising can be distinguished from each other since licensing usually involves being granted a license to provide a service or sell a product, rather than an entire business format or system (SEC, 2011).

The results of our survey support this assertion of a wide variety of replication methods employed in the social sector. Wholly owned was the most popular method of replication, but social franchising, partnership and dissemination were all used by significant numbers of respondents.

The proportion of respondents who used the different models of replication are displayed below in Figure 4:

1 http://www.shaftesburypartnership.org/sites/default/files/pdf/Social-Franchising-Scaling-Up-for-Success.pdf

Figure 4: **Replication models used by organisations surveyed (multiple response possible)**



5 The pros and cons of the different models

5.1 Faster or slower?

Social franchising is often cited as a method to scale up successful social ventures cheaply and quickly. In the medium term there is evidence to support this claim. Foodbank are frequently cited as an organisation that has rapidly scaled to over 350 sites across the country, currently opening at a rate of almost 3 a week. However they initially took a number of years to perfect the model and invested considerable sums of money in systemising and developing manuals before replicating at all.

Trevor Brocklebank, CEO of Home Instead, who since this interview has been selected as best franchisor in the UK by the British Franchise Association, supports this view:

"I think there are three chapters in setting up a franchisor business. The first is the pilot...when you set a business up normally you rush through that to get to break even as fast as possible. Here you've got to catch the learning, document it and write your processes, so there's a lot more work to be done rather than just that sprint.

"Once you've done that you've then got to start recruiting your first franchisees. Your franchise fee should only really cover your start-up costs and recoup your cost of sale. It won't give you any profitability.

"So that takes you to the...third chapter when your franchisees start generating sufficient revenues to pay you a decent ongoing service charge that you start to make any money. So that's quite a lengthy process if you go through it at the right pace. The incentive is to speed that process up, but you will reap the benefits later of taking it slowly at the beginning."

Social franchising can be a route to rapid growth in the medium term, but in the short time it is likely to be slower and more costly than simply replicating using a wholly owned model.

In the commercial world the development of a franchise follows the following path (Berelowitz and Richardson, 2012):

1. Prove model
2. Pilot franchise(s) – often wholly owned
3. Refine systems
4. Develop franchise material
5. Recruit franchisees
6. Rapid scale-up

In the social sector most projects and organisations get stuck at stage 1 or 2. This is the most expensive, most risky and least efficient stage of the whole process. It is only in stage six that the real benefits of social franchising are realised. But it takes considerable investment of time and resources to get an organisation through the intermediary steps.

5.2 Quality Control

In the light of this, organisations pursuing replication may be tempted to consider faster and less costly approaches such as dissemination. Yet in the absence of a team or national program office that is dedicated to supporting and monitoring consistent results, independent local efforts may falter and weaken the case for continued public and private investment.

Our survey results suggest that unless social franchising is done well there is also a danger with this model that the quality of product or service provided by the replicated entity will not match that of the original.

This is also backed up by two of our interviews. For example, when fruit to suit first franchised it was not done in the professional manner that was needed. They experienced a range of problems in which franchisees made substantial alterations to the original model, including selling unauthorized products, changing the programmes, marketing outside of their territory, using their own marketing material and not maintaining their accounts properly.

Similar experiences were reported by the Grow Organisation when they franchised prematurely and without adequate support.

5.3 Local Adaptation

The ability to adapt a successful model appropriately to local conditions is important, and models involving a local delivery partner do seem to adapt more readily. The results from our survey show that many organisations expanding through a wholly owned model still adapt quite considerably to local conditions; however, this adaptation becomes more common the further towards dissemination you travel across the spectrum of replication.

5.4 Sustainability and large contracts

Organisations that have replicated are better able to win and deliver public sector contracts, which can provide an important and relatively stable income stream.

Table 3: Sustainability – replicated versus not replicated

	Had replicated	Had not replicated
Average earnings from public sector contracts	27%	12%
Reliance on grants and donations	29%	41%

When asked how confident they were in their income streams only 9% of those who had not replicated were very confident and 23% not at all confident. This compares to 23% very confident and only 13% not at all confident amongst those that had replicated.

5.5 Innovation

Where services can be adapted and modified to fit local needs and conditions there is great opportunity for innovation. CAP, which run debt advice through churches, give the example of how some of their centres, in addition to visiting people in their homes, have started running drop-in cafes, which CAP are now piloting on a wider basis across other franchisees.

6 Why organisations choose social franchising, or not

There are clear differences between the franchising model and other forms of replication, including its potential to deliver a number of benefits:

- Faster and more cost effective replication
- Improvement through systematic and ongoing transfer of knowledge
- Quality management through standardisation
- Financial gains: credibility to donors, shared fundraising, can tap both local resources (franchisee) and national funds and donor (franchisor). Benefits from economies of scale
- Benefit of network synergies: contacts and knowledge transfer through local and national networks
- Easier acquisition of voluntary staff through local structures

Ahlert et al (2008)

6.1 Franchisor motivation

In 2007 Tracey and Jarvis put forward a theory of 'resource scarcity' as the primary motivator for organisations using social franchising as a mechanism for expansion. In the commercial world the decision to franchise is often explained this way. The key assumption is that a firm's motivation to franchise stems primarily from a shortage of the key resources.

Most of the respondents to our survey who had chosen social franchising as a model of replication had done so for a mixture of practical and philosophical reasons. They believed in the importance of local community ownership and the value of local knowledge. Those with a tighter model of social franchising referred to the need "to ensure strong control over quality and delivery", while those with a looser model described the decision as "pragmatic for setting up low-profit ventures via people and organisations with limited funds".

So although for some the scarcity of resources undoubtedly contributes to a decision to use social franchising, as suggested by Tracey and Jarvis (Ibid), there would appear to be a far stronger philosophical motivator driving the decision.

Volery and Hackl (2012) suggest: *"The pervasive lack of funds in the social sector prevents its actors from being paid adequate financial compensation, which is why the franchisees' motivation and commitment is largely non-material. Thus the incentive for social franchisees may reside in the fun and pleasure derived from the activities, the recognition received for their work, the creative leeway provided by entrepreneurial activities on site, or the high degree of meaningfulness generated by the social value creation."*

However, many social franchisees are organisations with a particular geographic focus, while social franchisors tend to be organisations with an issue focus – for example, Kerith Community Church are primarily concerned with the welfare of their local community, while their franchisor, CAP, are primarily concerned with reducing debt amongst vulnerable people.

If difficulties arise in a franchise model these divergent aims can become misaligned and lead to conflict between franchisees and franchisors, as happened with the Grow Organisation, and Aspire. (Berelowitz and Richardson, 2012)

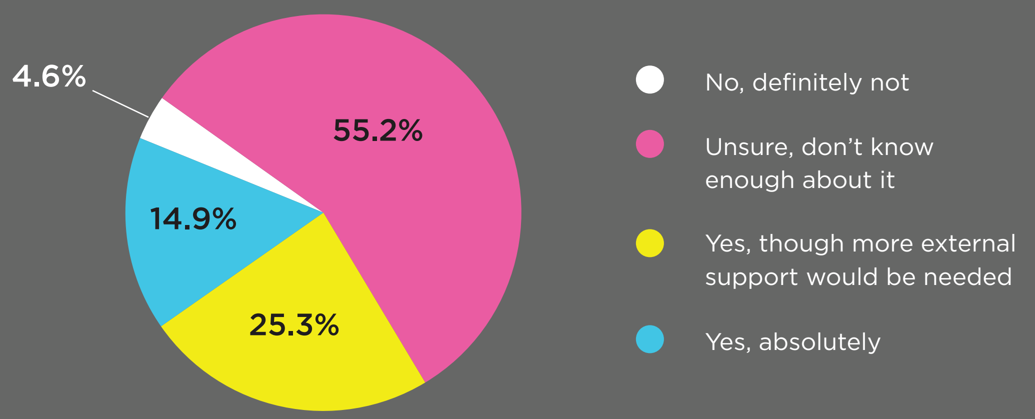
6.2 Lack of knowledge about social franchising

The self-selecting nature of our respondents to a survey about social franchising means that we would expect to find significant numbers using that method of replication. Interestingly, despite this natural bias in our sample, the majority of respondents felt they did not know enough about social franchising to consider it as a model for replication in the future.

Furthermore, even amongst those that had already replicated, nearly 35% felt they did not know enough about social franchising to consider it as an option for further expansion.

Figure 5: **The lack of knowledge about social franchising**

Would you consider the social franchising model of replication in the future?



6.3 Franchisee motivation

There are also the motivations of the franchisee to consider. In the social sector franchisees are often existing organisations. Most could start up programmes or new enterprises from scratch. However, there are strong reasons to take on a programme that has already proved successful elsewhere.

6.3.1 The safer option?

McNeill Ritchie (2011) suggests that the primary motivation is that franchises are the safer option, less likely to fail and more likely to remain profitable compared with other types of business start-ups. This is certainly true in the commercial sector; however, the evidence in the social sector is not clear-cut yet.

6.3.2 Professionalism

One clear motivator is around the area of professionalism. Kerith Community Church run a CAP franchise and say, "Franchising has enabled us to do something that we wanted to do with a much greater level of professionalism and reach more people than we'd ever have been able to working alone."

6.3.3 Funding

Access to funding is another motivator. Many social franchisors help provide a proportion of the start-up costs through central fund-raising, or putting franchisees in touch with already 'warm' grant makers. There is also usually a clear evidence base for success which makes applications easier.

6.3.4 Additional resources

Campbell et al (2008) suggest that the benefits to the franchisee change with time, so that new start franchisees often benefit from a range of services including:

- Back office management
- Fundraising tools
- Management and governance assistance
- Programme materials
- Seed funding
- Staff training
- Technical assistance
- Logistical support

For more mature franchises often the benefits are more around specific back-office functions, networking, best practice sharing, and brand awareness.

6.4 Comparison with other models

Social franchising sits between wholly owned expansion and dissemination as a means of reaching new geographical areas. The primary reasons given for choosing these alternatives were to do with available resources and funding.

6.4.1 Wholly owned expansion

One reason that a number of organisations gave for choosing a wholly owned route to expansion was that it required fewer resources in the short-term than social franchising.

While it may be good practice to write an operations manual for new, wholly owned replications, it is not absolutely necessary. Therefore, by pursuing wholly owned replication organisations can avoid some of the time and financial costs associated with franchising, for example manual writing. In the long run, however, such investments are likely to save an organisation time and money.

Funding was another reason. Either organisations were specifically funded to expand through a wholly owned model, or there was a lack of funding for social franchising, therefore effectively limiting the social organisation's choice of replication model.

The third reason given was one of control. Replicating in a new area through a wholly owned model was perceived to give more control over the quality of service delivery than alternative methods of expansion.

6.4.2 Dissemination

Dissemination was chosen as a model of expansion by 20% of respondents who had replicated for two reasons: a philosophical position that knowledge should be freely shared for social benefit, and a pragmatic decision to reach as many people as possible with limited resources.

As noted in section 5, one key issue with dissemination is the lack of control on the part of the parent organisation. While this may allow for greater innovation at the partner level, it may also mean that partners implement the model incorrectly and/ or spend time reinventing the model. Thus, as with the other replication models, possible trade-offs between factors such as quality control, reach and cost must be considered when deciding which model is most appropriate.

7 Barriers and challenges of replication

Of the 123 organisations in our survey that addressed the issue of barriers to replication, 33 had replicated (15 multiple times). Of the remaining 90, only 25 had not considered replication, the other 65 had considered it but not yet replicated.

Those who had not replicated were asked what had stopped them; those who had replicated were asked what the greatest challenges had been. There was considerable overlap between the two, indicating that certain organisations are able to overcome the 'barriers' cited by unsuccessful social organisations. However, our interviews found that solutions are often ad hoc and improvised and indicate that there has been a lack of structured support for replication.

7.1 Barriers

There were numerous barriers listed which had prevented the organisations from pursuing replication. However, our research indicated 4 main barriers which prevented those considering replication from pursuing it. These were:

1. Access to finance
2. A lack of structured support
3. A lack of key skills/ leadership within social ventures
4. Difficulties finding suitable partners

A fifth factor identified when searching for potential interviewees was a perceived reluctance to consider replication.

7.1.1 Access to finance

The lack of availability of riskier, growth finance in the social sector has been addressed by a number of papers (see for e.g. Gregory et al, 2012). Our data confirms that this applies to organisations looking to replicate. Of the 63 organisations who had considered replicating but not yet done so, funding was explicitly listed as an issue for 33 of them.

Furthermore, investment at the point an organisation is considering replication could arguably address a number of the other barriers listed; particularly time, concerns about diverting resources away from existing operations, and general replication readiness.

The main reasons given by those who failed to access finance were:

- Problems with funders
  - Funders' lack of understanding of social franchising model
  - Funders' preference for expansion over franchising
- Organisation's investment readiness
  - Lack of assets
  - Legal structure (e.g. no share holding)
  - Risk-averse trustees
  - Lack of intellectual property patents
  - Uncertain project incomes
- Insufficient scale
  - Government tendering process requiring a regional provider

Thus, it appears that organisations' failure to access finance for replication reflects two key factors:

1. A lack of available capital for replication. This echoes the findings of the ICSF's Investing in Social Franchising in the UK (2012) that found that financing the early stages of the replication process was often too risky for investors and that grant funders often prefer to fund new initiatives rather than building the capacity of effective, more established organisations.

2. A lack of replication readiness among organisations considering replication. It has been highlighted that many ventures seeking investment are not investment ready and are therefore unsuccessful when pitching for investment (Gregory et al, 2012). Our report finds achieving replication readiness is even more onerous (see section 12.1). Indeed, 61% of respondents who had considered replication stated that a lack of organisational readiness had stopped them from actually replicating.

7.1.2 Lack of structured support

The role that social venture intermediaries can play in helping organisations to increase their revenues and the number of beneficiaries of they reach has been highlighted by Shanmugalingam et al, (2011). Our data suggests that support currently available for replication is insufficient. Over 25% of respondents said they would consider social franchising if support was available, and over half said they simply lacked sufficient knowledge about social franchising to make a decision.

7.1.3 Lack of skills and/ or leadership within social ventures themselves

The Young Foundation's 'Lighting the Touchpaper' report on social investment found there to be a lack of financial skills and expertise within the social sector (Brown and Norman, 2011). Shanmugalingam et al (2011), and Gregory et al (2012), found there to be a paucity of business skills and investment-ready organisations in the UK social sector.

Our survey did not ask organisations whether a lack of skills and leadership had prevented them from replicating since it was felt responses were unlikely to be objective. However, our interviews, particularly those of fruit to suit and Grow Organisation, indicate that this is a very real challenge for organisations when replicating.

Both the founder of CAP, and the current CEO of SSE have experience of running networks in the private sector which likely contributed to their success. Thus, this factor will be highly organisation specific.

The skills required to establish social organisations and get them to a stage where they are making a real difference in their community are different to those required to achieve scale. (Mulgan et al, 2007). For a number of the social franchisors interviewed, including foodbank and SSE, the individual who had founded the organisation was not the same person who had taken it to scale. In the case of Grow, our interview suggests that the founder was partly culpable for the failure of their multiple franchises. However, again this is organisation specific: Home Instead's UK founder has grown the organisation very successfully.

7.1.4 Finding suitable partners

Social Firms UK (SFUK)'s Flagship Firms project found that identifying potential partners to start up replicated enterprises was a key challenge (SFUK, 2007).

24% of those considering replicating said that finding suitable partners was an issue.

This is not surprising when we look at the experience of surveyed organisations who had replicated. Finding partners appears to be primarily about networks, and is not particularly systematic. Table 3 below details how organisations who had replicated found partners:

Table 3: Sustainability – replicated versus not replicated

How Partners were found	Number of organisations
They approached us	11
We already knew the individual/organisation	12
We advertised for partners	3
Other	4
Non-respondents	3
Total	33

It should be noted that 7 organisations who had pursued a wholly owned replication model answered this question. Their answers therefore likely indicate how managers were found to run replicated entities.

Choice of partners is influenced by a number of factors. Those highlighted by survey respondents are listed below:

- Availability and funding
- Belief in product and commitment to the process via time and resources
- Conducive environment for service users to benefit and thrive
- Financial and sustainability of the service
- Business awareness
- People skills
- Fit with franchise models and systems
- Needs analysis - local demand
- Relationships and trust
- Representation of the community
- Governance requirements
- Appropriate policies and procedures
- Staffing levels
- Business plan
- Desire and ability

There is currently a lack of potential spaces, whether physical or virtual, where replicating organisations can advertise for new partners. Finding franchisees that appreciated both the financial and social aims of a franchise were highlighted as a challenge by both fruit to suit and the Grow Organisation in interviews.

One potential model for such a virtual space comes from the Church movement in the UK. The 'Cinnamon Network' provides a space to advertise proven social change projects, including the work of CAP. It also provides space for churches interested in starting up such a project in their own area to apply.

Cinnamon Network have grown from 12 franchisors and 1,000 franchisees in January 2010 to 30 franchisors and 2,862 franchisees in February 2013.

7.1.5 Limited horizons – geographical focus

On an informal level, it was relayed to us during the course of conducting the research that some in the sector were reluctant to consider replication, preferring to focus on refining their impact in a given area. Reasons included founders wanting to concentrate on operations and remain close to beneficiaries - and presumably at the same time not lose control of their organisation by hiring another individual to drive the replication process. While there is nothing inherently wrong with this, it does mean that great social projects that could address a social need elsewhere are not doing so.

A more in-depth consideration of this issue was beyond the means of this report. This would be an interesting area for further research.

7.2 Challenges

Organisations who have already replicated reported encountering a number of problems. As with the barriers cited by those who had not replicated, the most prevalent challenge by far was the difficulty obtaining funding or investment for replication. The responses are displayed in table 5 and explained below. Our interviews with social franchises highlighted a number of other challenges. These are expounded on in sections 7.2.9 to 7.2.15 below.

Problem	Percentage of respondents
Obtaining finance	67%
Speed	43%
Different local conditions	43%
Structural change	37%
Unrealistic expectations	37%
Quality control	37%
Lack of support /business advice	27%
Finding suitable partners	20%
Relationships with replicated entities	20%

A third of organisations that had replicated felt they could have avoided some of these problems by using a different model of replication. But interestingly the problems encountered were actually equally spread across the different models of replication (wholly owned, partnership and social franchising).

No one model had monopoly on any one issue. This perhaps suggests that for avoiding problems in replication the choice of model is less important than the way in which the model is implemented.

7.2.1 Obtaining finance

Without doubt the greatest problem with replication has been access to finance, both for those who have replicated and for those seeking to replicate. 67% of respondents who had managed to replicate struggled to get sufficient funding or investment.

Guy Turnbull, the CEO of Care and Share Associates (CASA), one of the UK's most successful social franchises, posited that "the main reason it took so long to grow to scale was that there was never enough money at the centre".

This likely reflects two factors: firstly, a lack of available capital - funding the capacity improvements needed for replication is often too risky for investors as a return is far from guaranteed and there is a shortage of grant funding to support capacity building and/ or replication; and secondly, a lack of investment and replication readiness in the organisations themselves - see section 12.1.

Evidence from our interviews highlights the piecemeal and ad hoc way social franchising has been financed thus far. Three organisations interviewed relied on personal money invested into the business while the others had all used grant funding of varying amounts and for differing purposes in order to help replicate.

Social franchisees found it harder to find funding than commercial franchisees. Whereas in the commercial sector banks will loan money to franchisees approved by trusted franchisors, in the social sector the financial returns are often too low for the bank to be interested.

Further, grant funding to start-ups emphasises newness and 'innovation', ruling out social franchisees.

7.2.2 Speed

Often organisations can replicate too quickly, either before the model is proven, or failing to appreciate the importance of piloting their replicated model on a small scale before attempting to reach significant scale. See Section 8 for case studies of Grow Organisation and fruit to suit who franchised before their models were proven and took on too many franchisees too quickly.

7.2.3 Different local conditions

Replication is not a "cookie cutter process" (Bradach, 2003). Projects must assess which elements of their core model are essential to its success and which should be adapted to reflect local conditions.

7.2.4 Structural change

Any growing organisation will likely find that aspects such as organisational culture will change and that new tensions need to be carefully managed.

7.2.5 Unrealistic expectations

Particularly in the early stages of a new franchise, the expectations of the franchisor and franchisee can be quite different if they are not laid down clearly in manuals and legal contracts. Grow Organisation, for example, report that their franchisees refused to accept responsibility for developing new business and earning their own contracts.

7.2.6 Quality Control

Organisations rarely replicate successfully without struggling with quality somewhere along the way. Fully 70% of our survey respondents indicated that maintaining quality at existing sites while opening new ones was a challenge. Replication will test even the strongest of existing operations in new ways. The demand for resources and leadership attention associated with getting new sites up and running smoothly can put extraordinary pressure on the existing organisation and threaten quality at the home site. Additionally, when an organisation is rushing to meet commitments to open new sites, quality at these new locations can inadvertently take a back seat to the more operational tasks associated with getting a site up and running.

7.2.7 Lack of support and finding suitable partners

See the above section on barriers for discussion of these challenges.

7.2.8 Relationships with replicated entities

In a system where a replicated network shares a common brand, as with franchising, bad practice by one entity can damage the brand reputation and therefore other members of the network. In the past, fruit to suit franchisees' well-meaning efforts to secure new contracts with suppliers led to the wrong products being bought and bad prices being negotiated, with the franchisor having to pick up the pieces afterwards.

However, there is a risk that by being overly draconian with replicated entities that innovation can be stifled. Striking the right balance appears to come down to having strong relationships and communication between the parent organisation and the network. This means replicated entities feel able to approach the centre with new ideas and that the centre can decide which make sense to implement (see for e.g. the CAP and Tatty Bumpkin case studies). Each social franchise strikes a different balance but the challenge of franchisees making unauthorised changes is reported by several interviewees.

7.2.9 Designing and systemising the replication system

Many of the challenges which confronted our interviewees could have been avoided had they received the appropriate support in designing and systemising their replication system. For example, the design stage involves defining what support will be provided to new partners, how replication is to be financed and partner profiles. Systemising involves creating the operations manual which states clearly what the parent organisation and their partners are each responsible for and instructs partners on best practice for establishing and running the particular model. When social replication goes wrong the results can be bad for replicating organisation, partner, beneficiaries and investors. See Section 8 of this report.

7.2.10 Sustainability of franchisor

Particularly when there is little or no income generated from franchisees, there is a significant issue for the franchisor to remain sustainable, support existing franchisees and help new ones set up.

NCWRP, who re-use wood that would otherwise be thrown away, found there was a period of about a year in which grant funding dried up. This led to a substantial downsizing of the franchising body which was temporarily run from the managing director's home with support from working tax credits and volunteers the only help in the office.

Some of the most successful social franchisors have very strong fundraising teams and models. CAP, for example, say their model requires a very good fundraising team to get the funds to support the central organisation. Emmaus UK, who offer homeless people work and housing, raise significant sums of money on behalf of new local Emmaus communities (Berelowitz and Richardson, 2012).

7.2.11 Staffing the franchise programme

Most organisations that decide to replicate try to do so on existing staffing levels. The reality is that any form of replication, but particularly those that require high levels of input from the original organisation, require significant amounts of staff time.

7.2.12 Sustainability

Local partner sustainability is often an issue. Very few social franchise opportunities generate sufficient income in and of themselves to support a whole local infrastructure. They are usually required to fit into an existing organisation. If that organisation is not sustainable, then the local franchise isn't either. For example, Chance UK report their Liverpool franchise had to close due to cuts at the franchisee organisation.

7.2.13 Communication & support

Again, Chance UK report that one of their franchises has involved a lot of work as it encompasses four organisations running the programme, all of which have needed support. The additional support to be provided was not factored sufficiently into the initial franchise fee.

7.2.14 Capacity of local franchisees

CAP argue that one of their big challenges is ensuring a consistent service at a local level: "The intensity of the relationship and level of support provided at local level all depends on the resources of the local centre."

7.2.15 Business experience

Many social franchises require franchisees to operate some form of social enterprise which will earn revenue. However, franchisees are more frequently chosen on their fit with the social impact of the programme or franchisor, rather than commercial acumen.

8 Getting replication wrong

Franchising done badly can go very wrong. For example, despite a strong original model in the case of Mow and Grow, the Grow Organisation franchised its numerous programmes too early and with insufficient care. Grow was put in substantial difficulties and has had to close all 14 of its franchisees, investing considerable sums of money to get back to a healthy situation.

Only 20 out of the 151 respondents reported having any Intellectual Property protection. Some specifically choose not to in order to share information and model freely. However, not doing so can make it harder to enforce quality of service in a dispersed network.

The below case studies examine the experiences of fruit to suit and the Grow Organisation and demonstrate what can go wrong when social replication is poorly implemented.

8.1 fruit to suit Case Study

fruit to suit is a social enterprise company delivering bespoke, quality assured business and enterprise programs to primary and secondary schools nationwide. Their programs develop and encourage entrepreneurial skills and a greater understanding of business planning which can be consolidated by establishing and operating a long term, sustainable healthy tuck shop business.

fruit to suit franchised before it was ready and has experienced significant difficulties as a result. However, they then received assistance in turning their struggling franchise around and it has now been re-launched on a firmer footing. fruit to suit now have 9 franchisees and operate in over 100 schools nationwide.

In 2008, fruit to suit's main activity was the bagging and delivery of healthy snacks to schools; their training programmes had not been developed. At the time it was suggested by a business advisor that the model could be one that other mums could follow and that franchising would be the best model to follow. In hindsight, fruit to suit's founder acknowledged that this was "far too early", that they "didn't know enough about franchising" and "didn't go about it in the right way."

What was fruit to suit's initial experience of franchising?

"It was very, very basic." The four original franchisees received a basic manual, stationery and a uniform for a low fee of £1,000. fruit to suit experienced a range of problems in which franchisees made substantial alterations to the original model, including selling unauthorized products, changing the programmes, marketing outside of their territory, using their own marketing material and not maintaining their accounts properly. Addressing these issues was time consuming for the central organisation and risked damaging the fruit to suit brand. Further, when changes were made to the original programme, a few of the existing franchisees refused to alter their offering.

The importance of technical support

Initially, fruit to suit received well-intentioned but highly questionable advice and their only significant investment was in the franchise agreement. Having had a really negative experience of franchising to begin with, fruit to suit then received pro bono support from Green Frog, a commercial franchising consultant. Over the course of 2011-2, fruit to suit established new recruitment processes, ways of dealing with relationships and a greatly expanded operations manual. An office manager has also been brought in to deal with day-to-day queries, putting space between the founder and the franchisees.

fruit to suit now has nine franchisees, three of which have been recruited since the changes were made to the franchise model. Interestingly, existing franchisees have reacted well to the changes and the increased number of rules which they are now required to follow. Training is now much more in-depth, conducted over four days.

Areas of the business invested in when replicating

- Franchise agreement
- Operations manual
- Systems and process codification
- Office manager
- Website
- Online book keeping system

How was this financed?

The consultancy was received on a pro bono basis; however, the manual took the CEO around six months to re-write.

What external technical support was received?

fruit to suit has received a lot of support through Invest World. The franchise consultancy which has helped turn the business around was provided by Green Frog.

What have been the most substantial benefits of replication and scale?

Franchising has meant that the business has been able to grow quickly. The business has developed in new ways largely because of constructive input from franchisees.

What were the greatest challenges?

fruit to suit's greatest challenges involved franchisees who were making unauthorized changes to programmes and the way they operated. fruit to suit has reacted to this by becoming more controlling and introducing a very thorough operations manual.

Sharing best practice

fruit to suit's relationship with its franchisees has become more controlling following the consultancy work. CEO Terrie Johnson said: "I am very open to and welcome suggestions from franchisees, fruit to suit has developed over the years due to the constructive input from franchisees. Every franchisee brings an area of expertise to the company whether it is marketing or accounting. However, none of these suggestions can be put into operation until they are in the operations manual. We all follow the same operations manual."

What additional support would be useful?

- Finding suitable franchisees: "It's finding somebody with the experience that we need who's also going to appreciate our social aims as well." Technical support and consultancy would have been very useful at an earlier stage.
- A place where franchisees can go to for independent advice and business training.
- Financial support for franchisees would also be helpful. Currently if franchisees can't afford to pay the fee upfront, fruit to suit will accept it in instalments. However, this increases the cost of dealing with these franchisees and impacts negatively on cashflow.

8.2 Grow Organisation Case Study

The Grow Organisation provides training, volunteering, professional work experience and employment opportunities to young people furthest from the job market and work in partnership with organisations who share those values. They also incubate new ideas and enterprises that support economic growth.

Grow tried franchising a number of its enterprises, including Mow and Grow and a recycling business. Fourteen franchisees were started, yet these have all now been closed.

A number of years ago there was considerable hype around social franchising and "considerable pressure to replicate." Both Mow and Grow and the Grow Organisation had also received a lot of praise and attention from the press and funding was relatively easy to access through the Future Jobs Fund.

How does the franchise relationship work?

Franchisees were required to pay 3% turnover to Grow. There was nominally an initial fee (£2,500) but this was not always collected. Franchisees were provided with differing levels of resources depending on which franchise they took on. Mow and Grow franchisees received a license agreement, training folders and a policies and procedures manual. Franchisees were provided with two days of training. Agreements were often re-written in-house by a previous director, leading to later complications when trying to collect fees and terminate franchisees.

Monitoring and Evaluation

Grow did not invest in monitoring and evaluation and there were already difficulties in their systems prior to replication. Following the departure of the previous director at Grow, it quickly became apparent that there were not systems in place to allow it to keep track of its franchisees' performance. These were then invested in and have been retained to monitor current partnership work within Norwich and Suffolk.

Areas of the business invested in, in order to replicate

- Franchising agreement
- Trademarks

What external technical support was received?

Grow did not receive external technical support to help prepare it for replication, though Mow and Grow had received level 1 and 2 awards from UnLtd, a social enterprise support group. They did bring in an external consultant in once the extent of the damage had been realised. The consultant was then responsible for helping Grow to recover and managing the closure of its franchisees.

What were the greatest challenges?

- Franchising was pursued prematurely, too many franchisees were set up too quickly, and those franchisees were not suitable either in terms of business skills or social aims.
- One director took charge of franchising and managed to conceal the extent of the franchising operation and its running from other Grow directors.
- In the recycling business, franchisees were not recording the work they carried out thereby making royalty payments impossible to collect.
- Franchisees refused to accept responsibility for developing new business and earning their own contracts.
- Closing down its franchisees was an arduous task and Grow has had to refocus its efforts on its immediate geographical area and commercial income generation.

What additional support would be useful?

If Grow were to try franchising again it would need to be able to find franchisees who share the same values. It would also need staff time and resources to conduct market research and feasibility studies in prospective areas.

9 Systemisation and replication

Survey respondents were asked about the level of systemisation which existed in their organisations.

	Have you already replicated?					
Systems in place	Yes		No, but we've thought about it		No, not considered it	
Accounting	31	97%	57	100%	21	88%
Communication Practices	26	81%	29	51%	11	46%
Information Technology (IT)	27	84%	47	82%	18	75%
Job Descriptions	30	94%	52	91%	21	88%
Marketing Strategy e.g. pricing and branding strategies	23	72%	33	58%	13	54%
Management Information e.g. cost sales and customer data	27	84%	41	72%	17	71%
Total answered	32	100%	57	100%	24	100%

Table 6: Level of systemisation among survey respondents

It is clear from this data that organisations that have replicated are more likely to have systems in place than those that have not replicated across a range of different areas. What is not clear is whether this investment occurs upfront, prior to actual replication, or once the process is underway (or both).

9.1 The importance of technology

Both the survey data and the interview findings indicate the importance of technology in enabling scaled up organisations, and particularly social franchises, to function effectively. 75% of social franchise survey respondents had invested in IT systems in order to facilitate replication, as had 70% of those who had used a wholly-owned model.

9.2 Systemisation and Social Franchising:

The resources in terms of time and finance needed to prepare an organisation to franchise are substantial, with the investment paying off in the medium to longer term.

As the Social Firms UK report on its Flagship Firms project (2007) affirms:

> *"Don't underestimate the cost of getting a franchise or licence proposition to the point at which it can 'go to market'. Rarely does an organisation have the luxury of time to compile comprehensive operations manuals without having its time covered for this work – even if it is covered financially that's not the same as actually having the capacity to do it! It usually has to be the manager, or senior management, that does this and yet they're the ones crucial to running their own business"*

This was corroborated by our interview with Peter Crory at YMCA Scotland, who was emphatic on the need to be allowed the time to systemise and package a programme. He argued that the "big winner [of having received funding and support from Realising Ambition] was the time and the capacity in terms of one and a half staff to actually take what we were doing, probably some of which was done on a wing and a prayer because of the voluntary sector, and to get it all formalised and down on paper and record it and in a place where somebody could just download it off a web portal. That's been huge."

Similarly, Michael Lilley, founder and CEO of Mytime, used financial support from Esmee Fairbairn and Big Issue Invest to enable him to prepare the organisation to replicate, codifying what the organisation did. Alastair Wilson, the CEO of School for Social Entrepreneurs, recalled his experience of attempting to get an academic in to write SSE's operations manual in which they completely failed to capture the essence of what SSE did. Subsequently, a writer was brought in to re-write the manual but they needed more exposure to SSE on a day-to-day basis and ultimately what was needed was for Alastair to "get interested" in replication himself.

CAP Case Study:

CAP initially needed management support to train up new centres and provide ongoing support to them. Over time they have centralized more of the programme and built central infrastructure such as IT systems and monitoring and evaluation. They have moved from an initial staff of 5 to their current staff of over 200. They also now have a systems developer who had been running one of the debt centres and who has created the management systems CAP use now.

How was this financed?

CAP's vision of replicating its social impact around the UK has always been a core part of its message and fundraising efforts. The majority of the money has therefore come through donations. That said, CAP has received 13 capacity-building grants which, in addition to funding one-off investments, were also used to subsidise the extra costs incurred by expansion - whether additional costs incurred by new centres or additional centralised costs required to support the new centres.

9.3 Impact Measurement

Impact measurement is a particularly important aspect of a social organisation's model that should be refined (if necessary) and systemised when an organisation is attempting to replicate.

The Big Lottery Fund's Realising Ambition programme is investing £25 million in outstanding projects that have already proven to work in helping young people avoid pathways into offending. Yet only 4% of applicants to the Realising Ambition programme met their high standards of impact measurement. It can be challenging to raise the substantial funds necessary to cover the costs of such robust research and in some cases there may also be a trade off between quality of social impact and the cost of the operating model.

The survey results indicate that those who have replicated or considered it are more likely to record their social impact than those who have not considered replication.

The direction of causality is unclear but it is plausible that those organisations which are more confident of their impact, having measured it using outcomes and/or output data, are more likely to consider replication. Alternatively, given the costs involved in replication and the tendency to need grant money to finance them, it may be that in order to access funding, organisations are impelled to improve their monitoring and evaluation systems.

When an organisation is expanding through some form of social franchising there is a question of proving impact to new franchisees and potential partners as well as to funders. For example, Peter Crory (YMCA Scotland) says, "An evidence-based and rigorously tested model can give an organisation the credibility to say that the program has to be implemented in a very specific way."

10 The Finances of Social Franchising

It is often argued that social franchising must be profitable for both franchisor and franchisee. However, as Amies (2000) notes, it is possible for not-for-profit initiatives to benefit from the franchising model, in terms of services with a proven social impact being replicated and run cost-efficiently in new locations. Accordingly, programme resources will go further, provide better value for money and ultimately attract further funding. This assertion is backed up by our research with four of our interviewees dependent upon grants and donations. Furthermore, amongst our survey respondents, 10 out of the 33 who had replicated relied on grants and donations for more than 50% of their revenue.

The example of CAP, in particular, demonstrates that social franchising can be done with a reliable philanthropic revenue base. This can be seen in its relatively long history of social franchising and success in establishing and maintaining over 218 franchisees. Critically, franchisees are made fully aware of what they have to raise themselves.

10.1 Money Flow

Existing literature suggests that fees paid by replicated entities to the parent organisation are not an essential element of social franchising, nor replication more generally.

Ahlert et al. (2008) identify three broad social franchising typologies:

1. A commercial franchise system for achieving social benefits;
2. A subsidised franchise system to make services available at a lower cost than commercial solutions;
3. A non-profit replication that included core elements of franchising but without any classical fee and profit elements.

Our survey, looking at replication in general, found:

% Respondents	Money Flow
40%	From replicated entity to parent organisation
26%	Costs shared
26%	From parent organisation to replicated entity
7%	No money flow

Table 8: Money flow between the parent organisation and replicated entities

Money flowing into the parent organisation was most common where a social franchising/ licensing model was used or where a joint venture model had been used.

All ten of the franchisors interviewed charged ongoing fees to franchisees. This was to help support the costs incurred centrally of running their franchise networks.

In many cases the sum total of these fees was not enough to cover the costs of running the network. For some, it was a case of not having reached a ‘critical mass’ of franchisees whereupon the network would become self-sustaining through fees. For others, the operating model simply didn’t generate enough income at local level to cover the costs of central operations.

None of those interviewed, however, contributed to the ongoing costs of franchisees incurred at the local level.

Therefore, while one model of practice for social franchising is for the central organisation to fund the costs of its network (Ahlert, 2008; Amies, 2000), this model was not employed by our interviewees. This could reflect a variety of factors, including the difficulty of attracting funding to support central administration costs, and the advantages of utilising a franchisee's local network and opportunities to source funding.

10.2 Initial Cost of Replication

The literature on replication readiness indicates that the costs of preparing an organisation to replicate are substantial. The evidence from our research is rather more mixed. There are huge variations in the estimated costs of preparing an organisation for replication, and indeed for establishing new replicated entities. However, it is still useful for planning purposes to look at average costs.

Of the 14 social franchises we interviewed, the average investment to get the organisation replication-ready was £98,259. However, this average masks enormous variation, with estimates from £4,627 (CAP) to £500,000 (CASA). The estimates of making CASA replication-ready are significantly higher than the other responses, so if we look at an average without CASA we get £67,356.

Most of these organisations did not cost in staff time, unless this was specifically funded as part of a replication-readiness grant. (Where this is the case such as with NCWRP the reported costs are generally far higher.) And yet 48% of organisations that had replicated took on additional staff in order to do so.

It is difficult to get a precise average from the survey respondents because the responses were for bands of price (see table 9 below). However, if we take the top of each band and average the results we get £37,883, which is substantially lower than the figure from our interviewees.

Julie Waites, of The Franchise Company, estimates that the average cost for a commercial business to become franchise ready is between £30,000 and £50,000, although again this varies enormously depending upon the complexity of the business, the amount of staff input etc. This cost would not include the cost of running the franchise pilot.

As previously noted, grant funding has historically been critical to organisations' ability to replicate successfully. Peter Crory at YMCA Scotland posited that: "The big winner of having received funding and support from Realising Ambition was the time and the capacity in terms of one and a half staff to actually take what we were doing... to get it all formalised and down on paper and record it...That's been huge."

It is recommended that funders make grant funding more available to those proven organisations seeking to replicate.

Any fund should probably be looking at grants / investments of up to £100,000 which would have covered the full cost of replication readiness for 80% of all our interviewees and respondents.

10.2.1 Cost of establishing replicated entities

Respondents who had not replicated were asked how much they thought it would cost to establish a new replicated entity.

Table 9 below separates respondents according to whether or not they had previously considered replication:

Table 9: Expected cost of establishing a replicated entity

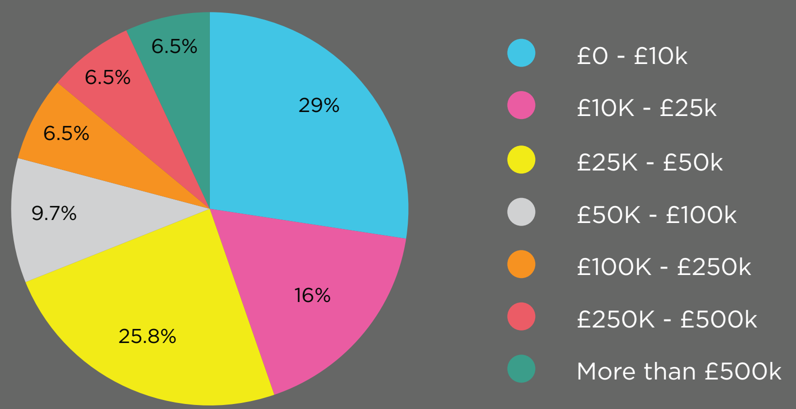
	No, but we've thought about it	No, not considered it
Less than £50,000	16%	22%
£50k- £100k	30%	22%
£100k-£250k	27%	13%
£250k-£500k	13%	4%
£500k-£1 million	5%	26%
More than £1 million	9%	13%
Total	100%	100%

Among those who had considered replication there was a clear convergence of answers around the £50,000 to £250,000 mark. When compared to the costs recorded by those who had already replicated (figure 6), these expectations appear to be overly high.

It may be that the reality is less expensive than the perception. It may also be that the reality of replicating generally requires cutting corners and doing things on the cheap, compared to the ideal budget for replication considered in advance.

Figure 6: **Cost of establishing replicated entities**

Reality: How much did it cost to establish the last replicated entity and enable it to reach the point where it broke even?



Broadly the same spread of costs can be seen amongst those specifically using a franchising model.

10.3 Funding replication

As argued earlier in Barriers to replication: access to finance, funding is one of if not the key challenge faced by social organisations looking to replicate.

In the ClearlySo research carried out for the Big Lottery Fund on investment readiness, for those organisations who had failed to secure investment, the principal use of investment would have been for 'scaling up'; this "suggests that there are significant problems for organisations wishing to access, riskier, scarcer growth capital" (Gregory et al, 2012).

Figure 7 highlights the importance of grant funding in financing replication. 79% respondents stated that grant funding had been used to finance the costs of establishing new entities.

One noticeable difference between charities and social enterprises was that charities were more likely to use grants to cover the costs of replication, while social enterprises were more likely to use a greater level of organisational surplus, as well as debt, equity financing and the private money of employees/trustees. This is despite those same charities having, on average, larger revenues than the social enterprises, for example 35.7% had revenues over £1 million, compared to only 14.3% of the social enterprises who had replicated.

The above notwithstanding, 60% of social enterprises also reported having used grant money to cover the costs of replication.

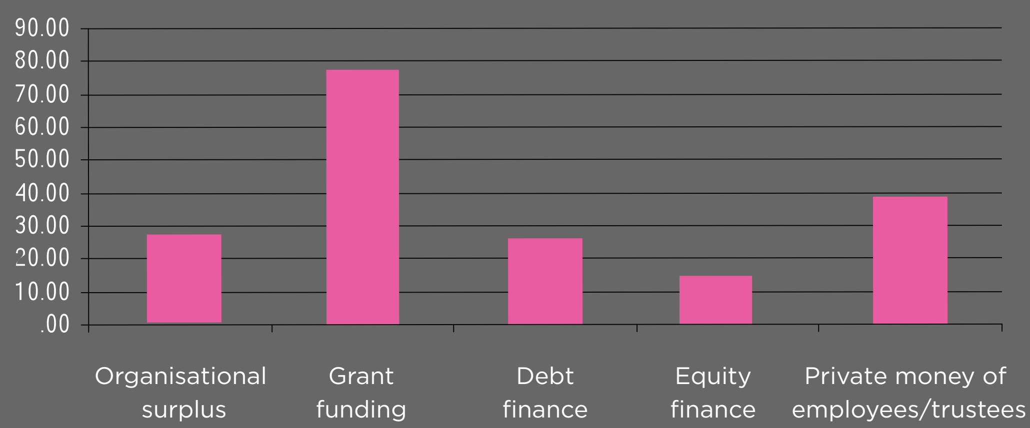
The importance of grant funding is supported by ESFN's 2011 survey[2] and our interview findings. Grants were used by 7 out of 10 of our interviewees to build organisational capacity to achieve replication readiness and/or to finance the ongoing costs of franchising such as staff salaries.

The remaining three needed to invest their own personal money in order to franchise.

2 76% of respondents received funding to establish their social franchise with the rest funding the development from their own resources.

Figure 7: **Sources of investment for replication**

What percentage of the following sources of investement made up the total budget for each replication?



11 Is there a “pipeline” for replication?

In order to make the case for the provision of increased support to those replicating, it is important to first prove that demand for replication exists. Further, determining the pipeline of replication ready organisations likely to be able to provide a return on investment is crucial when considering the viability of a social investment fund to support replication.

Our survey highlights a strong interest among social organisations in the UK. Of the 150 respondents in our survey, 29% had already replicated, 48% had considered replication, and only 23% had not considered replication.

We would expect a strong bias towards replication from respondents to a survey on social replication who were largely self-selecting. As such it is no surprise that only 23% of respondents had not considered replication and we cannot therefore meaningfully extrapolate into the wider social sector from this figure.

However, previous research supports the assertion that there is widespread interest in replication. In 2012 the Big Lottery Fund conducted research on social investment together with ClearlySo (Gregory et al). Of the 1246 organisations surveyed as part of that research 292 were interested in social investment in order to scale up. Of these, 71 had secured social investment; 39 had failed to secure investment; and a further 182 were interested but not yet approached investors.

Since around 50% of survey respondents were not interested in social investment, there may also have been others who were interested in scaling up but considered themselves unable to take on social investment.

11.1 Is the pipeline investable?

Opportunities for social investment which give a financial as well as a social return are not easy to find. Shanmugalingam et al (2011) found that only 16% of social ventures approaching social investment finance intermediaries were successful in receiving social investment. The requirements of ‘replication readiness’ are more demanding than those of ‘investment readiness’. (See section 12.1). Our research did not find sufficient replication-ready organisations to justify an investment fund to support replication. However, we would argue that there needs to be funding for ‘replication readiness’ in order to generate a significant pipeline of replicable social organisations to invest in.

12 What do potential replicated organisations look like?

The challenge of finding replicable projects and organisations is comparable to that of finding investable social ventures but with the added complexity of needing to be able to predict the changes to the organisation at scale. Indeed, there is considerable overlap between the two groups.

12.1 Investment readiness and replication readiness

A number of papers have been produced on 'Replication Readiness', most notably in the UK by UnLtd (2008b). The factors associated with replication readiness are listed below and compared to standards of investment readiness. Scale through replication requires significant investment in processes, quality control and upfront capacity.

Social Investment Finance Intermediaries (SIFIs) tend to differ in how they define investment readiness, in part because they are looking to invest in different types of organisation at different stages of their growth trajectory. Below are some attributes taken from the websites of CAN Invest and Big Issue Invest which are used as initial gauges of investment readiness.

Commonalities (CAN and Big Issue Invest):

- Minimum time operating: 2-3 years
- Robust business plan
- Accounts for last 3 years
- Social impact
- Sustainable financial model and the ability to generate surpluses to repay investment (in case of loan finance)

Other points:

- Good corporate governance
- Strong management
- Financial projections

All of the above factors, with the possible exception of generating surpluses, are essential to replication readiness. However, while there is a great degree of overlap between investment and replication readiness, it is clear that the latter requires important, additional preparation on the part of the social venture. These additional elements are listed below.

- Established demand in new location
- Robust measurement of social impact
- Understanding of the organisation/ programme's theory of change
- Systemisation of key processes
- Documentation of systems and processes (i.e. in franchising manuals etc.)
- Establish new systems for expansion
- New infrastructure (e.g. improved IT systems)
- Skills relevant to expansion
- Processes for finding and vetting prospective partners

Our survey:

As described in Section 9, organisations who had replicated or who had considered replication were more likely to have key systems and processes in place, including those for IT and accounting, as well as for monitoring and evaluation.

This is expressed in figure 8 below:

Figure 8: **Investment readiness versus replication readiness**

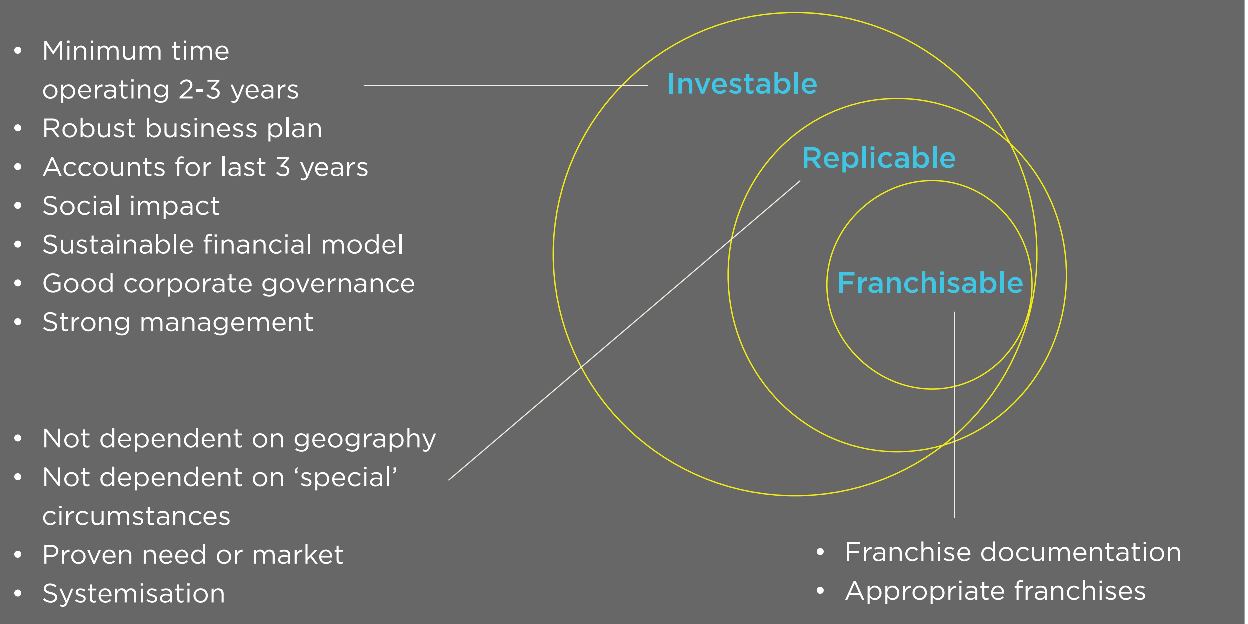


Table 10: The decision to replicate and organisational type

Organisational Type	All respondents		Have not considered replication		Have considered replication		Have replicated	
Charity	70	22%	22	84.6%	34	61.8%	14	43.8%
For-profit company	7	22%	2	7.7%	2	3.6%	3	9.4%
Social enterprises	33	13%	2	7.7%	17	30.9%	14	43.8%
Cooperative	3	4%	2	0.0%	2	3.6%	1	3.1%
Total	**113**	100%	**26**	100%	**55**	100%	**32**	100%

Our survey does suggest that social enterprises that earn some of their income trading with the public sector may be a fruitful area to investigate. However, half of the organisations that had replicated in our survey described themselves as charities rather than social enterprises, and the average income from public sector trading was still only 27%.

12.2 Legal structures

From our sample we can see that organisations describing themselves as social enterprises are more than twice as likely as to replicate as those describing themselves as charities.

12.3 Profitability

Only 29% of our respondents were social enterprises, so it is not quite fair to compare the whole dataset with the wider social enterprise sector. However, in doing so, we can see that broadly the same percentage of replicated organisations report making a loss as social enterprises more generally – which is broadly the same as the findings in as the private sector.

Table 11: Profit and loss of social enterprises surveyed

	Whole Social Enterprise Sector (SEUK, 2012)	Our Data
Profit	53%	38%
Broke even	19%	42%
Loss	23%	20%
Don't know	5%	

More interestingly, in our dataset there was no significant difference in financial performance between those that had replicated and those that had not:

Table 12: Profit and loss of social – replicated versus not replicated

	Replicated	Not Replicated
Loss	25%	18%
Breakeven	41%	42%
Profit	34%	40%

This suggests that replication has neither a positive or negative impact on an organisation's profitability, and that profitability is not a pre-requisite to replication.

It also suggests that looking for profitable social organisations is no guarantee of finding replicable ones.

12.4 Sources of income

There is a significant difference between those organisations who have and have not replicated when it comes to how they acquire their income. There is a much greater reliance on grant income and less trading with the public sector amongst those that have not replicated.

This difference remains significant even taking into account the increased proportion of social enterprises in the replicated group compared to the non-replicated group. This supports the view that scale up can help win public sector contracts. What is not clear is whether replication contributes to a more sustainable business model, or whether organisations reliant on grant support are less likely to/able to replicate.

Table 13: Income sources – replicated versus not replicated

	Replicated	Not Replicated
Trading activities with the general public or private sector	35%	34%
Public sector contracts for trading activities	27%	12%
Grants, donations, supports outcomes (e.g. The Work Programme)	9%	13%
Grants, donations, support from a parent charity or other non-earned income	29%	41%

13 The 5 Steps to Realising Social Replication

Based upon research findings we found 5 clear steps that we are needed to realise the potential of social replication in the UK.

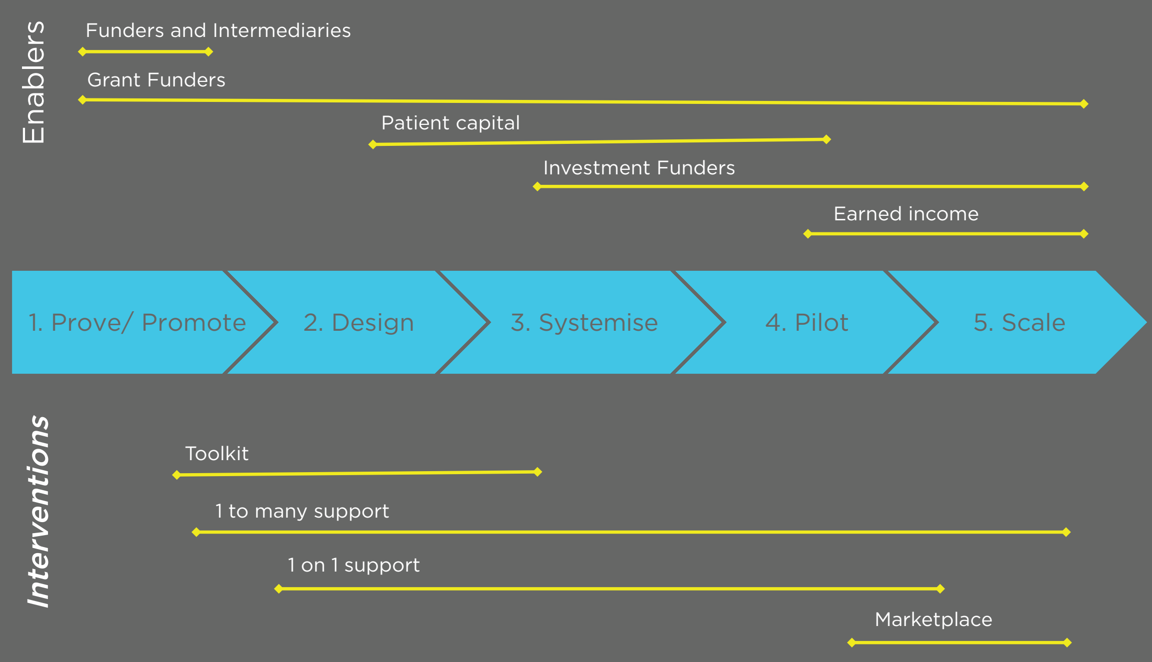
The five stages of social replication are:

1. Prove/ Promote
2. Design
3. Systemise
4. Pilot
5. Scale

Each step requires different funding and intervention types for social replication to reach its potential. We would emphasise that this is not a linear process and social ventures may wish to revisit earlier stages of the process even once they have reached scale, for example to ensure they remain competitive or because new opportunities arise as a result of achieving scale.

Figure 9 below displays the interventions that are needed at each of the 5 steps to help overcome existing barriers to and challenges of replication.

Figure 9: **Enablers and Interventions to Aid Replication**



The process for realising the potential of social replication:

1. Prove/Promote

a) Prove - for social organisations

Before being able to replicate, social organisations should ensure that their model is proven. The term 'proven' for now remains subjective and will require further definition in the future. One key aspect of this is impact evaluation: here it is hoped that a dominant framework (whether one or a set of) for evaluating social organisations will emerge. However, for now the ICSF has designed 10 questions to help organisations assess whether their model is proven and replication ready:

1. Social impact proven and evaluated?
2. Sustainable business model developed and demonstrated?
3. Success possible in another place without main assets?
4. Works in other cultures and conditions?
5. Process, systems, training and procedures developed for delivery and ensuring quality?
6. Everyone from staff to board and external stakeholders supports replication?
7. Legal arrangements in place?
8. Brand and values clear and unambiguous?
9. Significant market exists?
10. Supply of franchisees willing and able to take on the franchise?

The ICSF acknowledges that further work is required here but the list of above questions should provide a starting point for organisations to assess whether their own model is indeed proven and what needs to be done in order to make it so.

b) Promote - for funders

Currently, awareness of the different replication models and what they entail is too low in the UK social sector. Awareness of replication, including the various models i.e. franchising, wholly owned etc. and the necessary steps for their implementation, should be improved both among funders and other intermediaries, as well as among social ventures themselves. Information should be provided to those ventures interested in replication which would allow them to decide whether replication is right for their organisation at its current stage of development. This information should give those running proven social ventures an understanding of the various replication options and help them to come to a provisional decision as to which model would be most suitable for their organisation. Ventures should be given the resources to ask themselves which steps they need to take next and, if they feel themselves ready, signposted to expert advice and funding for the design stage (stage 2) of social replication.

Existing funders and other intermediaries should better learn the options for replication and the requirements of 'replication readiness'. They should then take steps to educate or disseminate information among those social organisations that they already support. Similar steps are being taken by some to promote improved standards of social impact measurement. This would compliment a greater awareness of the possibilities for scaling up.

An online toolkit, such as that being designed by the ICSF with support from Nesta and Bertelsmann Foundation, would introduce social organisations to the various options for replication, and help them to assess whether they are ready to begin the process of scaling up. This would create a broader understanding of replication among social organisations and reduce the number which approach funders and investors prematurely.

Other resources such as UnLtd's 2008 Replication Readiness Checklist and SEC's (2011) Social Franchising Manual provide a helpful introduction to the subject.

The School for Social Entrepreneurs (SSE), in partnership with the ICSF, has recently launched a course on social franchising. SSE also run separate courses on scaling up more generally. Such courses give those running social organisations a much better understanding of social replication, where they stand and the next steps that they need to take. Experts present at the sessions can provide advice to multiple entrepreneurs at the same time.

2. Design

At the 'design' stage a first-time franchisor has an idea they want to replicate which they believe is proven or near proven. The intervention required is technical support to assist the organisation in deciding which model of replication is appropriate for them and to create a road map to scale. Our research suggests this support can cost anything between £5,000 and £15,000 depending on the level of assistance.

Technical support will require funding and so it is recommended that a grant fund is created to attract replicable ideas. Grant funding is recommended for this stage because of the high risk of investment and the low likelihood of recouping the funding at a later stage.

At the end of stage 2 the replicating organisation and their funder will have all the information that they need to make an informed decision about progressing to stage 3. Practically, even if it is decided that a project should progress, it is likely that a number of internal development needs are identified as part of stage 2 which will take some time to develop and may require additional funding from alternative sources.

3. Systemise

Once the first-time organisation has made the decision to embark upon replication they need to systemise their processes and operations. During this stage the project will need a member of staff to create the systemised processes and ultimately manage the network of replicated entities. In addition, technical support will be required to ensure that the operating manual and processes are best practice.

It is recommended that grant funding also cover elements of this stage. Our research suggests funders should probably be looking at grants of up to £100,000 which would cover the full cost of replication readiness for 80% of all our interviewees and respondents. The average investment would probably be closer to £50,000.

4. Pilot

At this stage the project is systemised and ready to pilot for the first time. Some technical support is likely to be required at this point but it will need a lighter touch than for stages 2 and 3 and potentially more of a coaching relationship. The main cost at this stage will be the actual cost of each replication and therefore could be significant. A grant fund could match part of these costs with the majority of costs being raised from alternative sources or made available on a loan or equity basis. Match funding or equity funding would be possible at this stage as the risk to investors is smaller once the Pilot and Systemise stages are complete. An element of grant funding would increase the chances of attracting investors at this stage.

Although the majority of new replicated entities are set up for below £50,000, the average set-up costs across all respondents was almost £488,000. However, investing of up to £100,000 in new replicated entities would be sufficient for 83% of respondents.

5. Scale

At this stage the system has been proven and while it is possible that the replicating organisation may need some more funding while establishing a network of replicated entities, the primary concern is financing those entities. In this case a Social Replication Investment Fund could fund elements that a bank will not.

For franchisor models that require high franchisee volumes before reaching critical mass, higher quantum and more patient/equity-like capital would be required.

The creation of an online social replication marketplace would help bring together fragmented marketplaces, matching replicating organisations with potential franchisees or partners. It would also address the challenge of finding partners that share both social and financial objectives.

14 Creating a social replication ecosystem

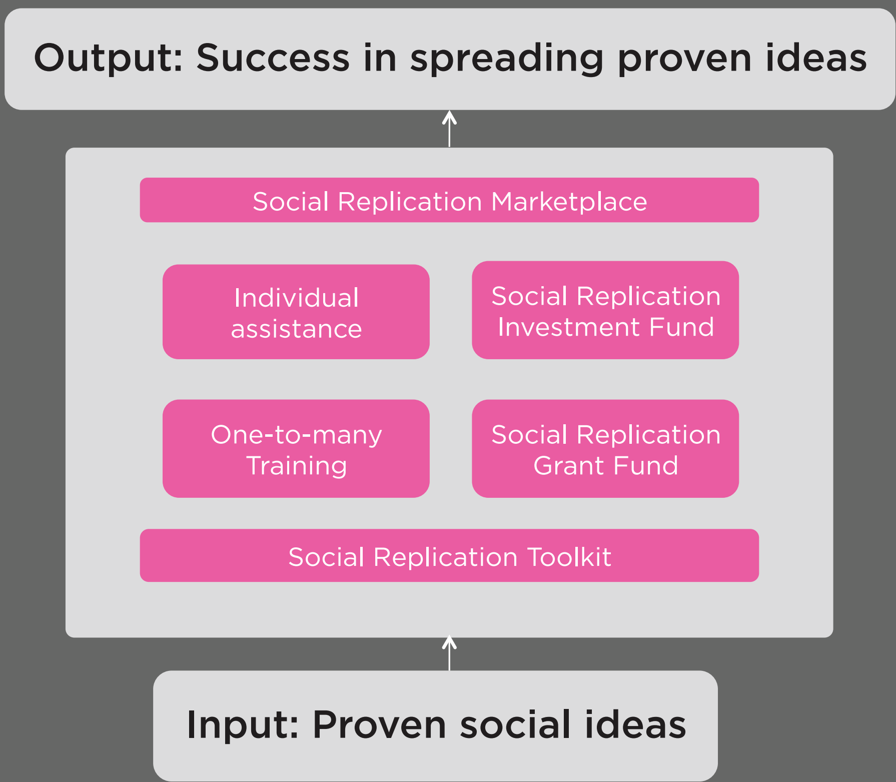
If proven interventions are to reach scale they must be able to be appropriately replicated in an effective and sustainable way, dramatically improving the way social needs are addressed in the UK and internationally.

Figure 10 below outlines the interventions that are necessary to facilitate the successful replication of proven organisations:

Proven social ideas enter into the ecosystem at the bottom of figure 9. They then pass through a number of interventions in order to reach scale. Each intervention will require a differing set of interventions to successfully replicate.

Evidently, these interventions apply to all models of replication. The reasons for this are as follows:

Figure 10: **The Social Replication Ecosystem**



1. When investigating replication, organisations should consider which model is most suitable for them (Social replication Toolkit, one-to-many training, individual assistance);
2. Social organisations pursuing different models of replication often face very similar challenges and require similar types and levels of external support;
3. Each of the models for replication, (see all ecosystem interventions) apart from the wholly owned model, require a partner to take on and implement the project (social replication marketplace).

14.1 Interventions Required

Table 14 discusses how the interventions will help organisations to overcome existing barriers. **Table 14:** Interventions required

Intervention	Description	Barrier(s)/ Challenge(s) Addressed	How
The Social Replication Toolkit:	An online, one-stop shop for organisations needing an introduction to replication and guiding through the process	• Insufficient knowledge about replication • Lack of skills internally	• Introduces social ventures to the various options for replication • Allow them to self-assess their replication readiness • Signpost ventures to appropriate resources or support
One-to -many training:	Practitioner-led, action learning programmes for leaders or key personnel within organisations considering replication. Introduces replication and gives participants the opportunity to reflect on their own experiences and ask experts pressing questions	• Lack of knowledge about replication • Lack of skills internally • Lack of expert support	• Improve understanding of replication • Provide opportunity for peer learning • Expert practitioners can address multiple social entrepreneurs at once
Individual assistance:	Expert consultancy assistance to support organisations through the 5 stages of social replication	• Lack of knowledge about replication • Lack of skills internally • Lack of expert support	• Improve understanding of replication • Expert advice based on deep understanding of model • Close support through replication process
Funds:	Finance to support replication. The nature of financial support required depends on the stage of the replication process an organisation is at, as well as whether its model is capable of generating a surplus/ profit - see section 13	• Lack of access to finance	• Grant funding can progress ventures through risky stages of replication process (design, systematize, pilot) or at later stages where financial ROI is unrealistic • Patient capital can assist where viable • Social investment can finance the less-risky stages of social replication
Social Replication Marketplace:	An online marketplace which would help to match parent organisations with those wanting to adopt and run proven social projects in their area(s)	• Lack of suitable partners/ franchisees	• Allow individuals and existing organisations to find appropriate models that match their objectives and capabilities

15 Recommendations

Throughout this report we have suggested ways in which funders could better support social replication and franchising in the UK, and in which social organisations could better equip themselves to replicate effectively. These recommendations have been summarised below.

15.1 Funders and Intermediaries

Now

- Familiarise yourself with the 5 stages of social replication
- Assess which parts of the social replication ecosystem your organisation could assist with
- Actively promote awareness of the different models of replication and requirements of each among your existing client base, rather than simply stating that projects applying for support should be “replicable”
- Work with expert support providers to help take proven social ventures through the 5 stages, thoroughly evaluating their progress

Medium Term

- Once sufficient pipeline has been developed, establish an investment fund for social replication
- Create and develop elements of the ecosystem which do not currently exist

15.2 Social organisations

15.2.1 Organisations considering replication

- Familiarise yourself with the 5 stages of social replication and the costs involved
- Read the Barriers, Challenges, ‘Getting Replication Wrong’ and Case Studies sections of this report. This will give you an indication of the work needed to replicate or franchise your organisation as well as the pitfalls to avoid.
- Assess how replication or franchise-‘ready’ your organisation is using resources such as ‘Replication Readiness Checklist’ and the ICSF’s online Replication Readiness Test
- Attend classes such as the School for Social Entrepreneurs’ social franchising or scale up courses
- When ready, approach expert support providers and funders

15.2.2 Existing social franchises

- Familiarise yourself with the 5 stages of replication. This is not a linear process; were there steps or actions that you missed; can you adjust your franchise model based on learning from past experience; have new possibilities arisen as a result of scale?
- If you are facing issues such as a financially unsustainable network or franchisees consistently not meeting their obligations, seek professional advice
- When your model is sufficiently developed to be investable (see section on investment and replication readiness), approach social investors

15.3 Future Research

Areas identified for further research include:

- Comparison of start-up costs and social impact of replicated entities and new start ups (not following established models) over an extended period of time
- As more social franchises emerge, franchisee success and failure rates should be compared to those of new start-up social organisations
- The ICSF’s report for BSC identified the possibility of socialising commercial franchises. Further research is required into the possibilities for, and feasibility of, socialising commercial franchises.

16 Conclusion

This research builds upon evidence compiled by academics and practitioners in identifying the potential for social replication in the UK and assesses what additional support is needed in order for this potential to be realised. The survey data collected and the interviews carried out provided a wealth of evidence upon which to base our conclusions and 'Eight Key Insights'. Having analysed and evaluated the findings of both, it is in our opinion clearer than ever that social replication, when well implemented, has the potential to revolutionise the way the UK social sector works and greatly enhance the way it addresses the country's most pressing social needs.

Further, our report sets out key recommendations for funders and social organisations interested in replication to follow, as well as a 'Social Replication Ecosystem' which will help organisations overcome barriers to replication and strengthen their own capabilities.

The Potential

Our research found that:

- There is great interest in social replication in general but the majority of organisations lack the knowledge to be able to fully consider their options, including the social franchising model.
- Replication can bring numerous advantages, including increased financial efficiency, professionalism, improved data collection, innovation across a network and income diversification.
- Social franchising works across a range of sectors and business models. Social franchises such as CAP and SSE operate effectively at scale, creating social change across the country.

However, this potential should not mask the fact that replicating successfully is highly challenging. The four key barriers to replication were found to be:

1. Access to finance
2. Lack of expert support
3. Finding suitable partners
4. Lack of capacity internally

The examples of fruit to suit and The Grow Organisation demonstrate the challenges that replication can bring. Both illustrate the dangers of replicating before a core model is proven, the importance of pilot replications, and managing the expansion process carefully. The subsequent transformation of fruit to suit's franchise demonstrates the importance of seeking expert technical support.

Realising the Potential

In order to address the current barriers facing social ventures considering or attempting replication, it is recommended that a variety of interventions be established that together will comprise a Social Replication Ecosystem:

- A replication toolkit
- One to many training on replication
- Individual assistance
- A fund to support replication
- A replication marketplace

These recommendations will go a long way to addressing the barriers and challenges faced by social ventures looking to replicate. Together, they would make replication and franchising far more viable propositions and enable social ventures, creating proven social value, to greatly increase their impact across the UK.

17 Case Studies

17.1 Replication and Program Strategies

Replication and Program Strategies, in Philadelphia, tested whether a nonprofit consulting and technical assistance organisation could effectively serve as a generic replicator for model programmes from a wide array of social policy arenas ranging from health to education to employment training. The Robert Wood Johnson Foundation (RWJF) provided $200,000 in funding between March 1994 and November 1996.

Summary of Outputs

Replication and Program Strategies:

- Formed and raised sufficient capital to finance its activities.
- Produced a variety of materials aimed at sharing the diffuse body of social program knowledge and experience to facilitate successful replication or programme expansion.
- Carried out several 6- to 12-month projects to assist the replication of well-regarded programs, and beginning in 1995, forged longer-term relationships with a number of other programmes.
- Provided technical assistance to 50 of the more than 100 programmes that came to its attention during this time.

Challenges / Learning

It became evident relatively early to RPS that there was no established market for a generic replication service, and that much of the organisation's initial efforts would have to be dedicated to creating that market.

It is a challenge to find worthwhile programmes to replicate, because so many lack adequate evidence of their effectiveness. This indicates the need for research and development of evaluation tools, both for internal use within a project and for objective, external assessment.

The goal of broadly promoting replication has been supplanted by identifying and assisting promising programs interested in or committed to replication. RPS expects that success in helping excellent programs get replicated will be the best way to generate the experience and knowledge needed to advance understanding and public awareness of replication.

17.2 Social Franchisors

17.2.1 Christians Against Poverty

Who are they? What's their social impact?

CAP currently run two social franchises: CAP Debt Help and CAP Money Courses, and will soon be launching a third: CAP Job Clubs. Their Debt Help programme – the focus of this case study – works with those affected by debt to provide a debt counselling and management service, helping them to create a realistic budget while negotiating with creditors on behalf of those in need for improved terms. This service is continued until the person becomes debt free. For those in severe debt, CAP will work through insolvency options with them.

CAP now has 218 debt centres around the country. Last year their debt helpline received 20,764 enquiries, they had 16,435 ongoing accounts and 1658 people helped by CAP became debt free.

Founded: 1996

First replicated: 1998

First franchised: 1998

Why did they replicate and/or franchise?

The founder was an entrepreneur who wanted to see the programme running throughout the country. Having worked previously in consumer finance and established centres around the country loaning money to people, he "jumped ship" and used a similar model to help those in financial difficulty due to debt. This wasn't seen as franchising at the time, rather partnering with local communities, but in effect took on a franchising model which built a national identity and network which provided benefits to all those who were part of it.

How does the franchise relationship work?

CAP works with local churches who form local debt centres. Workers and volunteers from these centres go into the homes of those in need and explain the service provided. They collect all the information and provide ongoing support in the form of advice. The technical part of analyzing the case and deciding on the advice to give is done centrally at head office.

Much of the ongoing support is provided from head office, including specialist advice. This makes the Debt Help programme relatively expensive – it was estimated that the Job Course programme would run for a tenth of the cost. Centres contribute an annual partnership fee, which contributes towards the central cost of the project and must fundraise locally to cover their own costs.

Monitoring and Evaluation

The most important indicators measured by CAP are the number of people seeking help and the success rate of moving people out of debt. Their system enables them to keep track of each person seeking help as well as the performance of the Debt Centres. This information helps keep centres informed and allows goals to be set at the start of the year by regional managers and performance to be measured against them. CAP also gives awards for the best centre, best new centre and for high-performing central staff.

Areas of the business invested in in order to replicate

- Initially needed management support to train up new centres and provide ongoing support to them.

- Over time have centralized more of the programme and built central infrastructure such as IT systems and monitoring and evaluation. They have moved from 5 staff to over 200 now.
- Have a systems developer who had been running one of the debt centres and who has created the management systems CAP use now.

How was this financed?

CAP's vision of replicating its social impact around the UK has always been a core part of its message and fundraising efforts. The majority of the money has therefore through donations. That said, CAP has received 13 capacity-building grants which in addition to funding one off investments, were also used to subsidise the extra costs incurred by expansion - whether additional costs incurred by new centres or additional centralised costs required to support the new centres.

What external technical support was received?

None

What have been the most substantial benefits of replication and scale?

- National profile and credibility
- The ability to influence banks and the money advice sector as a whole
- The churches not having to invent the processes themselves and be able to do something really well and professionally
- Ability to fundraise

What were the greatest challenges?

- Restructuring: in 2006 CAP overhauled the way it worked, centralizing more of its debt counselling service in order to professionalise the service and streamline services;
- Consistency of service: intensity of relationship and level of support provided at local level depends on the resources of the local centre;
- Fundraising: requires a very good fundraising team to get the funds to support the central organisations

Sharing best practice

They receive feedback from their team of area managers who are employed part-time and run their own centres. National and regional conferences also provide a great opportunity for franchisees to meet each other and share best practice.

A few centres, in addition to visiting people in their homes, have started running drop-in cafes, which CAP are now piloting on a wider basis.

CAP's CEO also noted that:

"CAP received feedback from centres that the all-round befriender role was really difficult to recruit for so they were often splitting it down, for example some people go on visits, some follow up, some just do food shops. As a result of that we're launching the new support team model which is made up of four teams: visit, prayer, social and blessing. Hopefully this will make it a lot easier, particularly for new centres to recruit volunteers."

What additional support would be useful?

- Investment in technology: "If we could get a grant for a few years that we could use for IT development we could use that to massively good effect and it would probably pay itself back in terms of staff"
- Consulting: "We've had very little consulting." Other franchisors would need this more.

17.2.2 Chance UK

Who are they? What's their social impact?

Chance UK works to improve the lives of primary school children with behavioural difficulties who are at risk of developing anti-social or criminal behaviour in the future. Children aged 5 to 11 are referred to Chance UK, mostly by their schools. Those children are assessed using Goodmans Strength & Difficulties Questionnaire and then matched with a volunteer mentor. Over the course of a year, that child and mentor will spend 2-4 hours per week, with educational and fun goals set for them respectively. At the end of the year children graduate from the programme at a ceremony at their town hall led by the mayor, giving them a positive ending.

Chance's early intervention mentoring service now operates in 5 areas nationally & 5 boroughs in London.

Founded: 1995

First replicated: 2004

First franchised: 2006

Why did they replicate and/ or franchise?

Chance was initially approached by an organisation in Northern Ireland who wanted to operate their model.

At the time it was not practical in terms of funding and not knowing the local area to expand the programme into new areas themselves. The other organisation already had the funding and the local knowledge.

This pilot project allowed Chance to work out which elements of their model were essential and which could be adapted by franchisees, and crucially, proved that the model worked in a new area. Chance then approached Action for Children to take on the programme as a franchisee.

How does the franchise relationship work?

Chance UK provides franchisees – who must be proven, existing organisations who are sustainable and have the requisite contacts in their area - with a licensing agreement, manual, training and central support. Programme managers in London also 'buddy' with their equivalents in franchise bases. Chance UK's National Development Manager primarily supports the franchisees' project leads. Originally a franchise fee was not charged, with the National Development Manager's role being grant funded. Chance introduced a yearly fee for their latest franchisee.

Areas of the business invested in in order to replicate

The manual and training resources were developed in-house.

How was this financed?

- An ex-mentor donated £100,000 to help Chance develop their franchise model and provide seed capital for three new franchisees.
- The remainder of the National Development Manager's salary was grant funded from other sources.

What external technical support was received?

Action for Children, one of their franchisees, advised them on their monitoring and evaluations systems as well as recruiting volunteers. Otherwise, very little external support has been received. They found that some umbrella organisations they approached for help were very sceptical about their franchising model and offered little help.

What have been the most substantial benefits of replication and scale?

It has allowed them to reach more children around the country.

What have been the greatest challenges?

- Their Wolverhampton franchise has involved a lot of work as it encompasses a lead partner and four additional organisations who host the programme workers, each of which have needed support. It may be necessary to introduce a tiered system of fees in the future;
- Their Liverpool franchisee had to close due to cuts at the franchisee organisation, although the programme still runs in an area of Liverpool (Knowsley) which is funded by the local authority. Sustainability at franchisee is a key challenge;
- Sustainability across the network and for the central organisation is an issue;
- In order to run a further-expanded network, another central staff member may be needed.

Sharing best practice

Action for Children's monitoring and evaluation system has provided the basis for their current system.

What additional support would be useful?

- Peer support
- One-to-one consultancy on sustainability
- Help developing monitoring and evaluation

17.2.3 fruit to suit

Who are they? What's their social impact?

fruit to suit is a social enterprise which delivers fun and engaging business and enterprise programs to primary and secondary schools nationwide. Their programs develop and encourage entrepreneurial skills and a greater understanding of business planning which can be consolidated by establishing and operating a long- term, sustainable healthy tuck shop business.

fruit to suit franchised before it was ready and has experienced significant difficulties as a result. However, they then received assistance in turning their struggling franchise around and it has now been re-launched on a firmer footing. fruit to suit now have 9 franchisees and operate in over 100 schools nationwide.

Founded: 2007

First replicated: 2008

First franchised: 2008

Why did they replicate and/or franchise?

In 2008, fruit to suit's main activity was the bagging and delivery of healthy snacks to schools; their training programmes had not been developed. At the time it was suggested by a business advisor the model could be one other mums could follow and franchising would be the best model to follow. In hindsight, fruit to suit's founder acknowledged this was "far too early", they "didn't know enough about franchising" and "didn't go about it in the right way."

What was fruit to suit's initial experience of franchising?

The four original franchisees received a basic manual, stationery and a uniform for a low fee of £1,000. fruit to suit experienced a range of problems in which franchisees made substantial alterations to the original model, including selling unauthorized products, changing the programmes, marketing outside of their territory, using their own marketing material and not maintaining their accounts properly. Addressing these issues was time consuming for the central organisation and risked damaging the fruit to suit brand. Further, when changes were made to the original programme, a few of the existing franchisees refused to alter their offering.

The importance of technical support

Initially, fruit to suit received well-intentioned but highly questionable advice and their only significant investment was in the franchise agreement. Having had a really negative experience of franchising to begin with, fruit to suit then received pro bono support from Green Frog, a commercial franchising consultant.

Over the course of 2011-2, fruit to suit established new recruitment processes, ways of dealing with relationships and a greatly expanded operations manual. An office manager has also been brought in to deal with day-to-day queries, putting space between the founder and the franchisees.

fruit to suit now has nine franchisees, three of which have been recruited since the changes were made to the franchise model. Interestingly, existing franchisees have reacted well to the changes and the increased number of rules which they are now required to follow. Training is now much more in-depth, conducted over four days.

Areas of the business invested in in order to replicate

- Franchise agreement;
- Operations manual;
- Systems and process codification;
- Office manager;
- Website;
- Online book keeping system.

How was this financed?

The consultancy was received on a pro bono basis; however, re-writing the manual took the CEO around six months.

What external technical support was received?

fruit to suit has received a lot of support through Invest World. The franchise consultancy which has helped turn the business around was provided by Green Frog.

What have been the most substantial benefits of replication and scale?

Franchising has meant the business has been able to grow quickly. The business has developed in new ways largely because of constructive input from franchisees.

What were the greatest challenges?

fruit to suit's greatest challenges involved franchisees who were making unauthorized changes to programmes and the way they operated. fruit to suit has reacted to this by becoming more controlling and introducing a very thorough operations manual.

Sharing best practice

fruit to suit's relationship with its franchisees has become more controlling following the consultancy work. CEO Terrie Johnson said: *"I am very open to and welcome suggestions from franchisees, fruit to suit has developed over the years due to the constructive input from franchisees. Every franchisee brings an area of expertise to the company whether it is marketing or accounting. However, none of these suggestions can be put into operation until they are in the operations manual. We all follow the same operations manual."*

What additional support would be useful?

- Finding suitable franchisees: "It's difficult finding somebody with the experience we need who's also going to appreciate our social aims as well."
- Technical support and consultancy would have been very useful at an earlier stage.
- A place where franchisees can go to for independent advice and business training.
- Financial support for franchisees: currently if franchisees can't afford to pay the fee upfront, fruit to suit will accept it in instalments. However, this increases the cost of dealing with these franchisees and impacts negatively on cash flow.

17.2.4 The Grow Organisation

Who are they? What's their social impact?

The Grow Organisation provides training, volunteering, professional work experience and employment opportunities to young people furthest from the job market and work in partnership with organisations who share those values. They also incubate new ideas and enterprises that support economic growth.

Grow tried franchising a number of its enterprises, including Mow & Grow and a recycling business. Fourteen franchisees were started, yet these have all now been closed.

The Grow Organisation

Founded: 2008
Grow Org (2006 Mow & Grow)
First replicated: 2009
First franchised: 2009

Why did they replicate and/or franchise?

A number of years ago there was considerable hype around social franchising and "considerable pressure to replicate." Both Mow & Grow and the Grow Org had also received a lot of praise and attention from the press and funding was relatively easy to access through the Future Jobs Fund.

How does the franchise relationship work?

Franchisees were required to pay 3% turnover to Grow. There was nominally an initial fee (£2,500) but this was not always collected. Franchisees were provided with differing levels of resources depending on which franchise they took on. Mow & Grow franchisees received a license agreement, training folders and a policies and procedures manual.

Franchisees were provided with two days' training. Agreements were often re-written in-house by a previous director, leading to later complications when trying to collect fees and terminate franchisees.

Monitoring and Evaluation

Grow did not invest in monitoring and evaluation systems prior to replication. Following the departure of the previous director at Grow, it quickly became apparent that there were not systems in place to allow it to keep track of its franchisees' performance. These were then invested in and have been retained to monitor current partnership work within Norwich and Suffolk.

Areas of the business invested in in order to replicate

- Franchising agreement (x1) approximately £5,000
- Trademarks x 9 (approximately £11,000)

How was this financed?

Surplus generated within enterprises

What external technical support was received?

- Grow did not receive external technical support to help prepare it for replication, though Mow and Grow had received level 1 and 2 awards from UnLtd.
- Grow brought in an external consultant in once the extent of the damage

had been realised. The consultant was then responsible for helping Grow to recover and managing the closure of its franchisees.

What were the greatest challenges?

- Franchising was pursued prematurely, too many franchisees were set up too quickly, and those franchisees were not suitable either in terms of business skills or social aims.
- One director took charge of franchising and managed to conceal the extent of the franchising operation and its running from other Grow directors.
- In the recycling business, franchisees were not recording the work they carried out thereby making royalty payments impossible to collect.
- Franchisees refused to accept responsibility for developing new business and earning their own contracts.
- Closing down its franchisees was an arduous task and Grow has had to refocus its efforts on its immediate geographical area and commercial income generation.

What additional support would be useful?

- If Grow were to try franchising again it would need to be able to find franchisees who share the same values.
- It would also need staff time and resources to conduct market research and feasibility studies in prospective areas.

17.2.5 Home Instead

"I think if you get the franchising right you get the best of both worlds. You get the corporate structure and the know-how with an independent owner who's really passionate about making that a success in their own community."

"There are two ways of franchising: employing a prescriptive model such as McDonalds, and a more adaptive model like Home Instead's."

(Home Instead CEO Trevor Brocklebank)

Who are they? What's their social impact?

Home Instead provides care in the home predominantly for older people, providing a range of services particularly looking at companionship and home help as well as personal care. It is the first two services that set it apart, taking a new approach to social care and enabling elderly people to stay in their own homes for longer. The business originated in the United States in 1994, with the CEO in the UK having bought the master franchise 7 years ago. Home Instead now has 130 offices in the UK and employs 6,500 people.

Founded: 2006

First franchised: 2007

Why did they replicate and/or franchise?

The CEO bought the master franchise for the UK, giving him responsibility of establishing, growing and maintaining a network of Home Instead franchisees across the country. He argued that "franchising works extremely well because you've got that local passionate individual, and if you look at the calibre and experience of people we've got coming through you've got people who've had large six figure salaries, they want to use their business acumen and experience to make a real difference in their community."

How does the franchise relationship work?

Franchisees are selected based on their performance in interviews as well as in psychometric testing.

Values are considered very important and those only interested in making money are deselected "very early on". The vast majority of franchisees are individuals though Home Instead does work with one Primary Care Trust.

Training is done initially, then at the 90-day mark and again after 180 days. This is designed to fit with the typical franchisee experience in which they experience considerable lows and challenges. The central organisation also carries out regular support visits to help with ongoing issues and adapting the model to local circumstances. Ongoing support is also provided by its 23 central staff who can help with different areas of the business.

Areas of the business invested in in order to replicate

Home Instead received training and the operations manual from Home Instead's US office. This has dramatically reduced the amount of time taken to establish and grow the business. In addition to this a new franchise agreement had to be drafted for the UK due to its different legal environment.

How was this financed?

Personal financial reserves.

What external technical support was received?

The US Home Instead business has been the primary point of call for advice and support. They have also used a UK-based franchise lawyer to get the agreement right.

What have been the most substantial benefits of replication and scale?

- The impact that Home Instead has been able to make on the lives of the people in its care.
- Home Instead is now in a position to advocate for changes to the UK care system through talking to politicians, providing evidence for official reports and being interviewed by national newspapers.
- It has reduced the costs of running the business; for example, training is much cheaper per franchisee when multiple franchisees are trained together.

What were the greatest challenges?

It took three years for the business to become profitable as time and care was taken to get the model right:

"I think there are three chapters in setting up a franchisor business. The first is the pilot...when you set a

business up normally you rush through that to get to break even as fast as possible. Here you've got to catch the learning, document it and write your processes, so there's a lot more work to be done rather than just that sprint. Once you've done that you've then got to start recruiting your first franchisees. Your franchise fee should only really cover your start-up costs and recoup your cost of sale. It won't give you any profitability. So that takes you to the…third chapter when your franchisees start generating sufficient revenues to pay you a decent ongoing service charge that you start to make any money. So that's quite a lengthy process if you go through it at the right speed – and therefore the incentive is to speed that process up, but you will reap the benefits later of taking it slowly at the beginning."

This had to be self-financed since the banks were not interested in taking the initial risk.

Sharing best practice

Home Instead encourages adaptation and innovation across the network. Certain elements of the model and standards are fixed, for example introducing a client and a caregiver the first time they meet.

The rest of how Home Instead operates is best practice: how a franchisee communicates, builds, recruits and retains the best caregivers is down to the owners. Innovation can be fed back to the central organisation and in turn, across the network.

What additional support would be useful?

- A social franchise fund could potentially help provide finance to owners who are unable to raise the finance through commercial banks or can't use their family homes to underwrite those loans.

17.2.6 Mytime

Who are they? What's their social impact?

Mytime is a social enterprise based in the West Midlands that delivers award-winning, evidence based, culturally sensitive and professional counselling and support services. It has a proven record of delivering effective services to the whole of Birmingham, where established providers of mental health care have historically missed ethnic minorities. Mytime is 49% owned by its service users and 60% of Mytime staff are ex-service users, and reflect the gender and cultural make-up of the society in which it operates.

Founded: 2002

First replicated: Mytime West Mercia was set up in December 2011 as a pilot franchise.

First franchised: Mytime West Mercia is expected to become a franchisee by the end of 2013.

Why did they replicate and/or franchise?

Mytime first started to consider social franchising in 2007-8. Like many social enterprises in Birmingham, they were heavily dependent on European money which was matched by local authorities. When this dried up Mytime had to look at other sources of income. Franchising was deemed a way of earning additional income. When looking for contracts they could tender for, commissioners in Worcestershire who wanted them to run their counselling services in children centres approached Mytime.

How does the franchise relationship work?

Currently, Mytime and Mytime West Mercia bid for public contracts and develop services together. Franchisee

fees are staggered over the first three years as it takes time for franchisees to attract higher-margin work. Franchisees are required to use the Mytime brand and will receive an operating manual and training. Mytime is trying to establish national contracts that will enable them to provide income to new franchisees from the outset.

Monitoring and Evaluation

Mytime uses the NHS's Clinical Outcomes in Routine Evaluation framework to evaluate its patients' progress as well as conducting case studies and research studies together with universities. They were in fact able to show that post-natal depression and domestic violence were significant problems in Worcestershire, and the local commissioning body has subsequently given Mytime a contract to run an online service to tackle these issues.

Areas of the business invested in in order to replicate

Mytime have re-designed their website which contains the franchise manual and will be used by franchisees to input data. They have also invested in a cloud server which enables them to aggregate all the data collected by their outreach workers centrally. This will be of huge benefit to franchisees, as increasingly mental health commissioning is being done on a payment-by-results basis.

Preparing to replicate required a lot of staff time. Mytime received financial support from Big Issue Invest to enable existing staff members to dedicate their time to preparing the organisation and writing the operating manual.

How was this financed?

Mytime has received grant funding from the Esmee Fairbairn Foundation as well as investment from Big Issue Invest.

What external technical support was received?

Mytime received support from commercial consultants Franchise Business to help them establish the proposed franchise model. Additionally, they brought in a professional manual writer to conduct workshops to help create the basis for their operating manual. Lawyers were also used to draw up the franchise agreement, though the first agreement had to be altered considerably as it was not fit-for-purpose.

Mytime is part of Deloitte's cohort of Social Innovation Pioneers.

They designed a forecasting dashboard which allows them to forecast their income, including that earned from franchisees.

What were the greatest challenges?

In order to provide mental health services for the public sector, organisations are required to have pre-existing 2-3 years of accounts as well as insurance of up to £10,000,000 and meet demanding quality services. Commissioners therefore want Mytime to hold the contracts to begin with, leading Mytime to establish a system of internal and external franchises.

The commissioning environment is currently undergoing significant changes.

What additional support would be useful?

- Funding to help provide new franchisees with a proportion of the value of the license fee that the banks will not cover.
- Local level organisations who can provide independent advice to franchisees on the business side of taking on a franchise, as well as basic business skills.

17.2.7 National Community Wood Recycling Project

Who are they? What's their social impact?

The aim of the NCWRP is to save resources by reusing and recycling waste timber and to create jobs, training and volunteering opportunities for disadvantaged people. Members of its network collect wood from building sites and reuse it, either by selling it to the public or manufacturing simple products such as tables or benches, which are also sold to the public.

NCWRP have received numerous social enterprise awards for their work and are now affiliated to 27 other organisations using their model.

Founded: The original Community Wood Project was set up in Brighton in 1998.

First replicated: 2001. Franchising body was created in 2003.

First franchised: Model has gradually become more like that of franchising over time, as NCWRP have developed their model and become more confident of it.

Why did they replicate and/or franchise?

Initially, people interested in taking on Brighton & Hove WRP's model approached the managing director there. He and others have always been keen for the model to spread due to the potential to increase social impact and create jobs.

How does the franchise relationship work?

NCRWP was described as a loose franchise, having started replication using dissemination and then gradually tightening up the model. Initially, there was no fee for taking on the model and a member of staff from the NCRWP spent considerable time visiting new entities, helping them to set up. As time has progressed, the model has been tightened up, the market for the service has grown and some new entities have been charged an initial fee, depending on their ability to pay. The central organisation is now able to negotiate national collection contracts with building companies and takes a proportion of its value. Support and training is offered by the central organisation, and a franchise pack has recently been created.

National Community | Wood | Recycling Project

There remains significant freedom for new entities to adapt the model and common branding is not a requirement.

Areas of the business invested in in order to replicate

- Entrepreneur Coaching
- Invoicing and a Collections Management System has been developed using a capacity-building grant.
- IT systems
- Central sales, marketing and admin

How was this financed?

The national body (NCWRP) responsible for replicating the Community Wood Project's model has been grant funded for much of its life due to low turnover and profitability of the franchise model it promoted. A small grant from CRED was followed by 3 years of funding from Esmee Fairbairn; after a year with no funding Aspire funded a training scheme for homeless people via CLG, before WRAP funding was secured to support core costs for 3 years and allow NCWRP to generate income streams for the franchising body, a Capacity Builders grant supported investment in bespoke collections management software, and a smaller grant from SE2 was used to help director Ali Walmsley focus on sales generation.

This grant funding has been essential to NCWRP reaching the scale required to become sustainable. NCWRP has received various other grants over its history, twice from Awards for All, for example. A future jobs fund contract was won as part of The Green Jobs Partnership. Grant funding has always been topped up with money earned by consultancy, carrying out feasibility studies and charging for set-up support where and when it was possible.

What external technical support was received?

- External support was used to build the invoicing and collection management systems.
- NWCRP did receive help from a consultant through Capacity Builders, although this was described as "not too helpful" for income generation.

What have been the most substantial benefits of replication and scale?

- Replication has enabled NCWRP to market itself as a nationwide service to builders, enabling it to bring in national contracts and in turn offer more revenue opportunities to franchisees.
- Credibility
- It has also enabled them to multiply their social impact dramatically

What were the greatest challenges?

- NCWRP see themselves as having created an industry. Securing fees from franchisees has therefore only become possible as that industry has matured and market conditions have changed.
- There was a period of about a year in which grant funding dried up, leading to a substantial downsizing of the franchising body which was temporarily run from the managing director's home with support from working tax credits and volunteers the only help in the office.
- Many franchisees had little or no experience of running businesses although this is not a determinant of success or failure.

Sharing best practice

A franchise pack has now been developed to provide guidance to replicated entities in a number of ways.

What additional support would be useful?

- A fund to help franchisees set up would enable NCWRP to standardize franchisee fees.
- Funding to help established enterprises grow to scale and invest in capital equipment and business development would now be useful.
- NCWRP believes it has always delivered excellent value for funding it has received, recently multiplying it many times over in income brought in to the sector. Further funding of sales and marketing effort in construction would help.
- Help in securing premises. After funding, premises are the second most difficult hurdle to get over for franchises, and probably the key determinant of a successful retail outlet for reused timber.

17.2.8 School for Social Entrepreneurs

Who are they? What's their social impact?

SSE was founded in 1997 by Michael Young. Its mission is to address inequalities and social exclusion by supporting social entrepreneurs from all backgrounds to transform their talent into real social outcomes, in the form of sustainable solutions to poverty and disadvantage in communities. It does this through the use of action-learning based programmes of personal and organisational development.

SSE supports individuals to realise their potential and to establish, scale and sustain, social enterprises and social businesses and has 10 franchisees in the UK, as well as 2 internationally in Australia and Canada.

Founded: 1997

First replicated: 1999

First franchised: 1999

Why did they replicate and/or franchise?

SSE chose franchising as the model for replication for two main reasons: firstly, the background of the CEO was in commercial franchising; and secondly, being the SSE, they wanted to change to instill a spirit of entrepreneurship among those running the organisation in new locations, since they would be responsible for running their own businesses. The latter would among other things augment the credibility of those running the new schools in the eyes of their students.

How does the franchise relationship work?

Half of SSE's franchisees were initially, or are now, incubated within larger organisations, while the other half have been started by passionate individuals.

school for social entrepreneurs

Whatever their background however, prospective franchisees must overcome a two-stage application process, display the requisite attributes and share SSE's values. Franchisees must adhere to their obligations as set out in a license agreement, and are subject to regular quality audits.

Franchisees must pay ongoing fees to the franchisor although these are subsidized by the central organisation as it has been agreed by the trustees that this is necessary to a) make the franchise affordable and b) allow franchisees to build strong businesses. The central organisation also takes a contract management fee for national contracts.

Areas of the business invested in in order to replicate

- Customer Relationship Management (CRM) database system;
- Website;
- Sales and Marketing;
- Policy lobbying;
- Quality audits; and
- Monitoring and evaluation.

How was this financed?

After having established their first franchise in Fife, Scotland, SSE were able to secure funding from the Big Lottery Fund which helped them to strengthen the core business and establish two new franchisees. This three figure grant was described as essential.

Over the years external funders have contributed around £1 million to support the building of SSE's franchising network; a figure which SSE itself has matched.

What external technical support was received?

- Joint evaluations, for example with New Philanthropy Capital and New Economics Foundation;
- Initially external support was sought from an academic to write the operations manual, yet this did not accurately represent SSE's functioning and so a writer was brought in and re-wrote the manual;
- Legal support.

What have been the most substantial benefits of replication and scale?

- Social franchising has become a differentiator for SSE;
- Its network has allowed SSE to take on national contracts.

What have been the greatest challenges?

Having suppressed franchise fees, SSE are keen to reach "critical mass", when the number of franchisees paying fees will mean that SSE breaks even on its franchise network.

As SSE's target market are the poor who cannot afford to pay for the classes, those franchisees creating the largest social impact are often "earning" less of their income. This has provided another reason for subsidizing the franchise fee.

What additional support would be useful?

SSE has never received support from a franchising consultant. This would have been very useful in helping them to codify their offer to franchisees.

17.2.9 Tatty Bumpkin

Who are they? What's their social impact?

Tatty Bumpkin provide yoga classes for babies and young children according to a developmental programme designed by paediatric physiotherapists, yoga teachers and educationalists that is aligned to the Early Years Curriculum. Their classes have a significant developmental impact for the children and help them bond with their parents, as well as being suitable for children with special needs and where English is not a first language. Classes are taught at schools, nurseries and Sure Start Centres. 90% of Tatty Bumpkin's franchisees are also themselves mothers looking to get back into the job market while at the same time looking after their own children. In addition to the classes, Tatty Bumpkin has created a "natural lifestyle brand".

They now have 27 active franchisees, having sold 32. 4,000 children benefit from their classes each week.

Founded: 2004

First franchised: 2008

Why did they replicate and/or franchise?

Having originally tried a looser licensing model for the provision of teacher training, Tatty Bumpkin's founder wanted a model which would allow for a greater range of services to be provided that would allow for an increased, sustainable level of central support.

How does the franchise relationship work?

New franchisees either privately finance, or are able to borrow money from private banks in order to establish their franchises. They receive an initial 2 days of teacher training, 2 days of business training, and a further 2 days of teacher training plus in addition an operations manual, promotional materials and ongoing support from the central office. They are themselves allowed to use the Tatty Bumpkin brand and gain access to all the materials required to run classes and sell associated products within a specified territory.

Areas of the business invested in in order to replicate

Tatty Bumpkin is a member of the BFA and had to invest a substantial amount of money to ensure they met its standards. Trademarking, the design of the franchise system, and territory mapping have also had to be invested in.

How was this financed?

Apart from a Level 2 Award from UnLtd, Tatty Bumpkin's founder has had to fund the development of the business herself.

What external technical support was received?

Tatty Bumpkin invested substantially in the support of a franchising body to support them in readying the business to be franchised. They also invested in legal advice and professional territory mapping. SEEDA (South East Development Agency) provided a £2,500 grant for consultancy and business advice.

Monitoring and Evaluation

Surveys and assessments by child development experts are used to assess the outcomes of classes. Outcomes include increased confidence among children and among parents in supporting their children to play and learn. Tatty Bumpkin franchisees participate in an annual survey run by Smith and Henderson, a specialist franchise recruitment consultancy. Last year, 100% of franchisees got job satisfaction from running their business, 96% "loved" the peer support from the network and 88% struck a "reasonable work/ life balance."

What have been the most substantial benefits of replication and scale?

Franchising has provided significant margins and enabled the business to be scaled without having to directly employ large numbers of staff, lessening risk to the central business. Suggestions from the network have also allowed Tatty Bumpkin to improve their programme and business. Other benefits include the brand being known nationally and internationally, having received interest from a party in China wanting to buy a master license.

What have been the greatest challenges?

- CEO Sam Petter feels as though there is a difficult balance between supporting franchisees whilst growing the core Tatty Bumpkin brand.
- Sam has also tried to secure private investment, including on Dragons' Den, yet private investors have often struggled to comprehend the social side of her business.

Sharing best practice

Franchisees communicate with each other using a Facebook private network to ask each other questions and resolve issues they are having. The development of the now highly successful 'Baby Bumpkin' class was a result of feedback received from franchisees who recognized the demand for the class.

What additional support would be useful?

- Sam would like an additional staff member to manage the network and enable her to focus on building and growing the business.
- Financial support for franchisees who would be unable to access commercial loans.

17.2.10 YMCA Scotland: Plus One Mentoring

"We literally could not have replicated without the space that Realising Ambition has given us over this past year just to set things in place properly."

"It takes a shed load of work to get [a proven social programme] to the stage where it can be effectively reproduced elsewhere."

YMCA Scotland CEO, Peter Crory

Who are they? What's their social impact?

Plus One is an early intervention youth justice programme which receives referrals from statutory partners of young people who are on the cusp of heading into the criminal justice system. Beneficiaries are between the ages of 8 and 14 and are partnered with volunteer mentors who, together with programme supervisors, build trusted relationships, helping young people to think through their choices, changing their behaviour and attitudes. Piloted between 2009 and 2011 in three locations across Scotland, the programme is now being rolled out in 5 new locations, with a further 5 planned after that, as part of the Big Lottery Fund's Realising Ambition programme.

Founded: 2009

First replicated: 5 new franchisees will start programme delivery in April 2013

First franchised: 2013

Why did they replicate and/ or franchise?

YMCA Scotland's Plus One pilot projects were built on a strong evidence base and had achieved significant, measurable social impact. YMCA Scotland wanted a way of ensuring that the programme was delivered as it had been in the pilots so that similar outcomes could be achieved. If those standards weren't met by replicated entities, YMCA wanted a way of discontinuing the service without damaging the entire brand. Further, it was a way of being "crystal clear about here's what you get and here's what you have to give and that's a level of clarity that is highly unusual in the voluntary sector". Long term, it is envisaged that the franchisee fee will pay for YMCA Scotland's central coordinator.

How does the franchise relationship work?

Franchisees must be existing social organisations with a track record working with young people, already have the contacts to comprise the referral group and have the support structure in place for the Plus One Supervisor who runs the programme. They must deliver the core elements of the programme to a high standard or risk losing the franchise and adhere to the operations manual. Franchisees receive certain territories for which they are responsible. YMCA Scotland will provide training and support in addition to the manual, fundraise centrally (though the model is based upon local authorities funding programmes locally) and carry out advocacy work.

It also has a website which has hundreds of documents uploaded which franchisees will need. Franchisees only pay a small yearly fee as it was decided that this was all the sector could afford.

The 10 franchisees recruited as part of the Realising Ambition support will receive seed funding for the first three years of running the programme which local authorities have to match. After the three years it is envisaged that local authorities will assume the entire cost of running the programme.

Areas of the business invested in in order to replicate

- IT systems to provide information to franchisees and to receive data from them;
- Monitoring and evaluation and Social Return on Investment (SROI) analysis;
- Manual;
- Central support worker.

How was this financed?

The Scottish government provided YMCA Scotland with a grant to pay for the evaluation of the Plus One programme. They have also received funding from the Big Lottery Fund to help them franchise their programme.

What external technical support was received?

YMCA Scotland received external support to carry out evaluation of its Plus One programme, partnering with Edinburgh University and the Association of Directors of Social Workers. This was believed to be a key factor in Big Lottery Fund subsequently choosing Plus One as one of the projects to be supported as part of its Realising Ambition programme. As part of Realising Ambition YMCA Scotland have received a range of support, including in developing its legal agreement, upgrading the IT system working with the Social Research Unit to develop their logic model and how they present their impact.

Interestingly, the “big winner” of having received funding and support from Realising Ambition was described as being “the time and the capacity in terms of one and a half staff to actually take, probably some of which was done on a wing and a prayer because of the voluntary sector, and to get it all formalised and down on paper and record it and in a place where somebody could just download it off a web portal. That’s been huge.”

Monitoring and Evaluation

The grant and support received for monitoring and evaluation were "absolutely critical" and provided "very, very strong evaluation and SROI data" and the base for replication. These systems, further refined over the last year, provide the foundation for the programme, allowing it to carry out in-depth yearly evaluations at each of its locations.

What have been/ will be the most substantial benefits of replication and scale?

YMCA Scotland is already a large, well-established organisation and therefore has been able to promote its early intervention work at policy level. Its national credibility has also helped attract franchisees.

There will be "hundreds more young people diverted out of the criminal justice system and given a whole second chance at life, that's way ahead of anything else."

What additional support would be useful?

If a social franchise fund was to be set up, the key thing it should fund is the year's space that the Realising Ambition funding has YMCA Scotland to franchise Plus One.

17.3 Social Franchisees

17.3.1 Alcohol Tayside, Plus One Mentoring franchisee

Who are they?

Tayside Council on Alcohol (TCA) is one of the leading providers of support services in the Tayside area, Scotland for people who are affected by the misuse of alcohol. TCA provide a range of services including adult counselling, a young person's service and a mentoring service for those at risk of offending.

Founded: 1972

First took on the franchise: 2013

Why did they take on the franchise?

TCA saw Plus One as a well-established programme and had previously been in contact with YMCA Scotland. They themselves have a pre-existing mentoring service that will allow them to build on what they already have in place.

Further, due to the Realising Ambition support, TCA was able to approach the council with match funding.

What has the franchisee brought to the table?

TCA has 11 years of experience in recruiting and training mentors and already have established referral and client groups, mentors and experience of delivering similar training.

What has their experience been thus far?

The programme will begin running in April of this year, therefore TCA's experience of the Plus One has been limited. That said, the process of taking on the franchise from YMCA Scotland was described as "straightforward". Given TCA has the majority of the necessary infrastructure in place already the key outlay has been in terms of staff time, checking the suitability of the franchise. In general, YMCA Scotland were said to have been "very accommodating."

Has the franchisee received any external support?

No.

What challenges have there been?

None of real note so far.

17.3.2 Mytime West Mercia, Mytime franchisee

Who are they?

Jayne Mason decided to join Mytime after having been made redundant. She is a professional counsellor with experience of running her own private practice. Jayne now runs West Mercia Family Mental Health, or Mytime West Mercia for short.

Founded: Mytime West Mercia is a pilot 'internal' franchisee which was set up officially in December 2011.

First took on the franchise: Mytime West Mercia is expected to become fully independent by the end of 2013.

Why did they take on the franchise?

Jayne Mason was very passionate about what Mytime did in terms of its ethos, model and was impressed by the CEO of Mytime; the model is well-respected in the region. Further, having just been made redundant it seemed like a good time for such a challenge. The idea of having her own business again was also attractive.

What has the franchisee's experience been like thus far?

Having taken on the franchise, Jayne has found that Mytime has many good contacts with whom they have a reciprocal relationship. A good personal relationship with the franchisor has also been key: Mytime's CEO has been highly supportive. Since joining Mytime, Jayne has helped develop contracts with commissioners in West Mercia, including for programmes not originally provided by the parent organisation.

That said, as a pilot "franchisee", it has been a learning experience for both the parent organisation and Mytime West Mercia. For example, the manual is still in development.

What has the franchisee contributed?

Experience as a counsellor and the dedication to go and make beneficial contacts with other social organisations in the area. For example, Jayne is based in the offices of another organisation at no cost.

Has the franchisee received any external support?

UnLtd have provided support via online resources and helping with skill development, such as with financial awareness. Community First have also helped, providing an independent eye to look through the franchise agreement and aid her in raising questions. These were provided free of charge.

What challenges have there been?

- Similar to the parent organisation, not being able to tender for accounts as an independent franchisee presents a barrier to being able to break away.
- Balancing family life with the demands of setting up a business.

What additional support would be useful?

- When Mytime West Mercia comes to break away from its parent organisation it will incur a franchise fee as well as additional costs of setting up the business. Here, support in covering these costs would be useful.
- Additional help developing the business skills of the franchisee.

17.3.3 Oxford Wood Recycling

Who are they?

Oxford Wood Recycling was started by friends who studied forestry together.

Founded: 2005

First took on the franchise: 2005

Why did they take on the franchise?

The founders wanted to address the amount of wood wastage in the UK and realised there was a lot of potential for re-use. Forestry was/is itself a "difficult and undervalued" business.

They also saw the potential to create additional social impact as there were many people in the area who could not access the job market. They found the Community Wood Recycling project on the internet, visited that site as well as their Bristol business. They saw the model as a one which was both low cost and low risk and therefore decided to set up their own.

What has their experience of taking on the franchise been thus far?

Since taking on the franchise Oxford Wood Recycling has seen 5-6 years of growth and 1 year when revenue shrank.

Have they had any external technical support?

OWP received a small grant from SFUK and a larger one from a local environmental initiative to help them start up.

What has the franchisee brought to the table?

Their knowledge of forestry, while one director who has not worked full-time has experience as a social enterprise consultant.

What challenges have there been?

In the early years generating business was not difficult, rather developing the skills of the director managing the business full time was more of a challenge and led to slow initial growth.

Oxford Wood Recycling took the model further, attempting to bring on people with mental health issues. This proved too time-consuming and when employees went through severe low periods it was damaging to the business, for example through lost output.

17.3.4 Tatty Bumpkin Richmond

Who are they?

Kate, the owner of Tatty Bumpkin Richmond, is one of Tatty Bumpkin's four original franchisees. She teaches both Baby Bumpkin and Tatty Bumpkin classes and runs most of her 18 weekly classes in council-run children's centres.

Founded: 2008

First took on the franchise: 2008

Why did they take on the franchise?

Kate had been off work for three years in order to look after her two young children. She didn't want to go back to her previous career as a marketing director and wanted to run her own business so that she could take charge of when she worked and how much work she did.

What has the franchisee's experience been like thus far?

Kate was very positive about her experience as a Tatty Bumpkin franchisee. In terms of her lifestyle, the franchise has allowed her to balance family life and the demands of raising two young children with running a business. Financially speaking, Kate was able to reach break-even after the first six months, though budgeted to make the initial franchise fee back over five years. Revenues have steadily grown, as have profit margins which now stand at around 70%.

What has the franchisee brought to the table?

Kate started Tatty Bumpkin out of her own savings and brought her experience as a marketing director.

Has the franchisee received any external support?

No.

What challenges have there been?

Starting up the business was the greatest challenge as it required a complete lifestyle shift, having been off work for three years.

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19 Appendices

19.1 Appendix A: Working Group

The working group convened to consider a fund to support social franchising comprised of: International Centre for Social Franchising, Big Society Capital, Big Lottery Fund, Social Enterprise UK, School for Social Entrepreneurs, Shaftesbury partnership, RBS, Finance South East, CAN, the Cabinet Office and independent consultants. The ICSF is extremely grateful to all involved and looks forward to working with them again in the future.

19.2 Appendix B: Suited and Booted: asking for support at the right time

Real Work Skills is an Ayrshire-based social enterprise that specialises in helping people in to work. They quickly realised that candidates were attending job interviews in jeans and trainers…because these were the smartest items of clothing that they owned. To combat this, Real Work Skills started receiving donations of interview wear and giving these out to candidates that attended their courses (e.g. CV writing courses).

This worked so well in Ayshire that Real Work Skills decided that it could work equally well in other areas. So they began chatting to Firstport about social franchising. In turn, Firstport brought in Franchise Consulants, AMO Consulting and specialist Franchise Lawyers from Harper Macleod.

Together, these organisations assisted Real Work Skills to replicate their business.

First, with Harper Macleod's assistance, a new brand was created and trade marked 'Suited and Booted'.

Next, AMO Consulting worked with Real Work Skills to identify how the business would be replicated and what assistance Real Work Skills would provide the new Social Franchisees in setting up their local Suited and Booted enterprises. AMO and Real Work Skills developed a set of Operating Guidelines and an outline Franchise package and passed these over to Harper Macleod to draft in to a Franchise Agreement.

Once the Franchise Agreement had been prepared, AMO and Firstport helped Real Work Skills to develop a recruitment process to find like-minded social entrepreneurs in other parts of Scotland. They also set to work on preparing an Operations Manual, the detailed guide which explains to franchisees how the enterprise is to be run.

At the end of this process, Suited and Booted was ready for launch and the first social franchisees were recruited.