

State of Social Enterprise Survey 2009

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State of
**Social
Enterprise**
Survey
2009

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From Claire Dove, chair of the Social Enterprise Coalition

Foreword



This important research on social enterprise is the most robust and detailed the sector has ever had, and gives us new information that can help shift the discourse about social enterprise from anecdote to

evidence. To those of us in the social enterprise sector, this important research is very welcome.

To those who are new to social enterprise, this report will hopefully shine new light on what has often been an under-reported and undervalued part of the UK's business landscape.

The survey demonstrates what those of us in social enterprise have always believed, but can now demonstrate with evidence: social enterprises are a growing sector of profitable businesses, distinct from both private business and the voluntary sector, and agents for positive change defined by their social and environmental missions.

We also learned that they are bucking the trend in the midst of the recession, are focused on giving people meaningful work, and first and foremost work for their communities.

This research is galvanizing and critical for the social enterprise sector, but it also has wider implications for the economy as a whole. The economy thus far has been based on a business model that has been predicated exclusively on profit maximisation. But this research makes it clear that a truly balanced economy must include different kinds of profitable business models where value is created for society and the environment.

This business revolution is already underway, and it is time for social enterprise to be taken seriously as a nascent business sector.

This data gives us many more insights that will ensure that the sector is able to grow and develop. Many of the findings were unexpectedly powerful: for instance, social enterprises are way ahead of mainstream business in breaking the glass ceiling, where 26% of social enterprises could be described as 'women-led' – almost twice as many as small businesses. Some of the findings highlighted the work that still needs to be done, particularly around business support and reaching Black, Asian and Minority Ethnic communities and entrepreneurs.

I hope that when reading this report, you consider it a living document – not so much a finished text as the beginning of a new and exciting conversation. We are starting to see more clearly how social enterprise fits into the business landscape of the UK, and while there are certainly challenges ahead, there is also great opportunity. I believe that social enterprise can play an enormous role in creating a more balanced economy and a better society.

Finally, we are very grateful for the support of the Office of the Third Sector, the Commission for Rural Communities, and the Community Interest Company Regulator, the Social Economy Network in Northern Ireland, the Scottish Social Enterprise Coalition for supporting this work.

Executive summary

This report presents the findings of the State of Social Enterprise Survey 2009 – the largest survey of its kind of social enterprises in the UK. Its results are taken from 962 telephone interviews with senior figures within social enterprises. Its purpose is to shed light on the sector's size, structure, motivations, prospects, origins and future.

This report has evidenced that social enterprise is an increasingly important part of the UK's economic and social landscape. The challenge ahead is to ensure that it is understood by educators, financiers, legal and accountancy professionals, policy-makers and politicians – all of whom can support its growth.

Social enterprises operate at a wide variety of scales, but their economic impact is significant and growing

Social enterprises are recession-busters

Despite the recession, they're twice as confident of future growth as SMEs, with 48% of social enterprises responding positively as opposed to just 24% of SMEs. Additionally, since the economic downturn began, 56% have increased their turnover from the previous year whilst less than 20% have seen it go down. This is a considerably better performance than SMEs in the UK, where only 28% increased their turnover and 43% saw it go down.¹

Social enterprises are profitable

Two-thirds of social enterprises are making a profit, a further 20% are breaking even – at the height of a significant economic downturn.

Social enterprises vary widely in scale

Whilst some social enterprises are very large, with turnovers in excess of £100 million, the majority operate at small-business scales, with an average turnover of £2.1 million and a median turnover of £175,000.

Social enterprises are different from the voluntary sector

The profile of social enterprise turnover is closer in size to that of the UK's small businesses, and comparatively larger than the voluntary/charity sector with which it is often confused or conflated.

Scale is important

Social enterprises appear to be more profitable, less grant dependent and faster growing once they reach a £1 million turnover. However – there are numerous examples of social enterprises that have found a profitable, sustainable business model at lower turnovers.

Social impact is both the fundamental objective behind social enterprise and a daily fact of life through profit reinvestment

Social enterprise is a fundamentally different proposition from corporate social responsibility (CSR)

The most frequently cited reasons for setting up a social enterprise are driven by a desire for social impact such as 'putting something back into the community' (included in 45% of all responses). This is echoed by the stated core values of social enterprises which go far beyond just being exemplary corporate citizens.

Profit reinvestment for social goals is a reality

70% of respondents reinvested profits into development activities – expanding services or providing new services to their beneficiaries.

¹

IFF Research, 2009, *BERR SME Business Barometer February 2009*, Department for Business, Enterprise and Regulatory Reforms (BERR)

Social enterprises are a natural home for women entrepreneurs

The glass ceiling of traditional business is being effectively challenged in the leadership of social enterprises, where 41.1% of all board members are women, which compares to just 11.7% of board members in FTSE 100 companies and 4.9% in AIM-listed companies.² Furthermore, 26% of social enterprises could be described as ‘women-led’ – almost twice as many compared to small businesses (14%).

Social enterprise is a very diverse sector

There are few business sectors that don't include social enterprises

However, within those sectors, many have a focus on developing human capital through employment and training.

Social enterprises choose a wide variety of legal forms

Most enterprises (60%) are companies limited by guarantee, but the rest use a variety of legal forms.

It's very diverse

Whilst roughly half of the organisations surveyed came from a voluntary and community sector background, the other half come from every possible source – from entrepreneurial individuals all the way through to former public-sector organisations.

The scope of operations is mainly, but not universally, very local

Two-fifths work in their local authority area or in only one or two local authority areas (42%). Slightly more than one in ten, however, operate on a national scale.

The public sector is already a key customer

As the economic and social benefits of contracting with social enterprises grow apparent, 39% of social enterprises report that over half their income comes from local and central government.

Community Interest Companies are, on balance, happy with their legal form

The most common response from CICs was that they have no problems to report about their legal form.

Finance is vital, and possible to raise

Finance is the oxygen of social enterprise

Finance and funding is both the greatest enabler when present (indicated in 56% of replies) and the greatest barrier by far when unavailable (indicated in over two-thirds of replies).

Social enterprise is as capital-hungry as small business

One-third of social enterprises have sought finance over the past 12 months – this is broadly comparable to the search for capital by SMEs.

Raising finance is possible

Social enterprises had, in fact, been successful in raising finance. Our survey shows that 71% got between 75%–100% of what they asked for.

Finance is mainly for growth

60% of all funding required by social enterprise is expansionary – investment for new projects/ service development, capital investment such as plant or buildings, and expansion.

Business support isn't fully meeting social enterprise needs

Business support is not sufficiently tailored to social enterprise needs. Social enterprises search for support from many sources but a common theme is support from their peers within the movement. Government business support funding should be channelled into such products which are in demand.

²

Sealy, R., Doldor, E. and Vinnicombe, S., 2009, *Increasing diversity on public and private sector boards. Part 1 – How diverse are boards and why?* Government Equalities Office

Section 1

Introduction

There is change brewing in the business landscape of the UK, and it is change for the better. Social enterprise has emerged as an ambitious, competitive sector of our economy and social enterprises are increasingly recognised as valued, trusted members of the communities in which they operate.

Social enterprises are businesses trading for social and environmental purposes. Rather than maximising private profit, their main aim is to generate profit to further their social and environmental goals.

This report presents the findings of the State of Social Enterprise Survey 2009 – the largest survey of its kind of social enterprises in the UK. Its results are taken from 962 telephone interviews with senior figures within social enterprises. Its purpose is to shed light on the sector's size, structure, motivations, prospects, origins and future.

Well-known examples of social enterprises include *The Big Issue*, Jamie Oliver's restaurant Fifteen, and the fair-trade chocolate company Divine Chocolate. What is less well known is the scale and scope of the social enterprise sector. According to data from the Annual Survey of Small Business UK (aggregated data 2005–07),³ there are approximately 62,000 social enterprises in the UK with small and medium social enterprises contributing £24 billion GVA (Gross Value Added) to the UK economy.

As social enterprises make up a material part of the UK economy, developing an understanding of how they contribute to communities, economic growth and employment should be of urgent interest to business-people and policy-makers alike. The State of Social Enterprise Survey 2009 is also timely as it was undertaken between December 2008 and March 2009 – a crucial period when the economy was entering recession and the credit crunch was at its height.

In presenting the findings of the survey, this report seeks to:

- estimate the impact of social enterprises on the economy and communities
- update our understanding of the scale and scope of social enterprises
- understand what they do, where they do it and why
- provide a baseline for future studies to monitor the development of the sector over time
- identify the key barriers and opportunities that social enterprises face

After setting out the survey methodology in section 2, section 3 of the report explores the economic landscape of social enterprise – presenting survey findings on the economic impact, growth and profitability of the sector. Section 4 presents results on social enterprises as agents of change, exploring social impact. Section 5 explores the structure of the UK social enterprise sector – its diversity and scope. The report concludes with survey findings on the barriers and enablers of growth in social enterprise – with particular reference to the availability of finance and support.

3

Williams, M. and Cowling, M., 2009, *Annual Small Business Survey 2007/08*, Department for Business, Enterprise and Regulatory Reform (BERR)

Section 2

Survey methodology

The State of Social Enterprise Survey 2009 was commissioned by the Social Enterprise Coalition, which contracted CELLO mruk research to carry out the survey fieldwork and questionnaire design, with the objective of gathering robust, policy-rich information from, and about, social enterprises. A total of 962 telephone interviews⁴ were conducted with senior people within social enterprises, such as managing directors, chief executives and finance directors. This is a large sample embracing the diversity of the movement and gives the survey findings a robustness not seen in previous attempts to understand the sector.

Process

The survey team used the relationships and networks available to the Social Enterprise Coalition to identify research targets. The survey sample was drawn from members of the Social Enterprise Coalition, members of related social enterprise networks (see Annex A on the inside back cover for a list of these membership organisations) and Community Interest Companies (CICs). This data collection exercise provided a total potential dataset of 5,355 social enterprises, which was then randomly sampled for telephone interviews. Fieldwork was carried out between 15 December 2008 and 6 March 2009.

Due to funding restrictions, the survey could not be specifically carried out amongst Welsh social enterprises. This means that with the exception of Welsh social enterprises that are members of UK networks, Wales is materially under-represented in this survey.

4

All interviewing was carried out by trained and experienced CELLO mruk research interviewers. All research was undertaken in line within the guidelines of the MRS code of conduct to ensure confidentiality for respondents.

Sample characteristics

It is important to note that the membership data collected and then sampled has been used as a proxy for the overall population of social enterprises in the UK – and, with the exception of Wales, the research team believes this to be a fair proxy to the best of their knowledge. As data that could be used to test the sample validity is either unavailable, from much smaller or older samples or not directly comparable,⁵ this study aims to provide a benchmark that future studies can successfully refine.

The sample includes several very large social enterprises and their presence in the data means we have to approach using average figures with caution. Where an average has been skewed by large outlying figures, we also present the median⁶ for comparison.

As the largest survey of its kind, this report presents only the top-level findings. The authors believe that the dataset gathered will provide a rich resource for researchers conducting detailed studies into particular aspects of social enterprise in the future. The Social Enterprise Coalition is putting a plan together to put an anonymised dataset into the public domain. Please consult the Coalition's website for any updates.

5

For example: *A Survey of Social Enterprises Across the UK*. Research report prepared for the Small Business Service (SBS), IFF Research Ltd, July 2005

6

Median = the central value in the distribution

Section 3

Bucking the trend: the economic landscape of social enterprise

How well social enterprises can perform as businesses in their own right is a fundamental issue for the social enterprise sector. A successful social enterprise needs to be, first and foremost, a successful enterprise if it is to be sustainable.

Customers need to have confidence in social enterprise if they are to trust it with their business; policy-makers need to see that social enterprises can create real economic benefit in their communities; sources of finance need to be able to properly assess the risk of investing in social enterprise.

This section aims to explore these issues, presenting survey findings on the economic behaviour of social enterprises – how much do social enterprises turn over? Are they profitable? How old are they? Are they growing? How does that compare with other sectors?

3.1

How big are social enterprises?

Our survey asked respondents to forecast their turnover for the current financial year. The results, set out in Figure 1 opposite, show that there is a broad range of turnovers – with 17% of respondents indicating a turnover of over £1 million. Whilst some social enterprises are very large, with turnovers in excess of £100 million, the majority operate at small-business scales, with a median turnover of £175,000.⁷

The profile of social enterprise turnover has much more in common with that of business in general (where 99.3% of all enterprises are small to medium in size defined as turnover under £25 million or fewer than 250 employees)⁸ than with the voluntary/charity sector with which it is often confused or conflated.

As shown in Figure 2 opposite, this contrasts markedly with the profile of the voluntary sector where nearly 60% of organisations have a turnover of less than £50,000⁹ – with well over a third earning less than £10,000.

7

An average figure of £2.1 million.

8

Department for Business, Innovation and Skills, 2009, *Small and Medium-sized Enterprise (SME) Statistics for the UK and Regions 2008*, *Statistical Press Release*, available online at: <http://stats.berr.gov.uk/ed/sme/smestats2008-ukspr.pdf>

9

National Survey of Third Sector Organisations, 2009, www.nstso.com, Office of the Third Sector

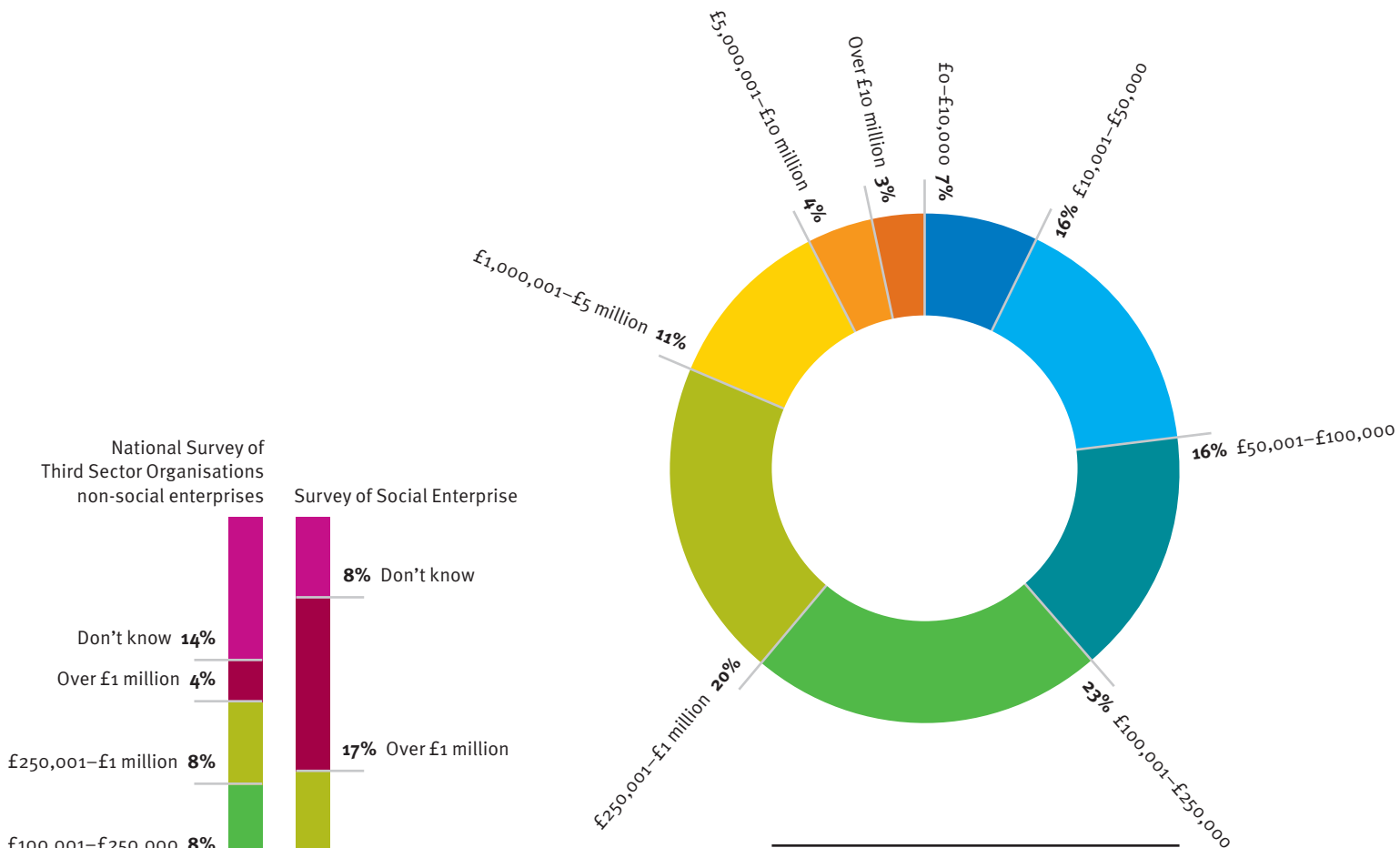


Figure 1
Social enterprise turnovers
Excludes don't knows

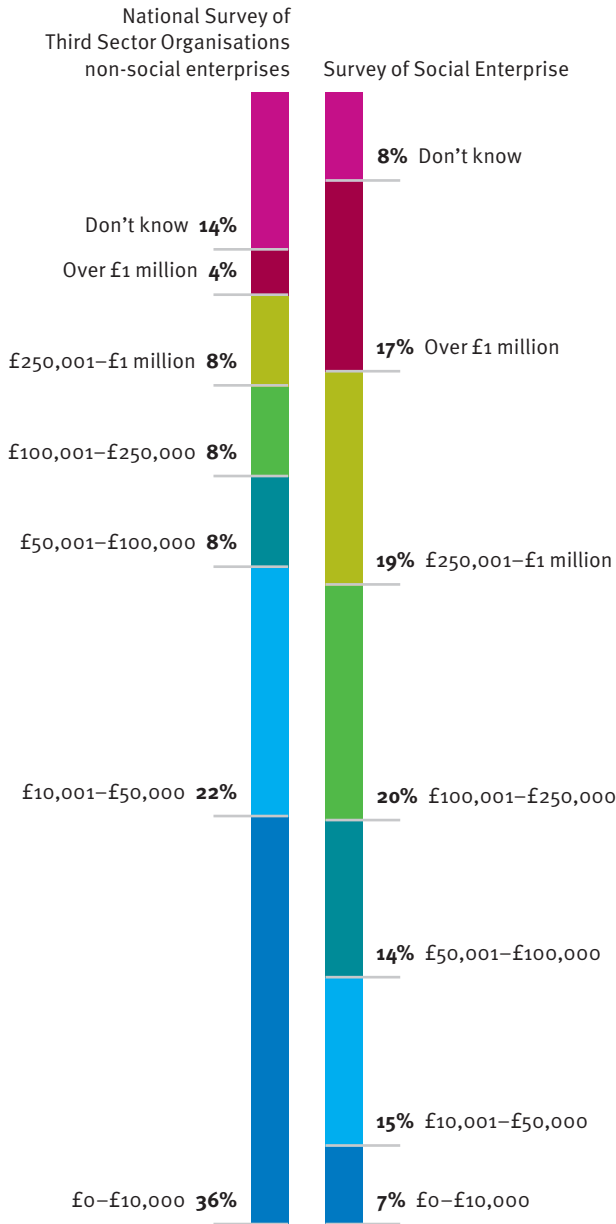


Figure 2
Comparing the turnovers of social enterprises with voluntary-sector enterprises

Case study 1
A social enterprise at scale

GLL is a staff-led social enterprise that currently manages over 70 leisure centres within the M25 area in partnership with 12 London boroughs. Formed in July 1993, it was created to take over the management of seven leisure facilities owned by the London Borough of Greenwich. GLL now employs approximately 4,000 staff, having started with about 100 in 1993. In ten years from 1998 to 2008, its turnover has gone from £5.9 million to over £70 million a year. GLL leisure centres receive more than 20 million customer visits per year and the organisation has a collection of accolades for its high level of customer service.

There are now over 120 leisure social enterprises around the UK based on the basic GLL model.

3.2

Are social enterprises profitable?

A key measure of success for social enterprise is whether they can be profitable – even in the current economic downturn. The survey asked the respondents to identify whether their social enterprise had made a profit, a loss or broke even in the last financial year – and if a profit or loss had been made, how much it was. As shown in Figure 3 opposite:

- the majority (62%) are making a profit
- 20% describe themselves as breaking even
- 18% were in deficit

It is important to note that some social enterprises report that they are exactly breaking even. This would suggest that they are actively managing trading surpluses for either their social impact or into business reinvestment. For certain social enterprises, this is a known core component of either their governance structure or their business model.

There is an apparent association between turnover and profit. Of the smallest social enterprises – those with a turnover of less than £10,000 – 54% make a profit, whereas 73% of social enterprises with a turnover of £1 million or more report being in the black.

An area that might benefit from further research is an implied ‘speed-bump’ at approximately £100,000–£250,000 turnover.¹⁰ Whilst the smallest social enterprises are the most likely to make a loss, the situation improves with turnover – except for organisations at £100,000–£250,000. These organisations were almost twice as likely to report a loss as organisations that turnover between £50,000 and £100,000.

There are a number of hypotheses that can potentially explain this, from taking on debt finance to managing cash flow and becoming an employer. All of these present challenges to many business in the early stages of growth.

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The result is material, even taking into the account the maximum range of the survey’s confidence interval – but only just.

Further research could confirm whether there is a specific social enterprise related cause of this ‘speed-bump’ and could highlight a key area for intervention and support.

Our survey indicates that even in a very difficult economic climate, social enterprises – particularly, but not exclusively, larger social enterprises – are healthily sustainable in pure business terms. Such commercial success demonstrates that most do not find a trade-off between their business and their delivery of social benefits and public goods.

3.3

Are social enterprises growing?

A further important indicator of the health of a business is its growth. We have seen in section 3.2 above that for some (but not all) social enterprises, reaching some form of scale can be an indicator of greater profitability. Our survey therefore asked respondents about how their businesses were doing compared with last year (2008 compared with 2007).

Compared to the previous financial year, 56% had increased their turnover whilst less than 20% had seen their turnover decrease (see Figure 4 overleaf). This applied in every turnover band except the smallest, where the pattern is most mixed with 41% showing a lower turnover. However, given how small these organisations are, such fluctuations would be expected. More importantly, almost 75% of social enterprises with a turnover over £1 million had increased turnover.

These figures compare favourably with data from other surveys of small businesses. Social enterprises in our survey reported more growth and less decrease than small and medium enterprises (SMEs) in the broadly comparable Annual Small Business Survey 2007/08 and Small Business Barometer February 2009. As Figure 5 overleaf shows, during the height of the downturn and before the recession was officially confirmed social enterprises have been more important engines of growth in local and regional economies than SMEs.

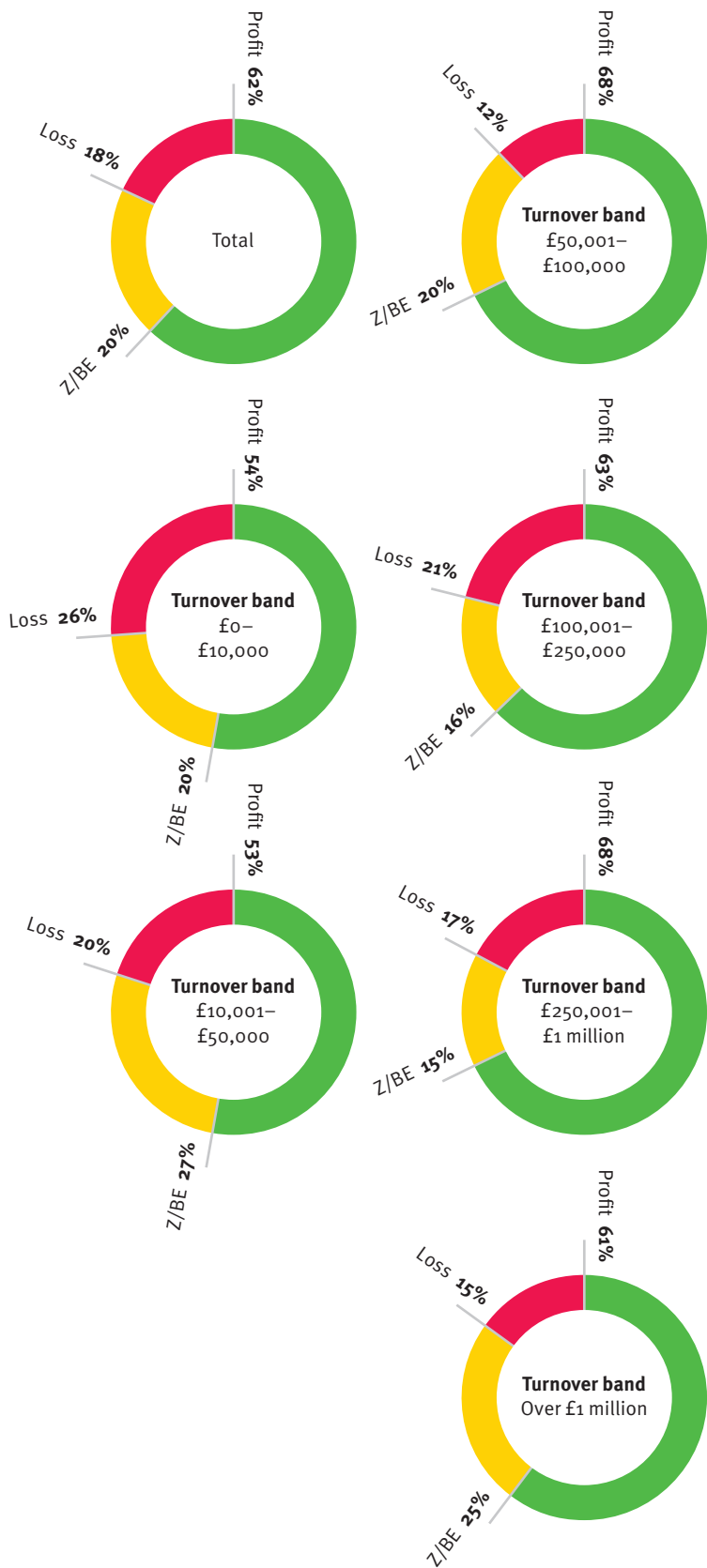


Figure 3
Social enterprises and profit and loss

Z/BE = zero/break even

Case study 2

Hundredfold growth at HCT Group

HCT Group is an award-winning social enterprise that provides a wide range of public transport and related training services in the UK, reinvesting profits back into the communities where they are earned. Originally founded in 1982, HCT Group has grown from a community transport organisation with two minibuses to a transport organisation that now provides over 10 million passenger journeys a year.

In 1993, they began to compete for contracts in the marketplace in order to increase their social impact through greater commercial success. This marked the start of a social enterprise business model that would see them grow by more than a hundredfold – from a turnover of £202,000 in 1993 to a turnover of £20.4 million in 2008/09 – with an average growth of 27% per year over the past five years.

Figure 4
Social enterprises and growth in the last financial year

F2: Thinking overall, if you compare your previous financial year to your last financial year did your organisation's turnover go up or down?

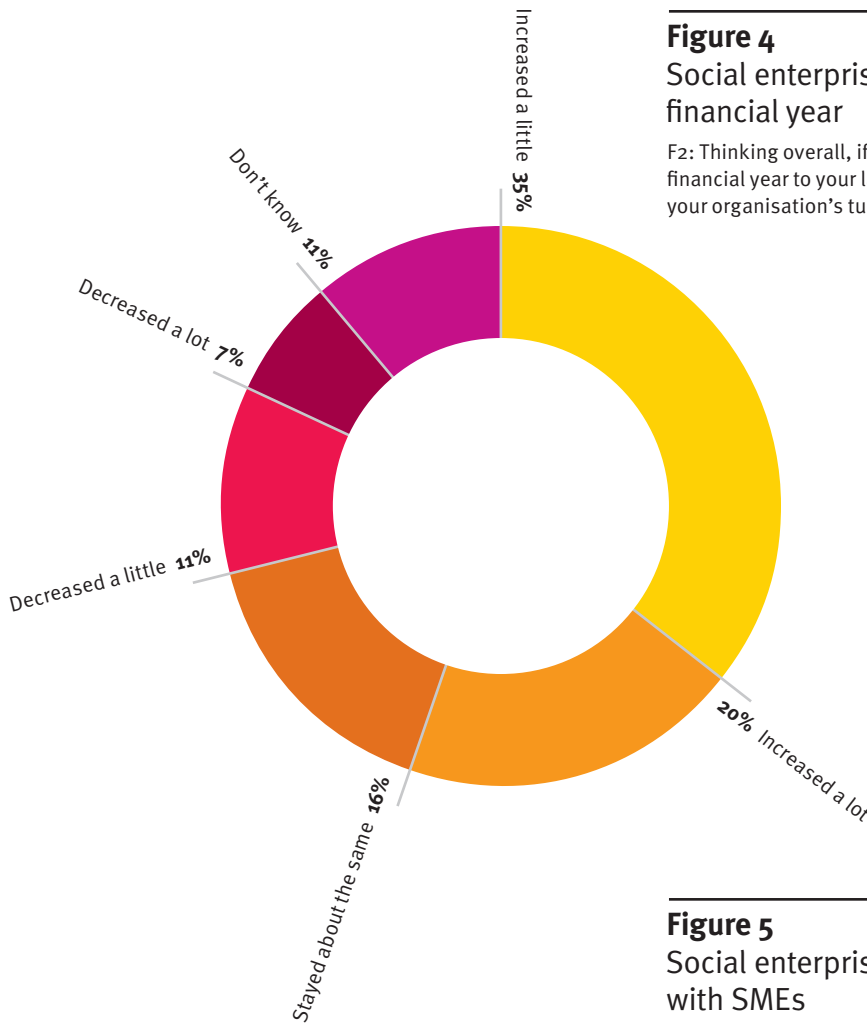
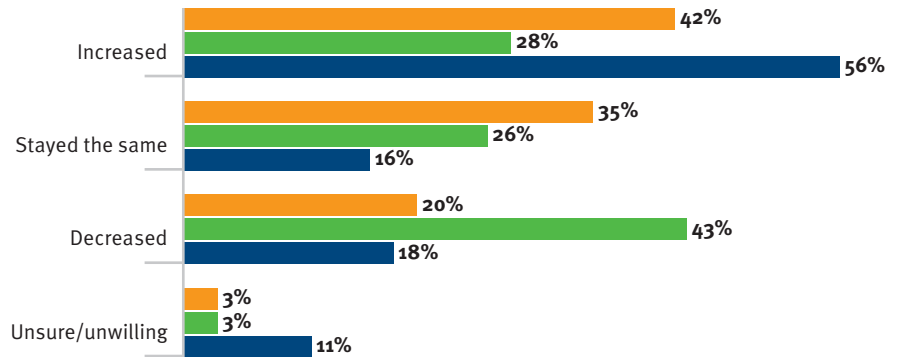
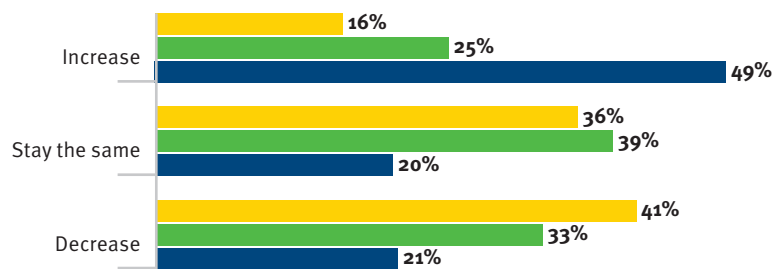


Figure 5
Social enterprise growth in turnover compared with SMEs



■ Annual Small Business Survey
■ Small Business Barometer February 2009
■ Survey of Social Enterprise

Figure 6
Expectations of growth in social enterprises and SMEs



■ Small Business Barometer December 2009
■ Small Business Barometer February 2009
■ Survey of Social Enterprise

3.4

Are social enterprises optimistic?

Business optimism is an important barometer of the health of a sector and the economy as a whole. We asked our survey respondents whether they believed their turnover would increase during the next financial year. Figure 6 opposite compares our data with the Small Business Barometers¹¹ that took place before and after our fieldwork. Whilst the increase in business optimism during that time is clearly good news for everyone – the level of optimism shown by social enterprises is twice as strong, with 48% of social enterprises responding positively as opposed to just 24% of SMEs. On the whole, social enterprises are successful and expect to maintain their success – a good news story in the current economic climate.

11

IFF Research, 2009, *BERR SME Business Barometer December 2008*, Department for Business, Enterprise and Regulatory Reforms (BERR).
IFF Research, 2009, *BERR SME Business Barometer February 2009*, Department for Business, Enterprise and Regulatory Reforms (BERR)

3.5

How well established are social enterprises?

Social enterprise has a rich history in the UK – arguably dating back to the Rochdale Pioneers¹² – but how well established are the social enterprises trading today? Being well established can help a social enterprise secure certain types of contract (as they will have three years' audited accounts), build a diversified client base and begin to avoid the business truism that 'most new start-ups will fail'. The survey asked respondents to indicate how long they had been trading, with the results presented in Figure 7 overleaf.

Whilst some social enterprises have been firmly established for many years, a third began trading just in the last four years.

Regionally there were also differences, with some parts of the UK having a younger profile. The percentage of social enterprises that had started trading since 2000, for example, was 64% in Yorkshire and the Humber, 62% in the North West (62%) and 61% in Scotland (61%) but 45% in London, 44% in the East Midlands and 30% in Northern Ireland.

Given such a large proportion of young social enterprises, it can be suggested that social enterprises are being created at much greater rate than replacement volume – indicating growth of the sector as a whole. Further research would be needed to establish the 'attrition rate'¹³ for new social enterprises, to confirm this.

Perhaps unsurprisingly, there is a clear relationship between how old a social enterprise is and its turnover, with older social enterprises becoming larger as they become better established – as shown in Figure 8 overleaf.

12

The Co-operative College, 2008, *Rochdale Pioneers Equitable Society*, available online at: <http://archive.co-op.ac.uk/pioneers.htm>

13

Attrition rate = the proportion of new start-ups that fail annually

Table 1

Trading versus non-trading income

Combination = social enterprises where no clear distinction between trading and non-trading income was possible

Trading versus non-trading	Total	£0– £10,000	£10,001– £50,000	£50,001– £100,000	£100,001– £250,000	£250,001– £1 million	Over £1 million
Base	821	48	125	126	182	164	144
Trading 50%+	72%	63%	66%	72%	69%	73%	86%
Combination	5%	6%	6%	3%	7%	4%	6%
Non-trading 50%+	23%	31%	29%	25%	25%	24%	8%

Figure 7
The trading history of social enterprises

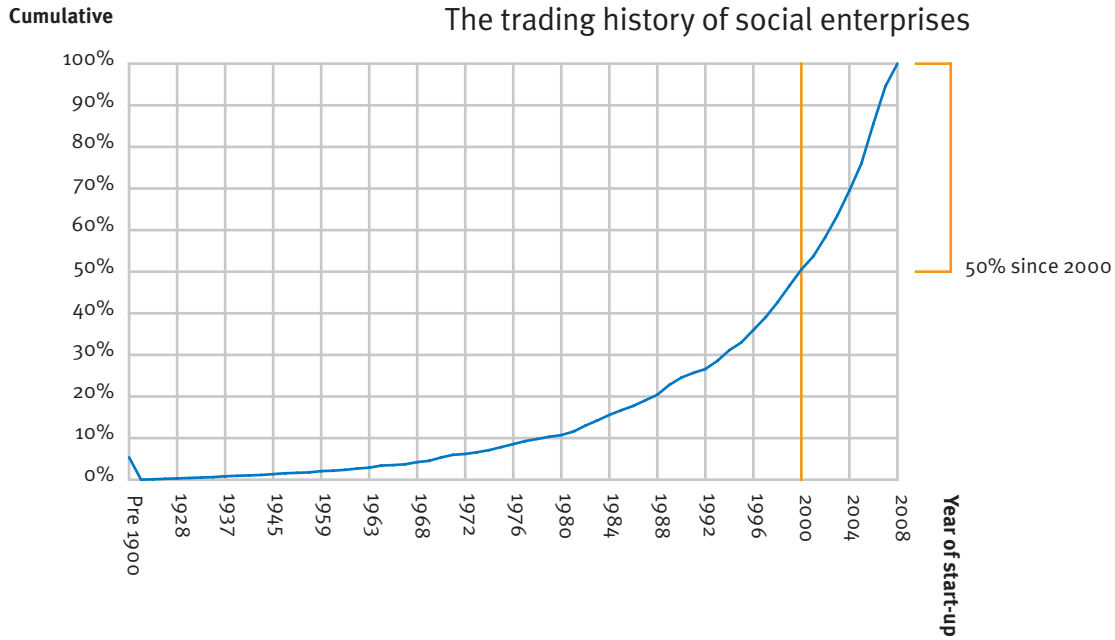
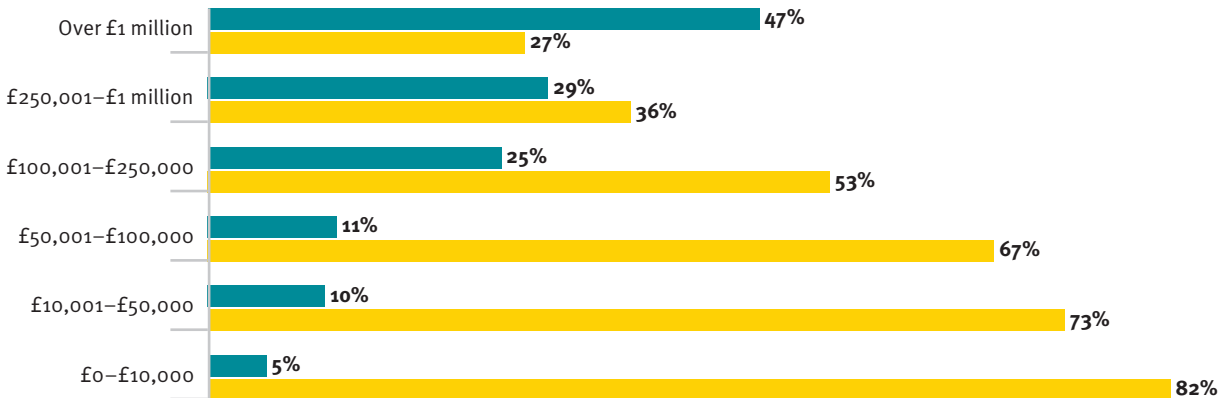


Figure 8
Social enterprises: the relationship between age and turnover

This chart excludes social enterprises established between 1991 and 1998 to illustrate the point more clearly.
A3: In which year did your organisation establish itself or start trading?

■ Before 1990
■ After 1999



3.6

Income – trading versus grant and funding

Social enterprises – like all businesses – derive their income through many sources aside from their main trading activity, including government subsidies. Table 1 opposite shows that more than two-thirds earn more than 50% of their income through trading and this becomes more marked as the businesses get larger, with ‘non-trading income’ falling dramatically to 8% in the £1 million plus category – a clear demonstration of the benefit of achieving a degree of scale where appropriate.

Case study 3

Pack-IT, small and perfectly formed

A specific type of social enterprise – the social firm – is committed to employing at least 25% of people with disabilities or other disadvantages on the open labour market. Pack-IT is a social firm set up in 1988 by Cardiff City Council to provide training opportunities and permanent paid employment for people with learning disabilities.

It has now diverged from its local authority and become a thriving mailing and distribution business. Ten of the company’s 15 staff have a mixture of disabilities or disadvantage ranging from ex-offenders to colleagues with Down syndrome, Asperger’s Syndrome or behavioural and learning difficulties. Everyone at Pack-IT is fully waged and fully pensioned.

Like most social firms, Pack-IT has kept the business small but scaled up its operation through replication so there are now other Pack-IT organisations throughout the UK and internationally.

3.7

Key findings

This section explored the economic contribution of social enterprises to the UK. The findings show a contribution that is significant and growing.

Social enterprises are recession-busters

Despite the recession, they’re twice as confident of future growth as SMEs, with 48% of social enterprises responding positively as opposed to just 24% of SMEs. Additionally, since the economic downturn began, 56% have increased their turnover from the previous year whilst less than 20% have seen it go down. This is a considerably better performance than SMEs in the UK, where only 28% increased their turnover and 43% saw it go down.

Social enterprises are profitable

Two-thirds of social enterprises are making a profit, a further 20% are breaking even – at the height of a significant economic downturn.

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Whilst some social enterprises are very large, with turnovers in excess of £100 million, the majority operate at small-business scales, with an average turnover of £2.1 million and a median turnover of £175,000.

Social enterprises are different from the voluntary sector

The profile of social enterprise turnover is closer in size to that of the UK’s small businesses, and comparatively larger than the voluntary/charity sector with which it is often confused or conflated.

Scale is important

Social enterprises appear to be more profitable, less grant dependent and faster growing once they reach a £1 million turnover. However – there are numerous examples of social enterprises that have found a profitable, sustainable business model at lower turnovers.

Section 4

Social enterprises as agents of change

If section 3 of this report aimed to put to rest any lingering doubts about the ability of social entrepreneurs to run successful business – even in an economic downturn – then this section aims to tell the other part of the story: the most important part.

As set out in section 1, what makes social enterprises different is that they are businesses driven by social and environmental objectives – and these social or environmental objectives are central to what they do. This section seeks to explore how social enterprises view their motivations and values, what they do with their profits, who benefits from their actions, who is in charge and how their values come through in their employment practices.

Case study 4

Ashton – motivated by community

Since 1985, the Ashton Community Trust has played a key role in the development of one of the most deprived areas of Northern Ireland. The Trust is based in North Belfast and was founded in 1992 in order to spur social and economic regeneration of the local area.

The Trust now owns a range of community buildings that host incubation space for small businesses, including a grocery store, a GP surgery, a childcare centre and a hairdressers, all of which aim to address poverty in the community. It now has an income of over £3 million per annum and employs over 100 people, creating a circle of economic activity.

4.1

Social enterprise motivations and values

What makes a social entrepreneur or senior manager choose to set up or work in a social enterprise? Our survey asked respondents an open-ended question about what had motivated them. Responses contained a range of motivations, which have been grouped by type in the survey analysis. These are presented in Figure 9 opposite.

The most striking aspect of the responses is how they strongly favour social, community or environmental benefit in either explicit or abstract terms. The most frequently cited reasons – ‘putting something back into the community’ (included in 45% of all responses), ‘a better way to achieve social or environmental goals’ (24%) and ‘make a lasting difference’ (20%) – strongly reinforce the idea of social purpose as fundamental to social enterprise.

There were some differences between those who set up social enterprises and those who joined after the business had been established. Whilst all talked more about ‘putting something back into the community’ those who set up the business did so at a higher rate (50% versus 39% of those working for a social enterprise). Those working for an established social enterprise mentioned feeling good about their work (22% versus 17% of entrepreneurs). This provides an insight into the motivations of the entrepreneurs themselves and how they differ from those of other senior staff.

Case study 5

Sandwell – reinvesting in staff

Sandwell Community Caring Trust (SCCT) is a social care social enterprise that provides services for disadvantaged adults and children, including residential care and day care for older people. Initially established in 1997, SCCT was awarded a contract worth £1.2 million a year for five years and transferred 62 staff from the local council.

SCCT recognised early on that investing in staff was key to achieving this and spent considerable efforts empowering staff. The change in organisational culture has resulted in a reduction in staff sickness levels from an average of 22 days a year in 1997 to 0.6 days in 2006. Staff turnover is now below 4%, generating huge savings to be invested in long-term training and development.

Figure 9
Motivations for setting up or working in a social enterprise

D5: What motivated you to set up a social enterprise?
What motivated you to work in a social enterprise?

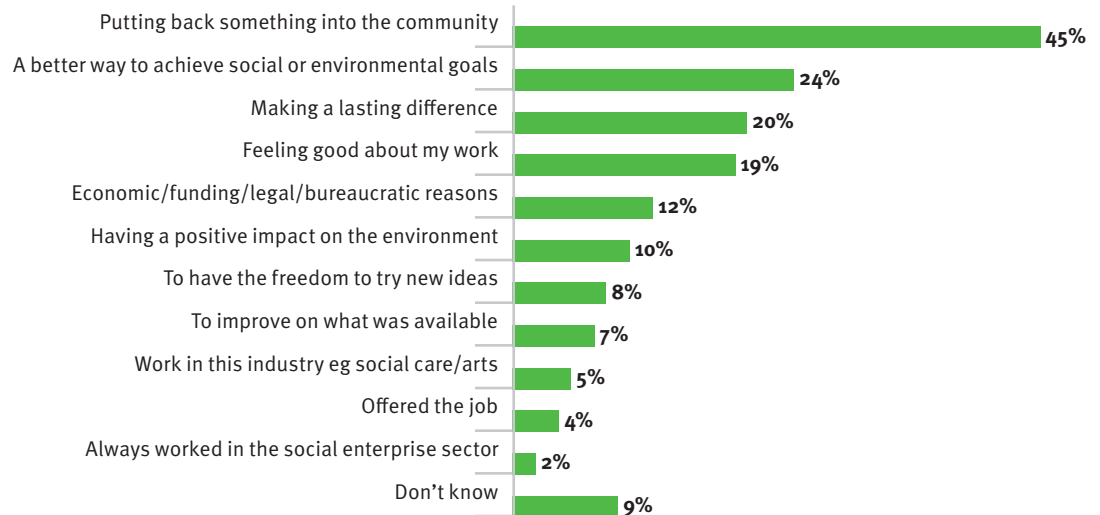
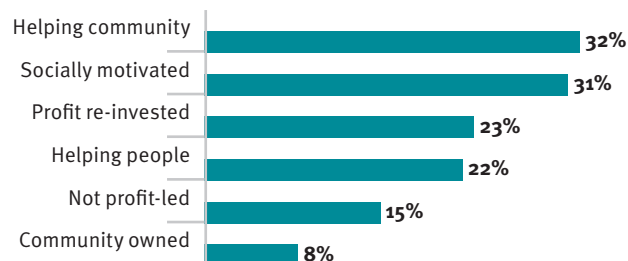


Figure 10
Core values of social enterprise

C2: What do you think are the core values of social enterprise?



4.2 Social enterprise values

Having established the starting motivations for social enterprises, the survey asked the respondents what they thought were the core values of social enterprise. Again, the question was open ended, with subsequent grouping analysis used to aggregate the responses. The responses, as shown in Figure 10 on page 19, clearly reflect the motivations of staff as shown above, with 32% including ‘helping the community’ in their response and 31% ‘social motivation’. They continue to reinforce the idea of social and community benefit as the key driving force of the sector.

The responses also show that the values of social enterprise are not monolithic. As one might expect in such a diverse sector, social enterprises have different ideas on the role of profit and the relative importance of specific community ownership.¹⁴

4.3 What do social enterprises do with their profits?

The reinvestment of profits to secure social goals is one of the most important aspects of many social enterprises: as shown in section 4.2 above, 24% of social enterprises believe reinvesting profits is so important that it is a stated value of their organisation. The survey asked respondents to identify what they did with their profit, allowing them to identify more than one type of activity.

Figure 11 opposite shows that 70% of respondents reinvested profits into development activities – expanding services or providing new services to their beneficiaries. Many also invested in the growth of their business with over a quarter reinvesting in capital, research and development (R&D) or staff development.

The survey results arguably demonstrate that social enterprises are committed to ‘profits-for-purpose’ and that they reinvest in their communities and social goals, rather than in the enrichment of the ‘owners’ of the business.

It is also interesting how few social enterprises use profits to fund third-party charitable projects (4%). This perhaps confirms that social enterprise are confident of their competence to deliver social impact through their own actions – showing a further difference to traditional models of philanthropy or CSR.

4.4 Who benefits?

If the purpose behind social enterprise is to have a positive social impact, then who are the beneficiaries of their actions? The survey asked respondents ‘What or who are your organisation’s main beneficiaries or service users?’

As shown in Figure 12 opposite, the majority (59%) focus on serving their local community rather than targeting particular groups such as people who are unemployed or homeless (36%). However, when asked the more specific question ‘What, if any, particular groups of people in the community do you benefit?’ 63% of respondents were able to identify a broad range of groups that benefit from their services under the heading of ‘community’. as shown in Figure 13 opposite.

It would seem though that whilst many see themselves as a resource for use by all, they are also conscious that in doing this they are at the same time meeting particular needs and demands in their communities.

¹⁴

See section 5 for an analysis of the range of industries, origins and legal forms that make up the sector.

Figure 11
What social enterprises do with their profits

F7: How does your organisation use its surplus or profit?

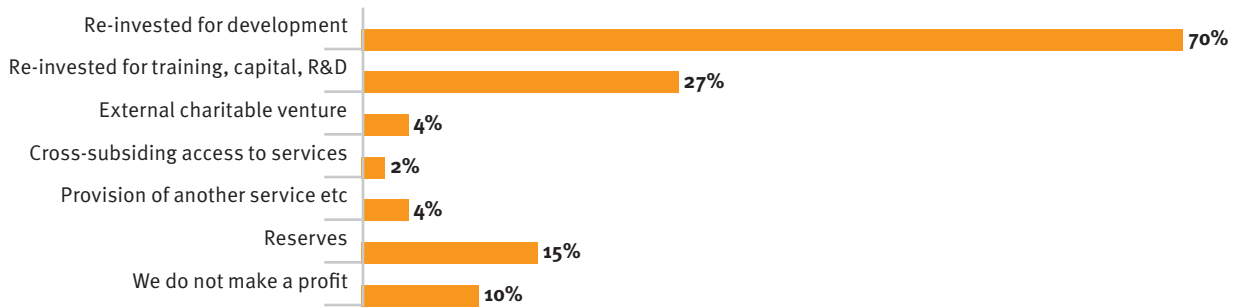


Figure 12
Who benefits?

A9: Thinking about your organisation, what or who are your organisation's main beneficiaries or users?

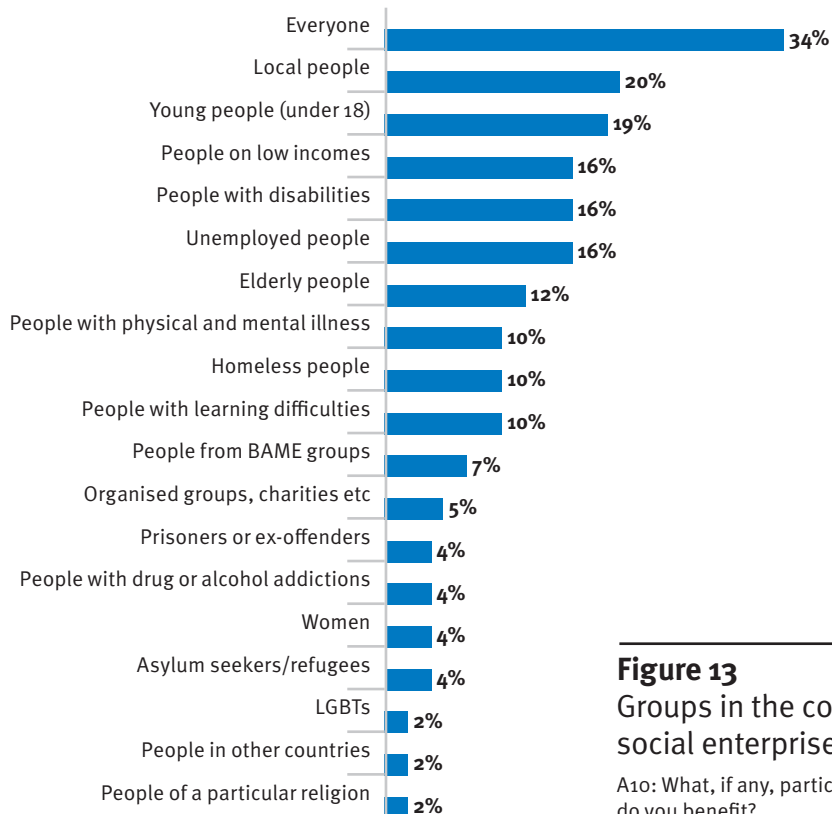
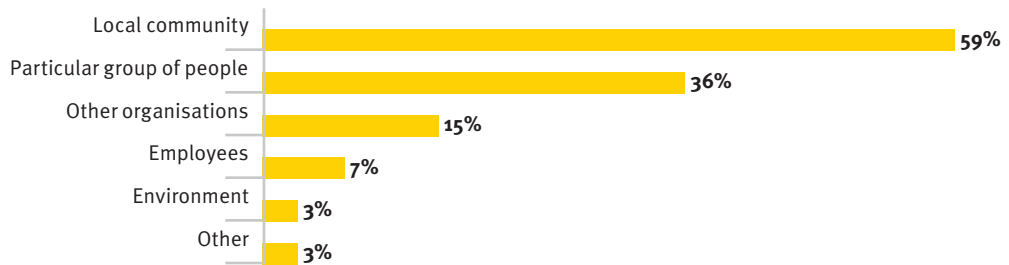


Figure 13
Groups in the community that benefit from social enterprises

A10: What, if any, particular groups of people in the community do you benefit?

Table 2

Characteristics of social enterprise board members

	Males		Females		BAME		Disabled	
Total board members	4,016		2,809		664		450	
0%	42	5%	92	10%	629	70%	653	73%
1–25%	54	6%	166	18%	159	18%	162	18%
26–50%	278	31%	407	45%	62	7%	61	7%
51–75%	310	35%	162	18%	18	2%	10	1%
76–100%	214	24%	71	8%	30	3%	12	1%
Total social enterprises	898		898		898		898	

Table 3

Employment profile of social enterprises with employees

	Males		Females		BAME		Disabled	
Total employees	10,368		20,238		1,932		837	
0%	134	17%	95	12%	512	63%	484	60%
1–25%	125	15%	70	9%	149	18%	189	23%
26–50%	292	36%	230	28%	79	10%	97	12%
51–75%	154	19%	221	27%	36	4%	26	3%
76–100%	105	13%	194	24%	34	4%	14	2%

17% meet the definition of a social firm

Case study 6**Women Like Us – breaking the glass ceiling**

Women Like Us was founded five years ago by Karen Mattison and Emma Stewart. They realised that while employers are struggling to find part-time staff, many talented women are struggling to find flexible employment that they can fit around family life.

They decided to develop a service that links the two: establishing a unique ‘schools gates’ network that offers women a range of practical services including career coaching and skills workshops along with a recruitment service that specialises in part-time jobs and supports the growth of the part-time job market. They have since expanded to support other women starting their own businesses through coaching and support.

4.5

Governance and control

The survey process was able to collect a large amount of data on the composition of social enterprise board structures, providing an insight into how social enterprises are run, and how they can and maintain their social mission. Data was collected on 6,825 board members and is presented in Table 2 opposite. The social enterprises in our survey have boards that contain, on average, seven members.

It would appear that social enterprise has made material progress in genuinely challenging the glass ceiling in terms of gender: 41.1% of all board members are women, which compares to just 11.7% of board members in FTSE 100 companies and 4.9% in AIM-listed companies.¹⁵ Furthermore, 26% of social enterprises could be described as ‘women-led’ (50%+ female board members) which is nearly twice that found in SMEs in general (14% in the Annual Small Business Survey).¹⁶ Only 10% of boards had no female representation.

In contrast, the Annual Small Business Survey showed that 8% of SMEs were BAME-led compared to our survey’s figure of 5%. Whilst the difference is not large, it does suggest that the movement needs to create more awareness of social enterprise as way of doing business amongst BAME communities.

¹⁵

Sealy, R. Doldor, E. and Vinnicombe, S., 2009, *Increasing diversity on public and private sector boards. Part 1 – How diverse are boards and why?* Government Equalities Office

¹⁶

Williams, M. and Cowling, M., 2009, *Annual Small Business Survey 2007/08*, Department for Business, Enterprise and Regulatory Reform (BERR)

4.6

Employment

Employment is a key factor for many social enterprises. As shown in section 4.4 above, 7% of social enterprises state that their employees are a beneficiary group and 16% state that they aim to support the long-term unemployed. The survey was able to collect data on the employment profile for 814 of its respondents and gather information on their gender, ethnicity and whether they had a disability. The breakdown of this is presented in Table 3 opposite.

In total these 814 organisations had 38,694 employees of whom two-thirds were women. We found that 15% of social enterprises self-defined themselves as a ‘social firm’ whilst 17% of the sample employ more than 25% of their staff from people disadvantaged in the labour market¹⁷ – reinforcing the idea that some social enterprises view who they employ as a part of their mission.

The average and median number of employees per business is 48 and 7. But as with the turnover data, we have also re-calculated the data on the basis of the definition of SMEs in order to control for the effects of large organisations in the sample. This produces an average of 36 employees per organisation and a median of 6.

These figures illustrate the ability of social enterprise to create jobs in meaningful numbers – including jobs amongst those normally under-represented in the labour market. This finding should be of particular interest to policy-makers at national, regional and local levels as they develop strategies at the current stage of the economic cycle.

¹⁷

This is the formal definition of a social firm.

Volunteering

The individual and societal benefits gained from volunteering are well understood – from young people increasing their employability and self-esteem¹⁸ to older people improving their physical and mental health.¹⁹ Social enterprises are a major provider of volunteering opportunities, with 70% of social enterprises in our survey report working with volunteers – a total of the 29,006 volunteers in our survey alone.

Volunteering plays a particularly important role in the approach of some social enterprises – one-third of the volunteers counted in our survey were from just four social enterprises. For other social enterprises, volunteering played little part: the very smallest and largest social enterprises by turnover were least likely to have any volunteers.

4.7 Key findings

This section has presented the survey's findings on the values and social goals of social enterprises, setting out how social enterprises are applying a model of reinvestment of profit, employment and community focus in practice on the ground.

Social enterprise is a fundamentally different proposition from CSR

The most frequently cited reasons for setting up a social enterprise are driven by a desire for social impact such as 'putting something back into the community' (included in 45% of all responses). This is echoed by the stated core values of social enterprises which go far beyond just being exemplary corporate citizens.

Profit reinvestment for social goals is a reality

70% of respondents reinvested profits into development activities – expanding services or providing new services to their beneficiaries.

Social enterprises are a natural home for women entrepreneurs

The glass ceiling of traditional business is being effectively challenged in the leadership of social enterprises, where 41.1% of all board members are women, which compares to just 11.7% of board members in FTSE 100 companies and 4.9% in AIM-listed companies.²⁰ Furthermore, 26% of social enterprises could be described as 'women-led' – almost twice as many compared to small businesses (14%).

¹⁸

Hutin, M., 2008, *Young people help out: Volunteering and giving among young people*, Institute of Volunteering Research

¹⁹

Harris, S. and Thoresen, C., 2005, 'Volunteering is Associated with Delayed Mortality in Older People: Analysis of the Longitudinal Study of Aging' *Journal of Health Psychology*, vol. 10, no. 6, 739–752 (2005)

²⁰

Sealy, R. Doldor, E. and Vinnicombe, S., 2009, *Increasing diversity on public and private sector boards. Part 1 – How diverse are boards and why?* Government Equalities Office

Section 5

The anatomy of a sector

In section 3 we saw how social enterprises are recession-busting, growing businesses with a real contribution to make to the economy of UK plc. In section 4, we saw how the social enterprise approach seeks to make our communities better places to live. It can be argued that these benefits create an understanding of social enterprise and the contribution it can make a priority for policy-makers at all levels.

However, part of the challenge in gaining this understanding is complexity. Social enterprises are very diverse – in terms of industry sector, legal form, origins and scope. The aim of this section is to map out this diversity as best we can.

Case study 7 Investing in people

Since 1983, the Wise Group has helped over 25,000 people from across Scotland and the North East of England move into employment through support, training and work experience programmes.

It started in 1983 as Heatwise, a small project aiming to combat fuel poverty amongst Glasgow's poorer households and provide training to unemployed Glaswegians. Heatwise became the Wise Group in 1987, experienced steady growth and diversified its activities towards long-term unemployed people in Scotland, then spread to the North East of England.

The Wise Group's turnover, at £21 million in 2007, has grown by more than seven times since 1986.

5.1

Which industries are social enterprises in?

As social enterprise is an approach to business that combines with a social purpose, social enterprises can, theoretically, be in almost any sector of the economy.²¹ Our survey asked respondents to identify up to two main areas in which their income-generating activity took place (see Figure 14 overleaf).

The range of industrial sectors that social enterprises operate in is clearly very diverse – from training to telecoms. But, overwhelmingly, regardless of which industry they work in, the most common business activity for social enterprises is training, education, advice – building human capital.

Most of the survey respondents also maintained a quite close sectoral focus. The majority of social enterprises in the UK work within one market sector (73%)²² though 10% had more than two activities generating income (eg environment and employment).

The survey also found that social enterprises with over £1 million turnover were significantly more likely to provide housing (39% of those with a £1 million turnover). Those organisations with a turnover between £100,001–£250,000 were more likely to provide training than other organisations, with 43% of organisations in this band delivering training. CICs were more likely to be in education (26% of CICs) or training, consultancy, business support (23%).

²¹

It would be hard to imagine a social enterprise in the armaments industry, for example.

²²

Though they will have income streams from several contractors.

Case study 8 Spotlight on a co-operative model

The Phone Co-op is the UK's only telecommunications co-operative, procuring telecommunications services on behalf of its customers, many of whom are co-operatives, charities and other not-for-profit organisations. It is a co-operative social enterprise registered as an Industrial and Provident Society (IPS).

The Phone Co-op's service has been taken up by over 15,000 customers and it has an annual turnover of £7.6 million. As a co-operative owned by its customer members, the Phone Co-op distributes any profits which are not reinvested back to members via a dividend based on each member's spend and through a loan fund which supports other co-operatives.

Figure 14
Social enterprises and trading areas

A7/A8: What are the two main areas that your organisation's income-generating activity takes place in?

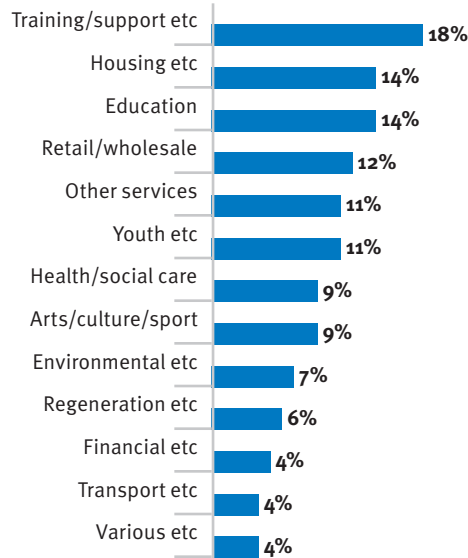


Figure 15
The legal forms of social enterprises

As charities and CICs can also have other legal forms such as a CLG, these figures do not add up to 100%.

B12: Thinking now about your organisation's legal structure or status, what is it, is it a...?

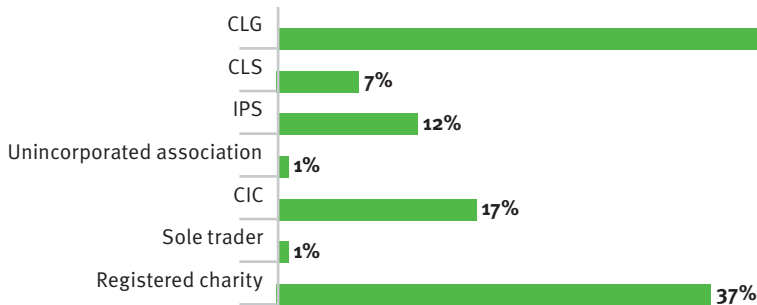
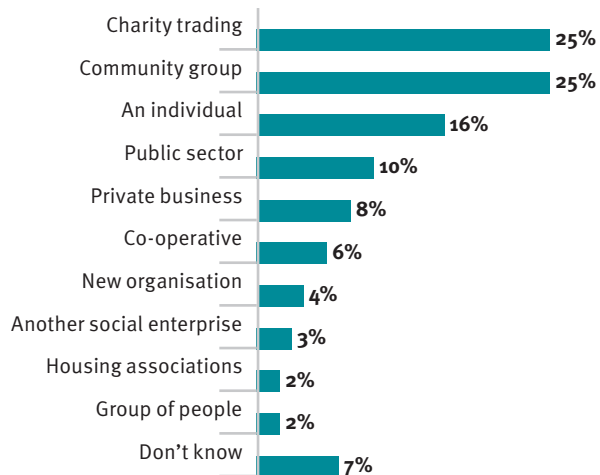


Figure 16
The organisational background of social enterprises

C1a: Thinking back to when your social enterprise was set up, what was its organisational background?



5.2 Legal forms

There are a wide variety of legal forms available to social enterprises – each with their advantages and disadvantages for social entrepreneurs as they navigate their markets and social missions. It is important to understand where social enterprises come from, as that can help with tailoring better business support. Our survey asked the question ‘Thinking now about your organisation’s legal structure or status, what is it?’ The results are set out in Figure 15 opposite.

Almost 60% are companies limited by guarantee (CLG), with 37% being registered charities.²³ In our sample, 17% are Community Interest Companies (CIC) – although these might be over-represented in the sample because of the structure of the dataset. Whilst only 12% of respondents told us that they were Industrial and Provident Societies (IPS) this form remains popular for certain types of social enterprise – such as housing associations, 37% of which had this legal form. When the age and size of the organisation are taken into account, CICs tend to be newer and smaller and IPSs to be older and larger – perhaps unsurprising given CICs did not exist until 2005.

5.3 Origins: there are many routes to social enterprise...

Social enterprises have started for many reasons and come from many points of origin. It is only relatively recently that a true sense of identity as a sector has been building – with all the definitional challenges that can come with an emergent sector. Our survey sought to find out where social enterprises came from originally in an attempt to explain the diversity of views about what the sector looks like and what its future direction should be. We asked ‘Thinking back to when your social enterprise was set up, what was its organisational background?’ The results are set out in Figure 16 opposite.

Around half of the organisations surveyed came from a voluntary and community sector background – a trading charity or community group. But the other half came from a wide variety of sources, from entrepreneurial individuals (16%) to former public-sector organisations (10%). This represents a genuine diversity of organisational cultures, structures, operational scales, professional terms of reference, risk appetites, attitudes to competition and co-operation, and so on. However, it is strongly counter-pointed by the unity of values as presented in sections 4.1 and 4.2 – showing that there really are many routes to social enterprise.

²³

It is possible to be both a company limited by guarantee and a registered charity simultaneously; it is also possible to hold subsidiaries that are CICs and IPSs within a group structure headed by a charity – therefore the figures do not total 100%.

5.4

Local, regional or national?

Section 3.1 demonstrated that social enterprises operated on a variety of scales, with the majority operating with small business-scale turnovers, but a number operating at a larger scale. To find out what this implied for the scope of social enterprises in local regional and national terms, the survey asked in which geographic area they operate or provide services. As shown in Table 4 opposite, the majority of organisations work very locally, as two-fifths work in their local authority area or in only one or two local authority areas (42%) while 15% work at a county level and a quarter works at a regional level (23%).

The data shows that social enterprises in Scotland and Northern Ireland are more likely to consider themselves to be working at a national level.

5.5

Rural and urban social enterprise

The survey also aimed to explore how social enterprises operated in rural areas to see if the pattern of provision differed materially. All organisations were asked if they provided or offered services to, or traded in, rural communities – and those that did were asked what they did differently, if anything. In the UK 59% traded with, or in, a rural area, however, 42% did not do anything differently because they operated in rural areas. Table 5 opposite shows these figures broken down by region.

Of the organisations that did work differently, nearly a fifth changed what they offer or what they do (19%) while 7% offered a mobile service for their clients. Transport issues were very important as many provided transport or travelled more because they were working in a rural area (14%).

Interestingly, only 40% of those with turnovers less than £10,000 worked rurally but 50%–66% of all the other turnover bands did – suggesting that smaller operations tend to be based in urban areas. Perhaps unsurprisingly, social enterprises based in London and the South East were the least likely to offer services or trade in rural areas.

5.6

Social enterprises and public services

The potential for social enterprise to play an increasing role in the delivery of public services has been proposed by politicians²⁴ and commentators²⁵ alike. The survey aimed to assess to what extent social enterprises were already doing business with local and national government. The results set out in Table 6 opposite show both contract and grant income.

Organisations in the £250,001–£1 million turnover band were more likely to receive the majority of their income from the state (48%) while those in the £10,001–£50,000 turnover band were the least likely to receive the majority of their income from the state (31%). Non-state sources of income were the greatest source of income for organisations with a less than £10,000 turnover band (63%). From the survey, it would appear that many social enterprises already have the state as a key trading partner.

24

Labour conference: 'Party could reinvent public services – and itself – around social enterprise', says Byrne, www.socialenterpriselive.com

Tory conference: 'Social enterprises to be paid by results under Tories', www.socialenterpriselive.com

25

'Public services revolution could come from frustrated staff', says Adebawale, www.socialenterpriselive.com

Table 4
What level do social enterprises work at?

	UK	East Midlands	East of England	London	North East	North West	Northern Ireland	Scotland	South East	South West	West Midlands	Yorkshire and Humber
Base	872	129	90	146	67	98	27	82	82	87	64	72
Local authority	42%	44%	38%	40%	47%	38%	33%	50%	48%	43%	34%	39%
County	15%	17%	21%	8%	15%	18%	8%	6%	17%	22%	20%	15%
Regional	23%	25%	26%	22%	19%	31%	23%	16%	16%	19%	26%	28%
Country	15%	11%	11%	23%	13%	9%	37%	24%	8%	12%	16%	15%
International	4%	2%	4%	6%	4%	2%	0%	2%	9%	5%	3%	3%

Table 5
Regional breakdown of rural trading

	East Midlands	East of England	London	North East	North West	Northern Ireland	Scotland	South East	South West	West Midlands	Yorkshire and Humber
Base	129	90	146	67	98	27	82	82	87	64	72
Trade in rural areas	82	60	37	42	60	22	63	40	68	41	40
Operating rurally	64%	67%	25%	63%	61%	81%	77%	49%	78%	64%	56%
Nothing – we don't do anything differently	35%	38%	43%	48%	32%	41%	41%	43%	51%	54%	40%

Table 6
Income source: state versus non-state

Combination = social enterprises where no clear distinction between trading and non-trading income was possible

State versus non-state	Total	£0– £10,000	£10,001– £50,000	£50,001– £100,000	£100,001– £250,000	£250,001– £1 million	Over £1 million
Base	821	48	125	126	182	164	144
State 50%+	39%	33%	31%	38%	42%	48%	35%
Combination	10%	4%	14%	10%	10%	7%	11%
Non-state 50%+	51%	63%	54%	52%	48%	45%	54%

5.7 Community Interest Companies

The Community Interest Company is a legal form launched in 2005 specifically designed to facilitate organisations that trade for a community purpose. The key features of a CIC are:

- the need to pass a ‘community interest test’
- locked assets – they can only be returned to the community of interest
- limits on dividend payments to shareholders (where applicable)

The survey provided an opportunity to find out why organisations had elected to take the CIC legal form and their perceptions of its advantages or disadvantages. All organisations that were CICs were asked why they had chosen that legal status and most respondents were very positive about their reasons.

A fifth of respondents said that it provided them with the flexibility of ownership (20%) while just under a fifth said that the asset lock was an advantage (18%). Seventeen per cent of respondents said that it provided them with a regulated status because you had to pass a community interest test and that it was the best option for them at the time.

Few respondents reported obvious disadvantages, with 24% saying that they did not know of any and 13% saying it was too early to tell. The principal stated disadvantage was around awareness – the perception that no one knows what a CIC is (10%).

Of those that were not CICs, for many the legal form was not available when they started up (though 20% of CICs had converted from another legal form) and only 12% said that being a CIC would not benefit them.

5.8 Key findings

Our survey has captured a flavour of the sector’s tremendous diversity – of form, industry and focus. This arguably reflects not just where organisations have come from, but the complexity of their markets and the challenge of the social issues they seek to address.

There are few business sectors that don’t include social enterprises

However, within those sectors, many have a focus on developing human capital through employment and training.

Social enterprises choose a wide variety of legal forms

Most enterprises (60%) are companies limited by guarantee, but the rest use a variety of legal forms.

It’s very diverse

Whilst roughly half of the organisations surveyed came from a voluntary and community sector background, the other half come from every possible source – from entrepreneurial individuals all the way through to former public-sector organisations.

The scope of operations is mainly, but not universally, very local

Two-fifths work in their local authority area or in only one or two local authority areas (42%). Slightly more than one in ten, however, operate on a national scale.

The public sector is already a key customer

As the economic and social benefits of contracting with social enterprises grow apparent, 39% of social enterprises report that over half their income comes from local and central government.

Community Interest Companies are, on balance, happy with their legal form

The most common response from CICs was that they have no problems to report about their legal form.

Case study 9

Cybermoor: meeting the rural challenge

Alston Moor, in Cumbria, is one of England's most remote parishes. In 2002, the main internet providers deemed that it was not viable to supply broadband internet to the area.

In response, Daniel Heery decided to set up Cybermoor, Alston Moor's own alternative to mainstream broadband providers. With £1.2 million of government funding, he went on to buy a PC for every household, with the rest being spent on setting up a wireless broadband network. Within seven years, Cybermoor has achieved the highest penetration of broadband in any rural area in England.

Case study 10

Spotlight on a CIC

The Sunlight Centre is based in North Gillingham, one of Kent's most deprived areas. It began operating in 2003 to tackle long standing health and social inequalities, while furthering community development.

In 2007, Sunlight established a trading arm, Sunlight Social Enterprises CIC, with a diverse business portfolio including a network of community cafés, a recording studio and an online radio station, all of which offer training, volunteering and vocational placements.

As a CIC, Sunlight Social Enterprises has more latitude to act effectively as a business, while ensuring that its assets and profits will be used for the public good in the short and long run.

Section 6

Enabling the sector to grow

The preceding sections have demonstrated the benefits – both economic and social – of a thriving social enterprise sector in the UK. So what do policy-makers and potential investors need to know about social enterprise to create an environment where these benefits can be realised more fully? This section explores the key barriers and enablers that influence social enterprise's ability to succeed – with a particular focus on access to finance and support.

6.1

The barriers to and enablers of growth

There are a wide variety of factors that either help or hinder social enterprises. Our survey asked respondents to name the top three issues that are helping or would help them to grow and the top three issues that presently act as a barrier to their growth. Their answers are presented in Table 7 opposite.

Finance and funding is both the greatest enabler when present (indicated in 56% of replies) and the greatest barrier by far when unavailable (indicated in over two-thirds of replies). The quality of skills and available training was also seen in a mixed light with a quarter of respondents reporting it as an enabler of growth when present and 18% identifying current skills and training as barrier.

A further point of note is that slightly more respondents (12%) indicated that 'an understanding what social enterprise is' is a barrier, than the 8% who see that understanding as an asset. This perhaps shows that work remains to communicate the benefits of social enterprise more fully to a range of audiences.

When asked about sources of business risk, availability of finance is the most pressing risk by a substantial margin, cited by 38% of respondents, as shown in Figure 17 opposite. This outstrips the credit crunch (9%) and the recession (8%). This not only demonstrates the importance of access to capital for social enterprises, but also reinforces the recession-busting role of social enterprise highlighted in sections 3.3 and 3.4.

6.2

Accessing finance

As access to finance played such a strong role in social enterprise's perceptions as a barrier to growth and business risk, the survey also explored how social enterprises currently accessed finance and in what volumes. It is hoped that an understanding of the issue can subsequently inform the policy of banks and other funders towards social enterprises.

Access to capital is vital to any business, but particularly to SMEs. The recent Enterprise Strategy²⁶ highlights access to finance – 'ensuring that our entrepreneurs and small business owners have the knowledge, skills and opportunity to access the finance they need to make their enterprising ideas a reality' as one of the 'five enablers' of enterprise policy.

Social enterprises are no exception. One-third of social enterprises have sought finance over the past 12 months – this is broadly comparable to the search for capital by SMEs. What needs to be determined is whether social enterprises are being properly served by traditional finance routes.²⁷

²⁶

BERR (March 2008) *Enterprise: Unlocking the UK's Talent*, Department for Business, Enterprise and Regulatory Reform

²⁷

Williams, M. and Cowling, M., 2009, *Annual Small Business Survey 2007/08*, Department for Business, Enterprise and Regulatory Reform (BERR)

Table 7
Enablers and barriers for social enterprises

Enablers		Barriers	
Finance and funding	56%	Finance and funding	67%
Skills/training and development	25%	Skills, training etc	18%
People you do business with	25%	Economic climate	17%
Beneficiaries/client/community	23%	Government regulations	17%
Volunteers	23%	Understanding social enterprise	12%
Management committee or board	14%	People you do business with	12%
Staff/employees etc	9%	Volunteers	10%
Business support eg advice	9%	Accommodation	10%
Increasing customers/users/demands	8%	Nothing	7%
Enthusiasm/loyalty/faith etc	8%	Business support	7%
Consumer understanding of social enterprise	8%	Other	6%

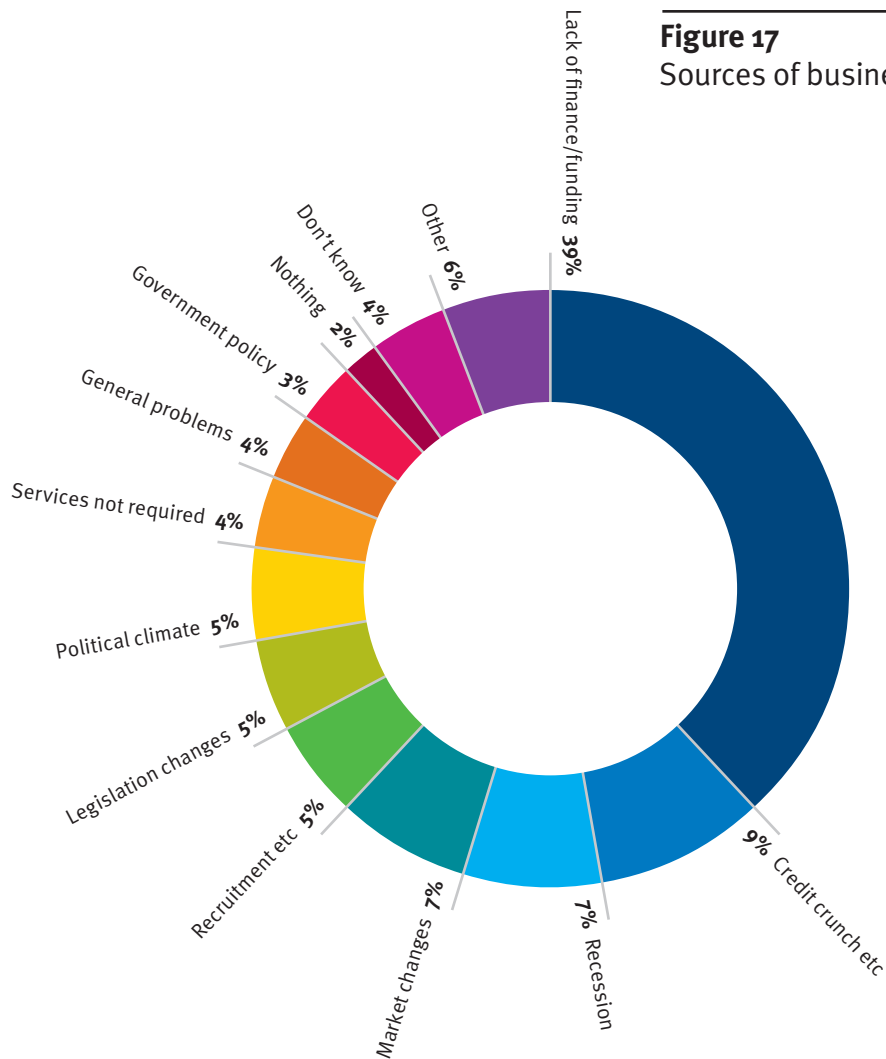


Figure 17
Sources of business risk

6.3

Where do social enterprises seek finance from and do they succeed?

The survey asked those that had sought investment finance where they had gone to find it and whether they were successful. The results show that social enterprises seek the resources they need from a wide variety of sources: grants from trusts as well as government; bank loans and overdraft facilities – as shown in Figure 18 opposite.

Sources of finance included grants (29%), a bank loan (18%), funding from government or the public sector (11%) or loans from a community development financial institution (8%). There were differences by turnover size, with larger social enterprises (over £1 million) tending to go to the banks for loans rather than seek grants. Aside from the community development finance institutions (CDFIs) the social investment sector does not feature very significantly. This can be attributed to this investment sector being new itself and emphasises the need to capitalise the sector more and we welcome the proposed Social Investment Bank Wholesaler.

Social enterprises had, in fact, been successful in raising finance. Our survey shows that 71% got 75%–100% of what they asked for. This success story in part explains the growth reported in sections 3.3 and 3.4 and should influence the lending policies of high street banks, which currently do not always welcome social enterprises because they don't understand them.

6.4

What was the finance for?

The profile of what social enterprises seek finance for can be a powerful indicator of the health of the sector – is it investment for expansion, working capital to keep a stable operation or covering short-term needs in a recession? Our survey asked those who sought finance what their main reason for seeking it was. The results are presented in Figure 19 opposite.

Our survey showed that the majority of finance sought was expansionary, with 60% of all investment required for new projects/service development, capital investment such as plant or buildings, and expansion. Larger social enterprises were more likely to access finance for these reasons. Working capital made up 36% of requirements, with 21% of respondents seeking facilities for managing cash flow and 15% of respondents looking to manage operational costs. Reassuringly very few social enterprises were seeking finance to meet basic obligations such as payroll.

6.5

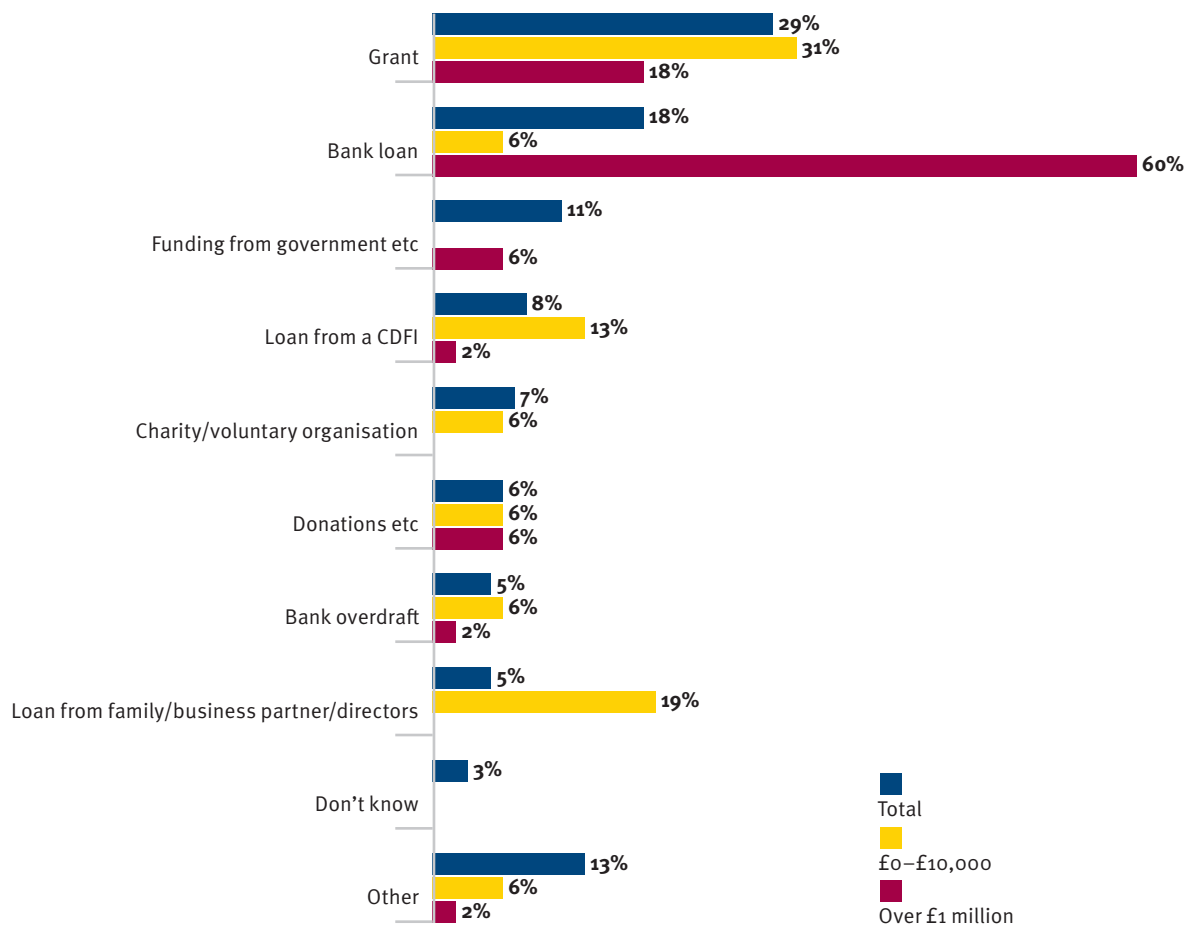
Business support services

Business support in the early start-up years of an enterprise can be invaluable. Given the relative youth of most social enterprises, our survey asked those that had seen business support as a barrier or an enabler if they had accessed business support and if so – who from. The picture that emerges from these 120 responses is one where support and advice are sought from all quarters. Whilst Business Link had the single largest response (though only by 27 social enterprises) a theme that emerged was one of peer-to-peer and one-to-one support. This backs up what social enterprises have been telling us about their support needs. They want advice and support from those that have 'been there and done it'.

We would urge the government to channel their funding for business support into the development of such products when there is clearly a demand.

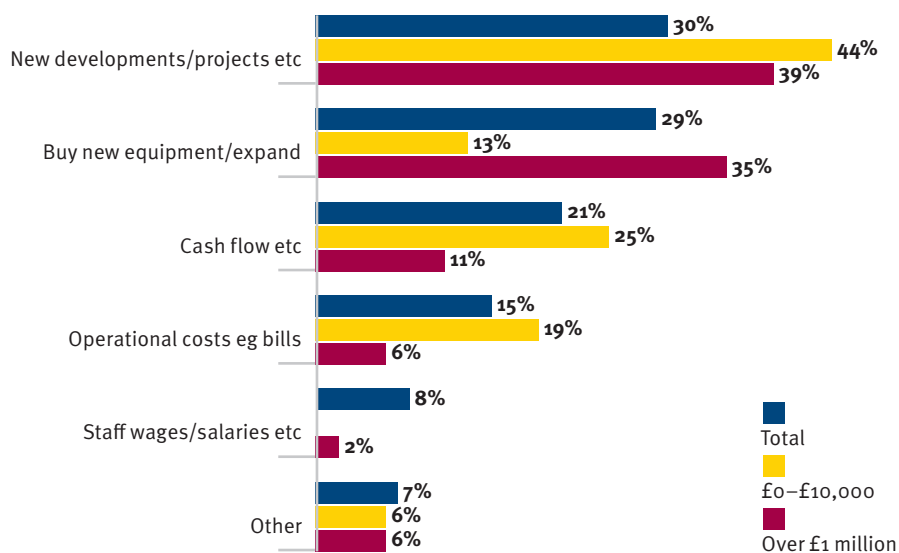
Figure 18**Sources of funding for social enterprises**

F11: Where did you get the finance from?

**Figure 19****What social enterprises invested in**

F9: In the last year or so have you needed to raise any finance?

If yes, what was your main reason for raising finance?



6.6 Key findings

This section explored the main barriers and enablers to growth in the sector, with particular reference to the investment landscape. As with the findings in section 3, one of the most striking features of the role of finance is the similarity to other small enterprises rather than to the charity and voluntary sector.

Finance is the oxygen of social enterprise

Finance and funding is both the greatest enabler when present (indicated in 56% of replies) and the greatest barrier by far when unavailable (indicated in over two-thirds of replies).

Social enterprise is as capital-hungry as small business

One-third of social enterprises have sought finance over the past 12 months – this is broadly comparable to the search for capital by SMEs.²⁸

Raising finance is possible

Social enterprises had, in fact, been successful in raising finance. Our survey shows that 71% got between 75%–100% of what they asked for.

Finance is mainly for growth

60% of all funding required by social enterprise is expansionary – investment for new projects/ service development, capital investment such as plant or buildings, and expansion.

Business support isn't fully meeting social enterprise needs

Business support is not sufficiently tailored to social enterprise needs. Social enterprises search for support from many sources but a common theme is support from their peers within the movement. Government business support funding should be channelled into such products which are in demand.

²⁸

Williams, M. and Cowling, M., 2009, *Annual Small Business Survey 2007/08*, Department for Business, Enterprise and Regulatory Reform (BERR)

Section 7

Conclusion

This report has presented the findings of the State of Social Enterprise Survey 2009 – the largest survey of its kind of social enterprises in the UK. The survey has found that social enterprise is an ambitious and competitive sector of the economy and social enterprises are valued, trusted members of the communities in which they operate.

The survey has shown that social enterprise plays an important, growing role in the UK economy – a role perhaps underestimated by many policy-makers and other stakeholders. It can be argued that policy-makers at national, regional and local levels could do more to act as incubators to social enterprises as they grow – as is frequently recommended for small businesses.

This report has shown the motivations of social enterprises to deliver on social objectives as fundamental to their purpose. It demonstrates that social enterprises are actively applying a model of reinvestment of profit, employment and community focus in practice on the ground.

Our survey has also captured a flavour of the sector's tremendous diversity – of form, industry and focus. This arguably reflects not just where organisations have come from, but the complexity of their markets and the challenge of the social issues that these enterprises seek to address.

This report has evidenced that social enterprise is an increasingly important part of the UK's economic and social landscape. The challenge ahead is to ensure that it is understood by educators, financiers, legal and accountancy professionals, policy-makers and politicians – all of whom can support its growth.

Network organisations providing data

The following membership organisations contributed details of their members to construct our sample:

- Brighton & Hove Social Enterprise
- CAN
- Cheshire & Warrington Social Enterprise Partnership
- Community Recycling Network UK
- Co-operatives UK
- Development Trusts Association
- Employee Ownership Association
- London Community Recycling Network
- National Housing Federation
- North East Social Enterprise Partnership
- Plunkett Foundation
- Scottish Social Enterprise Coalition
- Social Economy Network Northern Ireland
- Social Enterprise Coalition
- Social Enterprise East Midlands
- Social Enterprise East of England
- Social Enterprise London
- Social Enterprise West Midlands
- Social Firms UK
- SPORTA
- Supporters Direct
- The Furniture Reuse Network

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State of Social Enterprise Survey 2009

There is change brewing in the business landscape of the UK, and it is change for the better. Social enterprise has emerged as an ambitious, competitive sector of our economy and social enterprises are increasingly recognised as valued, trusted members of the communities in which they operate.

Social enterprises are businesses trading for social and environmental purposes. Rather than maximising private profit, their main aim is to generate profit to further their social and environmental goals.

This report presents the findings of the State of Social Enterprise Survey 2009 – the largest survey of its kind of social enterprises in the UK. Its results are taken from 962 telephone interviews with senior figures within social enterprises. Its purpose is to shed light on the sector's size, structure, motivations, prospects, origins and future.



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