

# THE FUTURE OF BUSINESS

State of Social Enterprise Survey 2017



Supported by



Social  
Enterprise UK

# ACKNOWLEDGEMENTS

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This report was written by Nick Temple for Social Enterprise UK. The research was designed by Nick Temple, assisted by Dan Gregory and the wider SEUK team, with support from Lys Coleman at BMG. The field work was carried out by BMG research.

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And a final largest thanks of all to the social enterprises who gave up their time to respond to this survey.

## PHOTO CREDITS

All photographs were provided by the social enterprises themselves or from Social Enterprise UK's own photo database.

Front cover and page 29: Sharp Futures  
Page 10: Change Please  
Page 37: Auticon  
Page 46: CASA

# FOREWORD FROM SOCIAL ENTERPRISE UK

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This 2017 State of Social Enterprise report marks the 10th anniversary of Social Enterprise UK beginning this research series. The organisation did so because we recognised the importance of building a strong and robust evidence base that gives reality to the rhetoric, and puts statistics to the stories. Social enterprise has no shortage of great aspirations and anecdotes: but we needed to move beyond these to demonstrate why social enterprise should be more central to the thinking of leaders, decision-makers, policy-makers and people from across sectors.

There is much in the past decade that has remained consistent in social enterprise, and consistently impressive. Social enterprises are more representative of the communities that they operate in than traditional business. This is true of their leadership, with 40% led by women and 34% having minority representation in their leadership teams. It is true of their workforce, with 44% employing those who are disadvantaged from the labour market: ex-offenders, homeless, military veterans, those with learning and physical disabilities, and many more whom others simply don't give a chance to. And it is also true of where they work: a third operate in the most deprived areas in the UK.

We have also seen a ten-year wave of start-up dynamism, with a new generation of businesses choosing the social enterprise approach: embedding a social purpose in their DNA, acting commercially, and reinvesting their profits to create more positive change. These new entrants have also brought innovation: social enterprise has outperformed mainstream business for a decade in its ability to develop new products and services.

What has changed in the same 10 years is the operating environment, and this report reflects that change. In 2007, social enterprises were operating against a relatively stable political and economic backdrop: pre-2008 crash, pre-austerity, pre-Brexit. In 2017, the landscape looks very different and the signs are there in the figures in this report: an increased demand for working capital, cashflow pressures, and an overall reduction in business optimism.

But social enterprises have demonstrated huge resilience in the same period: holding true to their social aims and their business practices, making a profit and growing their impact. Any perception of social enterprises as 'soft' or 'fluffy', or the myth that they are more risky has long since been punctured: these are real businesses. But they are doing business differently: six out of ten recruit their entire workforce locally, over half actively involve their community in decision-making, and more than a third have a director with a disability.

**"These are real  
businesses. But they  
are doing business  
differently"**

This 2017 report, the most rigorous and comprehensive we have undertaken, demonstrates these differences on every page. It would not have been possible without many people's involvement, and I would particularly like to thank Santander for their continued support, and all the people within social enterprises who gave up their time to respond.

The resulting research confirms what I believe: that social enterprise is the future of business, and that social enterprises represent the future of how we should all be doing business. If you have any interest in building a fairer economy and a more equal society, wherever you live and work, you should read this report and understand the existing strength and future potential that social enterprise has. We have made great progress in the last ten years, but the challenges we face require us all to be bolder, more ambitious and grow this movement to new heights in the next decade. I hope you will join us in doing so.

**Lord Victor Adebowale**  
Chair, Social Enterprise UK

# FOREWORD FROM SANTANDER

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At Santander we are committed to helping people and businesses prosper and recognise how important social enterprises are to the UK and the SME sector. Their contribution to society is invaluable and they play an increasingly vital role in building more resilient communities and fairer local economies.

We have been passionate supporters of the social enterprise sector for many years. We invested £13million in the Third Sector Investment Fund, operated by Social and Sustainable Capital to support social enterprises and charities, and last year we launched an innovative partnership with Crowdfunder. This fund supports projects focused on delivering skills, knowledge or innovative solutions to social challenges.

We are also proud to be members of Social Enterprise UK and to be founding partners of the Buy Social Corporate Challenge, which aims to see £1bn spent with social enterprises by large companies by 2020. Our procurement team have made great strides already, opening up supplier opportunities and directing our budget towards more social enterprises.

We are delighted to again be supporting the State of Social Enterprise, the most comprehensive report into the sector. We believe social enterprises are leading the way for business in many areas,

and this report makes that clear. They are more innovative than their mainstream counterparts, more diverse, and creating opportunities for people who don't get that chance elsewhere. Crucially, they are also proving commercially strong as well: around half increased their turnover in the last 12 months, and almost three-quarters made a profit or broke even.

**"We believe social enterprises are leading the way for business in many areas"**

It's never been more important to support and invest in the businesses which create jobs, open up opportunities, and build a more prosperous future for all. This report from Social Enterprise UK demonstrates powerfully the economic, environmental and social impact the social enterprise movement is having; and provides a compelling case of why supporting and investing in social enterprises, makes sense not only for Santander, but for our whole society.

**Sue Douthwaite**

Managing Director, Santander Business

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# EXECUTIVE SUMMARY

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**This report presents the findings of the State of Social Enterprise Survey 2017 – the largest, most rigorous and most representative survey of social enterprises in the UK. Its results are taken from 1,581 telephone and online interviews with senior figures in social enterprises.**

## BACKGROUND AND CONTEXT

The UK is viewed by many other countries as a pioneer of social enterprise and the associated practices of social investment and social value. Government statistics identify around 70,000 social enterprises in the UK, contributing £24 billion to the economy and employing nearly a million people. Research by NCVO for Big Society Capital independently identified 67,000 'asset-locked social companies', a similar total. Since 2005, over 13,000 Community Interest Companies have been founded, another indicator of the growth of the movement.

Against a landscape of considerable uncertainty, and increasing division and inequality, social enterprise has a significant role to play in creating a more positive future. Whilst it is not a panacea, social enterprise has some of the answers to the big challenges we face: making the most of the resources we have, creating opportunities for all, and demonstrating how we can all do business more equitably.

## OUR SUMMARY OF THE SURVEY FINDINGS

Social enterprise is continuing to do business differently, and showing considerable **commercial resilience**: it continues to outperform mainstream SMEs against a range of business metrics: turnover growth, innovation, business optimism, start-up rates, diversity in leadership and more. Over 70% made a profit or broke even in the last year.

Yet things are clearly far from easy. Cash flow **pressures** are rising, as is the need for working capital, showing business models are strained. Recruitment



has slowed, with only 12% increasing the size of their workforce: almost a third (30%) have had to reduce their number of employees in the past 12 months. Optimism is high, but has dropped in almost every region of the country since 2015.

Access to the right **finance** at the right time in the right form remains the principal barrier to sustainability and growth, although the demand for finance has dropped slightly from previous years. The ability to recruit the right people with the right skills is increasing as a challenge for many, as they continue to grow and mature their businesses.

There remains a steady stream of **start-ups** coming through, at a proportion three times that of mainstream SMEs: many are small or micro, and selling directly to the general public. One positive of their smaller size is that over a third operate at a neighbourhood or local level, with reach into communities: more than half say they actively involve their community in decision-making.

The **public sector** remains a key source of income for social enterprises, particularly the largest: it is the main source of income for 59% of those turning over more than £5 million. This survey also reveals that one in eight of those with public sector income is getting it via European programmes: a figure to watch as we move towards Brexit in 2019.

Social enterprise has much to contribute to that post-Brexit future, not least in its diverse leadership and **inclusive** employment. 89% of social enterprise leadership teams have a female director, 34% have Black Asian Minority Ethnic representation and 36% have a director with a disability. More than two-thirds are supporting individuals from disadvantaged groups, and more than four in ten employ them. In this way, the findings of this report, and of the social enterprise movement, point the way to the future of business.

## KEY FINDINGS

**SOCIAL START-UPS:** 25% of social enterprises are under 3 years old, three times the proportion of start-ups compared to SMEs (8%). Almost four in ten social enterprises are five years old or less, showing that the start-up wave continues.

**WORKING WHERE IT IS NEEDED MOST:** 28% of social enterprises are based in the most deprived communities in the UK. 34% of social enterprises are operating at a neighbourhood or local level, demonstrating reach into communities.

**THIS IS BUSINESS:** 74% of social enterprises earn more than 75% of their income from trading.

**SELLING TO THE PUBLIC:** The most common source of income for social enterprises is the general public: for 27% is it the main source of income.

**DELIVERING PUBLIC SERVICES AT SCALE:** The public sector is the main source of income for 20% of all social enterprises; it is the main source for 59% of social enterprises over £5 million turnover.

**MORE INNOVATIVE THAN THE PRIVATE SECTOR:** The number of social enterprises introducing a new product or service in the last 12 months stands at 50%. Among SMEs it has fallen to 33%.

**COMMERCIALY RESILIENT:** 51% of social enterprises made a profit in the past year, with 20% breaking even. 47% grew their turnover in the last 12 months, compared to 34% of SMEs.

**FEMALE ENTREPRENEURSHIP:** Consistent with previous surveys, 41% of social enterprises are led by women. Over half of social enterprises (51%) have a majority female workforce.



**DIVERSE LEADERSHIP:** The leadership teams of social enterprise reflect the communities where we live and work: 12% of social enterprises are BAME-led; 34% have BAME directors.

**LOCAL EMPLOYERS:** Almost eight out of ten (79%) social enterprises recruit over half of their staff locally; for 58% this is their entire workforce.

**CREATING OPPORTUNITIES IN TOUGH TIMES:** Two-thirds of social enterprises (69%) are supporting people from disadvantaged groups, and 44% are employing them. However, almost a third (30%) have reduced the size of their workforce overall.

**UNDER PRESSURE:** Cash flow is one of the top three barriers for social enterprises of all types, and demand for working capital remains high (42%), indicating a continuing pressure on margins and business models.

**A FAIR PAYING FIELD:** 78% of social enterprises report paying the living wage to their employees. The average salary of a social enterprise chief executive is £36,115.

**FINANCIAL TIMES:** Access to appropriate finance remains the biggest barrier for start-ups and established social enterprises. 34% sought finance in the previous 12 months, still significantly ahead of their mainstream SME equivalents.

**DEMAND FOR SMALLER DEALS** Over half (51%) of social enterprises are seeking finance under £100,000, and over two-thirds (68%) below £250,000.



# 1.0 INTRODUCTION

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**This report presents the findings of the State of Social Enterprise Survey 2017 – for a decade the largest, most credible, most comprehensive and most rigorous survey of social enterprises in the UK. This survey is also the largest undertaken since Social Enterprise UK started this series in 2007.**

Social enterprises are businesses that trade in order to tackle the major challenges we face in society. They make their money from selling goods and services in the open market, but reinvest their profits back into the business or the local community. As this research makes clear, they are working across a wide range of areas: creating jobs and new opportunities, supporting the most vulnerable in society, reducing our environmental impact, and improving people's healthcare.

Previous surveys in 2011, 2013 and 2015 had revealed a growing number of social enterprise start-ups, and a leadership that is more representative of the communities in which they work. They also revealed a strong focus on customers and markets and income diversification: social enterprises building resilience against a challenging and uncertain economic and political backdrop.

That political and economic landscape has obviously significantly changed in unpredictable ways since the last survey in 2015. It is now over a year since the referendum to leave the European Union, and much remains unresolved and unclear for individuals and organisations across all sectors. What is clear is that the referendum revealed divisions within the country: between geographies, between generations, and between the winners and losers of a globalised economy. The need for a model of business that creates opportunities for all, puts people ahead of profit, and operates in the communities others leave behind is greater than ever. The need for resilient, effective social enterprises making the most difference with the resources they have is greater than ever.

This 2017 survey therefore aims to add to and strengthen the existing evidence base, and provide a clear picture of how social enterprises are performing. As in previous years, it does this in four main areas:

**Scale and scope:** This section looks at the types of social enterprise, the proportion of start-up and well-established social enterprises, where they are located and their geographical reach, the economic sectors they work in and their scale by turnover.

**Markets and money:** This section looks at how social enterprises are performing as businesses in different markets, where their income comes from, who they are trading with, and whether they are growing, profitable and optimistic for the future.

**People and purpose:** This section looks at how social enterprises work, which groups they seek to support and employ, who leads them, and the change they are making

**Barriers and enablers:** This section looks at the key factors which are helping and hindering social enterprises to achieve their goals, with a particular focus on finance

# 2.0 METHODOLOGY

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**The State of Social Enterprise Survey 2015 was commissioned by Social Enterprise UK, in association with Santander. BMG Research were contracted to carry out the survey fieldwork with the objective of gathering robust, policy rich information from and about social enterprises. A total of 1,581 responses were gathered via telephone interviews and online surveys, primarily with the person in day-to-day control of the business or the person responsible for the business finances.**

## 2.1 PROCESS

The survey team used the relationships and networks available to Social Enterprise UK (SEUK hereafter) to identify sample sources to develop the sample frame and obtain contact data. The sample frame consisted of SEUK members and databases, and members of related social enterprise networks and organisations: specifically Co-operatives UK, Locality, and UnLtd. The sample frame was further enhanced by other relevant organisations contacting their membership and encouraging them to participate in the survey.

This data collection exercise provided a total potential dataset of enterprise contacts (32,745<sup>1</sup> as compared with 15,198 in 2015, 9,024 in 2013, and 8,111 in 2011). The survey team then applied a three-step approach:

- Telephone interviews of a random sample of potential research targets (957 completed)
- Online version of the survey accessed via unique links sent to all remaining contacts with email addresses (223 completed)
- Open online version of the survey, promoted and circulated by SEUK and networks (401 completed)

In total, 1,581 interviews were completed, a rise of almost a third on the 2015 total of 1,159 (which was itself a significant rise on the 2013 sample of 878).

As the networks from which data was obtained were very diverse, taking in a wide variety of organisational forms, legal forms and objectives, a two-step filter was applied. To ensure that the

sample better reflected the landscape of social enterprise, organisations were only considered to be in the scope of the survey if they:

- Defined their organisation as a social enterprise
- Generated 25% or more of their income from trading activities.

Though a small minority of respondents, we include those earning between 25% and 50% to allow for those with a fluctuating business model and, especially, for those starting up and establishing their business model.

## 2.2 SAMPLE CHARACTERISTICS

The sample is the largest and most diverse for any state of social enterprise survey, which provides confidence that it represents a fair overview and insight into social enterprises in the UK. The only change to previous practice has been the direct inclusion of the data from the equivalent Welsh survey, provided by the Wales Co-operative Centre – both surveys use almost entirely the same question set and the Welsh data was included but weighted to avoid skewing the overall sample.

The breakdown of organisational structures of the sample is detailed opposite.

**20% of the sample are a registered charity (21% in 2015):** there is almost complete overlap with those who are also a company limited by guarantee.

**21% describe themselves as a co-operative:** in addition to the 9% who are Industrial and Provident Societies, co-operatives can be companies limited by share and, occasionally, community interest companies as well.

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<sup>1</sup> This figure includes contacts provided from all Social Enterprise UK databases, which did include some duplication.



## ORGANISATIONAL STRUCTURES OF THE SAMPLE

	2017	2015	2013	2011
<b>Company Limited by Guarantee (CLG)</b>	39%	45%	51%	54%
<b>Community Interest Company (CIC)</b>	22%*	20%	17%	10%
<b>Company Limited by Shares (CLS)</b>	16%	16%	12%	12%
<b>Industrial and Provident Society (IPS)</b>	9%**	9%	19%	24%
<b>Sole proprietorship</b>	3%	6%	2%	
<b>Limited Company</b>	2%	1%	1%	
<b>Charitable Incorporated Organisation (CIO)</b>	1%	---	---	
<b>Unincorporated</b>	1%	---	---	
<b>Limited Liability Partnership</b>	1%	1%		
<b>PLC</b>	<0.5%	<0.5%	1%	
<b>Partnership</b>	---	3%	2%	
<b>Other/Don't know/Not provided</b>	5%	5%	11%	

\* Of the CICs, 11% were CIC CLG, 5% CIC CLS and 6% 'unsure'.

\*\*Of the IPS, 5% were Community Benefit Societies, 4% IPS Bona Fide.

**31% describe themselves as a community business, and 9% as a social firm** (a social enterprise with a commercial business having social impact through who it employs).

Based on postcode analysis, 84% of the sample are based in England, of which 25% is in London, 22% in the Midlands (E & W), 20% in the South (SE & SW) and 17% in the North. 7% of the sample is from Scotland, 3% from Northern Ireland, and 5% from Wales. This is very similar to previous years, and to the proportions found in different regions in mainstream small business surveys.

### 2.3 REPORTING

Results have been presented rounded to zero decimal places, which may mean that in the reporting of percentages, some percentages may not add up to exactly 100%. Some questions have multiple answers, so responses in these cases will add up to more than 100%.

Comparisons with findings from other relevant surveys have been made under full

acknowledgment that underlying caveats exist, making exact like-for-like comparisons difficult. The vast majority of social enterprises are small businesses, and we compare the data here to the small and medium enterprises (SMEs) in the Small Business Survey. The number of social enterprises with more than 250 employees in this survey is small enough for the difference to be negligible (c. 1%), so we have used the same set of figures in the report throughout.

This report tries to give regional and local insight into data where relevant, and where statistically significant. Where there is a risk of distorted figures, we have used median averages not mean averages – this gives a more accurate picture of the reality of social enterprise. Otherwise, a few large organisations can skew figures like average turnover, or the increase in smaller organisations in the sample can skew figures on growth, because of their steeper trajectory.

# 3.0 SCALE AND SCOPE

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## KEY FINDINGS

**GROWTH IN SOCIAL START-UPS:** 25% of social enterprises are under 3 years old, which is three times the proportion of start-ups compared to SMEs (8%). Almost four in ten social enterprises are five years old or less, showing that the start-up wave continues.

**GROWING IN SIZE:** 47% of social enterprises grew their turnover in the last 12 months. This is a slight reduction on 2015 (52%) but still higher than the 34% of SMEs who have seen an increase.

**WORKING WHERE IT IS NEEDED MOST:** 28% of social enterprises are based in the most deprived communities in the UK. It remains the case that the more deprived an area is, the more likely you are to find a social enterprise.

**REACHING COMMUNITIES:** 34% of social enterprises are operating at a neighbourhood or local level, demonstrating the reach of the movement into communities.

**SUPPLYING GOODS AND SERVICES:** Two-thirds of social enterprises (68%) provide mainly services, but there is a growing number that also provide goods (31%) as part of their trading mix. Retail is now the leading trading activity for social enterprises.

### 3.1 INTRODUCTION

**This section presents findings on the landscape of social enterprise in the UK: how well established social enterprises are, the proportion of new start-ups, their locations, the scale of their turnovers, their geographical reach, the types of community in which they work and the economic sectors in which they trade.**

### 3.2 HOW WELL ESTABLISHED ARE SOCIAL ENTERPRISES?

The last four State of Social Enterprise surveys since 2009 have shown a consistent pattern for social enterprises: a core of well-established, larger social enterprises being joined by a growing proportion of start-ups.

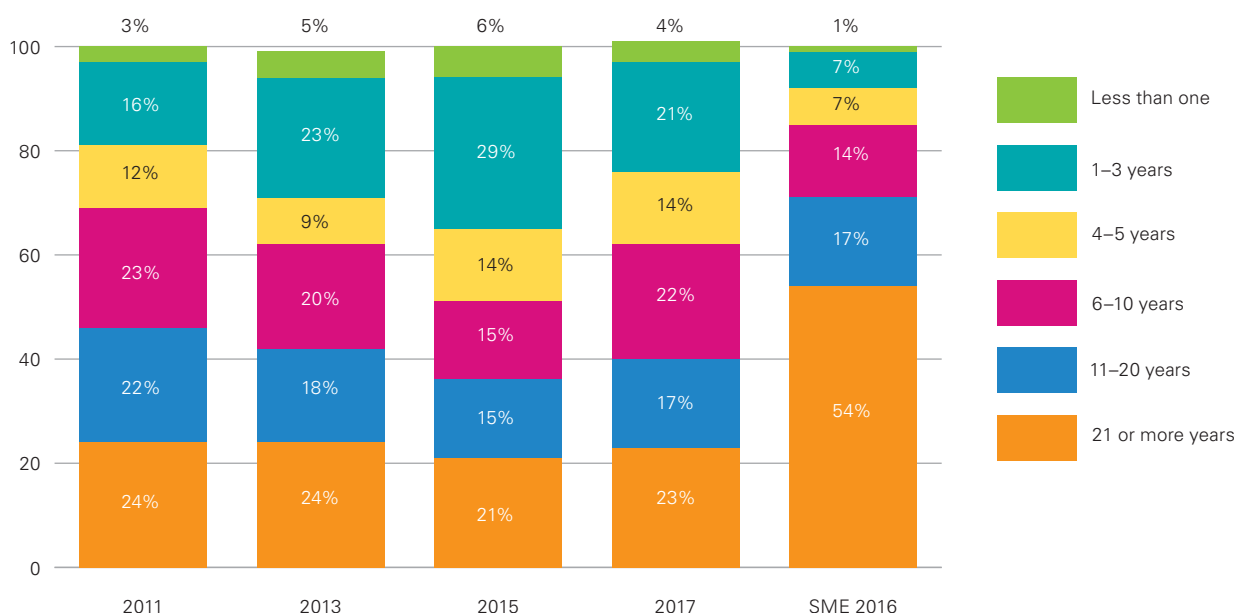
These 2017 results show this trend broadly continuing. Start-up rates remain high (25% are under three years old, with 39% under 5 years) through we have seen some of the start-up wave from 2009-15 begin to translate into greater numbers in the more established groupings: 62% have been trading for more than five years. Nevertheless, the dynamic wave of start-ups continues, and the proportion of social enterprise start-ups remains significantly higher than the figures for mainstream SMEs (8%).

This growth of start-ups is also clear from the growth in numbers of community interest companies (CIC): there are now over 13,000 on the registry at time of writing, an average of more than 1,000 being established each year since the legal structure was introduced. This trend can also be seen in the change in the sample, with CICs now making up 22% of the total sample having been just 10% in 2011. 36% of those under 3 years old are also CICs.

### 3.3 HOW BIG ARE SOCIAL ENTERPRISES?

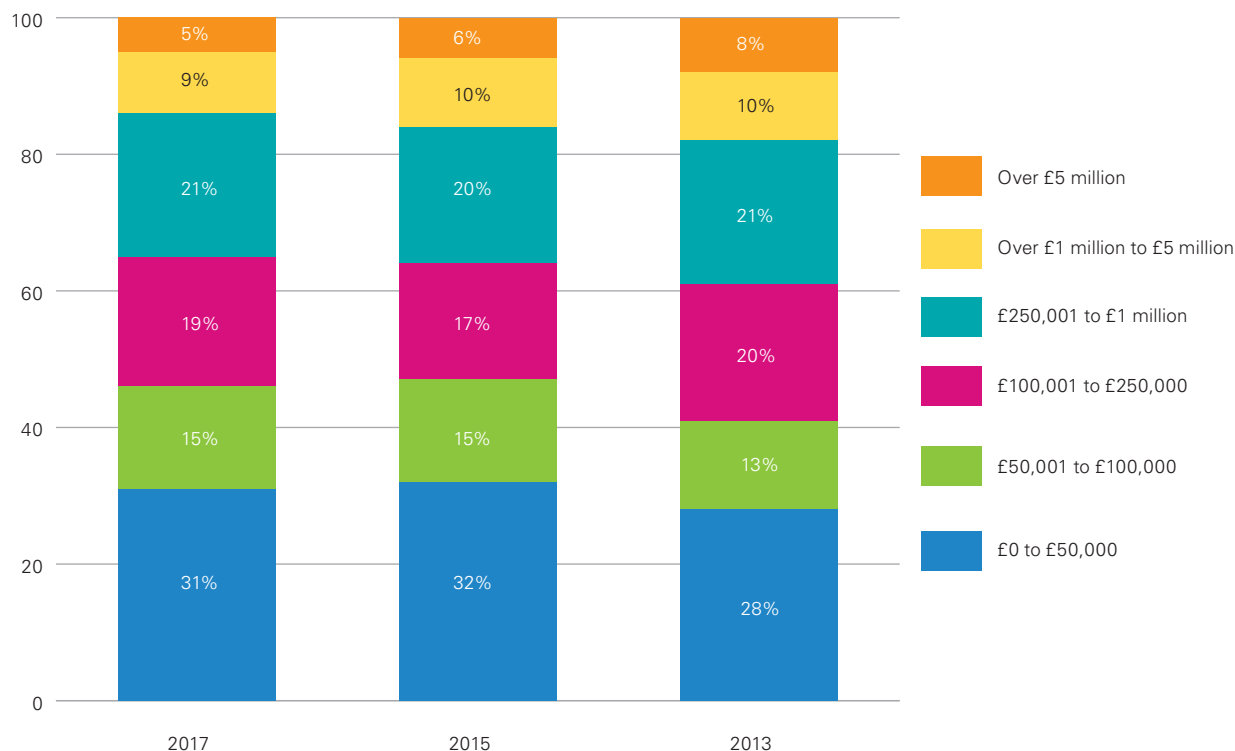
To gain an idea of the scale of social enterprises, respondents were asked to state their turnover for the most recent financial year. The figures continue to show that social enterprises are much more likely to be small businesses: almost one third are under £50,000. A consistent cohort are operating at scale, but the majority are small or

**FIGURE 1: LENGTH OF OPERATION**





**FIGURE 2: TURNOVERS OF SOCIAL ENTERPRISES**



micro. Turnover is very closely associated with organisational age: 45% of those under £50,000 turnover are under three years old, while two-thirds of those with a turnover of £1million or more are over 11 years old.

The overall median income reflects this continuing high proportion of smaller start-up social enterprises, declining from £187,000 in 2013 to £151,000 in 2015 to £125,000 in this 2017 report.

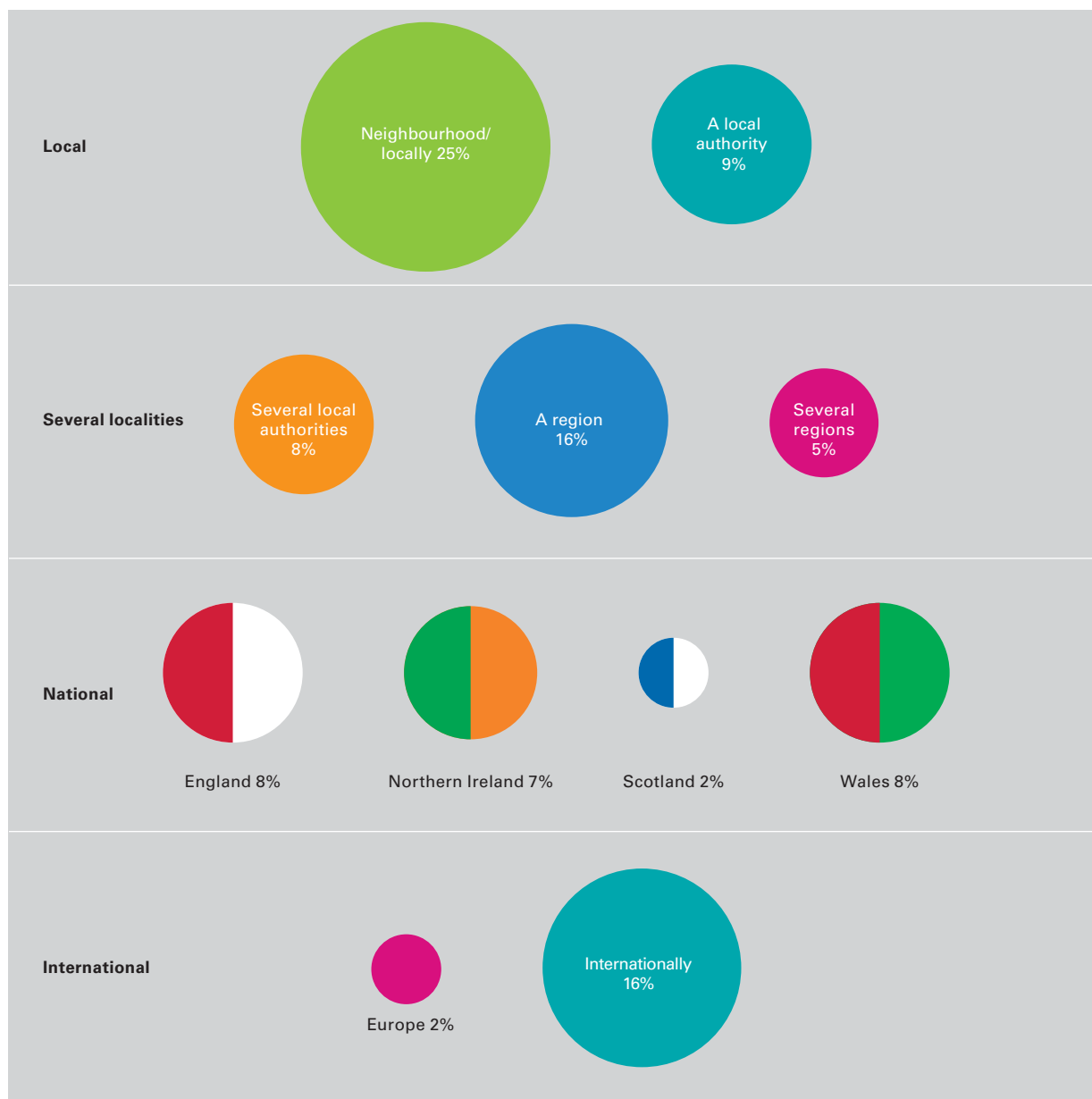
As shown in Figure 3, there is a clear link between the age of an organisation and its median turnover – the median turnover of start-ups is £30,000, whilst the median turnover of established social enterprises over 11 years old is £340,000.

There is little difference in average turnovers across different regions and nations or geographical areas, although urban social enterprises have a median turnover of £130k which is higher compared to those operating in rural areas (£100k).

**FIGURE 3: MEDIAN TURNOVER OF SOCIAL ENTERPRISES BY THEIR AGE**



**FIGURE 4: AREA OF OPERATION**



### 3.4 ARE SOCIAL ENTERPRISES GROWING?

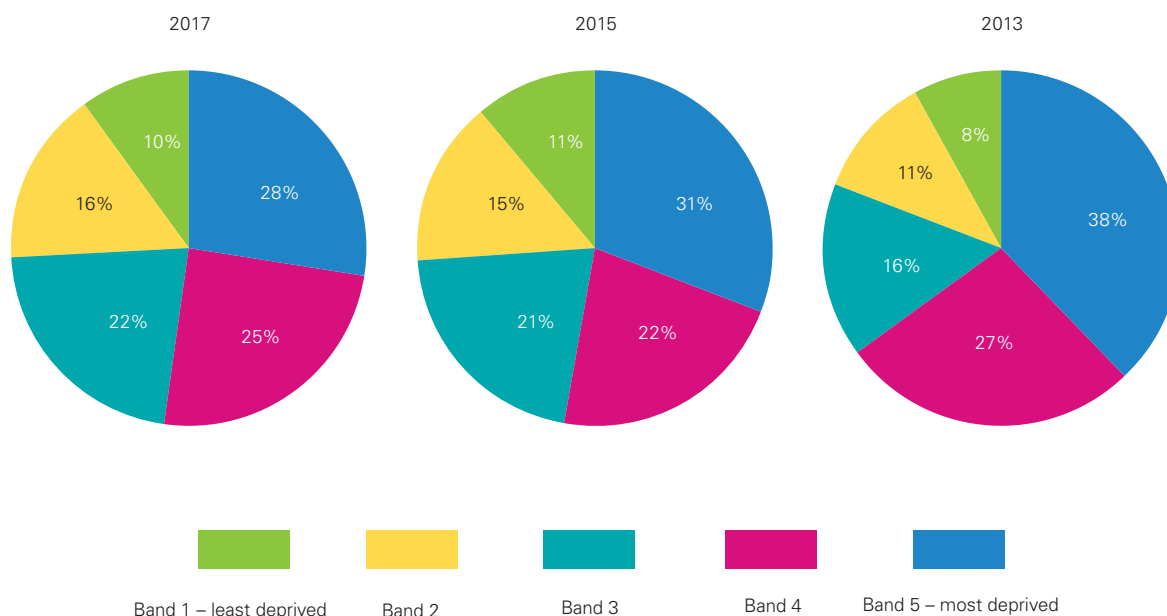
47% reported an increase in turnover compared to the previous financial year (slightly lower than 52% in 2015) with a similar proportion reporting a decrease (20% in 2017; 19% in 2015) and no change (30% in 2017, 28% in 2015). This indicates a continuing resilience in the social enterprise movement: despite the challenging economic climate and uncertain conditions, half have grown commercially and, as we see later in this report, only a quarter made a loss in the last year.

For comparison, 34% of SME employers report a growth in turnover (2016 data), with 44% breaking even and 20% reporting a decrease. The proportion of social enterprises reporting growth remains significantly higher.

### 3.5 THE REACH OF SOCIAL ENTERPRISES

Figure 4 demonstrates the reach and diversity of social enterprise, with 34% operating at neighbourhood or local level, a further 29% operating across several localities or regions, and significant proportions operating across whole

**FIGURE 5: WHERE SOCIAL ENTERPRISES WORK: BY LEVEL OF DEPRIVATION**



countries, be that England, Northern Ireland, Scotland or Wales. Organisations within the North East are most likely to operate locally or within their neighbourhood (44%) whilst those in London are most likely to be operating internationally (17%).

In terms of operating internationally, 13% reported that they exported goods or services, or licensed their product, outside the UK (14% in 2015).

### 3.6 SOCIAL ENTERPRISES ON THE FRONTLINE

The survey collected location data for respondents and matched that with the Index of Multiple Deprivation (IMD) ranking<sup>2</sup>, enabling an understanding of the communities where social enterprises are working.

As set out in Figure 5, the data demonstrates that social enterprises have their greatest concentration in the areas of the greatest deprivation, with 28% of social enterprises working in the most deprived communities in the UK. As has been a common finding in this survey, the more deprived the area,

the more likely it is that a social enterprise will be working there.

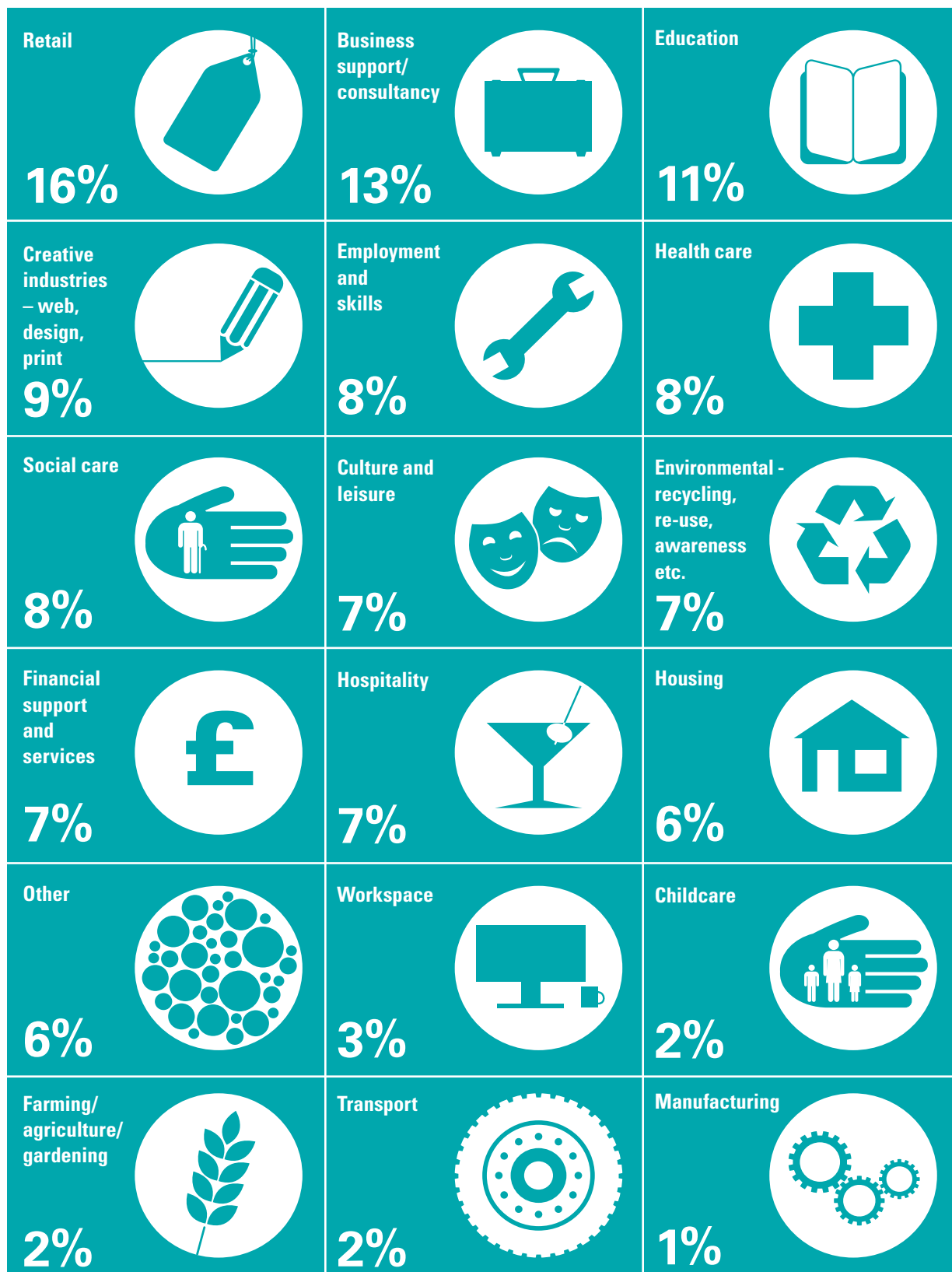
As can be seen from the figure above, though, this characteristic of social enterprise is decreasing slightly: down from 38% in 2013 to 28% in 2017. This is still significantly higher than mainstream SMEs, but a lower proportion than previously, and seems to be powered by the wave of start-ups which are slightly less likely to be based in the most deprived areas. Nevertheless, more than half of social enterprises work in the top two most deprived quintiles (53%), a figure consistent with 2015, and only 10% operate in the least deprived areas.

### 3.7 WHAT SECTORS DO SOCIAL ENTERPRISES OPERATE IN?

It is acknowledged that social enterprises now operate in many industries and sectors of the economy: from pubs to youth clubs, leisure centres to employment mentors, and midwives to beehives. This survey reinforces this point: indeed 6% felt that none of these areas captured the nature of their primary activity. As presented in Figure 6, the data shows a wide range of principal trading activities. Many are service industries (education, business support, employment and skills, health and social

<sup>2</sup> The IMD is a detailed set of statistics on poverty published by the Department for Communities and Local Government. It combines a wide variety of indications, including income, employment, health, deprivation and disability, education skills and training, barriers to housing and services, crime and the living environment.

FIGURE 6: SOCIAL ENTERPRISES – PRINCIPAL TRADING ACTIVITY



care) and if we combine health and social care it remains the leading area of activity. However, it is notable that retail is the highest percentage, for the first time since this survey began. This may indicate a trend towards diversification of income, away from the public sector.

**“A trend towards  
diversification of  
income, away from  
the public sector”**

In terms of geographical differences worth noting, there are higher levels of manufacturing activity in the North East (10%), higher levels of healthcare

activity in the North West (15%), higher levels of education activity in the East Midlands (20%) and higher levels of retail (23%) and hospitality (13%) activity in the South West.

Though based on lower sample bases, it is notable that the percentages working in financial support and services are notably higher in the home nations (16% for Scotland, 54% for Northern Ireland, and 14% for Wales), pointing perhaps to a stronger, more active credit union and community finance industry.



**“Being a Social Enterprise City has helped to attract over £6 million of investment to Plymouth”**

# CASE STUDY: PLYMOUTH, A SOCIAL ENTERPRISE CITY

Plymouth is home to the world’s best gin (Winston Churchill’s favourite), a global diving superstar (Tom Daley), and it boasts one of the most beautiful natural harbours on the planet. On a sunny day this place rivals any Mediterranean riviera. But Plymouth is now garnering global acclaim not just for these wonders, but as a leading place for social enterprise.

In 2013, Plymouth became the UK’s first ‘Social Enterprise City’. This prestigious award from Social Enterprise UK’s Social Enterprise Places initiative recognised the scope and scale of ethical businesses in the area. There are around 150 social enterprises in Plymouth working in education, health, arts, environment, food, finance, housing, business support, media, sport, social care and many more. Together these businesses employ over 7,000 people and bring in a combined income of over £500 million.

Social enterprise is big and small business in Plymouth. There are mega-social enterprises such as Plymouth University - the first in the world to be recognised as a social enterprise; Livewell Southwest - one of the largest health and social care businesses in the UK. Both are proud to say they are a social enterprise. There is also a burgeoning economy of smaller businesses - one in three turnover under £50,000. We also have one of the most active social enterprise networks in the country.

Plymouth’s Social Enterprise City badge has helped to attract over £6 million of investment and support to the city. European, national and local partners have been drawn in. The City Council has developed a pioneering fund to help social enterprises grow.

Social enterprise is no longer fringe or ‘alternative’. It is acknowledged and recognised as a serious business sector in the city. Social enterprises are represented at the highest levels in economic strategy making.

Being a Social Enterprise City has brought more cash to, and built markets for, local social enterprises. It led to the council developing better policies around procuring for social value. It has also made business with a good cause part of the everyday fabric of Plymouth life. You can buy your bread, your beer, your bike and your business advice from a local social enterprise.

Plymouth is gearing up to become the leading city for ‘Good Growth’ - that is economic growth that creates well-being and prosperity for all, for the long-term, alongside conserving and enhancing its wonderful natural environment. Social Enterprise City is at the core of this initiative.

The old polarities of public versus private or business opposite charity are breaking down. Plymouth’s Social Enterprise City status and the work of its incredible social enterprises have proved to aspiring entrepreneurs that you can run a successful business with a good cause. Social enterprise in Plymouth is at the heart of a drive to make this part of the West Country the world’s best place for business where everyone profits.

**[plymsocent.org.uk](http://plymsocent.org.uk)**  
**[socialenterprise.org.uk/Plymouth](http://socialenterprise.org.uk/Plymouth)**  
**[plymouth.ac.uk](http://plymouth.ac.uk)**  
**[livewellsouthwest.co.uk](http://livewellsouthwest.co.uk)**

# 4.0 MARKETS AND MONEY

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## KEY FINDINGS

**THIS IS BUSINESS:** Social enterprises are businesses which earn their income through trading, competing in the marketplace – 74% of social enterprises earn more than 75% of their income from trading.

**SELLING TO THE PUBLIC:** The most common source of income for social enterprises is the general public: for 27% is it the main source of income.

**DELIVERING PUBLIC SERVICES AT SCALE:** The public sector is the main source of income for 20% of all social enterprises; it is the main source of income for 59% of social enterprises over £5 million turnover.

**COMMISSIONING MATTERS AT ALL LEVELS:** For social enterprises earning public sector income, 63% get it from a local authority and others from local clinical commissioning groups (15%) and police and crime commissioners (6%). But 28% win contracts with central government, and 12% are benefiting from European programmes.

**MORE INNOVATIVE THAN THE PRIVATE SECTOR:** The number of social enterprises introducing a new product or service in the last 12 months stands at 50%. Among SMEs it has fallen to 33%.

**COMMERCIALY SUCCESSFUL:** 51% of social enterprises made a profit in the past year, with 20% breaking even. The longer a social enterprise has been around, the more likely it is to make a profit.



## 4.1 INTRODUCTION

**What differentiates social enterprises from traditional charitable models is that they earn their money through trading. They recognise that to be a successful social enterprise, they need to be a successful enterprise.**

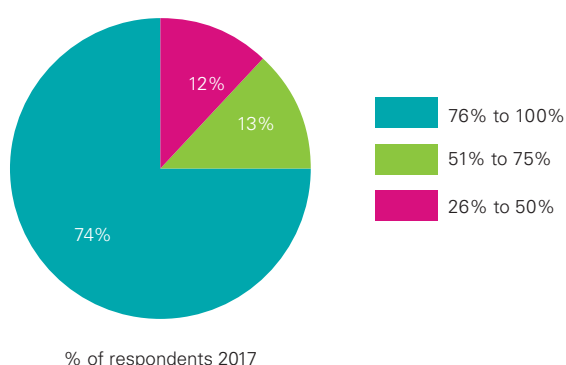
**This section details how social enterprises are performing in the markets in which they operate and looks at key commercial areas: profitability, trading partners, business optimism and strategies for growth.**

### 4.2 PROPORTION FROM TRADE:

The survey asked respondents what proportion of their income was earned through trading (rather than grants or donations). The data, set out in Figure 8, shows that 74% of respondents earn between 76% and 100% of their income through trade – a figure consistent with the 2015 survey.

This information demonstrates the critical difference between social enterprise and more traditional charitable models.

**FIGURE 7: PROPORTION OF INCOME EARNED THROUGH TRADE**



### 4.3 WHO DO SOCIAL ENTERPRISES TRADE WITH?

If social enterprises earn their money through trade, then who do they trade with? We asked respondents to identify both their main (or only) source of income and also any other sources of income that they had received over the past 12 months.

As set out in Figures 8 and 9, the survey reveals a wide range of income sources. It is worth noting that, in the main source of income question, we have included 'Members' as a possible response (primarily for associations and co-operatives). For comparison with previous years, removing this option adds 1% to the public sector and general public totals (21% and 28%).

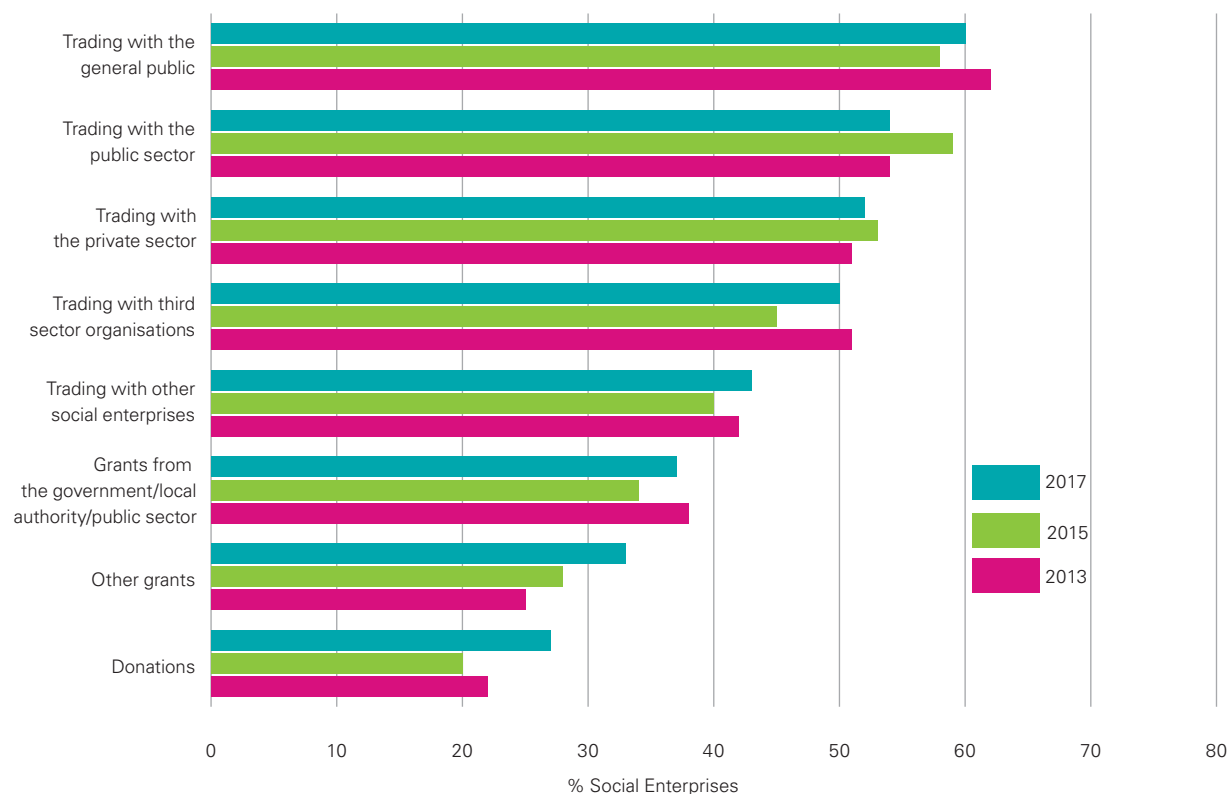
**Trade with the general public:** The most common main source of income for social enterprises remains trade with the general public, for 28% of social enterprises. For 60% of social enterprises, income from trading with the general public remains a source of income.

This is consistent with the growth in retail as a trading activity and the fact that many operate at a neighbourhood or local level (aside from a few national brands, retail remains primarily a local activity).

**Trade with the public sector:** The proportion of social enterprises whose main source of income is trade with the public sector has fallen back in this survey from 27% in 2015 to 20%.

In addition, the proportion of social enterprises that do some trade with the public sector has fallen to 54%, falling back behind trade with the general public (60%) as the most commonly cited trading partner overall. Although a decrease, this remains significantly ahead of mainstream SMEs, where recent surveys have shown that 25% do some business with the public sector.

**FIGURE 8: ALL SOURCES OF INCOME FOR SOCIAL ENTERPRISES (MULTIPLE RESPONSE)**



Trade with the public sector being a social enterprise's main source of income is closely related to the size of the enterprise: 59% of those with income over £5m have public sector trading as their main source of income; the figure is under 15% for those under £50,000 turnover.

For the first time, we have asked organisations who had traded with the public sector which parts of government that money came from (multiple responses allowed).

As might be expected in more devolved nations, the proportions from central government were much higher in Scotland (45%) and Wales (53%), while the North East was least likely of English regions to be getting money from central government (20%). Of the 54% who get some money from the public sector, one in eight have European money of some sort.

**Trade with the private sector:** The proportion of social enterprises whose main source of income is trade with the private sector has remained fairly consistent with previous surveys

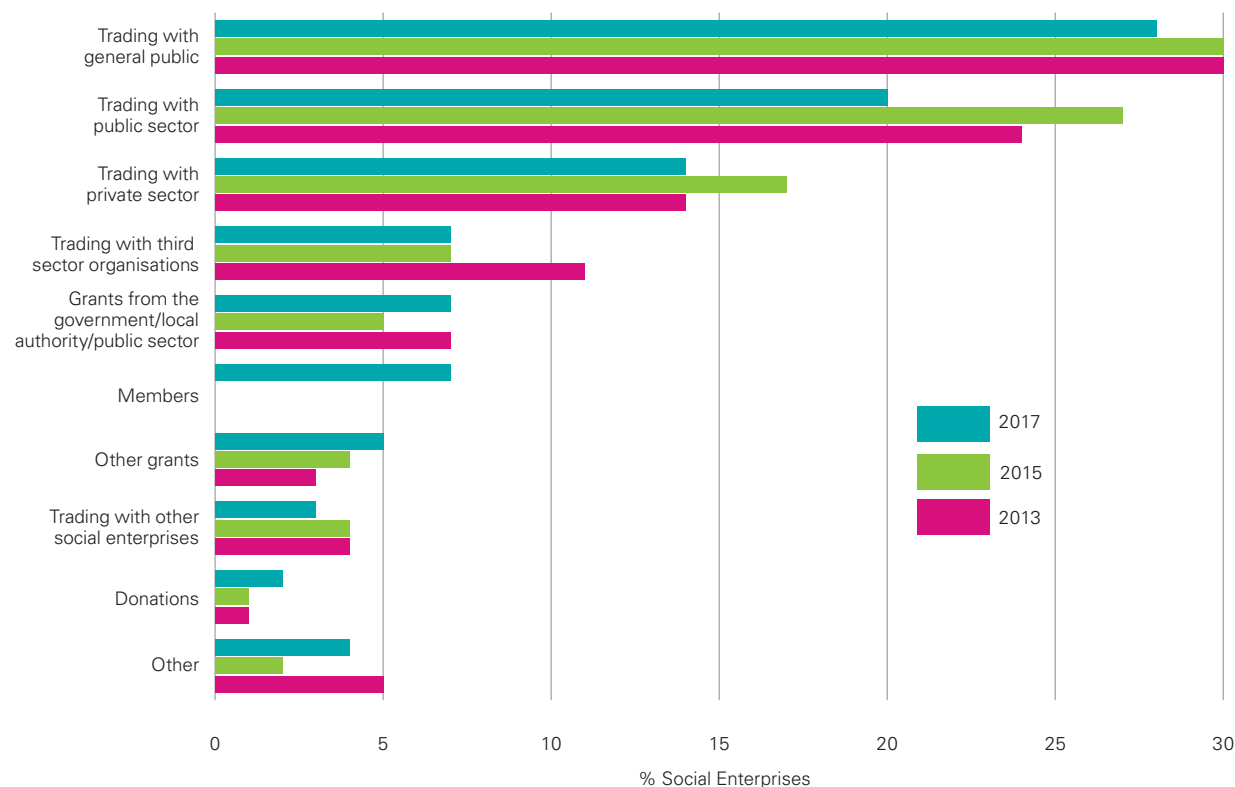
at 14%, whilst over half (52%) do some trading with the private sector.

For the first time in this survey, we also asked whether organisations had traded with large businesses (250+ employees) or smaller ones (less than 250) or both. 50% trade with both, while 37% trade with small businesses, and only 7% trade with just large private sector organisations. As might be expected, smaller social enterprises were more likely to work with smaller businesses, and larger social enterprises more likely to work with larger ones.

**Trading with third sector and other social enterprises:** the figures remain consistent for trade within the third sector. It is part of the income mix for half of all social enterprises, but the main source of income for only 7%. Similarly, inter-trading with other social enterprises remains consistent: for 43%, it is part of the income mix, and the main source for 3%.

**Grants and donations:** Grants remain part of the mix for social enterprises, particularly for those

**FIGURE 9: MAIN OR PRIMARY SOURCE OF INCOME FOR SOCIAL ENTERPRISES**



at earlier stages of establishment. 37% receive a grant from a public sector body, with 33% receiving grants from other organisations.

As would be expected, donations play an even smaller role in the economic life of social enterprises. Whilst 27% of social enterprises received a donation or donations over the past 12 months (20% of the sample are registered charities), the proportion for whom this was their main source of income was under 2%.

#### 4.4 ARE SOCIAL ENTERPRISES PROFITABLE?

Our survey asked social enterprises whether they had made a profit, had made a loss, or had broken even. The results are presented for the last four surveys in Figure 10 over the page:

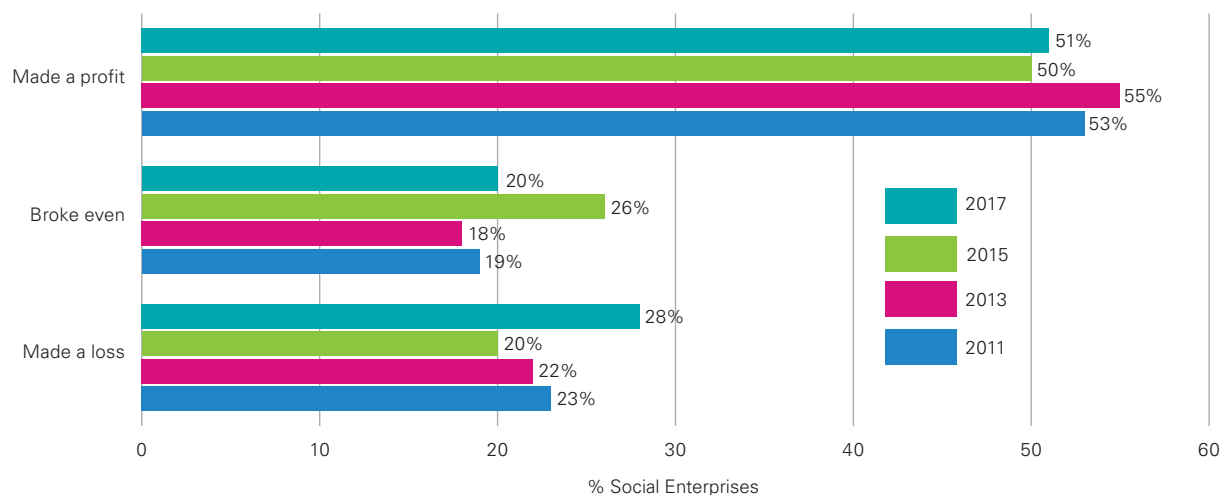
The proportion making a loss has risen slightly, although as in other areas this may be partially explained by the large proportion of start-ups in the sample: 34% of those under 3 years old make a profit, while 56% of those who are 6-10 years old and 66% of those over 11 years old do.

Organisations with more than 100 employees are also significantly more likely to make a profit: 72% do so, compared to 45% for those with less than 10 employees.

Public sector trading remains profitable for the majority, though this has fallen from 57% to 51% (respondents whose main source of income is public sector making a profit); this remains higher than the equivalent proportion for those whose main source is the private sector (47%) or the general public (39%).

**Reinvesting profit for good:** One of the key distinctions between social enterprises and mainstream businesses is what they do with their profits. 92% of all the organisation surveyed in this reported using the majority of their profit to further their social or environmental goals. When asked about their organisation, 12% felt they were best described as an organisation that gifts its profits to a separate social cause, while 12% are the trading arm of a charity, returning its profits to the parent organisation.

**FIGURE 10: SOCIAL ENTERPRISES MAKING A PROFIT**



Not all sample answer this question, hence %ages not adding up to 100% each year.

## 4.5 GROWTH

As shown in Section 3, almost half of respondents have reported turnover growth over the past 12 months. The survey also sought to establish what steps social enterprises had taken to secure growth, asking what actions they had taken during the past year, and what they had planned for the year ahead. Almost all respondents (91%) had taken specific actions on growth or diversification in the past 12 months, as shown by the results presented in Figure 11.

This is a very similar picture to previous surveys. In addition to attracting new customers and clients, 'increasing sales with existing customers' was the action planned by 72% of respondents, demonstrating that this remains the key focus for the vast majority of social enterprises.

The proportions of those seeking to attract investment to expand in the year ahead (41%) and those who actually did so in the previous year (21%) are almost exactly the same as previous surveys.

London-based organisations are more likely to be planning to expand into new areas (49%), to win business as part of a consortium (29%) or to replicate their work (18%). As in previous surveys, it is primarily larger organisations taking part in

merger or acquisition activity: for those with 0-249 employees, 6% have done so; for those with over 250 employees, the figure is 18%.

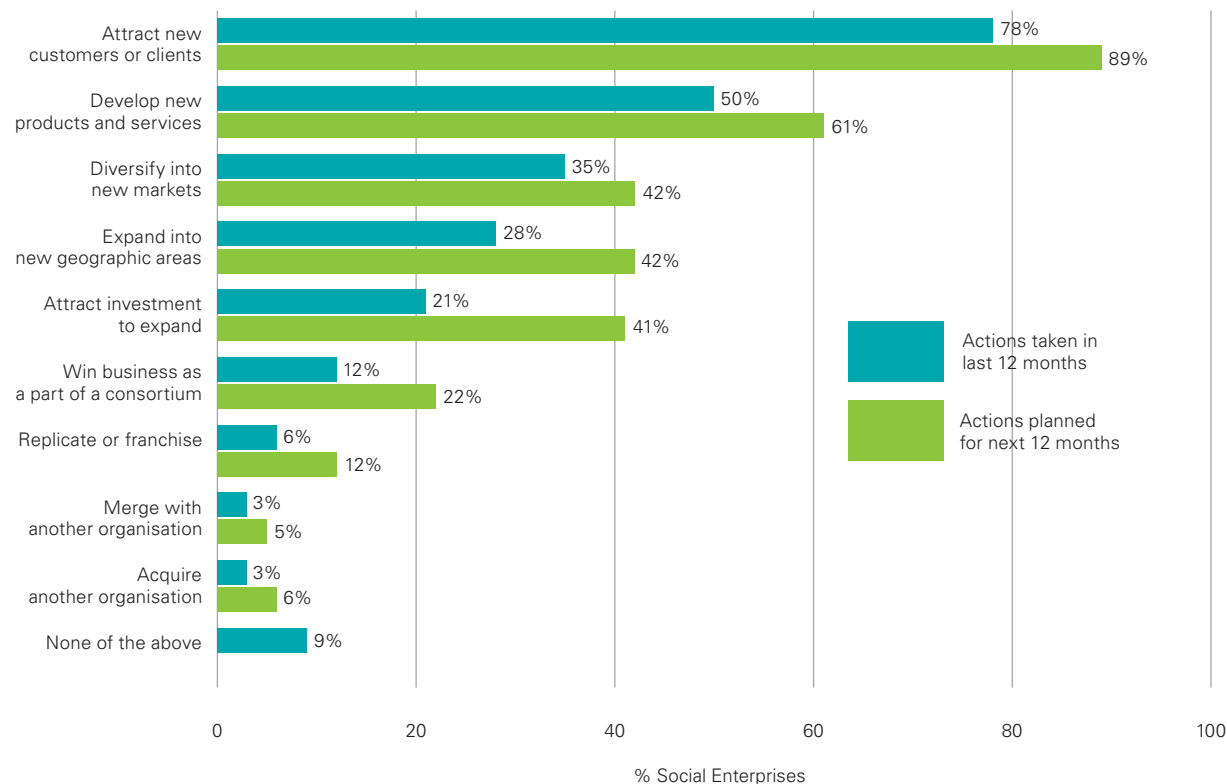
**Innovating in products and services:** The Small Business Survey uses the percentage of organisations introducing either new or improved products and services over the past 12 months as the principal indicator of innovation.<sup>3</sup> As with each survey in this series, social enterprises continue to out-innovate comparable SMEs by a significant margin. The proportion of social enterprises introducing a new product or service was 50% in 2015 – a slight decrease on previous years (59% in 2015) but still far outstripping SMEs, where innovation is down to 33% in 2016<sup>4</sup> from 38% in 2014.

**Marketing social enterprise:** Almost four-fifths of social enterprises use their social enterprise status in marketing their products and services (37% to a great extent, 40% to some extent). Only 6% do not use it at all. This continues a pattern seen since 2011 when only 53% of social enterprises used their status in their marketing in some way.

<sup>3</sup> See Small Business Surveys page on BEIS website: <https://www.gov.uk/government/collections/small-business-survey-reports>

<sup>4</sup> Department for Business, Energy & Industrial Strategy (2016) 'Longitudinal Small Business Survey' (SME Employers)

**FIGURE 11: SOCIAL ENTERPRISES AND GROWTH: ACTIONS OVER THE LAST YEAR / PLANS FOR THE YEAR AHEAD**



Social enterprises established in the last five years are slightly more likely to use their social enterprise statuses in their marketing (82%). The proportion is also notably higher with community interest companies (83%) than for some forms of co-operatives (64%).

#### 4.6 BUSINESS OPTIMISM

Business optimism is an important barometer of the health of a sector, as it has direct implications for future investment and employment. We asked whether the social enterprises believed that their turnover would increase, decrease or stay the same over the next 12 months.

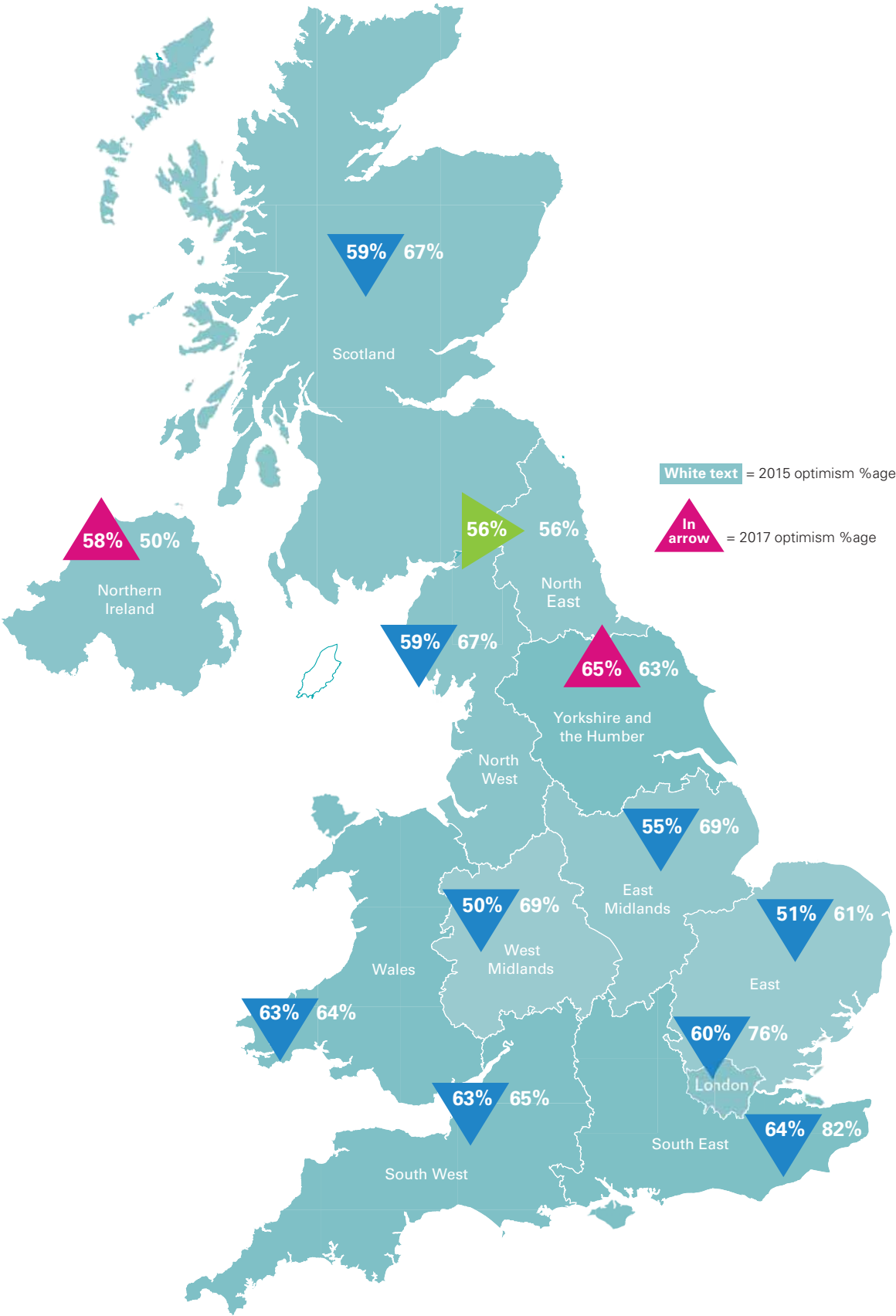
58% of social enterprises are anticipating an increase in turnover in the next 12 months: a decrease on 68% in 2015. 26% expect their turnover to stay the same, and only 8% are predicting a decrease. This is still noticeably higher than their SME equivalents: 40% of whom anticipate an increase, 47% to stay the same, and 10% a decrease. The proportion is noticeably and understandably higher in start-ups on a steeper growth trajectory, where 78% of social enterprises

under 3 years old anticipate a rise in turnover, compared to 45% of those over 11 years old.

Where organisations are anticipating an increase, 39% believe it will be up to 10% growth, and 21% believe it will be between 11% and 20% growth. A fifth of organisations under 3 years old are predicting growth of between 91% and 100% (an effective doubling of turnover). Where organisations are anticipating a decrease, 39% believe this will be by 10% or less, and 24% by between 11% and 20%.

Overall, optimism is lower than two years ago in every region and home nation of the UK, with the exception of Yorkshire and Humber (up from 63% to 65%) and Northern Ireland (up from 50% to 58%). Significant drops in optimism are particularly noticeable in London, the South East and in the East and West Midlands. Despite this, in every part of the country, social enterprises are more optimistic about the next 12 months than SME counterparts.

FIGURE 12: BUSINESS OPTIMISM BY REGION & NATION: PERCENTAGE OF SOCIAL ENTERPRISES THAT ANTICIPATE AN INCREASE IN TURNOVER OVER THE NEXT 12 MONTHS





# CASE STUDY: SHARP FUTURES



SharpFutures is a social enterprise that supports young people into employment in the creative digital sector, by offering a range of services and pathways including apprenticeships, work experience and volunteering. Clients include ITV, BBC and Tiger Aspect as well as tech, digital and animation companies.

Founding Directors Rose Marley and Lee Stanley draw on almost a decade of working to improve the lives and prospects of young people. Having previously run music production businesses from a young age and experiencing first-hand the lack of social mobility in the entertainment and creative industries they were inspired to set up SharpFutures.

SharpFutures's social mission is to improve life chances and social mobility for young people by:

- the advancement of education in creative digital
- creating and sustaining careers in the digital sector
- building capacity and opportunity across the sector from deprived communities
- opening access to talent from a wide social background
- producing local economic wealth and growing the creative digital sector in the UK

SharpFutures nurture the transition into work, whilst responding to the fluctuating needs of creative digital business. It seeds ideas through services for education, nurtures the best talent through employment opportunities and real work experience, and grows through the sale of its own business products and services.

Based in Manchester, the social enterprise also specialises in talent development for socially-diverse new entrants through its innovative POD service (which stands for People On Demand). This offers clients the opportunity to bring on board temporary support staff, while also playing a valuable part in young people's career development. SharpFutures also provides a range of cultural and education services through its DISCOVER programme.

**"SharpFutures has a 100% record of getting apprentices into the creative, digital and tech sectors"**

SharpFutures is the social enterprise partner for The Sharp Project and Space Studios. The Sharp Project is home to over sixty digital entrepreneurs, creative and tech companies, and Space Studios is a purpose built facility for large scale TV & film production, producing a combined GVA to Greater Manchester of £41m.

SharpFutures has a 100% record of getting apprentices into the creative, digital and tech sectors. 80% of POD members have migrated successfully into the sector and it has inspired 3000 school pupils through its programmes.

[sharpfutures.org.uk](http://sharpfutures.org.uk)



# 5.0 PEOPLE AND PURPOSE

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## KEY FINDINGS

**FEMALE ENTREPRENEURSHIP:** Consistent with previous surveys, 41% of social enterprises are led by women. Over half of social enterprises (51%) have a majority female workforce; for 9%, women are the entire workforce.

**DIVERSE LEADERSHIP:** The leadership teams of social enterprise reflect the communities where we live and work: 12% of social enterprises are BAME led, 34% have BAME directors, 36% have a director with a disability.

**LOCAL IMPACT:** Almost eight out of ten (79%) social enterprises recruit over half of their staff locally; for 58% this is their entire workforce. 54% involve their wider community in their decision-making.

**CREATING OPPORTUNITIES IN TOUGH TIMES:** Two-thirds of social enterprises (69%) are supporting people from disadvantaged groups, and 44% are employing them. However, almost a third (30%) have reduced the size of their workforce overall.

**A FAIR PAYING FIELD:** 78% of social enterprises report paying the living wage to their employees. The average salary of a social enterprise chief executive is £36,115.

## 5.1 INTRODUCTION

**This section looks inside social enterprises, at the people who run them, who and how they employ, and at the difference they are trying to make.**

### 5.2 LEADERSHIP: TEAMS AND INDIVIDUAL LEADERS

This survey asked for information about the person in charge of the social enterprise, as well as the wider leadership team.

The leadership team of a social enterprise is, on average, six people. 89% of leadership teams include women, 36% include directors with a disability, and 34% have a leader from a Black Asian or Minority Ethnic (BAME) background. The latter figure is rising over the last four surveys (27% in 2011, 28% in 2013, 31% in 2015, now 34%) but varies considerably depending on geography, largely in proportion with the diversity of populations:

In terms of the leader themselves, 41% are women and 59% men, in line with previous findings. This remains significantly ahead of both mainstream SMEs (20%) and big business (7% of FTSE 100). The proportion is higher still amongst the

larger organisations: women run 43% of social enterprises with more than 100 employees, and 44% of those with more than 250 employees. Again, social enterprise is proving itself the natural home of the female entrepreneur.

In terms of age, Just 1% of social enterprise leaders are under 24, and only 10% are over 65. The vast majority are aged either between 25 and 44 (25%) or 45 and 64 (58%). This is a very similar profile to previous surveys.

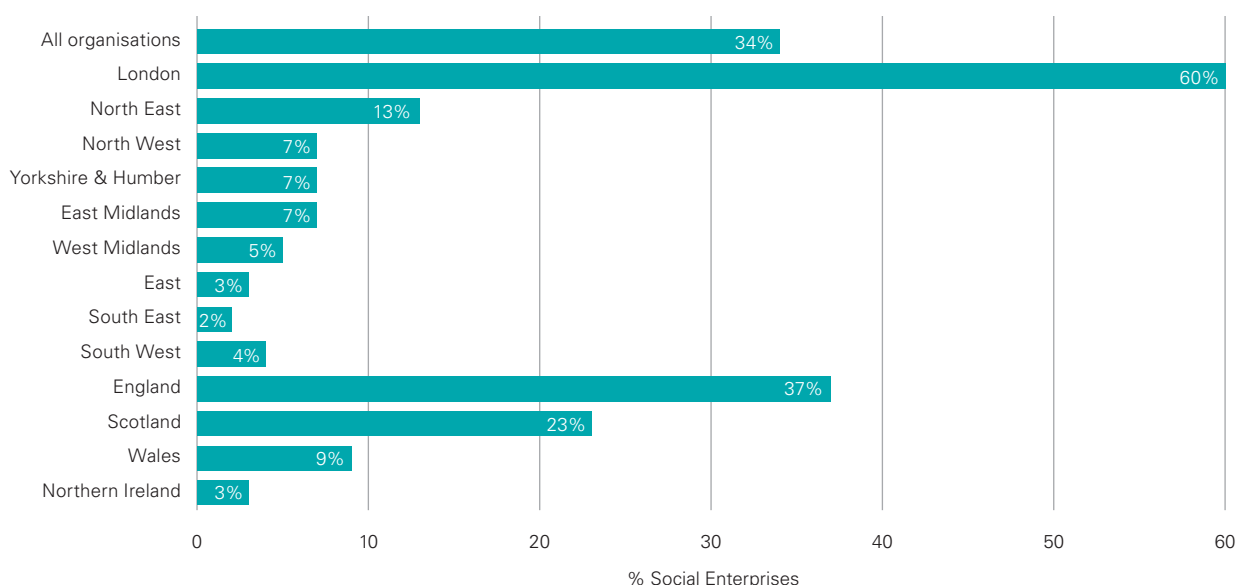
The proportion of social enterprises led by a member of a Black and Minority Ethnic community (BAME) is 12%. This level is broadly in line with the UK population as a whole<sup>5</sup>, and compares favourably to SMEs (5%)<sup>6</sup> and charities (3%)<sup>7</sup>.

5 12.9% Source: Census 2011, Office for National Statistics

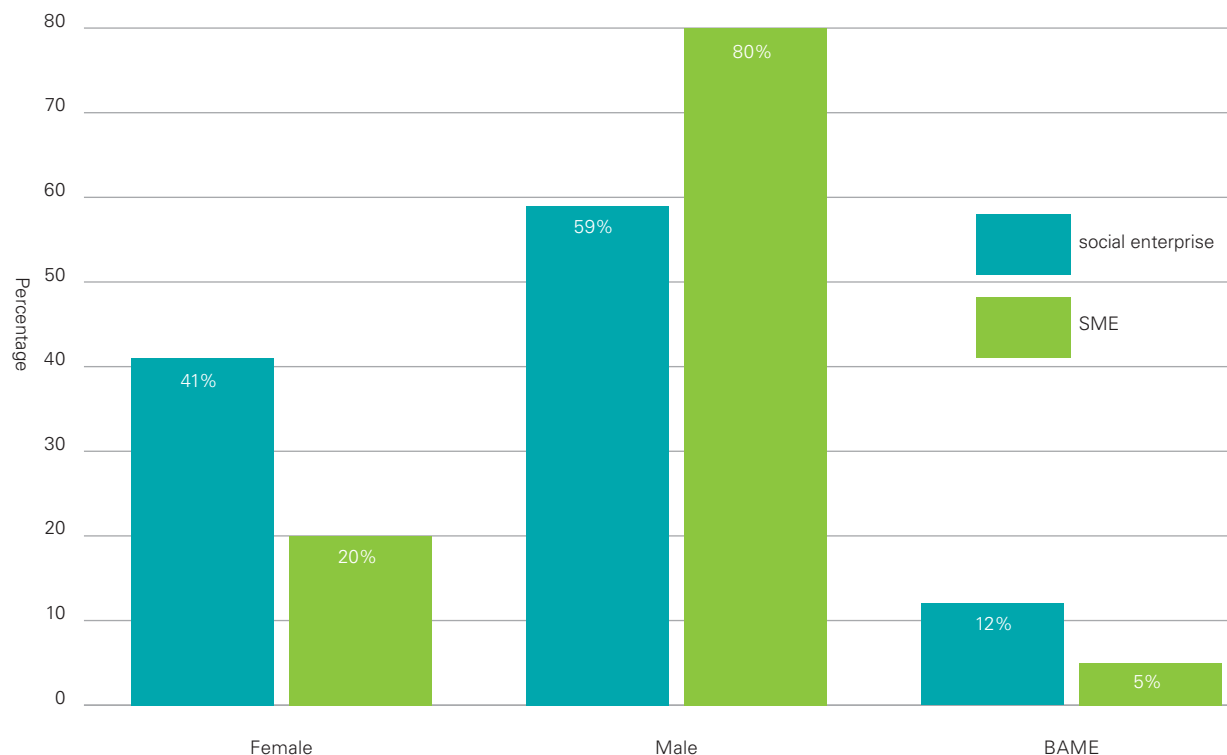
6 Department for Business, Energy & Industrial Strategy (2016) 'Longitudinal Small Business Survey' (SME Employers)

7 ACEVO Pay and Equalities Survey, 2017

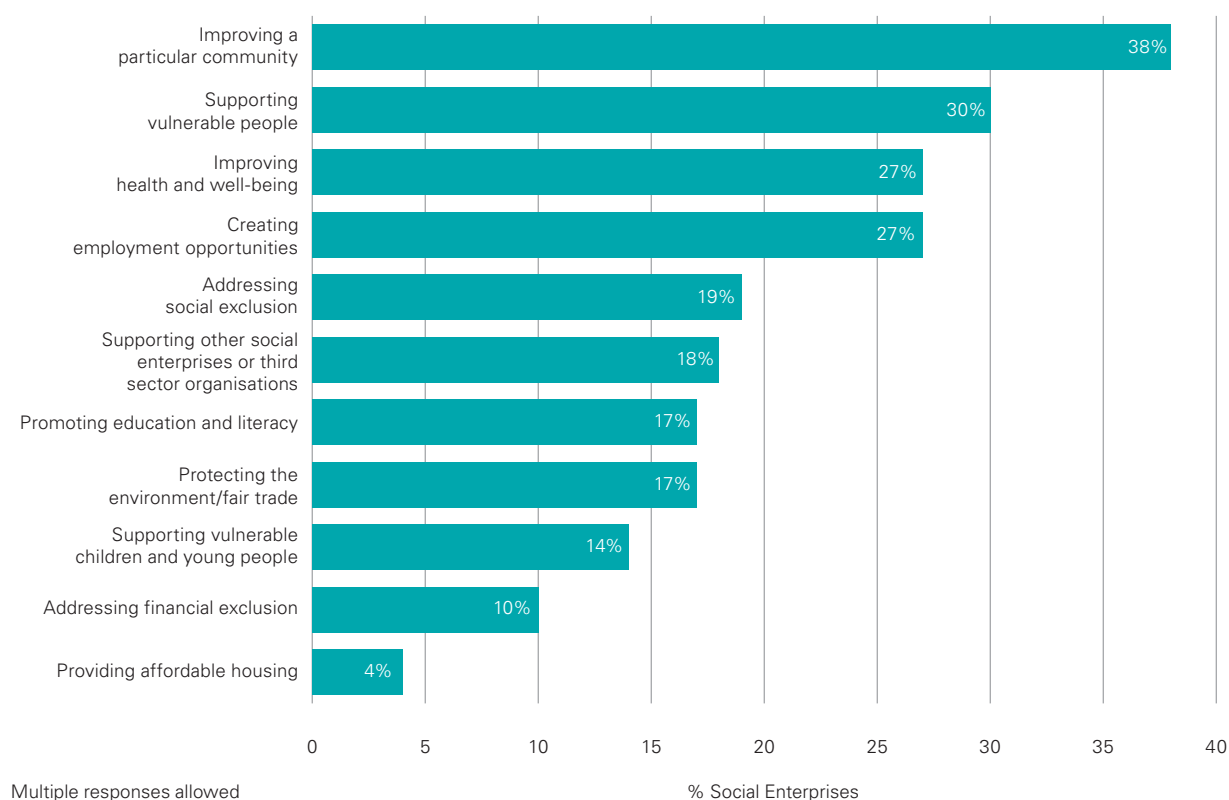
**FIGURE 13: PERCENTAGE OF SOCIAL ENTERPRISES WITH BAME REPRESENTATION IN LEADERSHIP TEAM**



**FIGURE 14: SOCIAL ENTERPRISE LEADERS AND SME LEADERS**



**FIGURE 15: SOCIAL AND ENVIRONMENTAL OBJECTIVES**



Encouragingly, the figure is higher still for start-up social enterprises (up to 3 years of age) at 18%. In London, the figure is 25%, meaning a quarter of social enterprises in the capital are led by someone from a BAME background.

## 5.4 SOCIAL AND ENVIRONMENTAL OBJECTIVES

Social enterprises are businesses that trade in order to achieve social and environmental objectives. The main social and environmental objectives from respondents are listed below: as previously, organisations were permitted to submit multiple responses to reflect that many seek to achieve multiple outcomes. The top four are the same as in previous years, and there is little difference between these responses in different geographical areas.

## 5.5 MEASURING SOCIAL IMPACT

This survey does not attempt to in any way aggregate or quantify the total social impact had by social enterprises, but does ask respondents to indicate to what extent they measure their social impact.

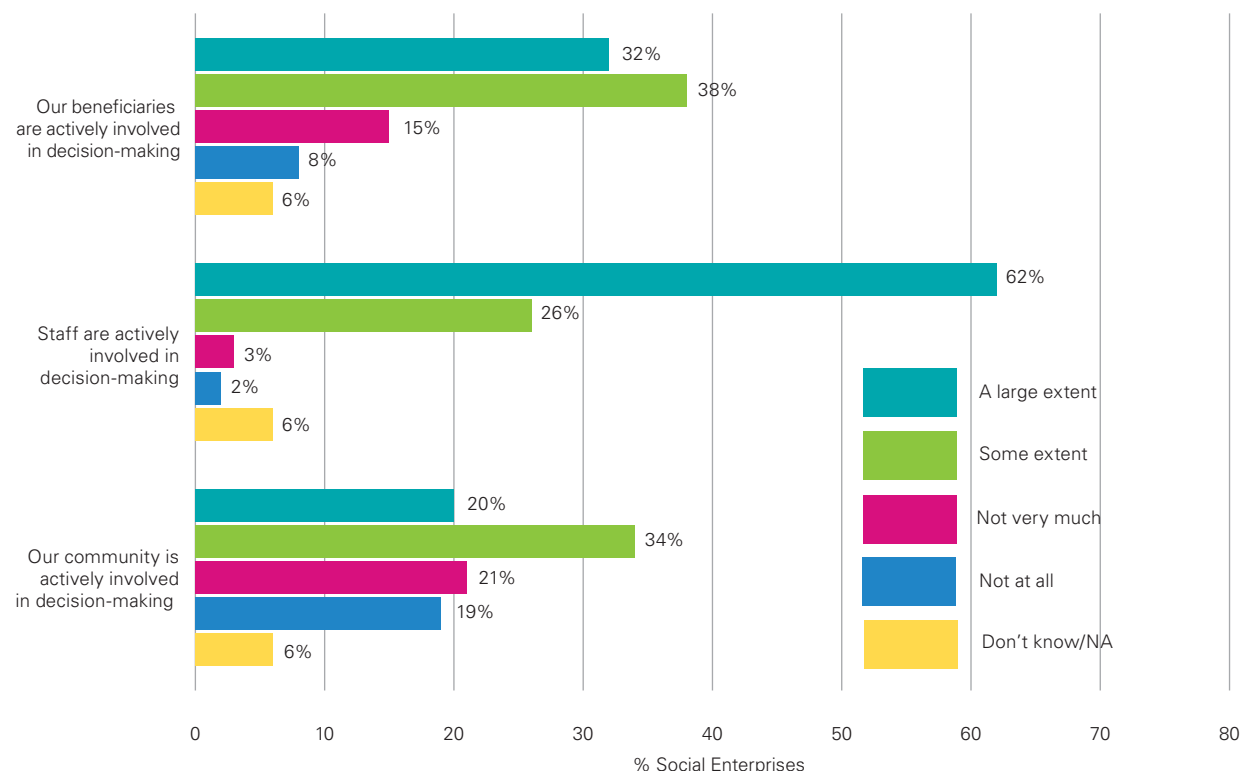
More than three quarters (77%) of respondents measure their social impact to a large (37%) or some (40%) extent – only 9% take no steps at all to measure their impact.

## 5.6 SOCIAL ENTERPRISES IN THEIR COMMUNITIES

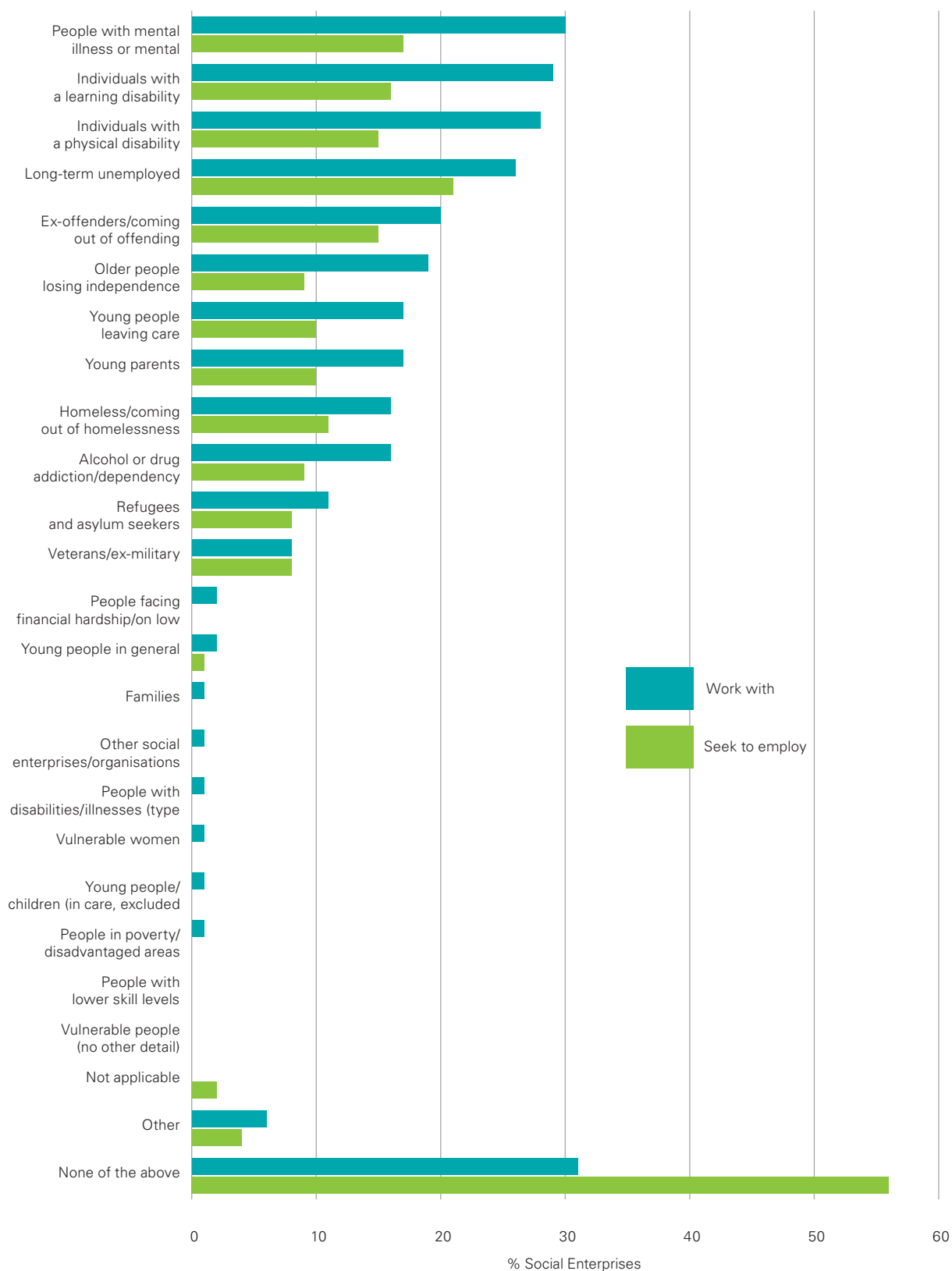
**Local accountability:** 70% of social enterprises actively involve their beneficiaries or service users in decision-making, and over half involve the wider community in their decision making in some way (54%). The latter question is asked for the first time in this survey, and gives us more insight into whether social enterprises really do have greater reach, engagement and accountability to the communities in which they operate. See Figure 16 below for details.

**Trading for the planet:** 85% of respondents indicated that their organisation actively aimed to minimise its environmental impact to a large (48%) or some (37%) extent.

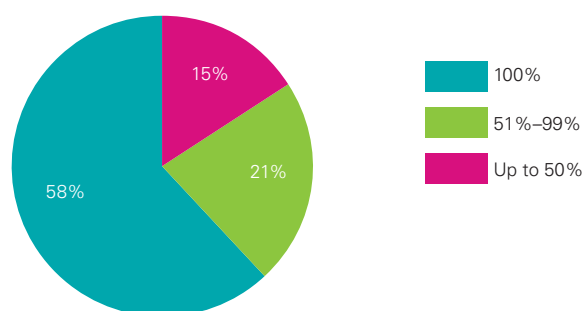
**FIGURE 16: ACCOUNTABILITY: BENEFICIARIES, STAFF, COMMUNITY ARE ACTIVELY INVOLVED IN DECISION MAKING**



**FIGURE 17: SOCIAL ENTERPRISES WORKING WITH OR SEEKING TO EMPLOY INDIVIDUALS FROM SPECIFIC GROUPS**



**FIGURE 18: LOCAL FOCUS: ACTIVELY RECRUITS STAFF LOCALLY**



## 5.7 SOCIAL ENTERPRISES AS EMPLOYERS

**Working to help others:** For the first time, the survey asked social enterprises to identify the specific groups they either worked to support or provided employment for. More than two-thirds of social enterprises are supporting one of these groups, and almost half (44%) seek to employ them.

There are some geographical differences of interest. For example, London-based organisations were more likely to be trying to employ those coming out of homelessness (14%) whilst those in the North West were more likely to be working with those with a physical disability (41%) or older people losing independence (28%); enterprises in the North East are more likely to be working with individuals with addiction or dependency (27%) as well as veterans and ex-military (24%).

**Local focus:** Social enterprises remain very likely to recruit locally: almost eight out of ten (79%) recruit over half of their staff locally, and for 58% this is their entire workforce; only 5% employ no people from the local area at all. The entire workforce being recruited locally is highest in the North East (80%), the South East (80%) and the South West (76%) and the lowest in London (39%).

**Fair pay:** 78% of social enterprises reported being a Living Wage employer (in line with the Living Wage Foundation standards), although it is worth noting that a relatively high number did not know whether they paid the living wage or not. The proportion rises with size and length of establishment.

The survey also asked about remuneration of the chief executive or highest paid person, revealing that the average (mean) rate of pay of a social enterprise CEO is £36,115. This means that the ratio between the average of highest paid to lowest paid in our survey is just 2.7:1<sup>8</sup>. This is somewhat indicative of the larger proportion of smaller social enterprises; the average rate of CEO pay in enterprises with between 25 and 100 employees is £53,000, and for those with over 100 employees it is £104,000. In short, chief executive pay rises in direct proportion with size. Even for this latter group, the pay ratio would be 7.6:1, far below the likes of FTSE 100 chief executives (129:1).

There is some evidence of a gender pay gap, with the average (mean) salary for women CEOs being £35,466 and for male CEOs being £37,758.

**Staff engagement:** Almost nine in ten (88%) social enterprises involve their staff actively in decision-making, and eight out of ten (79%) also believe they invest well in staff training and development.

**Employment and job creation:** Our survey asked social enterprises how many staff they employed, with the number of all staff, both full and part time, shown in Figure 19.

As is clear from the age and turnover statistics, most respondents are operating at micro-enterprise levels: over half have between one and nine employees.

We also asked what proportion of the workforce was made up of women. For 9%, this is their entire workforce, and for 51% it is over half of their workforce.

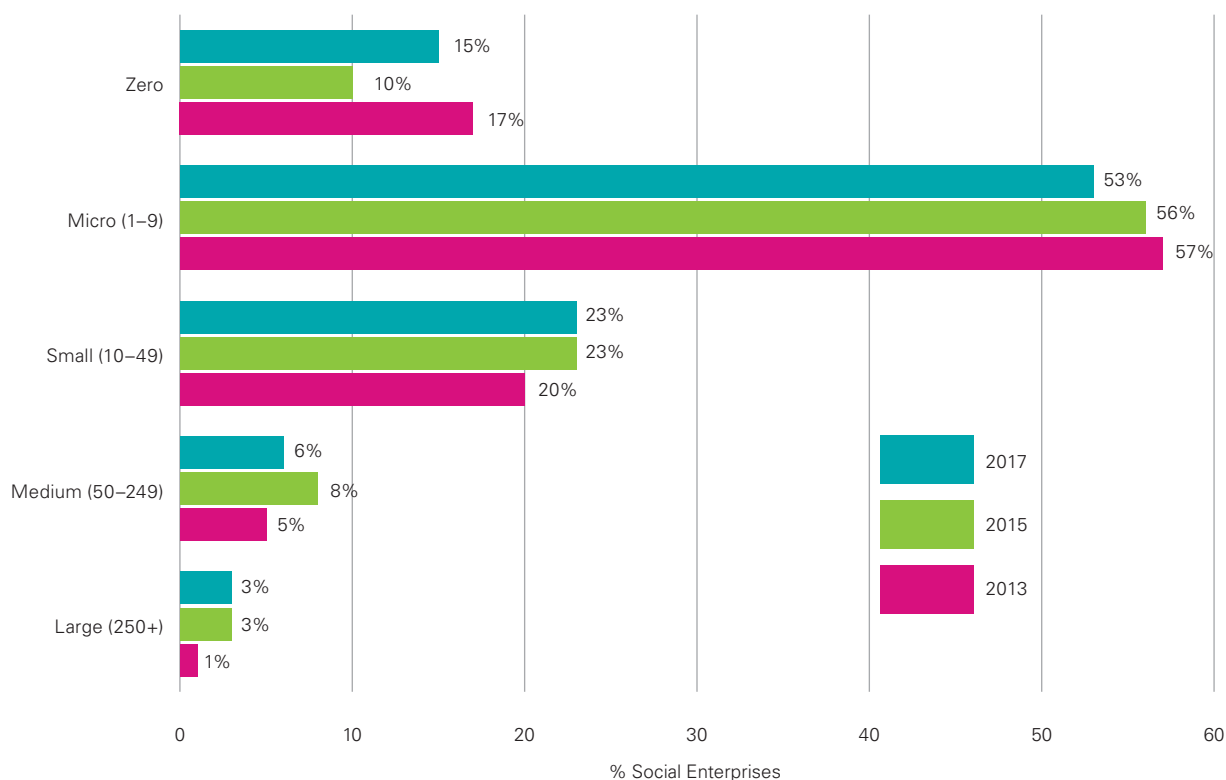
In addition to asking about current levels, organisations over a year-old were also asked how many people they employed 12 months ago. 12% have increased the size of their workforce from 12 months ago, while 30% have reduced the size of their workforce. The other 56% have experienced no change. This is a noticeable shift from 2015 when 42% had increased their workforce and

<sup>8</sup> Ratio calculated assuming that the lowest paid is a full time employee working a 37.5 hour week receiving the national minimum wage of £6.95 p/h.

only 12% had reduced it. Whilst this is only a snapshot, this may indicate organisations being more cautious in the uncertain climate and seeking to reduce their cost base against a challenging economic backdrop. This compares unfavourably with SME employers in the same period: 45% had increased their workforce, 27% had no change, and 28% had reduced its size.

**Plans to recruit:** The survey also asked about future job creation. 38% of all organisations expected the number they employed to increase in the next 12 months. This is a marked decrease from 2015 (47%) but more in line with proportions in 2013 (33%) and 2011 (26%). Only one in eight (13%) anticipates employing fewer staff than now in a year's time. Social enterprises remain slightly more optimistic than SMEs with regard to job creation: 26% of SME employers expect to increase employment in 12 months' time.

**FIGURE 19: EMPLOYEES IN SOCIAL ENTERPRISE**







# CASE STUDY: AUTICON

The company was founded by Dirk Müller-Remus in 2011 with investment from the London- and Munich-based Ananda Social Venture Fund. Inspiration for the company came when Mr Müller-Remus' son was diagnosed with Asperger's. Mr Müller-Remus was dismayed by the employment prospects on offer to autistic people, and decided to build a company which created long term sustainable jobs for adults on the autism spectrum. Following significant growth and success in the German market, Auticon expanded into the UK in early 2016, with offices in London. Auticon appointed Ray Coyle as UK CEO in August 2016 to lead the company's expansion in the UK.

In the UK, only 15% of autistic adults are in full time employment, despite 79% of people with autism on out of work benefits wanting to work. 43% of those who have worked have left or lost a job because of their autism. Despite being highly intelligent and qualified, many find it difficult to access or maintain mainstream careers.

Auticon's mission is to create rewarding careers for autistic adults. Many autistic persons excel in individual areas of expertise, but struggle with typical recruitment procedures and work environments. By taking the time to get to know each autistic colleague's skills, interests and challenges and carefully matching those with the right tasks and support mechanisms, Auticon creates careers that allow autistic people to work to their full potential. The significance of employment towards mental health, confidence and quality of life is widely acknowledged.

Auticon's vision is to change the world of work for the better. By successfully integrating autistic Consultants into their teams, clients not only gain outstanding business value, but also help change

perceptions and understanding of cognitive diversity. Having neurodiverse teams opens up new perspectives and significantly improves work output. Auticon supports its autistic employees and its clients with dedicated, specially trained in-house career coaches and project managers. Those support mechanisms are long-term and highly individualistic.

Auticon is a B2B social enterprise that operates based on the model of classic IT consultancies – with the unique feature that all Auticon's tech experts are on the autism spectrum. 90% of autistic Auticon employees were unemployed before joining Auticon; half of those were unemployed for more than 5 years. Auticon predominantly works with international blue-chip corporations, such as GSK or Allianz, but also with SMEs and charities. Any business with an IT department or a complex IT problem or project is a potential client.

**"90% of autistic Auticon employees were unemployed before joining Auticon; half of those were unemployed for more than 5 years"**

Highly talented IT experts are employed at Auticon on a permanent basis. Each person's skill set is then matched to a specific client project and corporate clients are charged a day rate that matches industry standards. The extraordinary talents of our autistic consultants create significant added value for our clients – as well as changing their own lives for the better.

[auticon.co.uk](https://auticon.co.uk)

# SOCIAL ENTERPRISE IN SCOTLAND

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***The Social Enterprise in Scotland: Census 2017* was published in September 2017. The Census is a project led by Community Enterprise in Scotland (CEIS), researched and produced by Social Value Lab and supported by Big Lottery Fund, Scottish Government and Social Investment Scotland.**

Overall, the report identifies 5,600 social enterprises in Scotland, with a total combined turnover of £3.8bn, employing 81,357 people. 70% of the total income of the sector is in housing (44%) and health and social care (26%).

Some differences to the UK picture can be highlighted. Female leadership has risen even further to 64% (compared with 39% in the UK as a whole) and 76% have a majority-female workforce. Trading levels have increased, but remain below the UK as a whole (61% earn more than half income from trading in Scotland; it is 88% in the UK). There is much else that is similar: a growth in retail and trading with the general public, a reduction in business optimism, and a resilient commercial performance.

Main headlines from the census are grouped below, consistent with the structure of this report to aid comparison:

## SCALE AND SCOPE

- 17% of Scottish social enterprises have been established in the last 5 years (25% in 2015)
- 34% of Scottish social enterprises operate in rural areas, with 21% in the Highlands and Islands; 17% are based in the top 20% most deprived areas
- 57% have a turnover below £100,000, with 12% having a turnover over £1m (up from 8% in 2015)
- 58% operate in a single neighbourhood or in one local authority area; 5% across the UK; 7% internationally

## MONEY AND MARKETS

- 79% earn income from the general public (up from 68% in 2015) and 52% from the public sector (down from 61% in 2015)

- 61% earn over half of their income from trading; 19% earn between a quarter and a half of their income from trading (both increased from 2015 levels)
- 53% believe they will increase turnover in the year ahead, and 37% that they will increase their workforce (optimism is down from 2015 levels at 66% and 47% respectively)
- 58% made a profit in the last financial year, 41% a loss

## PEOPLE AND PURPOSE

- 64% are led by women, and over three-quarters have a majority female workforce
- The overall average pay ratio between the lowest and highest paid is 1:2.5; for organisations over £5m turnover, it is 1:5.1
- 79% employ more than half their workforce locally; 41% employ people disadvantaged from the labour market
- Primary sectors of operation include community centres, creative industries, childcare and health and social care

## BARRIERS AND ENABLERS

- 54% say time pressures remain the main barrier; declining grant funding (51%) and difficulty accessing finance (21%) have both increased in proportion since 2015
- 73% applied for a grant in the last 12 months, 9% for a loan, 4% an overdraft, 3% lease/hire purchase

Full report available at: [www.ceis.org.uk](http://www.ceis.org.uk)

# SOCIAL ENTERPRISE IN WALES

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***Mapping the Social Business Sector in Wales* was published in April 2017 by Social Business Wales. Social Business Wales is funded by the European Regional Development Fund and the Welsh Government, and delivered by the Wales Co-operative Centre; it is part of the Business Wales service. The research was undertaken by Wavehill Ltd.**

Overall, the report identifies 1,698 social enterprises in Wales, with a total combined turnover of £2.37bn, supporting approximately 40,800 jobs.

As elsewhere in the UK, retail has risen up the agenda, with a higher proportion trading directly with the general public. Although the proportion of income from trading remains below the levels in the UK as a whole, it is increasing (62% earn more than half from trading, up from 57%) – and most are attracting new customers and clients year-on-year. Business optimism remains higher amongst Welsh social enterprises than almost all other areas of the UK.

Main headlines from the research are grouped below, consistent with the structure of this report to aid comparison:

## SCALE AND SCOPE

- 31% of Welsh social enterprises have been operating for five years or less (down from 41% in 2015)
- Welsh social enterprises are more likely to be based in deprived areas than mainstream business: the proportion is higher in Carmarthenshire, Merthyr Tydfil, Neath, Port Talbot, Rhondda Cynon Taff and Swansea
- 55% have a turnover below £100,000; 73% have a turnover under £250,000
- 63% operate across just one local authority area; 11% serve all of Wales

## MONEY AND MARKETS

- 57% earn income from the general public (up from 41% in 2015); trading and grants from the public sector has decreased in the same period

- 62% earn more than half of their income from trading; for 50% it is over three-quarters (a rise from 57% and 41% respectively in 2015)
- 69% believe their turnover will increase in the next 2-3 years; on average, they predict a 5.3% increase in employment over the same period
- 84% have attracted new customers and clients; 28% have attracted investment; 21% have expanded into new geographic areas (all higher than 2015 equivalents)

## PEOPLE AND PURPOSE

- 32% of social enterprise leadership teams in Wales are led by women (compared to 24% of SMEs), while 27% of social enterprise leaders are over 65
- 38% employ people disadvantaged from the labour market in some way
- The most common social objective by far is to 'improve a particular community' (an aim for 72%); the most common sectors are professional services, retail, creative industries, tourism and care

## BARRIERS AND ENABLERS

- 33% say access to finance is the main barrier (down from 44% in 2015), followed by time pressures, cash flow, lack of marketing skills and public awareness; for those over £500k turnover, public sector commissioning is one of the main barriers (17%); 12% specifically mentioned Brexit as a barrier (freely stated under 'Other')
- 61% applied for finance in the last year; 90% applied for a grant, with 8% seeking a loan (double the 4% in 2015)

**Full report available at: <https://wales.coop/helping-social-businesses-grow/research/>**

# 6.0 BARRIERS AND ENABLERS

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## KEY FINDINGS

**FINANCIAL TIMES:** Access to appropriate finance remains the biggest barrier for start-ups and established social enterprises. 34% sought finance in the previous 12 months, still significantly ahead of their mainstream SME equivalents.

**UNDER PRESSURE:** Cash flow remains one of the top three barriers for social enterprises of all types, and demand for working capital remains high (42%), indicating a continuing pressure on margins and business models.

**DEMAND FOR SMALLER DEALS** Over half (51%) of social enterprises are seeking finance under £100,000, and over two-thirds (68%) below £250,000. The median amount of finance sought by social enterprises was £80,000, though the median amount raised remained static at £60,000.

**VALUE TO ADD:** For social enterprises whose primary source of income is the public sector, over a third (35%) have seen more mentions of social value in tender documents. But 11% still consider poor public sector commissioning and procurement their biggest barrier.

**SKILL GAPS:** Social enterprises consider themselves less strong in marketing and branding, and also in effective use of new technology.

## 6.1 INTRODUCTION

**This section explores the barriers and enablers for social enterprises in the UK: what factors help and hinder them in achieving their social and commercial objectives. It looks specifically at barriers to sustainability, business capability, and access to finance.**

### 6.2 BARRIERS

Our survey asked all respondents to list their main three barriers to sustainability and growth.

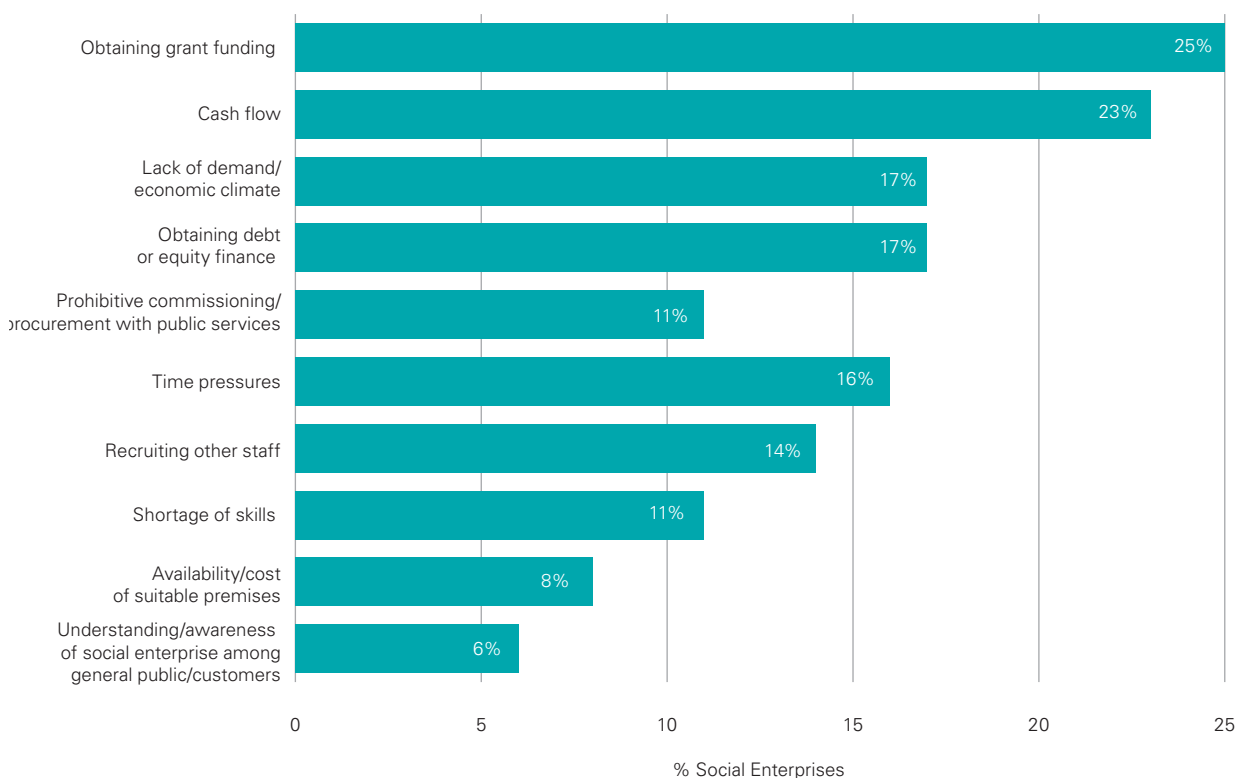
Access to finance is still the principal, most significant barrier to sustainability cited by respondents, for the fourth survey in a row: indeed, if we combine obtaining grant funding and obtaining debt or equity finance, it is at 42% (a rise from 39% in 2015). A much smaller proportion of SMEs state that finance is an obstacle to their business success: only 13% of SME employers sought external finance in the last 12 months.

Cash flow and time pressures continue to increase year-on-year, reflecting the challenging operating environment. Recruiting staff is also becoming more of an issue: 14% is the highest proportion ever in this survey; along with the shortage of skills for one in ten, this may indicate a growing talent challenge for social enterprises on the horizon.

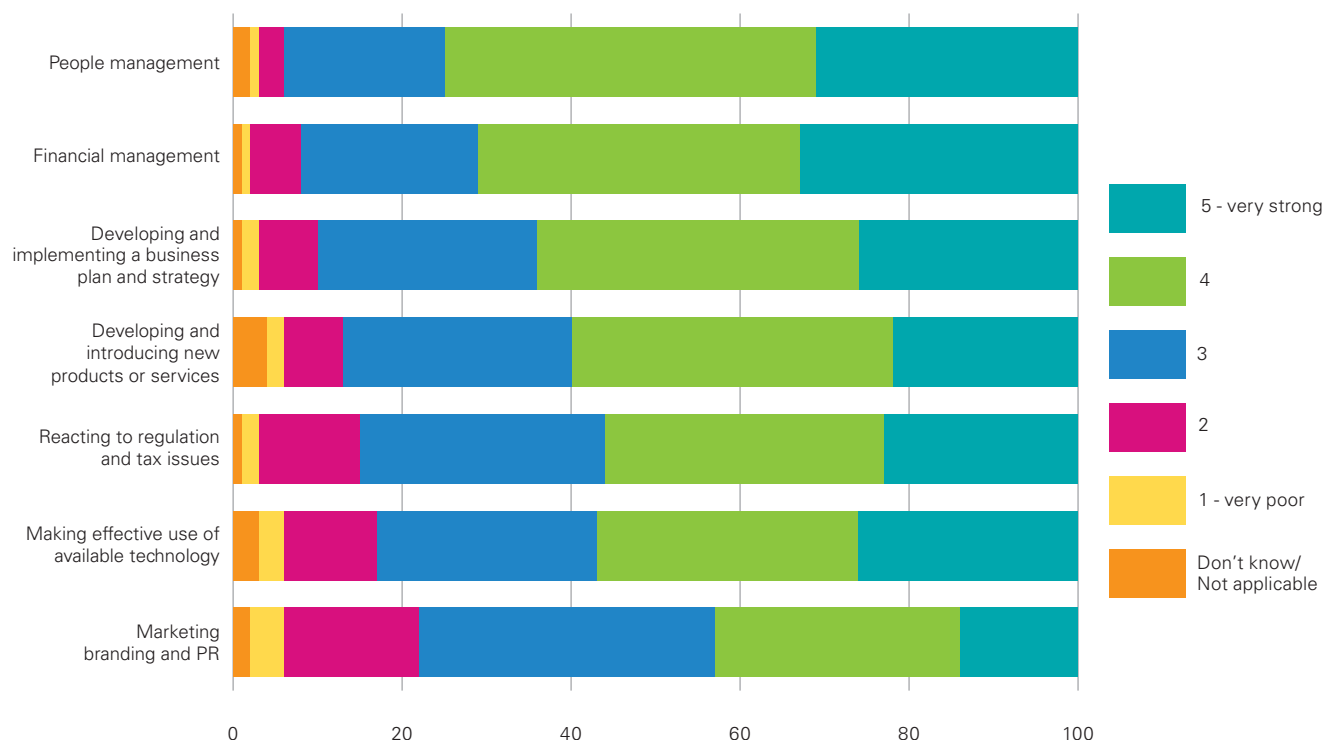
In relation to skills, we also asked social enterprises to rate their business capability in a range of areas, from very strong to very poor; as shown in Figure 21.

Those who support social enterprises should take note that, whilst 76% consider themselves strong

**FIGURE 20: TOP 10 BARRIERS TO SUSTAINABILITY**



**FIGURE 21: RATING OF BUSINESS CAPABILITY**



in people management, only 43% think they are strong at marketing, branding and PR. Similarly, whilst most say they are stronger in developing plans and strategies, and in developing new products and services, a large proportion are still not confident in making effective use of available technology (43% consider themselves average or below – a slight rise since 2015).

### 6.3 PUBLIC SECTOR MARKETS & THE SOCIAL VALUE ACT

The Public Services (Social Value) Act came into law in January 2013: for the first time, it requires all public sector bodies in England (and some in Wales) to consider how the services they commission and procure might improve the economic, social and environmental well-being of the area.

This survey simply asked social enterprises whether they had seen social value appear more in public sector tenders and commissioning documents over the past 12 months. 27% stated that they have, 22% that they did not know, and

the remaining 52% that they have not. For those whose primary source of income is the public sector, 35% have seen an increase in mentions of social value, with 48% seeing no change.

### 6.4 FINANCE AND SOCIAL ENTERPRISE

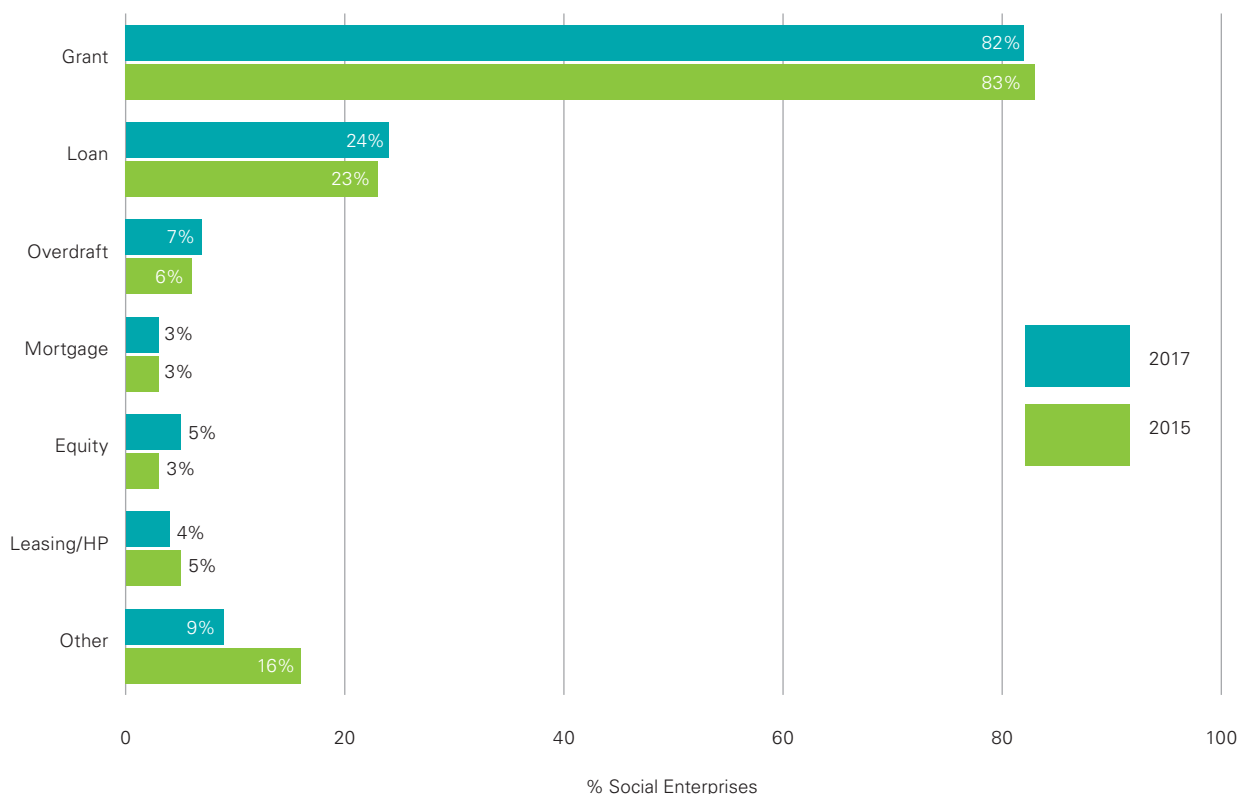
As access to finance is so significant for all social enterprises, this survey again looked at this issue in depth: how many had sought funding, what types of finance, and how successful they were.

34% of all social enterprises surveyed had sought new sources of finance or capital over the previous 12 months: this is lower than the proportions in 2015 (44%) and 2013 (48%), though still much higher than the figure for mainstream SMEs (around 20% in various surveys).

The proportion remains highest in newly established organisations (48% for those established for less than three years) and lower in more established organisations (27% for those over 6 years old) It is also higher for social enterprises based in Yorkshire and Humber (48%) and Wales (42%).



**FIGURE 22: FORM OF FINANCE OR CAPITAL APPLIED FOR**



**Type of finance sought:** As shown, in Figure 22, the most common type of finance applied for was grant funding, with 82% of respondents applying. The second most common source was loan finance, with 24% applying. In general, the picture is very similar to 2015's data.

Where organisations had applied for a loan, just less than a third (29%) reported it was secured against their business assets, one in ten (10%) that it was secured against their personal assets, and half (52%) that it was unsecured.

**Amount of finance applied for and received:**

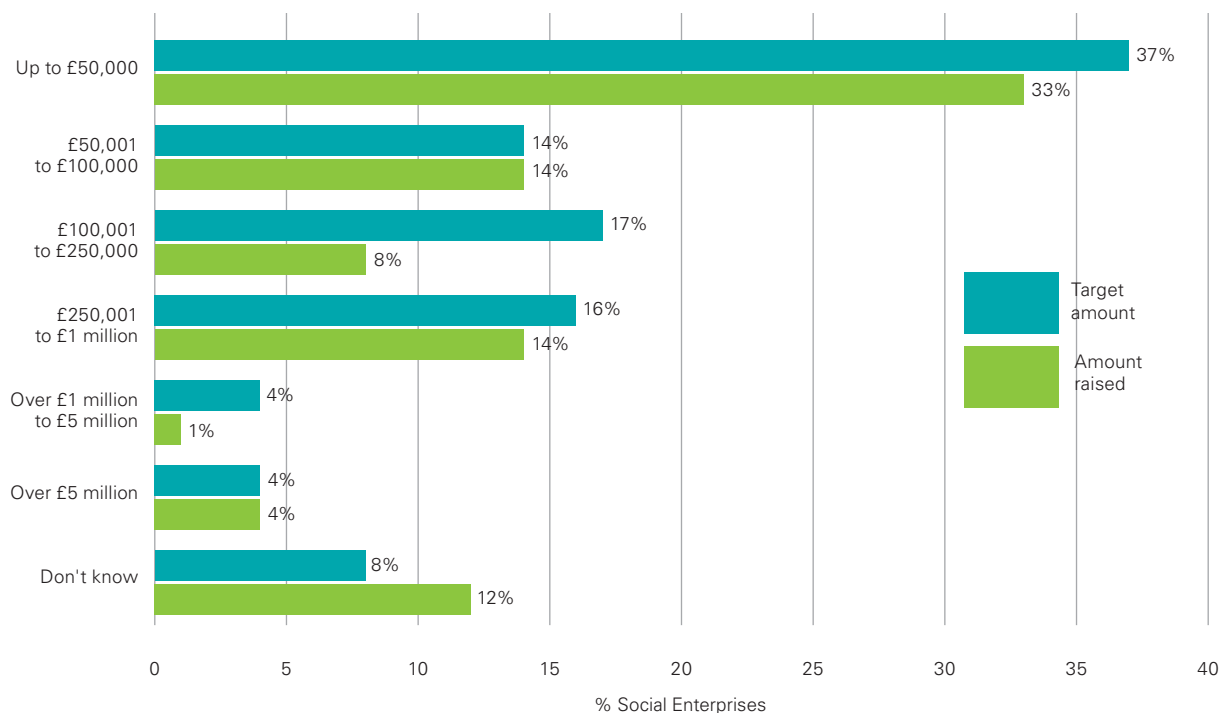
The survey asked those who had applied for finance/capital were asked how much their organisation wanted to raise. Most commonly the amount aimed for ranges between £10,000 and £50,000 (37%), with an overall median amount sought of £80,000, a slight increase from the median figures in 2015 (£60,000) and 2013 (£58,000). The median amount raised is £20,000 lower than that applied for, at £60,000 (the same as 2015). This is excluding those who had applied for a grant.

The figure above shows those how much finance social enterprises targeted (this excludes those applying for a grant), and how much they were successful in raising. More than a third (37%) were seeking investment under £50,000, while over two-thirds (68%) targeted investment below £250,000; only 8% were seeking investment of £1million or more.

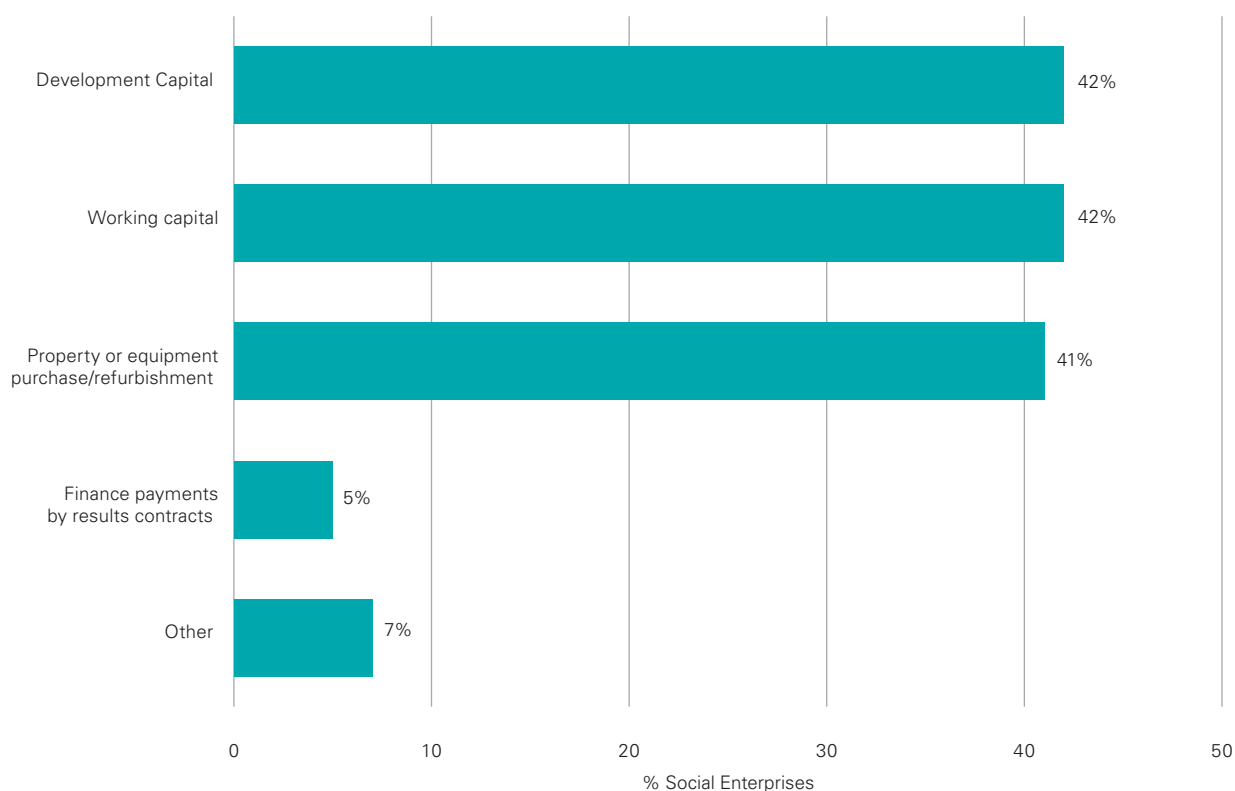
The respective success rates for the two main types of finance<sup>9</sup> applied for are similar to previous years: 63% of those applying for a loan received the entire amount they applied for, compared to just 29% of those applying for grants. Only 13% of those applying for loans were wholly unsuccessful, compared to 20% of those applying for a grant.

<sup>9</sup> The remaining sample sizes for Mortgage, Equity and Leasing/HP are too small to explore meaningfully

**FIGURE 23: AMOUNT OF FINANCE WANTED TO RAISE VERSUS AMOUNT ACTUALLY RAISED**



**FIGURE 24: PURPOSE OF FINANCE**



**Purpose of finance:** The survey also asked social enterprises what the purpose of the funding they sought was for, as set out in Figure 24.

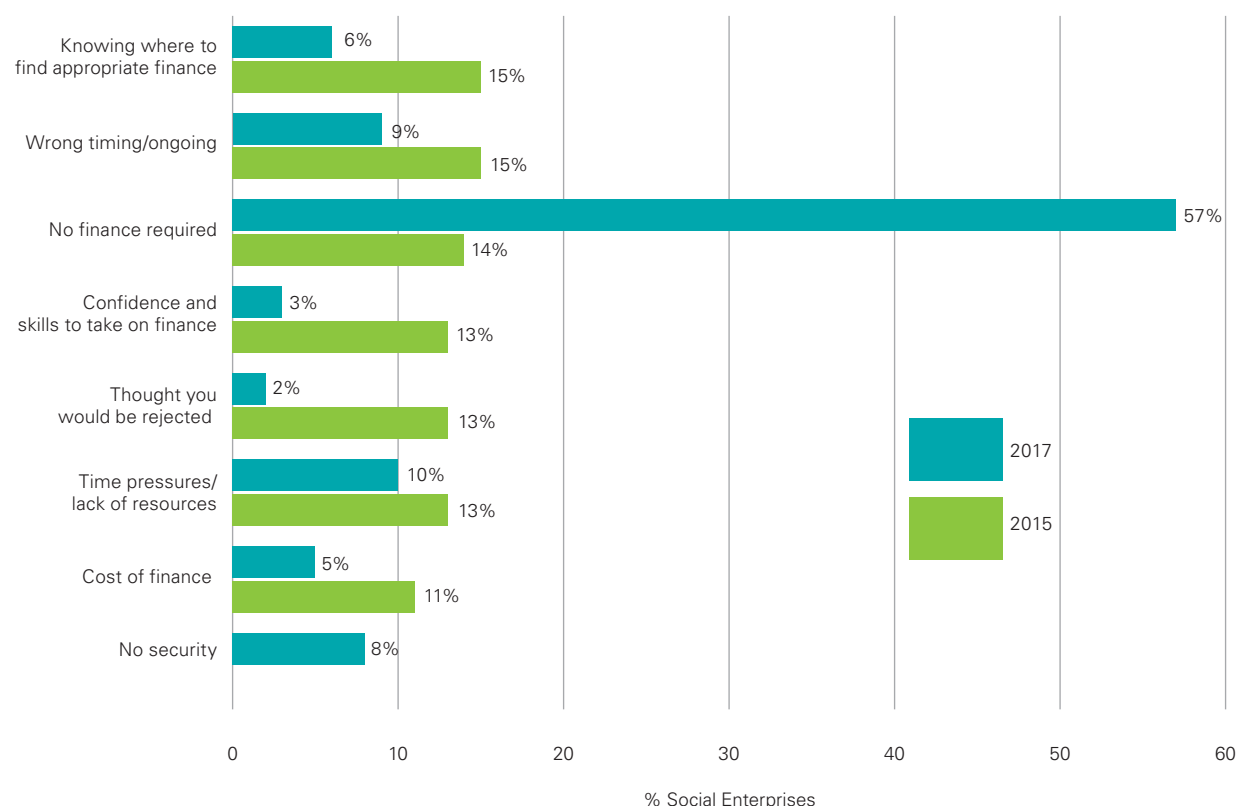
Social enterprises are still seeking to use investment and new finance to grow (development capital) to operate (working capital) but also to purchase property or equipment: this has risen from 35% in 2015 to 41% in 2017, whilst the other two have remained high. The trend for working capital to increase has stabilised but remains at its highest proportion since this survey began in 2007 (it was 23% in 2011 and 31% in 2013). This is now more similar to SMEs, for whom working capital is the most common finance requirement.

**Barriers to finance:** Of those that did not apply for finance, 29% of that group have considered doing so but chose not to. The reasons why not are set out in Figure 25.

This is a relatively small sample (each %age here is a sub-group of a sub-group of a sub-group – organisations that considered finance but didn't apply for it). Nevertheless, it is notable that well over half now answer simply 'No finance required', by far the most popular answer, and a significant rise from 2015 (57% from 14%).

Of the answers with very small numbers of replies, restrictions of legal form or eligibility was only 2% for this group, with other barriers (unwillingness of trustees/board; bureaucracy) at under 2%.

**FIGURE 25: REASONS FOR NOT APPLYING FOR FINANCE (WHERE DECIDED NOT TO APPLY)**





## CASE STUDY: CASA

The CASA family was established in 2004 with a vision of becoming the UK's leading employee-owned provider of quality domiciliary health and social care support services to older and disabled people. It was created to replicate the success of the award winning social enterprise, Sunderland Home Care Associates Limited (SHCA).

CASA was started to address a specific problem: immense fiscal and demographic pressures demanding new approaches to the delivery of social care in the UK; and the fact that mutual and social enterprise models had not stepped up to meet that challenge. Although there were individual examples of good practice in the social enterprise sector (including SHCA), there was no strategic push to offer a 'scaled' mutual alternative to the private sector.

CASA is therefore designed to be pioneering and to be a positive, ethical force that contributes to the transformation of health and social care services in the UK. CASA's social and ethical business model and investment in staff does not weaken its proposition but in fact enhances it by leading to high-quality care, staff engagement and motivation. It also leads to strong commissioner relationships and no leakage of profit to external shareholders.

Bringing this social enterprise model to scale has started to be achieved: CASA has now reached over £17 million annual turnover, and is providing around 23,000 hours of care a week across eight territories in the North of England: from Newcastle to Knowsley.

**"CASA turns over more than £17 million per year, and provides 23,000 hours of care across the North of England every week."**

Its primary products are the delivery of home based complex and personal care of older people commissioned by both Local Authorities and Clinical Commissioning Groups. CASA products also include palliative care and end of life services, complex care for children, and support for adults with a learning disability or challenging behaviour.

**CasaLtd.com**

# 7.0 CONCLUSION AND RECOMMENDATIONS

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This survey is the most detailed and representative that Social Enterprise UK has ever undertaken, and marks the 10th anniversary of this research series being started in 2007. Much has changed in the social enterprise movement in that decade: the number of social enterprises is cautiously estimated to have grown by at least 20%<sup>10</sup>, and social enterprises can now be found in almost every sector of the economy and every community of the country. Throughout that period, social enterprises have put reality to the rhetoric of the late 90s and mid-2000s: financially sustainable, commercially competitive, profitable (and reinvesting to achieve their social goals), and creating jobs and opportunities, often for those who need it most.

This 2017 survey continues that trend, proving again that social enterprise is one of the most dynamic, inclusive and diverse parts of the UK business landscape. That is as true of their leadership teams, who they seek to employ and of where they operate. They represent, in this sense, the future of what businesses will look like: and a model to influence the public, private and charity sectors.

So what are the lessons from this report for those who seek to support social enterprise? Below are some initial thoughts based on our reading of the survey data:

## A) EMPLOYMENT AND ENTREPRENEURSHIP

- Many social enterprises are dynamic, young and led by people who are more representative of the communities they live and work in than traditional business. A large proportion are also supporting and creating opportunities for groups that most other businesses ignore; often, in places where other businesses do not operate.

**Recommendation: Government and other agencies seeking to tackle the most complex, difficult and long-standing employment problems should place social enterprise at the heart of their future strategies**

## B) LOCAL REACH AND IMPACT

- A third of social enterprises operate at a neighbourhood or local level, and the most

common objective is to improve a particular community. The vast majority of social enterprises also employ from the local population, creating jobs and building longer-term resilience.

**Recommendation: Local Authorities, healthcare commissioners, and Police and Crime Commissioners should engage, involve and work with social enterprises to access innovation, support local business and reach people that they cannot. Bolder and more consistent use of the Social Value Act can help them achieve this.**

## C) WORKFORCE AND TALENT

- A growing number of social enterprises are identifying finding the right people for the right roles as a key barrier to their sustainability and growth. A similar proportion are identifying skills shortages and areas where their practice is weaker and in need of improvement.

**Recommendation: Foundations, social investors and support agencies should consider how they can both identify, incentivise and recruit new talent into the social enterprise sector. With Brexit on the horizon and higher levels of activism and political engagement amongst young people, the time is ripe to do so.**

## D) FINANCE AND INVESTMENT

Social enterprises remain 'finance-hungry' and access to the right type of finance at the right time is still a key barrier (or enabler) of success. There are growing signs in this survey that business models are becoming stretched: cash flow pressures are rising, capacity is shrinking, and the use of investment for working capital is as high as it has ever been.

**Recommendation: Social investment and finance intermediaries, and the wholesalers that build the market, should focus not only on smaller, unsecured and more patient finance, but also on products that meet the needs of social enterprises – for working capital, cash flow pressures and income diversification.**

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10 In 2006, government reported 55,000 social enterprises; the current estimate is of over 70,000.

## Published by Social Enterprise UK

We are the national body for social enterprise. Our members come from across the social enterprise movement – from local grassroots organisations to multi-million pound businesses, as well as the private and public sectors. Together with our members we are the voice for social enterprise. We believe that social enterprise is our best chance of creating a fairer world and protecting the planet.

Join us and support our work.

### Social Enterprise UK

The Fire Station  
139 Tooley Street  
London, SE1 2HZ

Website: [www.socialenterprise.org.uk](http://www.socialenterprise.org.uk)

Twitter: @SocialEnt\_UK

Telephone: 020 3589 4950

Email: [info@socialenterprise.org.uk](mailto:info@socialenterprise.org.uk)

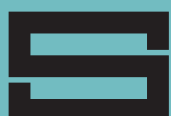
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