

D&A Diversity
and Ability

Photo credit: Diversity and Ability

Championing
neurodiversity and
disability inclusion through
technology, training and
talent.



Diversity at Work:

Leadership
demographics and
outcomes in social
enterprise

www.socialenterprise.org.uk

Acknowledgements

This report is only possible due to the social enterprises who took time to complete the State of Social Enterprise and Social Enterprise Advisory Panel surveys – many thanks to all of you. This report was written by Dean Hochlaf with support from Emily Darko, Shehan Perera and Lindsey Frodsham. For further information, please contact research@socialenterprise.org.uk.

We thank the Social Enterprise Knowledge Centre sponsors and partners, including those who supported past data collection: Access – the Foundation for Social Investment; Better Society Capital; the Department of Culture, Media and Sport; Social Investment Business; Barclays Bank; Santander; PwC; Linklaters; PPL Consulting.

Contents

INTRODUCTION	2
KEY FACTS	3
DEMOGRAPHIC PROFILE	5
Length of time trading	5
Sectors operating in	6
Social missions	7
FINANCIAL PERFORMANCE	8
Income generation	8
Turnover performance	9
Profit	9
Actions to achieve growth	10
Expectations for future performance	11
In focus - Employment	12
GROWTH AND ACCESS TO FUNDING AND FINANCE	13
Achieving growth	13
Barriers to growth	14
FINANCIAL CHALLENGES	15
Grants	15
External Finance	16
Securing finance	17
Perceptions of finance	17
CONCLUSION	18

Introduction

British business has an inequality problem. UK firms have been found to have struggled to “simultaneously achieve” better gender and ethnic diversity, especially in leadership roles. Lack of diversity in business has economic and social costs. It has been estimated that organisations with greater diversity across their executive teams generate better financial returns, and that racial equality could provide a £24bn boost for our economy¹.

More diversity can help stimulate a culture that draws on the experiences, perspectives and knowledge of different groups. Embracing different views and nurturing talent, while combatting biases and prejudices that can hold a business back, can contribute to a better business culture and enhance performance².

Not only do British firms struggle to represent society, but those led by women and people from ethnic minority backgrounds face additional challenges. From a lack of understanding of the products and services that minority-led businesses look to provide³, to social biases and male-dominated spaces that deter women from starting their own venture⁴, there are many ways in which the business community fails to nurture diverse leadership.

Social enterprises strive to address social challenges and lead the way when it comes to representation on staff and leadership teams. More social enterprises are led by women and people from ethnic minority backgrounds than is the case for the wider business community. More than half of social enterprises are run by women (59%), while 1 in every 20

businesses run by someone from an ethnic minority background is a social enterprise. Further, a substantial proportion actively tackle issues of gender and racial discrimination as their core social mission.⁵

However, as with all businesses led by women and people from minoritised groups, there remain concerns that certain social enterprises can face persistent barriers that hold their business back. The Adebowale Commission on Social Investment, for example, found that Black-led social enterprises faced a disproportionate struggle to access and secure financial support from social investment firms⁶. Black female-led social enterprises are significantly less likely to raise finance sought than the average, and female-led social enterprises are less confident that their organisations have the required skills to secure finance and investment⁷.

It is critical that we improve our understanding of the challenges experienced by different groups within the social enterprise community. Through improving diversity and representation across social enterprise, economic gains can be made, and the ability of social enterprises to recognise and meet the needs of the communities they serve can be strengthened.

This report explores data collected by the Social Enterprise Knowledge Centre – in particular the State of Social Enterprise, the largest UK survey of social enterprises. It maps the demographic profile of social enterprises and explores differences in performance and experiences for women-led and ethnic minority-led businesses.

The report is split into the following sections:

- Demographic profile
- Financial performance
- Employment and social objectives
- Barriers to finance

Social enterprises are businesses that trade for a social or environmental purpose. There are more than 131,000 social enterprises in the UK, collectively turning over £78 billion and employing around 2.3 million people. Social enterprises demonstrate a better way to do business - one that prioritises benefit to people and planet and uses the majority of any profit to further that mission. Social enterprises contribute to reducing economic inequality, while also improving social justice and environmental sustainability.

¹ <https://www.bitc.org.uk/race/>

² <https://hbr.org/2020/11/getting-serious-about-diversity-enough-already-with-the-business-case>

³ https://www.lloydsbank.com/assets/resource-centre/pdfs/black_british_in_business_and_proud_report2021.pdf

⁴ <https://www.british-business-bank.co.uk/business-guidance/guidance-articles/business-essentials/overcoming-challenges-female-entrepreneurs-face>

⁵ <https://www.socialenterprise.org.uk/app/uploads/2023/12/Mission-Critical-State-of-Social-Enterprise-2023.pdf>

⁶ <https://www.socialenterprise.org.uk/app/uploads/2022/07/Reclaiming-the-Future-Commission-on-Social-Investment-Report.pdf>

⁷ <https://www.socialenterprise.org.uk/seuk-report/no-going-back-state-of-social-enterprise-survey-2021/>

Diversity in social enterprise

Leadership demographics and outcomes

Key facts – Women-led social enterprises

A majority of social enterprises are led by women, and they make up almost half of all leadership roles

- **77,000** social enterprises are led by women
- **59%** of social enterprises are majority-led by women, compared to just 18% of SMEs
- **48%** of social enterprise Board members are women

Women-led social enterprises are generating higher turnover and profit

- Average reported turnover among women-led social enterprises was **£2.7 million** in 2023, compared to £2.6 million among men-led organisations
- This marks a significant increase from the **£1.4m** in turnover generated by women-led social enterprises in 2019
- **77%** of women-led social enterprises made a profit or broke even, compared to 74% of men-led organisations
- Average reported profits among women-led social enterprises were **£160,000** compared to £70,000 among profits reported by men-led social enterprises

Women-led social enterprises are more likely to be trading with the general public

- Women-led social enterprises generate **80%** of their income through trade compared to 85% of men-led organisations
- **70%** of women-led organisations generate income through trading with the general public compared to 62% of men-led organisations
- However, women-led social enterprises are **less likely than those led by men** to report trading with other public or private sector organisations

Innovation and market expansion are helping to drive growth among women-led organisations

- **56%** of women-led social enterprises developed new products or services for their organisation, compared to 49% of men-led social enterprises
- **46%** of women-led social enterprises reported expanding into new geographic or product markets compared to 36% of men-led organisations

Women-led social enterprises are more likely to employ women, include employees on their Board, and offer flexible working arrangements for staff

- On average, women make up **69%** of the workforce in women-led organisations, compared to just 43% in men-led social enterprises
- **77%** of women-led social enterprise employers have employees on their Board, compared to 53% of men-led organisations
- **A greater proportion of women-led** social enterprises offer every example of flexible working arrangement compared to those led by men

A steady proportion of women-led social enterprises have applied for external finance with high levels of success, but a growing proportion perceive barriers

- **10%** of women-led social enterprises applied for external finance, in line with the 12% that reported applying in both 2021 and 2019
- **78%** of women-led social enterprises were able to secure external finance, compared to 66% of men-led organisations
- **32%** of women-led organisations considered applying for finance, but ultimately did not, rising from 22% that said the same in 2021
- Concern over economic conditions, lack of appetite for risk, and insufficient knowledge of where best to secure finance were the most common reasons for not applying

Women-led social enterprises are typically less likely to have favourable views of finance than social enterprises led by men

- **39%** of women-led social enterprises believed that forms of finance available were suitable for their organisation, compared to 55% of men-led organisations
- **33%** of women-led social enterprises believed that the amount of finance available to their organisation was sufficient, compared to 44% of men-led organisations
- **55%** of women-led social enterprises believe they had the relevant skills to obtain external finance, compared to 65% of men-led social enterprises

Diversity in social enterprise

Leadership demographics and outcomes

Key facts – Ethnic minority-led social enterprises

A significant proportion of social enterprises are led by people from ethnic minority backgrounds

- **17,000** social enterprises are led by people from ethnic minority backgrounds
- **13%** of social enterprises are majority-led by individuals from ethnic minority backgrounds, compared to 6% of the wider business community
- **1 in 20** UK businesses led by someone from an ethnic minority background are social enterprises

Ethnic minority-led social enterprises tend to be younger and more concentrated in specific sectors

- **59%** of ethnic minority-led social enterprises have been operating for less than three years, compared to 33% in 2017
- **51%** of ethnic minority-led social enterprises can be found in just four sectors

Ethnic minority-led social enterprises are more reliant on grants and generate less income through trading, but are active trading partners of the third sector

- **21%** of ethnic minority-led social enterprises report grants as their main source of income - more than twice the proportion of white-led social enterprises
- Ethnic minority-led social enterprises generate **74%** of their income through trade compared to 82% of white-led organisations
- **A greater than average proportion** of ethnic minority-led organisations generate income through trading with the third and private sectors

Innovation is supporting growth, while many businesses have tried to avoid raising prices

- **37%** of ethnic minority-led social enterprises had developed new innovations for the market, compared to 21% of white-led social enterprises
- **27%** of ethnic minority-led social enterprises raised prices in the previous year, compared to 47% of white-led organisations

Optimism is running high among ethnic minority-led social enterprises

- **70%** of ethnic minority-led social enterprises believe that they will increase their turnover in the year ahead, compared to just 60% of white-led organisations
- **65%** of ethnic minority-led social enterprises believe they will increase staff numbers, compared to 44% of white-led organisations

Employment opportunities paying the real Living Wage are being created, with a drive for more diverse Board participation

- On average, **61%** of the workforce in ethnic minority-led social enterprises come from ethnic minority backgrounds, compared to 10% among white-led organisations
- **94%** of ethnic minority-led social enterprises pay the real Living Wage to all staff members, compared to 83% of white-led organisations
- Ethnic minority-led social enterprises are **more likely than white-led organisations to include** employees, service users and members of the community on their Board

Financial barriers remain an obstacle to growth, with a significant number unable to secure finance

- **71%** of ethnic minority social enterprises said that financial barriers had constrained their growth and sustainability, compared to 60% of white-led social enterprises
- **42%** of ethnic minority-led social enterprises that applied for external finance were able to secure it, compared to 68% of white-led organisations

Demand for external finance is down, but a growing proportion of this small sample are turning towards specialist social investment firms

- **13%** of ethnic minority-led social enterprises applied for external finance in 2023 - down from 22% in 2021 and 16% in 2019
- **34%** of ethnic minority-led social enterprises of this small sample had turned to specialist social investment providers - up from 22% in 2021, and 18% in 2019
- **45%** of ethnic minority-led organisations reported they believed there were suitable forms of finance available to them - up from 33% in 2021

Diversity in social enterprise

Leadership demographics and outcomes

Demographic profile

Social enterprises are more representative of wider society than UK business as a whole. Around 77,000 UK social enterprises are led by women - and 59% of social enterprise leadership teams are majority-led by women, compared to 18% of small businesses.

17,000 are led by people from an ethnic minority background. 13% of social enterprise leadership teams are majority-led by people from ethnic minority backgrounds, compared to 6% of Small and Medium Enterprises (SMEs).

This section looks at the make-up of female and ethnic minority-led social enterprises - including where, how and for whom they operate.

Length of time trading

Women-led social enterprises

Social enterprises led by women are marginally younger on average than those led by men, with 34% (compared to 31%) trading for less than three years. This is an increase from the 29% of social enterprises led by women trading for less than three years in 2021.

Length of time trading - women-led

	Women-led	Men-led
0-3 years	34%	31%
4-10 years	38%	15%
11-20 years	19%	22%
21+ years	9%	13%

Ethnic minority-led social enterprises

59% of ethnic minority-led social enterprises have been trading for less than three years, compared to just 30% of white-led social enterprises.

In 2017, only 33% of ethnic minority-led social enterprises had been trading for less than three years compared to 25% of white-led organisations. This increased to 43% in 2019, while the proportion of white-led social enterprises operating for less than three years rose to just 28%, and these proportions remained similar in 2021.

In contrast, only 2% of ethnic minority-led social enterprises have been in operation for more than 21 years, compared to 12% of white-led social enterprises. In 2019, the proportion of

ethnic minority-led social enterprises operating for more than 21 years was 17%.

There are potential explanations for the growing age-disparity between ethnic-minority led and white-led social enterprises, including:

- A growing number of people from ethnic minority backgrounds are establishing social enterprises - proportionately more so than is the case for white-led social enterprises
- Older social enterprises have been unable to sustain operations in recent years, in the face of the pandemic and other economic challenges the country has faced, so long-established minority-led social enterprises may have faced more pressures than others and closed

Length of time trading - ethnic minority-led

	Ethnic Minority-led 2023	White-led 2023	Ethnic Minority-led 2021	White-led 2021	Ethnic Minority-led 2019	White-led 2019	Ethnic Minority-led 2017	White-led 2017
0-3 years	59%	30%	44%	28%	43%	28%	33%	25%
4-10 years	28%	38%	39%	41%	29%	34%	38%	36%
11-20 years	11%	22%	13%	18%	11%	14%	15%	17%
21 years +	2%	12%	4%	12%	17%	23%	14%	23%

Diversity in social enterprise

Leadership demographics and outcomes

Operating sectors

Women-led social enterprises

Women-led social enterprises are most likely to operate in sectors such as retail (16%), education and skills development (15%), the creative industries (10%) and healthcare (8%). However, in the 2023 data, there are no reported women-led social enterprises in sectors including the provision of transport and utilities.

Prior to the Covid-19 pandemic, the spread of women-led social enterprises was greater. In 2019, there was a larger proportion of women-led businesses in the hospitality sector (12%) - an industry negatively impacted by various measures to control the pandemic.

Ethnic minority-led social enterprises

More than half of ethnic minority-led social enterprises operate across just four sectors: the creative industries (17%), education and skills development (15%), community services (11%) and healthcare (8%).

This marks a shift from before the pandemic, when ethnic minority-led social enterprises were less concentrated. While 22% of ethnic minority-led social enterprises operated in the education and skills sector in 2019, there were no other sectors where the proportion of ethnic minority-led businesses exceeded 10%.

Sector of social enterprise

	All social enterprises	Woman-led	Ethnic minority-led
Agriculture – farming/gardening	2%	2%	0%
Business support/consultancy	8%	8%	5%
Childcare and early years	1%	1%	0%
Community services	6%	7%	11%
Creative industries – performing arts, music, film and television, book/magazine publishing, advertising, web, design, print, digital marketing	9%	10%	17%
Culture and leisure (including sports and community centres)	3%	3%	5%
Domestic services/cleaning	1%	0%	2%
Education and skills development	14%	15%	15%
Employment and careers services	2%	3%	4%
Environmental – recycling, re-use, awareness etc	5%	3%	4%
Financial support and services	3%	2%	1%
Health care	7%	8%	8%
Hospitality	3%	3%	3%
Housing	2%	1%	3%
IT - consultancy/software development and telecommunications	2%	1%	4%
Manufacturing	4%	3%	4%
Retail	14%	16%	4%
Social care	4%	5%	4%
Transport	1%	0%	0%
Utilities (energy)	1%	0%	0%
Workspace/room hire	2%	2%	0%
Other	6%	4%	8%

Diversity in social enterprise

Leadership demographics and outcomes

Social missions

Leadership demographics appear to influence the social missions of an organisation.

Women-led social enterprises

Among women-led social enterprises, we find:

- 36% aim to improve mental health and wellbeing - the most common stated objective. This is markedly higher than the 18% that reported the same in 2019, and reflects a national trend of shifting focus to mental health since the pandemic.
- 17% of women-led social enterprises look to support women and girls - in line with the proportion that reported this social mission in 2021, and higher than the 12% of men-led organisations that reported the same.
- Benefitting particular communities (34%), supporting vulnerable people (31%) and improving physical health and wellbeing (27%) are also among the most reported social missions of women-led social enterprises - in line with figures from 2021.

Ethnic minority-led social enterprises

Among ethnic minority-led social enterprises, we find:

- 34% of ethnic minority-led social enterprises reported creating employment opportunities as their main social mission - the most common social objective among this group, and higher than the 26% of white-led organisations that reported the same.
- Among Black-led social enterprises, improving mental health and wellbeing was the most common social mission - reported by 37% of black-led businesses, compared to just 28% of all ethnic minority-led social enterprises.
- 29% of ethnic minority-led social enterprises support those who have experienced racial discrimination as a main social mission, compared to just 7% of white-led social enterprises.
- There has been a continuous increase in the proportion of ethnic minority-led social enterprises reporting a core mission of protecting vulnerable young people and children to 29% in 2023 - from 24% in 2021, and 16% in 2019.

Social missions

	All social enterprises	Woman-led	Ethnic minority-led	Black-led
Benefiting a particular community	37%	34%	31%	24%
Creating employment opportunities	27%	25%	34%	19%
Supporting vulnerable people	31%	31%	27%	24%
Improving physical health and wellbeing	26%	27%	22%	23%
Improving mental health and wellbeing	35%	36%	28%	37%
Promoting education and literacy	18%	18%	17%	23%
Addressing social exclusion	22%	22%	24%	24%
Addressing the climate emergency	19%	19%	18%	15%
Addressing financial exclusion	13%	13%	10%	11%
Supporting women and girls	15%	17%	20%	19%
Supporting LGBTQ+ people	6%	5%	6%	8%
Supporting vulnerable children and young people	20%	21%	29%	37%
Supporting disabled and neurodiverse people + people with long-term health conditions	20%	20%	14%	11%
Providing affordable housing/addressing homelessness	5%	4%	3%	5%
Supporting other social enterprises/organisations	23%	21%	18%	12%
Supporting individuals who experience discrimination due to their race/ethnicity ((Black, Asian, Minority Ethnic groups)	10%	10%	29%	31%
Providing or supporting access to arts, leisure, heritage and sports	15%	14%	15%	8%
Other	12%	13%	11%	6%

Financial performance

Social enterprises are businesses that generate income through trading. Through generating profit or surplus, these businesses can enjoy sustainability and directly invest this profit into their social and environmental purposes. This section explores the income and trading profiles of social enterprises by gender and ethnicity of leadership.

Income generation

Women-led social enterprises

Women-led social enterprises generate 80% of their income on average through trading, compared to 85% in men-led organisations.

70% generate income through trading with the general public, compared to 62% of social enterprises led by men. However, women-led social enterprises are less likely to report trading with the public or private sectors compared to those led by men.

When reporting on their main source of income, this reflects the wider sources of income for social enterprises. 35% of women-led social enterprises report that their main source of income is trading with the general public, compared to 31% among those led by men.

Ethnic minority-led social enterprises

Compared to 82% in white-led social enterprises, Black-led social enterprises generate 74% of their income through trading.

Ethnic minority-led social enterprises are significantly more likely than white-led organisations to report grants as their main source of income, which is potentially due to a higher proportion being earlier stage. More than 1 in 5 (21%) ethnic minority-led social enterprises reported grants, either from government or other sources, as their main income source. This is in line with the reported figure in 2021. In contrast, just 10% of white-led social enterprises reported grants as their main source of income.

Lower trading income may also be indicative of differences in access to support, in skillsets and confidence, and in social capital.

73% of ethnic minority-led social enterprises reported that they generated income through trading with the third sector, compared to 64% of white-led social enterprises. The third sector was the most commonly reported trading partner among this group; however, trading with the general public was the most commonly reported main source of income generation for ethnic minority-led social enterprises.

Income generation method

	All social enterprises	Woman-led	Ethnic minority-led
Trading with the public sector	60%	56%	58%
Trading with the private sector	63%	58%	69%
Trading with third sector organisations (e.g. charities, voluntary groups)	64%	63%	73%
Trading with other social enterprises	53%	50%	54%
Trading with the general public	68%	70%	58%
Trading internationally (including EU contracts)	14%	13%	17%
Grants from the government/local authority/public sector	51%	52%	56%
Other grants	46%	46%	47%
Donations	39%	39%	31%
Membership subscriptions	18%	18%	18%
Other	8%	8%	7%

Turnover performance

Women-led social enterprises

Women-led social enterprises on average generate higher turnover than those led by men. The average reported turnover for women-led organisations was just under £2.7 million, compared to just under £2.6 million among social enterprises led by men.

This not only marks an increase in turnover from previous years, but also marks a return to women-led organisations generating higher turnovers than those led by men. In 2021, average turnover among women-led social enterprises was £2.3 million, compared to £2.9 million reported by those led by men. In 2019, average turnover among women-led organisations was £1.4 million compared to £1.1 million among men-led social enterprises.

In 2023, 66% of women-led social enterprises reported their turnover had increased, while a further 14% reported it had remained the same. These figures are in line with those from men-led organisations – 65% of which reported their turnover had increased, and 14% that it had remained the same.

This was an improvement from 2021 when only 44% reported increasing turnover, and also 2019 when 52% reported the same. This suggests that women-led social enterprises are now out-performing pre-pandemic levels when it comes to increasing turnover.

Ethnic minority-led social enterprises

The average reported turnover among ethnic minority-led social enterprises was just £232,000, and £223,000 for Black-led organisations specifically, in contrast to £2.7 million for white-led social enterprises.

Reported average turnovers for ethnic minority-led social enterprises have fallen significantly since 2021, when it was £398,000 – and in 2019 it was still higher at £270,000. This may be explained by the surge of new ethnic minority-led social enterprises into the market, which are smaller and less likely to be generating large turnovers.

A slightly smaller proportion of 13% of ethnic minority-led social enterprises said their turnover had decreased, compared to 18% of white-led organisations.

Profit

Women-led social enterprises

66% of women-led social enterprises reported making a profit or breaking even, compared to 76% of social enterprises led by men in 2023. In 2021, 77% of women-led social enterprises reported making a profit or breaking even, compared to 74% of men-led organisations.

Despite a lower proportion of women-led social enterprises reporting making a profit, those that did were significantly more profitable than those led by men. Average net profit among women-led social enterprises was just below £160,000, compared to just £70,000 among men.

Ethnic minority-led social enterprises

In 2023, 68% of ethnic minority-led social enterprises reported making a profit or breaking even, compared to 71% of white-led social enterprises. In 2021, 72% of ethnic minority-led social enterprises reported making a profit or breaking even, compared to 76% of white-led social enterprises.

Similar to turnover, there were significant disparities between ethnic minority-led and white-led social enterprises. Net profits on average for ethnic minority-led social enterprises were just over £83,000, while among Black-led organisations this figure was just below £34,000. In contrast, white-led social enterprises reported average net profits of more than £124,000.

Actions to achieve growth

Women-led social enterprises

Women-led social enterprises innovated more: In 2023, 56% developed new products or services for their organisation to deliver, compared to 49% of social enterprises led by men. This is a continued trend among women-led organisations; 66% reported developing new products and/or services for their organisation to deliver in 2021, compared to 62% of men-led social enterprises. In 2019, 67% of women-led social enterprises reported the same, compared to 59% of men-led organisations.

46% of women-led organisations diversified into new geographic or customer markets, compared to 36% of social enterprises led by men. However, men-led organisations were more likely to have invested in research and development or new equipment for their business.

Ethnic minority-led social enterprises

Ethnic minority-led businesses were more likely to innovate new products and services for market. 37% reported they had developed a new innovation for their markets, compared to just 21% of white-led social enterprises.

Ethnic minority-led organisations were more likely to diversify their business. 49% reported expanding into new geographic or customer markets, compared to 41% of white-led social enterprises.

Fewer ethnic minority-led social enterprises than the national average reported raising prices. Despite the cost of living crisis, only 27% reported they had increased prices in the previous 12 months, compared to 47% of white-led social enterprises.

Actions taken in the last 12 months to achieve growth

	All social enterprises	Woman-led	Ethnic minority-led
Diversified or expanded into new geographic or different customer markets	42%	46%	49%
Developed new products and/or services – new to your organisation	53%	56%	55%
Developed new products and/or services – new to the market	23%	24%	37%
Invested in R&D (research and development)	18%	17%	24%
Merged with or acquired another organisation	4%	5%	12%
Won business as part of a consortium	9%	10%	14%
Increased the level of marketing/advertising	40%	40%	42%
Invested in new equipment/IT/computer software	37%	34%	40%
Reduced costs/increased efficiency	45%	44%	32%
Increased prices	43%	45%	27%
Invested in new capital assets	18%	15%	11%
None of these	5%	4%	3%
Don't know	1%	1%	3%

Expectations for future performance

Women-led social enterprises

Despite outperforming social enterprises led by men when it comes to turnover and profit, women-led organisations are less optimistic about the year ahead. While 59% believe that their turnover will increase over the next 12 months, this is below the 65% of men-led social enterprises that report the same.

However, 25% of women-led social enterprises reported they believed their turnover would remain the same, compared to just 16% of men-led organisations. This is a significant improvement on the 67% of women-led social enterprises that reported they expected turnover to rise or stay the same in 2021, but it is not as high as the 89% who reported the same in 2019.

Similarly, a smaller proportion of women-led organisations believe they will increase staff numbers. Only 45% expect to employ more people than at present in 12 months' time, compared to 50% of men-led social enterprises.

Ethnic minority-led social enterprises

Ethnic minority-led social enterprises were more confident about the year ahead. 70% of ethnic minority-led and 76% of Black-led social enterprises reported that they expected turnover to increase in the year ahead. This is compared to 60% of white-led organisations. Only 13% of ethnic minority-led social enterprises expect their turnover to decrease.

These businesses were also more confident that they would increase staff numbers. 65% believe that they would be employing more staff than at present in 12 months' time, compared to just 44% of white-led organisations.

In focus - Employment

Women-led social enterprises

68% of women-led social enterprises are employers – in line with the social enterprise national average, and substantially higher than the 26% of businesses across the UK that employ paid staff⁸.

Women-led social enterprises employ a greater proportion of women in their workforce than the wider economy. Just under half the national labour force are women⁹, but on average 69% of the workforce in women-led social enterprises are women. In contrast, the average proportion of women in the workforce among social enterprises led by men is just 43%.

Women are more likely to implement every flexible working arrangement for their staff compared to men-led organisations. 89% of women-led organisations offer flexible working hours, compared to 75% of men-led organisations. Home working, job-sharing and four-day work weeks are also more commonly offered by women-led social enterprises.

Among women-led social enterprises that include a Board for their business:

- 77% included employee representatives on their Board, compared to 53% of men-led organisations
- 70% include representatives of the local community on their board, compared to 75% of men-led organisations
- 47% include service users on the Board, compared to 36% of men-led organisations

Ethnic minority-led social enterprises

59% of ethnic minority-led businesses report having paid employees compared to 68% across the national average. These social enterprises are more likely to hire staff from ethnic minority communities; ethnic minority-led social enterprises report that 61% of their workforce on average come from ethnic minority backgrounds, compared to just 10% of the workforce in white-led organisations. However, the proportion of the workforce that are women is the same for both ethnic minority-led and white-led organisations.

Ethnic minority-led social enterprises are more optimistic about growing staff number than white-led social enterprises. 65% of ethnic minority-led businesses expect to grow staff numbers in the year ahead, compared to 44% of white-led organisations.

Ethnic minority-led social enterprises are also more likely to pay the real Living Wage. 94% of these businesses reported all staff members received the real Living Wage, compared to 83% of white-led social enterprises.

Across a range of flexible working arrangements, ethnic minority-led organisations are more likely than white-led social enterprises to make them available to staff. 89% offer flexible working hours and 71% offer home working, compared to 85% and 62% of white-led social enterprises respectively. However, they are significantly less likely to make use of zero-hour contracts, with only 8% of ethnic minority-led social enterprises making use of them, compared to 22% of white-led organisations.

Among ethnic minority-led social enterprises that include a Board for their business:

- 70% included employee representatives on their Board, compared to 60% of white-led organisations
- 78% include representatives of the local community on their board, compared to 71% of white-led organisations
- 53% include service users on the Board, compared to 42% of white-led organisations

This suggests that ethnic minority-led organisations have a pivotal role to play in creating better employment opportunities for individuals from ethnic minority backgrounds, as well as tackling the labour market inequalities that have been found to contribute to the broader social and economic inequalities harming ethnic minority groups¹⁰.

⁸ <https://www.gov.uk/government/statistics/business-population-estimates-2023/business-population-estimates-for-the-uk-and-regions-2023-statistical-release>

⁹ Calculated using data from Annual Survey of Hours and Earnings: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/earningsandhoursworkedallemployeesashetable2>

¹⁰ <https://www.ethnicity-facts-figures.service.gov.uk/work-pay-and-benefits/employment/employment/latest/>

Growth and access to funding and finance

The Adebowale Commission on Social Investment found in 2021/22 that unique challenges presented themselves to Black-led social enterprises when it came to accessing social

investment.¹¹ This section looks at the latest data on access to funding and finance for ethnic minority-led social enterprises, and how this has changed in the last two years.

Achieving growth

Women-led social enterprises

Among women-led social enterprises that expect to grow their turnover in the next year, there is a heavy emphasis on expanding into new geographic or customer markets. 64% reported this was one of the ways in which they expect to achieve growth, compared to just 51% of men-led organisations. 69% also reported they planned on developing new products or services, which reflects the historic commitment to innovation women-led social enterprises have demonstrated.

However, there is less appetite among women-led organisations for investment. Only 28% reported they would seek investment, compared to 43% of men-led social enterprises. 15% of women-led organisations reported they would invest in new capital assets, compared to 29% of those led by men. Lack of investment could potentially stifle the potential of women-led social enterprises and undermine their growth.

Ethnic minority-led social enterprises

Across a large range of measures aimed at achieving growth, ethnic minority-led social enterprises outperform white-led social enterprises. They were more likely to report diversifying into new regions and markets (74% to 57%), developing new processes (31% to 23%), seeking investment (46% to 31%) and investing in research and development (35% to 23%).

However, ethnic minority-led businesses were marginally more likely to report plans to increase prices than white-led social enterprises (44% to 41%). In the previous year, ethnic minority-led social enterprises were significantly less likely to raise prices compared to the national average. This may reflect the growing toll of inflationary pressure on these businesses. It is important that necessary support is in place, so that ethnic minority-led organisations are able to fulfil their aims of increasing investment and expanding their businesses.

Actions to be taken in the next 12 months to achieve growth

	All social enterprises	Woman-led	Ethnic minority-led
Diversify or expand into new geographic or different customer markets	59%	64%	74%
Develop new products and/or services	68%	69%	66%
Develop a new process	25%	25%	31%
Invest in new capital assets	20%	15%	18%
Invest in R&D (research and development)	23%	22%	35%
Invest in products/services/processes to green/decarbonise operations	23%	20%	26%
Seek investment to increase the rate of growth of your business	33%	28%	46%
Reduce costs/increased efficiency	44%	47%	36%
Increase prices	41%	41%	44%
None of these	4%	3%	6%

¹¹ <https://www.socialenterprise.org.uk/adebowale-commission-on-social-investment%E2%82%AC%82%BC/>

Barriers to growth

Women-led social enterprises

There are a series of barriers that can undermine social enterprise growth. Women-led social enterprises were more likely than average to report experiencing barriers to growth. Wider economic and general issues were the most common barrier, cited by 68% of women-led social enterprises - similar to the 66% of those led by men that reported the same issue.

However, financial barriers and issues around customer demand were more commonly reported by women-led social enterprises. 64% said financial barriers had impacted growth, compared to 58% of those led by men. 44% reported customer demand and market issues, compared to 36% of those led by men.

Barriers to growth

	Women-led	Men-led
Financial barriers	64%	58%
Customer demand/market issues	44%	36%
Skills issues	29%	26%
Wider economic and general issues	68%	66%
Issues linked to being a social enterprise	21%	18%
Other	23%	24%
None of these	2%	5%
Don't know	1%	2%

Ethnic minority-led social enterprise

Among ethnic minority-led social enterprises, the issue of finance is even more pressing. 71% of ethnic minority-led businesses reported financial barriers as impacting growth, with this rising to 79% among Black-led social enterprises. In contrast, 60% of white-led social enterprises reported financial barriers as an issue.

Notably, issues related to being a social enterprise were more common among ethnic minority-led organisations. 29% of ethnic minority-led and 36% of Black-led social enterprises cited this as an issue, compared to 18% of white-led social enterprises.

Barriers to growth

	Women-led	Men-led	White led
Financial barriers	71%	79%	60%
Customer demand/market issues	39%	40%	41%
Skills issues	29%	32%	27%
Wider economic and general issues	60%	58%	69%
Issues linked to being a social enterprise	29%	36%	18%
Other	27%	26%	22%
None of these	2%	2%	3%
Don't know	4%	6%	1%

Financial challenges

Access to appropriate finance can be essential to social enterprises looking to develop and grow their business.

However, financial barriers have been found to be a major and recurring issue for many social enterprises.

Grants

Women-led social enterprises

Women-led social enterprises were typically more likely to apply for grant funding, compared to those led by men. 61% of women-led organisations reported applying for grant funding in the past year, while 53% of men-led social enterprises reported the same.

While this is in line with the 61% of women-led social enterprises that applied for grant funding in 2021, it is significantly higher than the 30% that reported applying for grant funding in 2019. This is in line with national trends, showing a sharp rise in the proportion of social enterprises seeking grant funding – potentially reflecting the more challenging economic conditions that have persisted since 2019.

On average, women-led social enterprises secured just over £69,000 in grant funding, compared to £53,000 by men-led organisations. Only 8% reported obtaining grant funding as a significant barrier to their organisation's sustainability and growth – down significantly from the 31% that reported the same in 2021, and 29% in 2019.

Ethnic minority-led social enterprises

In 2023, 68% of ethnic minority-led social enterprises reported that they had applied for grant funding in the previous 12 months, compared to 56% of white-led organisations. 19% of ethnic minority-led social enterprises reported obtaining grant funding as a major barrier that prevented their growth – down from 25% in 2021.

However, average grant funding received was significantly smaller among ethnic minority-led organisations. While the average amount of grant funding secured by white-led organisations was just over £65,000, this amount was just below £40,000 among ethnic minority-led social enterprises overall – and fell to £32,000 among Black-led social enterprises specifically.

External finance

Women-led social enterprises

10% of women-led social enterprises reported applying for external finance, excluding grants – just below the national average of 11%. This is in line with the 12% of women-led organisations that reported applying for non-grant external finance in 2021 and 2019. This suggests a small but constant demand for external finance among women-led social enterprises.

A further 32% of women-led social enterprises reported considering applying for finance but ultimately did not, rising from 22% that reported the same in 2021. The most common reasons for not applying after consideration included a lack of appetite for additional risk (16%), uncertainty over economic conditions (16%) and not knowing where to find appropriate finance (13%).

While there may be additional demand for external finance, lack of information and concern over levels of risk are discouraging women-led businesses from seeking finance initiatives that match the needs of their business.

Loans were the most preferred option for external finance, with 55% of women-led organisations that had made an application reporting this is what they applied for. This is in line with the proportions that applied for loans in 2021.

After traditional banks such as Barclays or HSBC, specialist social investment organisations were the most popular option for external finance. 24% of women-led social enterprises that sought external finance reported that they sought external finance from a specialist firm.

Ethnic minority-led social enterprises

In 2023, 13% of ethnic minority-led social enterprises applied for some form of external finance excluding grants, just above the national average of 11%. This marks a decline from the 22% of ethnic minority-led social enterprises that reported applying for non-grant external finance in 2021 during the peak of the Covid-19 pandemic. However, it is also lower than the 16% that applied in 2019, suggesting a small decline in demand for external finance among ethnic minority-led organisations.

The proportion of ethnic minority-led businesses which considered applying for finance but did not was 33% – slightly above the national average of 31%. The most common reasons given for not applying included concern over economic conditions (23%), time pressures and lack of resourcing (17%), and lack of suitable finance options (14%). This potentially suggests that more could be done to ensure the supply of finance is meeting demand.

There has been a significant and steady increase in the proportion of ethnic minority-led social enterprises applying for external funding who are turning to loans. In 2023, 33% of applicants sought loans – an increase from 22% in 2021, and 13% in 2019.

While loans have become increasingly popular, a growing proportion are turning towards specialist social investment firms. Among those applying for loans, 34% reported they went to a specialist social investment firm, up from 22% in 2021 and 18% in 2019. This suggests that social investment firms have managed to improve their appeal among ethnic minority-led social enterprises, despite a fall in the overall demand for external finance.

Securing finance

Women-led social enterprises

Women-led social enterprises were highly successful in securing external finance. 78% reported they were able to secure the finance they had applied for, compared to just 66% of men-led organisations. This success potentially reflects the fact that women-led social enterprises are typically larger in terms of both turnover and profit, which gives them greater access to capital.

The median amount of finance that women-led organisations sought was £30,000, while the median amount raised was £25,000.

Ethnic minority-led social enterprises

There remain challenges when it comes to successfully applying for external finance. Only 42% of ethnic minority-led social enterprises were able to secure external finance, compared to 68% of white-led organisations.

Not only is this a significant disparity, it is a significant decline from the 86% of ethnic minority-led businesses that successfully applied for funding in 2021 – although many may have benefitted from additional support implemented through the Covid-19 crisis.

Ethnic minority-led social enterprises also struggled to raise sufficient amounts to meet demand. In 2023, ethnic minority-led organisations sought to raise £282,000 on average – down from £361,000 in 2021. In contrast, the amount sought by white-led organisations increased to £1.7 million from £850,000 in 2021.

However, the amounts secured fell well below expectations. On average, ethnic minority organisations reported securing just under £16,000 while white-led social enterprises secured almost £840,000. The inability to secure even 10% of the finance sought by ethnic minority-led social enterprises suggests a disconnect between the demand and supply of finance, which threatens to hold back these businesses from achieving their potential.

Perceptions of finance

Women-led social enterprises

Women-led social enterprises have mixed views on available finance. 39% believed that forms of finance available were suitable for their organisation, compared to 55% of men-led organisations. This is in line with the 38% that reported the same in 2021.

Even fewer (33%) believed that the amount of finance available to their organisation was sufficient, compared to 44% of men-led organisations. This is broadly in line with the 36% in 2021 and 35% in 2019 that reported the same.

Just over half (55%) of women-led social enterprises believed they had the relevant skills to obtain external finance, compared to around two-thirds (65%) of men-led social enterprises. Again, this is in line with the 58% of women-led social enterprises that reported the same in 2021.

Ethnic minority-led social enterprises

While the picture among women-led social enterprises remains mixed, there have been some improvements in perceptions of finance among ethnic minority-led businesses over recent years.

Almost half (45%) of ethnic minority-led social enterprises reported that they felt they had suitable forms of finance available for their organisation – an increase from a third (33%) in 2021, and 31% in 2019. However, there was no change in the 38% of ethnic minority-led social enterprises that believed the finance available for their business was sufficient.

Conclusion

Representation matters, and social enterprise benefits enormously from leadership that reflects the diversity of society. The greater number of women and ethnic minority leaders shapes and defines the varied social missions of these businesses, and ensures that they are reaching communities which can often be underserved by mainstream business.

This report has illustrated the many ways in which women- and ethnic minority-led social enterprises contribute to economic prosperity. From flexible employment opportunities to investment in some of the most deprived parts of the country, a diverse community of social enterprises can help deliver inclusive and sustainable growth.

It is a mark of success and belief in social enterprise that the last few years have seen a surge in new entrants into the market, especially among entrepreneurs from ethnic minority backgrounds. However, while we can celebrate the growing appeal of social enterprise as a form of business that harnesses talent from all backgrounds, we must also recognise the challenges that undermine the potential of these organisations.

A challenging economic climate has left many new ethnic minority-led businesses with reduced turnovers. Despite optimism for the year ahead, low turnovers can make it difficult for businesses to deliver the necessary investment they need to expand, develop and compete in harsh economic conditions.

Both women-led and ethnic minority-led social enterprises are generating a lower proportion of their incomes from trading compared to men and white-led organisations. There are questions over how these social enterprises can become better embedded into private and public sector supply chains, which often require specialist expertise and business networks.

Moreover, while financial barriers have been a persistent barrier for all social enterprises, there are often unique challenges that exacerbate the issue for ethnic minority-led organisations. Many remain dependent on grant funding, while those that pursue other external financing options often find it is insufficient to meet their needs.

We need action to ensure a level playing field among social enterprises, regardless of the background of their leadership. Whether it's expanding access to appropriate finance or deepening the skills, knowledge and networks of social enterprises with diverse leadership, there are options available to help deliver the investment and support these businesses need to grow.

The UK has cultivated a community of social enterprises that is open to people from any background. However, we can do more to create the conditions in which these businesses can thrive and allow them to take a more central role in tackling the entrenched social challenges and inequalities that have impacted too many communities for too long.



Photo credit: Diversity and Ability