



University of Durham  
**BUSINESS SCHOOL**

# Unsung Entrepreneurs: Entrepreneurship for Social Gain

- *Who are they?*
- *What do they do?*
- *How can they be supported?*

*Dr Eleanor Shaw, Jane Shaw and Morna Wilson*



The Barclays Centre for  
Entrepreneurship

**BARCLAYS**

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## Advisory Panel:

Mel Young, The Big Issue in Scotland  
 Tony Curtis, Community Enterprise Northumberland  
 Stuart McKellar, ComEcon  
 Cheryl Bass, Smart People Solutions

## About the authors:

### Dr Eleanor Shaw

Dr Eleanor Shaw lectures in marketing and entrepreneurship at the Department of Marketing, University of Strathclyde and was formerly Director of the MA in Entrepreneurship delivered by the Centre for Entrepreneurship at the University of Durham Business School. She is an active researcher in the areas of entrepreneurship and marketing and has presented and published her work in both the UK and America. She has jointly held research grants from organisations including the Scottish Arts Council, Glasgow Development Agency and Scottish Enterprise. In addition to her academic duties, Eleanor has undertaken a variety of freelance research and consultancy projects for a number of support organisations throughout Scotland and North East of England.

### Jane Shaw

Jane has over 15 years experience of working in the social economy and was instrumental in developing a number of the first social firms in Britain set up to create employment opportunities for those disadvantaged in the labour market through disability.

In 1996 Jane set up her own business providing consultancy, research and training support to organisations interested in developing social enterprise initiatives. Jane's clients include public authorities, private companies, educational establishments and voluntary sector organisations. Jane is currently project manager for Northumberland County Council's "People into Enterprise" programme which is designed to promote entrepreneurship in the rural coalfield of the County.

Jane is an associate of the Barclays Centre for Entrepreneurship and in addition to co-project managing the research for this report, Jane is involved in co-ordinating "The Exchange: Building Capacity and Competitiveness in the Social Economy", an initiative funded by the Social Enterprise Unit at the DTI and One NorthEast which is designed to equip organisations within the social economy with the skills and capacity required to act entrepreneurially and ultimately improve the sustainability of their enterprise. Other work with the University of Durham includes co-tutor for the School for Social Entrepreneurs Millennium Award Pilot in Newcastle, delivering Insight into Entrepreneurship workshops to graduates interested in self-employment and contributing to the development of the Business Innovation Through Entrepreneurship programme.

Jane is currently studying for the University's Masters degree in Entrepreneurship.

### Morna Wilson

Morna is currently employed as manager of the Centre for Entrepreneurship. She was part of the research team on the "Diversity of Social Entrepreneurship" project and co-manages the "The Exchange" project funded by the DTI and One NorthEast aimed at helping social enterprises build their capacity and competitiveness. Morna also manages the BITE project (Business Innovation Through Entrepreneurship), which seeks to enhance the competitiveness of organisations by encouraging them to think more entrepreneurially.

Previous experience was in the voluntary sector where she has over ten years experience which includes strategic planning, fundraising, service development and change management. She has successfully managed a number of publicly funded initiatives including ESF, ERDF and National Lottery.

Morna is a Director of Social Firms North-East. She currently provides advice and consultancy to a number of charities and small businesses.

## Barclays Centre for Entrepreneurship

The Barclays Centre for Entrepreneurship is based at the University of Durham Business School and was launched in November 1998 with sponsorship from Barclays Bank plc. The combination of a leading academic institution such as the University of Durham, a major financial institution such as Barclays and some of the leading entrepreneurial organisations around the world, creates a great opportunity to realise a vision for the future.

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## Executive Summary

The contribution which social entrepreneurs make to social, economic, cultural and environmental wealth is increasingly recognised by policy makers, academics, practitioners and social commentators alike. In an environment where traditional providers have been criticised as bureaucratic and resistant to change (Mulgan and Landry, 1995) and the welfare state has become overstretched and hampered by severe resource restrictions (Leadbeater, 1997), social entrepreneurship offers an innovative way of tackling unmet social needs.

Despite this, much of what is known about entrepreneurship for social purposes is anecdotal. Whilst individuals engaging in entrepreneurial behaviour for personal and financial gain have been the focus of many research studies and received the support of most governments, particularly over the past 30 years, individuals involved in entrepreneurial behaviour for social gain have received scant research attention and only more recently, emerged on the political agenda.

For these reasons, the purpose of this report is to present the findings of 80 in-depth interviews with individuals involved in entrepreneurial activity for social rather than personal financial gain. The findings presented provide an insight into the background, experiences and motivations of those individuals who become involved in social entrepreneurship, the diversity, impact and performance of the initiatives which they establish and an understanding of the range and effectiveness of support that is available to encourage and develop entrepreneurial behaviour for social purposes.

The findings presented reveal that individuals working entrepreneurially for social gain share many similarities with their profit-driven counterparts, they bring vision, passion, creativity and the ability to network and build the relationships necessary to engage others and achieve their vision. Also, like many business entrepreneurs, individuals working entrepreneurially for social gain have strong motivations including: personal satisfaction from knowing that a special issue is being tackled; the opportunity of affecting change and the achievement of meeting a local need.

Despite this, the findings reveal that while most respondents describe the work of their initiatives as entrepreneurial, they are less keen to identify themselves as entrepreneurs.

Overwhelmingly, the findings presented point to the diversity of social initiatives not only in terms of the range of the social needs which they address but also in their activities and structure.

The findings presented also reveal the economic and social impact of social initiatives: jobs are created; income is generated and social problems are successfully addressed. Finance and issues related to access and availability of funding are, however, significant constraints.

For most participating initiatives, less than 50% of their income is generated by sales. The remaining amount is provided by a variety of short-term sources, provided only when time consuming funding proposals have been developed. As a consequence, for many, a 'grant dependency culture' is the greatest barrier which they must overcome.

Most respondents reported that they accessed a range of advice and support both when establishing initiatives and throughout their development. In particular, local authorities, social economy organisations, consultancies and industry sector specialists are identified as important sources of support and advice. The business support network, responsible for promoting, encouraging and supporting entrepreneurship, was not found to be an important source of support.

In light of the findings presented a number of recommendations are offered:

- **Improved Data**

To provide an accurate indication of the scale and diversity of the sector and support measures designed to stimulate entrepreneurship for social gain, local authorities, social economy organisations, consultancies and industry sector specialists, the business support network and banks should re-define what they regard as a social initiative and introduce systems which specify and record data about socially motivated enterprise activity.

- **Social/ Private Partnerships**

To share knowledge, it is recommended that social initiatives work more closely with the private sector. Initiatives such as “The Exchange Programme” being piloted by The Barclays Centre for Entrepreneurship at the University of Durham Business School, should be rolled out to encourage social initiatives to move from a grant dependency to one of loans and investment.

- **Mentoring**

As many individuals involved in social initiatives can have portfolio and serial experience of the social sector, it is recommended that social initiatives collaborate to share best practice and support knowledge transfer. Network organisations like ‘The Entrepreneurial Exchange’ in Scotland can provide a good model upon which to develop and build such collaborations.

- **Support for Social Initiatives**

A range of recommendations are offered to the business support network including the Small Business Service and the Scottish Enterprise Network to help mitigate the barriers encountered by social initiatives. These include:

- Mapping exercises of the networks currently operating within the social economy;
- Developing partnerships with established agencies to avoid duplication of support provision;
- Directing support towards aiding the transition of social enterprises from small to medium sized businesses an area in which its expertise is richer than that of social economy support organisations;
- The creative use of financial resources to encourage movement away from the grant dependency which characterises the social economy;
- The adoption of wider conceptualisations of ‘entrepreneurship’ which recognise the many contexts within which entrepreneurial behaviour can take place and the variety of economic, social, cultural and environmental gains which can result;

- **Funding and Finance**

As finance and issues relating to availability of and access to finance are the major barriers facing social initiatives, the report makes recommendations particular to the financing of social initiatives:

- To support the movement away from grant dependency, the business support sector and others controlling financial resources could make positive interventions by making funding available to those seeking to innovate, explore new market opportunities or build capacity to enable themselves to engage in trading activities;

- bureaucracy in acquiring funding is another major burden for many social enterprises. Further scope exists to reduce grant dependency through the consideration of the nature of funding relationships. For example, commercial contracts rather than grant awards could be made for the delivery of services. Changing the relationship between local authorities and social enterprises from one of dependency to one of commercial equality will inevitably impact on the culture of social enterprises.

## 1.0 INTRODUCTION

The contribution which social entrepreneurs make to social, economic, cultural and environmental wealth is increasingly recognised by policy makers, academics, practitioners and social commentators alike. Social entrepreneurs have been described as “those people who bring to social problems the same enterprise and imagination that business entrepreneurs bring to wealth creation” (Tony Blair, Welfare to Work, June 1997). They have also been attributed as individuals who initiate social innovation and change (Drucker, 1999). To date, however, such entrepreneurs have received little dedicated research attention.

Charitable, philanthropic, community and voluntary activities are not new. ‘Social Entrepreneurship’, however, is a new label, which some commentators argue is a more appropriate way of describing the work of community, voluntary and public organisations as well as private firms working for social objectives. While the 1990s may not have witnessed the birth of social entrepreneurship, the past 15 years have seen a growth in social consciousness. This in turn has encouraged an increase in the variety of individuals and organisations motivated to engage in entrepreneurial activities for social as well as profit objectives. Increasingly, social entrepreneurship is regarded as an innovative way of tackling social problems, which cannot be resolved through traditional public, voluntary, or community mechanisms. In an environment where traditional providers of public and social services have been criticised as bureaucratic and resistant to change (Mulgan and Landry 1995) and the welfare state has become overstretched and hampered by severe resource restrictions (Leadbeater, 1997), social entrepreneurs have been identified as vital to the development and delivery of innovative ways of creating an inclusive and just society. Leadbeater (1997) argues that:

*“Social entrepreneurs will be one of the most important sources of innovation. Social entrepreneurs identify under-utilised resources – people, buildings, equipment – and find ways of putting them to use to satisfy unmet social needs. They innovate new welfare services and new ways of delivering existing services. Social entrepreneurs who deploy entrepreneurial skills for social ends are at work in parts of the traditional public sector, some large private sector corporations and at the most innovative edge of the voluntary sector” (p. 8)*

Examples of emerging social entrepreneurship can be found in the work of The Big Issue, the Bromley-By-Bow Centre, Rascals Childcare Centre, Teesside Homeless Action Zone, Clydeline Recruitment, Redress, Community Action Network, Street UK and the Furniture Resource Centre. These successful social initiatives were established by individuals motivated by the opportunity of adopting an innovative approach and creative use of resources and contacts to satisfy needs which the state welfare system would or could not meet (Thompson et al 2000). The Financial Times/New Economics Foundation’s Inner City 100 league table provides evidence of a growing tide of social entrepreneurs and social enterprises. Of the top 50 successful urban businesses listed on the Index, 8 were non-profit-making social organisations, including the Furniture Resource Centre in Liverpool. The Index also reflects the growing number of businesses, which combine profit with social objectives. For example, Shokoya-Elshin Construction, a Liverpool-based company, ranked 5th in the index is committed to recruiting and training black workers from the inner city, a group that has often found it difficult to secure employment in the construction industry. In addition, the company also mentor other ethnic minority businesses. Similarly, the winner of the index, Sheffield-based “TechnoPhobia”, mix business with social objectives by regarding the environment and social justice as important to the way it does business (Financial Times 28/11/01).

The Inner City 100 index demonstrates that the expression of entrepreneurial capacities in social contexts can and does make significant and direct contributions to economic and social prosperity. Between 1996 and 2000, a significant 3,541 jobs were created by the 100 companies listed and average turnover grew by 274% over the same period. Less tangibly but of equal importance, companies listed on the index suggest that individual entrepreneurial activities and initiatives can enhance and liberate the latent entrepreneurial potential of communities: a vision shared by Gordon Brown's economic policy for the UK. In his pre-budget statement Brown stressed the need to stimulate and use enterprise and entrepreneurial behaviour, especially within deprived and excluded communities, to encourage residents away from welfare towards the economic and social mainstream (Financial Times 28/11/01).

The examples mentioned above suggest that social entrepreneurship is diverse, both in size and sector and can be found in many contexts. The research presented in this report supports this view and reveals that social entrepreneurship is manifest through a large range of activities including but not limited to: co-operative societies; societies for the benefit of the community; friendly societies; community businesses; social firms; local development trusts; community development associations; housing co-operatives; credit unions; charities; voluntary sector organisations; unincorporated self help groups; churches and individuals working entrepreneurially to address issues of social concern relevant to their immediate situation and environment. The diversity of entrepreneurship is described by Leadbeater and Goss (1998):

*"Entrepreneurship is being celebrated today as never before. It is not only the private sector that seeks ever greater entrepreneurial skills. The voluntary sector too is being energised by new concepts of social entrepreneurship. And the public sector is constantly being urged to become more entrepreneurial in service delivery". (p.7)*

The Social Entrepreneurship Initiative based at Stanford University, in the United States describes social entrepreneurs as individuals prepared to take innovative approaches to solving social issues by using traditional business skills to create social rather than private value. Their description of social enterprise reflects the diverse nature of social entrepreneurship:

- For-profit organizations that use their resources to creatively address social issues;
- Non-profit organisations that assist individuals in launching their own small, for-profit businesses referred to as micro-enterprise or self-employment;
- Non-profit ventures that create economic value to fund their own programmes or to create employment and training opportunities for their client populations.

([www.gsb.stanford.edu/ces/social\\_entrepreneurship.html](http://www.gsb.stanford.edu/ces/social_entrepreneurship.html))

## 1.1 About this Research

To date whilst there is much anecdotal evidence about social entrepreneurs and the enterprises and initiatives which they establish, the conditions and environments within which these are constrained and supported have received little dedicated research attention. For this reason, the purpose of this report is to present the findings of 80 in-depth interviews to, describe the individuals involved in social entrepreneurship, the initiatives which they create, develop and grow and provide insights of their experience of available support. Based upon these the report will offer recommendations to support the development and growth of social entrepreneurship.

## 2.0 WHAT WE KNOW ABOUT SOCIAL ENTREPRENEURSHIP

### 2.1 The Origins of Social Entrepreneurship

Although currently receiving a higher media profile, social entrepreneurship is not new. Social entrepreneurship was the bedrock of Victorian private hospitals; it has always been the key feature of charity work; and it is clearly evident in the more recent hospice movement. Social entrepreneurship has its origins in the 19th Century when philanthropic business owners and industrialists including Sir Titus Salt of Saltaire and Robert Owen, demonstrated a real concern for the welfare of employees by improving their working, education and cultural lives.

Since this time, social entrepreneurship has been associated with community enterprise and community development, the public sector, education, churches, charities, the private sector and the not-for-profit sector.

### 2.2 The Social Economy

Also referred to as the 'third sector' the social economy includes voluntary organisations, community organisations, foundations and associations of many types. The social economy is a thriving collection of organisations that exist between the traditional private sector on the one hand and the public sector on the other. The social economy has emerged as a route to tackling exclusion. Social exclusion encompasses an array of complex issues and can take on many forms including, poor skills, unemployment, low incomes, poor health, poor housing and it is often difficult to separate cause and effect due to the overlap in issues (Social Enterprise London 2001, Social Firms UK 2001). The social economy is diverse and has been described as including but not restricted to the following range of organisations:

- Employee-owned Businesses
- Credit Unions
- Community Finance Initiatives
- Co-operatives
- Development Trusts
- Social Firms
- Intermediate Labour Market Companies
- Social Businesses
- Community Businesses/Organisations
- Charity Trading Arms
- Friendly Societies

Although there are many estimates about the scale of activity in the sector, perversely, its sheer diversity and the lack of agreed definitions of what constitutes a 'social enterprise' combine to frustrate efforts to produce a comprehensive picture of the overall size of the social economy.

Legal regulation is by broad categories from which it is difficult to disaggregate social economy activities. The most comprehensive data available relates to charities of which, 188,000 are registered in England and Wales (John Stoker, Chief Charity Commissioner, May 2001). The Commissioner estimates, however, that while there are approximately 100,000 bodies subject to the Charity Commission's authority, the absence of compulsory registration means that not all appear on the register (Charity Commission Annual Report 2000).

In Scotland, the voluntary sector comprises the largest part of the social economy accounting for 4% of GDP at the end of 1998 (Scottish Council for Voluntary Organisations). SCVO also estimate that in Scotland the sector employs the equivalent of 49,000 full-time jobs is supported by 300,000 volunteers and has a turnover of £1.8 billion per annum.

Where definitions are less precise, the difficulties of measurement are magnified, sometimes producing results which are apparently impossible to reconcile. As a recent Small Business Service report notes while the Department for Environment, Transport and the Regions estimated that in the UK in 1998 approximately 450 social enterprises were trading, Community Enterprise, Strathclyde estimated that in lowland Scotland alone there were 3,700 community enterprises in 1997 (Smallbone et al 2001).

Despite these difficulties, it is clear that the sector contributes significantly to the financial and social fabric of the country. General charities employ over 485,000 paid workers and benefit from the voluntary efforts of over 3 million individuals. They hold net assets worth an estimated £36.7 billion (UK Voluntary Sector Almanac 1999). The Office for National Statistics estimates that general charities contribute £4.5 billion (0.67%) to Gross Domestic Product.

This scale of activity and the fact that by any measure it is continuing to grow, warrants further investigation of the sector.

### 2.3 Social Enterprises

Social enterprises stand out from the rest of the social economy as organisations that use trading activities to achieve social goals and financial self-sufficiency. They are businesses that often combine the entrepreneurial skills of the private sector with a strong social mission. Until recently, little had been written about the characteristics of social enterprises. American literature on the subject argues, that social enterprises emerge as an alternative to the failing not-for-profit sector. UK work in this area suggests that in the face of market and public service failures social enterprises have emerged as a mechanism for tackling social exclusion and addressing community needs.

Such is the variety of social enterprises that no single definition of a 'social enterprise' exists. As previously discussed, social enterprises fall within a broad spectrum of organisations and possess a variety of structures including complex legal structures (Prabhu 1999; Leadbeater 1997; Social Enterprise London 2001). What is agreed upon is that regardless of their legal structure, all social enterprises operate within complex multi-agency environments and have an open and porous approach to that environment. Also, social enterprises do not see their core aim as providing a specific service but rather, the formation of long term relationships with their client group (Leadbeater 1997).

Other characteristics, common to social enterprises are detailed in the table below:

**Table 1: Characteristics of Social Enterprises**

Characteristics of Social Enterprises	
Enterprise orientation	<ul style="list-style-type: none"> <li>• as viable trading organisations, making an operating surplus, they are directly involved in producing goods or providing services to a market.</li> </ul>
Social aims	<ul style="list-style-type: none"> <li>• they have explicit social aims such as job creation, training or the provision of local services. They have strong social values and mission, including a commitment to local capacity building. They are accountable to their members and the wider community for their social, environmental and economic impact.</li> </ul>
Social ownership	<ul style="list-style-type: none"> <li>• they are autonomous organisations often with loose governance and ownership structures, based on participation by clients, users, local community groups or trustees. Profits are distributed to stakeholders or for the benefit of the community.</li> </ul>

*Sources: CAN 2001; Leadbeater 1997; Prabhu 1999; Social Enterprise London 2001; Social Enterprise Unit 2001*

## 2.4 Social Entrepreneurs

Like their traditional business counterparts, there is no accepted definition of what constitutes a 'social entrepreneur'. Researchers, commentators, development agencies and politicians have, however, sought to identify characteristics common to social entrepreneurs (Ashoka 2001; Community Action Network 2001; Leadbeater 1997; Leadbeater and Goss 1998; Prabhu 1999; Thake and Zadek 1997; Thompson et al 2000). Early American work in this area described social entrepreneurs as 'good people', who are 'different', willing to take risk on behalf of others to address issues of social concern. In the UK, Leadbeater (1997) has offered a more comprehensive description of the types of individuals who can be identified as 'social entrepreneurs':

- They excel at spotting unmet needs and mobilising under-utilised resources to meet these needs;
- They are driven and determined, ambitious and charismatic;
- They are driven by a mission, rather than the pursuit of profit or shareholder value;
- In the private sector it is quite possible to be a successful entrepreneur without being at all innovative. In the social sector it is far more likely that an entrepreneur will also be an innovator.

Ashoka, the international charity which identifies and provides social entrepreneurs with the equivalent of venture capital to launch their initiatives, identify the 'ethical' purpose of social entrepreneurs as their distinguishing feature. Ashoka (2001) describe social entrepreneurs as also possessing the following characteristics:

Table 2: Characterising Social Entrepreneurs

Characterising Social Entrepreneurs	
Creative	Find radical and effective solutions to social problems.
Entrepreneurial	Present their project, negotiating their needs, commanding support for their idea and winning resources effectively.
Agenda-Setting	Demand that their ideas or proposals will make a major difference when successfully implemented.
Ethical	Ensure that public money is well used, that ideas are not corrupted by vested interests and that their full commitment is available for the project.

Source: Ashoka (2001)

While not all social entrepreneurs will possess the above characteristics to the same degree, the work presented in this report provides a starting point in an exercise to profile social entrepreneurs.

## 2.5 Comparisons with Traditional Business Entrepreneurs

In seeking to describe and define social entrepreneurs, comparisons have been drawn with business or 'for profit only' entrepreneurs (Drucker, 1989; Leadbeater, 1997; Community Action Network (CAN 2000)) find many similarities between social and business entrepreneurs, describing them as:

*"The equivalent of true business entrepreneurs but they operate in the social, not-for-profit sector building 'something from nothing' and seeking new and innovative solutions to social problems".*

The work of Drucker (1989) and Leadbeater (1997) concludes that many of the traits and behaviours of successful social entrepreneurs mirror those of entrepreneurs working exclusively for profit objectives. These include drive, ambition, leadership, the ability to communicate a vision and inspire others and, maximum utilisation of scarce resources.

Social Enterprise London agree that many similarities exist. They argue, however, that differences must also be understood if social entrepreneurs are to receive, in the same way as business entrepreneurs, the support needed to develop and grow:

*"Successful development of social enterprises requires an understanding of how they differ from traditional small firms as well as their similarities".*

Social Enterprise London (2001).

The table below outlines some of the main similarities and differences which Social Enterprise London (2001) have found between 'social' and 'business' entrepreneurs.

**Table 3: Similarities and Differences with Traditional Businesses**

Factor	Similarity	Difference
Culture	Mission driven	In addition Social Enterprises have a strong participatory culture.
Products	Local efforts in providing innovative products and services to meet local needs, at least initially.	
Structure	Similar for firms in the same industry, particularly those emphasising a team approach. Many will have lean structures.	Adopt a variety of different structures.  Often place more emphasis on training, particularly if working with long-term unemployed.  Loosely organised providing considerable discretion and flexibility to their members.
Marketing	Both sell goods and services in the market; both need to develop effective marketing skills.	Community based organisations often build community loyalty and rely on such support in difficult times. (This loyalty does not substitute for providing good products at a good price.)
Management	Both require traditional management skills.  Like many small organisations, managers will need to be skilled in more than one management function.	Participatory culture can place extra demands on managers and encourage a more flexible workforce.  Board will often include non-executive directors with particular skills, local knowledge or contacts.
Finance	Balance sheets and profit and loss statements are similar.	Investment instruments are different, may include member shares or investment, bank loans or grants.  Profits may be used for community benefit or distributed to stakeholders under profit sharing plans.  They may have difficulty gaining access to finance, however, some may access community finance initiatives.
Legal	Subject to all the same regulatory requirements e.g. Minimum wage, Health and Safety etc.	May be incorporated under different legislation, e.g. Credit Unions and Co-operatives.  May have members or trustees rather than shareholders.
Performance	Use quantitative and qualitative methods.	Use mainly qualitative measurements to establish change.
Leader	Both can have identifiable leaders, committed to their ventures, professionalism and dynamism.	Have a strong sense of mission and vision and do not get hung up on plans and strategies.

Source: Adapted from *Understanding Social Enterprise* (2001)

## 2.6 Challenges Unique to Social Entrepreneurship

As part of the research presented in this report, focus group and workshop discussions between social entrepreneurs, the support sector, the banking community and traditional business entrepreneurs were undertaken. These were organised by Tyne and Wear Small Business Service and took place in the North East of England with representatives of each of these sectors invited from across the UK. Data collected during these workshops was instrumental in clarifying the unique challenges faced by social entrepreneurs. These were found to include the following:

**Table 4: Challenges Unique to Social Entrepreneurship**

Challenges Unique to Social Entrepreneurship
History of Dependence
Outcomes of Social Entrepreneurship
Perceptions about Social Entrepreneurship
Concept of Social Entrepreneurship
Location of Social Entrepreneurship
Cost of Living and Legal Challenges

### Impact of a History of Dependence

A history of dependency on a paternalistic government has encouraged a lack of confidence in individual ideas and creativity, restricted capacity building and created a dependency culture, a trait which can be difficult to overcome.

### Outcomes of Social Entrepreneurship

As the outcome of social ventures are not always expressed financially, this can make it difficult to get others to 'buy in' to proposed ventures. Also, because rewards are not always financial, this has implications for the 'Risk: Reward Ratio', at start-up, entrepreneurs often calculate this ratio using financial indicators, as this is not always possible for social ventures, this can make the decision to become involved less clear cut.

### Perceptions about Social Entrepreneurship

For many, when starting up and/or supporting a social venture challenges can be presented by the perceptions which some have of social entrepreneurs, they can be regarded as, 'radical', 'going against the grain' and also of 'ruffling feathers'. Such perceptions can prevent individuals from getting involved.

### Concept of Social Entrepreneurship

A general misunderstanding of the concept of 'social entrepreneurship' presents challenges. The extent to which the term 'social entrepreneurship' is a useful description for activities, which are often collective and operating at a grass roots level, is also an issue. Related to this, negative connotations created when social entrepreneurship and social enterprise are discussed only within the social inclusion agenda can pose a challenge. As a consequence, there is a need to educate to make stakeholders aware that socialised economic activity has economic and social benefits for more than the individuals involved and that such activities are beneficial for all communities.

## Location of Social Entrepreneurship

Challenges are posed by the reality that often, social entrepreneurship takes place within deprived areas which have been abandoned by both private and public sectors. As a consequence, there can be a need to provide local support to protect social enterprises from the dynamics of the economy and the market if the economic and social benefits, which their operation can provide, are to be supported.

## Cost of Living and Legal Challenges

Relating to the challenge above and supported by research carried out by Community Links and the Women's Employment Enterprise and Training Unit are the particular challenges faced by individuals located in the most deprived areas of our economy who are seeking to create a venture. The risk of starting a venture can be intensified by the lack of guaranteed basic income, especially when benefits including New Deal for Self-Employment and Enterprise Rehearsal are withdrawn after 26 and 13 weeks respectively. The assumption that a new venture will generate sufficient income to provide a basic income within such short time periods is not realistic for everyone, especially for individuals motivated to establish a social venture, given the unique challenges which they face. A similar risk is presented to certain groups of individuals who, because of their age or length of time they have been unemployed, are not eligible for benefit support. Current benefit legislation presents an additional challenge as it can have the effect of actively discouraging individuals from entrepreneurial behaviour when the risk of a guaranteed minimum income (which may be provided by benefits) is perceived to be too great. In effect, current benefit legislation may actually encourage a dependency culture.

## 2.7 Supporting Social Entrepreneurship

It is increasingly recognised that entrepreneurial behaviour can be expressed in a variety of contexts including small, medium and large sized firms and private, public and community sectors. As a consequence, there is a growing awareness in the new business support environment that entrepreneurial behaviour is exhibited in a wider context than simply new commercial business starts. An important reason for this, is that the expression of entrepreneurial capacities in social contexts can make significant and direct contributions to economic and social prosperity and, less tangibly but of equal importance, enhance and liberate the latent entrepreneurial potential of individuals and communities.

Historically, support for social entrepreneurship has been provided by a network of specialist organisations operating at national, regional and local levels. National organisations tend to fill niches within the sector. For example, as its name implies, the Industrial Common Ownership Movement (ICOM) provides support to organisations with democratic ownership structures including: community businesses; The Industrial Common Ownership Fund (ICOF) is a source of finance within the sector; Social Firms UK provides support and advice to enterprises set up to create employment opportunities for people with disabilities; and the Association of British Credit Unions Ltd (ABCUL) supports the development of credit unions.

Public and private sector support is provided on a regional basis through regional development agencies and social economy consultancies respectively. In the North East region there are a number of consultancies such as the Newcastle based ComEcon Ltd which are contracted by various local authorities but also seek to attract funding in their own right to deliver support services in the social economy.

Support at a local level is provided by local authorities, some of which have staff dedicated to community economic development with expertise in accessing European structural funds. Other local authorities support independent providers which have broad community ownership and control. In the North East region examples include Social Enterprise Sunderland and STRIDE based in South Tyneside. The existence of most local support is ultimately dependent upon designated area status conferred at European Community or national government level which creates eligibility for financial support. Variation in the quality and availability of support and advice is probably also due to the lack of understanding of this emerging area (Social Enterprise, Social Economy: Moving Ahead Conference May 2001).

Historically, therefore, access to support for projects within the social economy have not been uniform across the country and in some areas has been unavailable. Often the resources of national organisations have been sought through the agency of local organisations networked with national bodies effectively making the resources of the latter less visible to potential social entrepreneurs in certain areas.

Recent changes have seen the emergence of a new Small Business Service with an extended remit encompassing the championing of entrepreneurship across society and particularly in under-represented and disadvantaged groups. This derives from government concern to address social exclusion through a National Strategy for Neighbourhood Renewal and particularly the Policy Action Team 3 Report on Enterprise and Social Exclusion. This recognises social enterprises as deserving of support and seeks to encourage ways of enhancing their potential, include them in national funding criteria and shift their culture from grants to loans. In practical terms this recognition is manifest in a number of new or planned initiatives including the establishment within the DTI of the Social Enterprise Unit and the provision of new resources via the Community Chest, the Community Empowerment Fund, the Community Development Venture Fund and the Phoenix Fund.

Particular to Scotland, the publication of "A Smart Successful Scotland: Ambitions for Enterprising Networks" has confirmed that the Scottish Enterprise Network has a key role to play in supporting the social economy. Together with the Bank of Scotland and members of the Scottish Community Investment Partnership, Scottish Enterprise have established Social Investment Scotland: a financial organisation which aims to support the growth of the social economy by making available £10.2 million loan finance available over the next 5 years. This fund will offer social enterprises access to repayable loans and by providing borrowers with operational and team support as well as business advice, Social Investment Scotland is seeking to support sustainable social enterprises. Working with Social Firms Scotland, Scottish Enterprise is also involved in a Social Firms Development Programme which seeks to support the growth of the social sector in Scotland by funding feasibility studies and social enterprise business plans. Linked to the Small Firms Enterprise Development Initiative, Scottish Enterprise are also encouraging support of the social sector by offering 'premier business' advisors the opportunity to engage in training specifically designed to support the business skills and development needs of the social economy. Also planned is a Voluntary Sector Portal which will provide a vehicle for on-line information, organisational development and e-learning services for the social sector.

These initiatives have been accompanied by the establishment of non-governmental social enterprise networks such as Social Enterprise London, Community Action Network and SENSOT (Social Entrepreneurs Scotland) to assist the support and growth of social enterprises.

## 3.0 THIS RESEARCH

Recognising a scarcity of research to provide evidence of the range of social entrepreneurs and the impact which they have, the purpose of this report is to use empirical data collected from 80 in-depth interviews to provide an understanding of and insight into the types of people who become social entrepreneurs; the diversity of activities in which they engage and the environments, conditions and contexts within which they flourish, grow and contribute to the social, economic, cultural and environmental fabric of our society. The ultimate aim is to provide evidence based recommendations for future action.

To achieve this, the research presented had 3 objectives:

- Collect empirical data which can be used to describe social entrepreneurs and the diversity of work in which they engage;
- Identify the motives of those involved in social entrepreneurship;
- To identify those factors which impact upon and influence social entrepreneurs, specifically the contexts and conditions under which social entrepreneurship is supported and constrained.

To achieve these objectives a semi-structured interview schedule was developed. The purpose of this schedule was to collect both qualitative and quantitative data. Once piloted, contact was made with 80 individuals. These people were identified through a range of means including the SENSCOT mailing list and the Voluntary Sector Workplace Survey, as well as introductions and contacts provided by the School for Social Entrepreneurs, The Big Issue and development agencies like ComEcon. Respondents themselves also recommended potential interviewees. As a result of this sampling process while respondents were predominantly located in the North East of England and the Central belt of Scotland, several best practice examples located throughout the UK were also included.

It is useful to note that when designing the questionnaire, piloting recommended that the word 'initiative' be used when asking respondents about the social activities in which they were involved. The reason for this is 'initiative' was loose enough to apply to the range of activities in which respondents were involved.

This data was supplemented by focus group and workshop discussions between social entrepreneurs, the support sector, the banking community and traditional business entrepreneurs. These were organised by Tyne and Wear Small Business Service and took place in the North East with representatives of each of these sectors being invited from across the UK. Data collected during such workshops was instrumental in identifying the unique challenges faced by social entrepreneurs which were described above.

Once collected, interview data was analysed using both statistical and qualitative techniques. This allowed for both a quantitative assessment of social entrepreneurs and their activities while preserving the perceptions and experiences of respondents and providing an insight into these. One way in which this is achieved is by the deliberate inclusion of much qualitative data, in the form of quotations, while presenting findings below.

Three key sets of findings emerged from this analysis relating to:

- The individuals involved in social entrepreneurship;
- Their activities and initiatives;
- The support which they receive and the effectiveness and impact of this.

## 4.0 WHO ARE SOCIAL ENTREPRENEURS?

This section of the report presents findings about the types of individuals who engage in entrepreneurial activities for the purpose of meeting social as well as, and sometimes instead of, profit objectives.

### 4.1 Age and Education

- 62% of the sample were aged between 30-59 years of age with the majority of these (30%) aged between 40 and 49;
- 88% of those interviewed held qualifications.

Analysis of these by highest qualification achieved found that of the sample, 1 held a PhD; 13 had Masters degrees, 10 undergraduate degrees and 10 NVQ awards. Many in the sample also emphasised the 'life' skills which they had acquired and identified these as relevant to their current activities. These findings suggest that individuals establish social initiatives later in life once they have acquired both education and life experiences, suggesting a highly skilled group of people.

### 4.2 Previous Experience

People working entrepreneurially for social objectives tend to have a history of involvement in the social economy. Findings indicate that:

- 32% had established a previous social initiative;
- 33% had previously been involved with another social initiative;
- immediately prior to establishing and becoming involved in their current social initiative, 13% had been employed in the public sector and 12% in the voluntary sector.

Significantly less of the sample had experience of working within the private sector. Immediately prior to becoming involved in their social initiatives, only 8% of those interviewed had been employed by a private firm.

These findings suggest that like many traditional entrepreneurs, social entrepreneurs can be described as 'serial entrepreneurs'. In other words, they are individuals who have a history of involvement in socially motivated work and employment, some of whom follow a pattern of identifying social needs, harnessing resources, support and networks to address and meet these needs before moving on to spot and address other unmet social needs. These findings also suggest that like traditional entrepreneurs, social entrepreneurs establish and work in initiatives of which they have experience and contacts.

Similarities with traditional entrepreneurs do not stop here: of the sample, more than one third had previously been self employed and almost 14% had experience of employing others. Traditional entrepreneurs are often found to be 'portfolio' entrepreneurs. That is, individuals who own a number of companies at the same time. Here again, findings suggest that many respondents can be described as 'portfolio':

- More than 70% of those interviewed were currently involved with at least one other social initiative;
- Of these, almost 60% were within the same geographic community and more than 80% were with the same community of interest.

Relating to this, it was found that 84% of respondents live within the same area that their initiative serves.

### 4.3 Contribution, Personal Qualities and Benefits from Involvement

When asked what their role brought to the initiative, in particular what personal qualities they contributed, 6 key themes emerged:

#### 1. Credibility, contacts and networking skills

*"As a local person living in the area, I bring credibility, experience of dealing with people, links with partners and knowledge of funders. I'm an experienced management committee member with community development skills and experience, this provides good management and external support".*

*"I have knowledge of the area, an understanding of the area and needs of local people. I'm a recognised community leader and spokesperson. I am committed to the regeneration process for the West End".*

#### 2. Focus and determination

*"I'm very hard headed but realistic. I provide focus but things are often not easy. I'm not afraid to say no and will always try".*

*"I have the ability to take responsibility, to see things through. The buck stops with me. I'm a back stage driver...I avoid publicity but I am the stone boiler behind the success".*

*"I'm cynical but believe anything can happen. If you try hard you get there. I refuse to take no for an answer."*

#### 3. Leadership, passion and vision

*"There is the assumption that profit-maximisation is the key objective, I don't agree. There are a range of business objectives including profit maximisation and, social goals but you must have passion!"*

*"I am always enthusiastic, always reliable. I think round corners...there is always a solution and I am passionate and believe that the world can be improved."*

*"Vision and commitment... A belief in empowering others, driving and capturing the vision, making sure everyone shares the vision...keeping it special."*

#### 4. The ability to multitask

*"I nag, I'm enthusiast, I'm hard working and I multitask."*

*"Writing skills, dedication, determination, patience, flexibility – I don't mind doing all sorts of things."*

#### 5. Creativity and opportunism

*"Creativity and innovation. Commitment and patience."*

*"An eye for opportunities, I like to seize opportunities as they arise. I'm enthusiastic and like to have a plan. I'm determined, strong willed, fair and like developing people...I like to see transformation in other people."*

## 6. Interpersonal skills and people management

*"I am able to support others. I feel I have more confidence when dealing with other organisations. I like to see myself as a calming influence."*

*"I am a strong believer in people and hope that education is a route out of poverty."*

These findings support the work of Drucker (1989) and Leadbeater (1997) which argues that social and business entrepreneurs share many similar characteristics and habits. In common with their business counterparts, these findings suggest that entrepreneurs working for social objectives have the vision, passion and determination required to identify opportunities in the form of unmet social needs and harness the necessary scarce resources required to meet these needs in innovative and creative ways.

There was a unanimous response to the question, 'Do you think that you benefit from being involved in the initiative?', with all but one respondent confirming they did. When asked to explain how they felt they benefited, respondents identified a wide range of reasons including: independence; the enjoyment of a varied work life; improved self worth; excitement and enjoyment gained from achieving a social objective; motivation; improved quality of life; opportunities for continual learning; improved confidence; satisfaction and a challenge. Some of these benefits are captured below:

*"I am constantly learning and making new contacts, finding new avenues of resource and building my own network. I enjoy the ability to be able to focus on more than one direction."*

*"It makes me think of new ways of doing things. It is a constant challenge and one that interests me."*

*"Personal satisfaction, winning, bringing the initiative to fruition despite the barriers."*

*"I have learnt a lot. It gives me the chance to help people and build their confidence. This is something I enjoy. I get the satisfaction of knowing that our service is reaching people."*

*"It is something I've always wanted to do. It is an ambition come true. I really feel like I'm doing something for the community. I get real job satisfaction."*

*"It's a challenge. I like a challenge, things crop up all the time. I like to develop things and see them grow."*

*"I love it. I enjoy seeing the potential and seeing people make a difference for themselves."*

*"My life, not my job. The rewards are great especially when clients get a job."*

When asked 'How does being involved in the initiative affect the following aspects of your life?' (ranging from 1, a negative effect to 7, a positive effect) table 5 shows that for most of the sample, personal satisfaction followed by satisfaction in knowing that a special issue is being tackled were ranked as having had greatest positive effect upon their lives. However salary/remuneration and both short and long term financial security were identified by most participants as having been negatively affected. This finding, once again, suggests that social entrepreneurs are similar to their traditional business counterparts who identify need for achievement and independence and autonomy as greater reasons for establishing their own initiatives than indicators of personal financial reward.

**Table 5 How does being involved in the initiative affect the following aspects of your life?**

*% of respondents scoring 5,6 or 7 on a scale of 1 - 'negative effect' to 7 - 'positive effect'*

'How does being involved in the initiative affect the following aspects of your life?'	% of respondents
Personal satisfaction	98%
Satisfaction coming from the belief that a special issue is being tackled	98%
Quality of working life	62%
Independence & control	61%
Career opportunities	48%
Quality of domestic/personal life	32%
Salary/remuneration	29%
Short term financial security	28%
Long term financial security	16%

When asked if any other aspects of their lives were affected by involvement in their initiative, respondents identified a range of ways in which their choice of career had affected their lives including:

*"I love it, it is so varied. I meet so many people, some of them are as mad as I am. It is great knowing that we can do things differently. I dare to be different."*

*"I have more confidence, I am very able to adapt to change and added responsibility. I feel like I can go to any meeting and speak to anybody."*

*"It constantly makes you broaden your vision about how other people live and stops you being narrow-minded."*

*"Job satisfaction and increased awareness. It has given me a real belief that people can create things themselves."*

*"I have no time for anything, I have a disability but my brain doesn't stand still, what I lack physically I try to make up elsewhere. I strive to do more all the time, so always lead into a new project."*

On the negative side, respondents commented:

*"Stress and sleep - too much of one and not enough of the other."*

*"I don't sleep very well."*

*"Overall last year was very exhausting it is not a 9-5 job, evening meetings ...but it's hard to do anything else."*

*"I work around the needs of the community - I even arrange my holidays round the community activities."*

#### 4.4 Motivations and Influencing Factors

Much is known about the factors which influence and encourage traditional entrepreneurs. For example, it is well known that business entrepreneurs are motivated by a drive for independence, need for autonomy and the challenge of spotting and exploiting market gaps in innovative and creative ways. When asked to rank those factors which had influenced their decision to establish and become involved in a social initiative from 1 (not at all) to 7 (greatly), Table 6. identifies that belief in the work of the initiative, the opportunity to affect change and make a difference, to meet local needs, to tackle a social issue, personal satisfaction and inspiration are the strongest driving factors.

**Table 6** 'What factors influenced your decision to establish/get involved with the initiative?'

*[% of respondents scoring 5,6 or 7 on a scale of 1 - 'not at all' to 7 - 'greatly']*

'What factors influenced your decision to establish/get involved with the initiative?'	% of respondents
Belief in the work of the initiative	90%
To affect change and make a difference	90%
To meet local needs	86%
To tackle a social issue	79%
Personal satisfaction	76%
I was inspired	63%
To gain life experience	46%
To change the direction of my career	30%
To work with family and friends	24%
To gain work experience	22%
To advance my career	21%
Dissatisfaction with previous career	18%
To combine caring responsibilities with self employment	15%
To choose when and what hours you work	15%
Political motives	15%
Family tradition of social involvement	11%
To become your own boss and to be independent	11%
To create personal financial security	9%
Made redundant	6%
Unemployment	4%
Family tradition of self employment	0%

The factors which influence people to get involved in social entrepreneurship are usefully captured by the more detailed explanations which respondents offered:

*"I have an interest in where I live. I want to change things and make it better through being directly involved in the actual process of regeneration."*

*"A local need was identified, nobody else was willing to start the initiative."*

*"To break down barriers that a community comes across when they try to do something."*

*"I was noseey! It helps when working in the community. I wanted to know why things weren't happening."*

*"I felt young people were getting a raw deal so decided to house them ourselves and it mushroomed from there."*

*"I felt called to do it."*

*"I was enthusiastic and fed up of hand to mouth. I wanted to make a success and create employment."*

*"There was no work in the area, no facilities. I wanted to build something for the next generation."*

When asked to identify the one specific factor which triggered them to get involved respondents identified a variety of reasons. Of these, excitement, the opportunity of making a difference and the chance to take control were mentioned by most respondents:

*"Taking responsibility for improving conditions."*

*"To be part of something new and dynamic."*

*"It was so exciting. What the project was attempting to do had not been done before, it was the best chance we have ever had."*

*"The opportunity to participate in an exciting new growth area."*

*"It was something totally different, it was not about making money, it was about changing people's lives. Bringing private sector skills for the benefit of the community."*

*"Being in control of my situation."*

*"To start something from scratch, not coming into a project halfway through. Developing a democratic bottom-up process was just as important as chasing funding."*

*"Making things happen that people wanted."*

*"I was able to take my own initiative, make a difference where I live. Use knowledge and skills positively."*

When asked to comment on the feelings which they had about their future involvement with the initiative, most respondents were very positive with comments including:

*"I am happy doing what I am doing now. I can begin to plan in terms of years rather than days."*

*"Very good."*

*"I will grow with the project and add to my experience and responsibility and hopefully salary!"*

*"I hope I grow old with the project."*

*"Wonderful."*

*"I'll keep going until I'm unable to."*

A significant number of respondents also spoke of their desire to move on to something new. Again, like many traditional business entrepreneurs, many respondents indicated a desire to become involved in serial entrepreneurship for social rather than only profitable objectives:

*"Maybe I also need to move on to something else."*

*"I will stay with this for another 6 months certainly, then who knows? It might be a good time to start something else now."*

*"Continue doing as I am doing - moving on and setting up new things."*

*"I will move from one-to-another, I'm able to identify when I am no longer able to help.... I have been encouraged by others, but now I encourage others. It is the ability to recognise the 'spark'."*

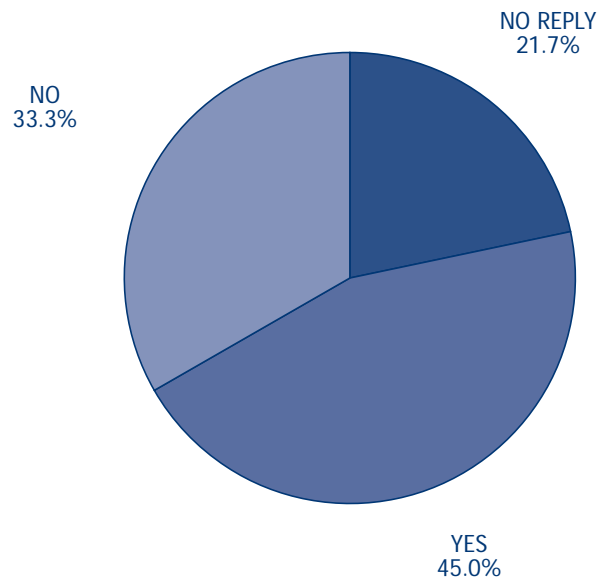
*"Once done - I will probably like to set up my own business...still linked to social enterprise."*

*"I would like to develop this model in other places. I think you could slot this model in anywhere."*

## 4.5 Definitions and Descriptions

As there are no agreed definitions of what constitutes an 'entrepreneur' and the emergence of the term 'social entrepreneur' has sparked debate, respondents were asked, 'would you describe yourself as a social entrepreneur?' In replying, 45% stated 'yes' and 33.3% 'no'.

Figure 1: Would you describe yourself as a 'Social Entrepreneur'?



When asked to expand upon their answers, explanations provided by those respondents describing themselves as social entrepreneurs included:

*"I believe in my community and the people that live here, I am committed to creating jobs for local people wherever possible. I have been involved in setting up business and services in terms of personal wealth not money value."*

*"I feel like poor Richard Branson, the difference is my richness comes from achievement and fulfillment rather than cash."*

*"I have been described as one – what we do is entrepreneurial in the social sector but we are just businessmen delivering a service – so I suppose I might be – we have taken some fairly big risks over time."*

*"Can see opportunities and facilitate developments for the community to take advantage of."*

*"It's about coming up with ideas or developing ideas that would benefit people but not me directly. You know it when you see it."*

*"People do things for me – so others say – I get people involved, sell my ideas to other people...I get people involved through shame or excitement or enthusiasm. At times I have the idea with no end in sight, that comes with time."*

In contrast, explanations provided by respondents who did not describe themselves as social entrepreneurs included:

*"It's a difficult term to get to grips with because it's too much about business. Entrepreneurialism to me is about profit."*

*"Community Development Worker is my job title, if I am a social entrepreneur then so are the other 14 members of the partnership."*

*"I have been called that and I find it embarrassing. I look at opportunities and see how to take them forward and go on gut feeling. I just go for it. I want to see the change for myself and where I live, it can be frustrating to see what happens where you live. I really want to put something back. I would still do this as a volunteer, the wage is a bonus."*

*"My main interest is making the most of our life in the community for myself and others; running an enterprise is a necessary evil to me."*

These explanations suggest that for some respondents, while the activities in which they engage may be of an entrepreneurial nature, such as identifying and evaluating opportunities, 'entrepreneurship' as a term is something with which they do not identify socially motivated enterprise and work. This implication is well captured by some of the 21.7% of respondents who explicitly expressed an unease and confusion in applying the term 'entrepreneur' to themselves:

*"I think of myself as a community activist, since in the past I was involved in other community groups as well. I'm not exactly sure what a social entrepreneur is! The term implies a much more strategic approach, I think."*

*"The term is far too simple and implies that we are just a commercial business; not anything that is important to the community."*

*"I don't think of myself as anything really - so I don't know - but if what we do is groundbreaking then perhaps yes - I believe in what I'm doing and others do too - so I suppose I might be."*

## 5.0 WHAT DO SOCIAL ENTREPRENEURS DO?

This section of the report presents findings about the types of initiatives in which respondents were involved.

### 5.1 Diversity

Respondents were involved in a wide range of initiatives including: a community festival; community bus service; various projects for the homeless; catering initiatives; drug awareness and prevention initiatives; projects for people with physical and learning disabilities; initiatives for pregnant and young girls; child and out of school schemes; information services; employment and training companies and arts organisations. The range of initiatives shown in the table below is reflective of the diversity by which social entrepreneurs, their initiatives and the enterprises, which they establish, can be characterised.

Table 7: Diversity of Enterprises

Diversity of Enterprises
review of neonatal services
community activities/initiatives
urban regeneration
training and work experience
trading activities
childcare
managed workspace
publishing funding information
retailing/running community enterprises
drama and theatre
women's' projects (inc. arts and ICT)
access to affordable food
information and capacity building
proposing business ideas
community school
consultancy
care services
education and research
unemployment/homeless initiatives

The initiatives adopted a variety of structures and many had charitable and/or company status.

As can be seen from the above chart, community activities and initiatives; urban regeneration; training and work experience and childcare were being addressed by many of those involved in the research. Discussions with respondents revealed that each of these issues are being tackled in a range of ways, again reflecting the diversity of the social entrepreneurship. For example, initiatives established to address issues relating to urban regeneration included the involvement of local residents in setting priorities and meeting needs and ensuring towns and villages are better places to live. Community activities included running events for local people to break down barriers of social inclusion, women’s community arts projects and developing new ways of using drama and theatre to support people with learning disabilities.

When specifically asked about the aims of their initiatives, as shown in Table 8 below, responses again indicated the diverse range of activities falling under the umbrella of social enterprise.

**Table 8: The Aims of Social Initiatives**

Aims of Social Initiatives
To regenerate the town and make it a better place to live and work.
To support local people through the process of community enterprise for the creation of employment and training opportunities.
To create childcare provision, which allows parents to take up employment, education or training.
To advance the social, economic, leisure, environmental and education prospects of residents.
To promote ICT skills and encourage parental-child bonding through learning.
To improve the health and social welfare of people by tackling inequalities in health.
To set up a model theatre company run by and for people with learning difficulties.
To give silenced groups a voice – to effect change.
To advance the education of women, centralise the resources for women and community learning and remove the barriers they face.
To improve the quality of live for older people, people with special needs and disabilities.
To promote herbal medicine.
To provide locally owned access to services.

This table also shows most respondents, had a strong vision and focus rather than a prescriptive approach, thus allowing them to achieve their aims in a number of different ways. Greater insight of these visions is provided by the following quotes:

*“To promote social inclusion by insuring that young people achieve success in all areas of their life.”*

*“To give silenced groups a VOICE, to affect change.”*

*“To work with communities to help overcome disadvantages/discrimination by enabling them to have more control over neighbourhoods and services.”*

When asked about the beneficiaries of their initiatives, again respondents identified a wide range of potential clients, beneficiaries, customers and target markets. Common to most however were residents and organisations located within the communities in which they were operating. The most common community of interest identified as beneficiaries included: parents, young people, children, women or young women, unemployed people, people with a disability, students, and single parents. Comments included:

*"The whole community."*

*"Unemployed and socially excluded people in the area."*

*"Elderly, disabled people and their families."*

*"The community at large."*

Responses to questions about the structure of their initiatives, again reflected the diversity of those involved. While many described themselves as being of charitable and/or charitable company status, also involved in the research were: community trusts; community businesses; partnerships; co-operatives; unincorporated organisations; industrial and providence societies; development trusts; individuals operating with a voluntary management committee or steering group; voluntary organisations; organisations working towards charitable status as well as individuals working separately or with others, often in their spare time and without salary to address a social issue of local concern. Additionally, organisations governed by the Acute Trust of the NHS or the Education Service, for example, a project in a Neonatal Unit and a Community School, both of which had independent steering groups were involved.

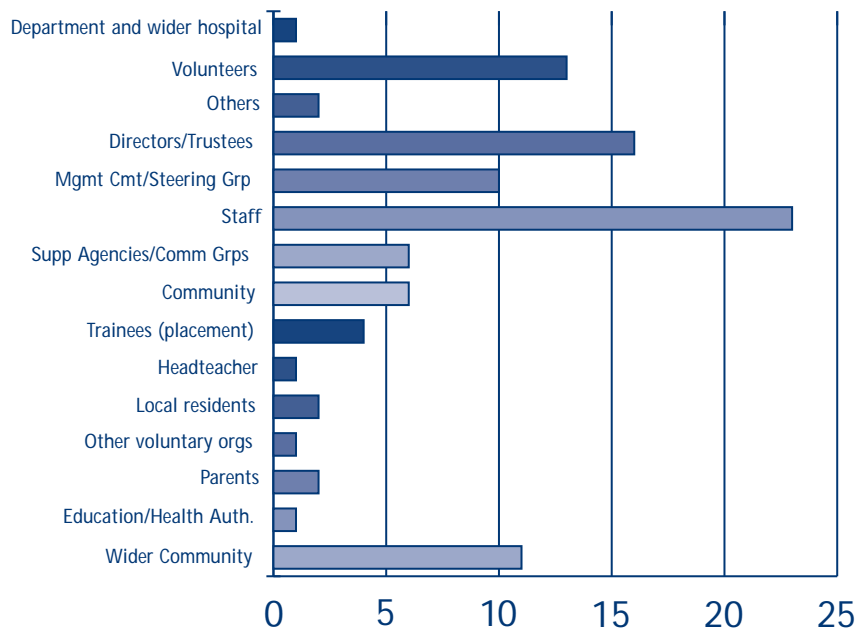
While respondents reported a diverse range of structures, common to most was a focus on the local community and its occupants reflected in structures which included wide representation from the broader community and key stakeholders. Comments indicating this included:

*"We currently operate as a steering group/partnership, with the majority of representatives being local people."*

*"We are a community based Catering Initiative providing a much needed service to the local community. The project is run by local people for the benefit of local people...."*

This finding is substantiated by responses to the question. 'In addition to yourself, who else is involved in the initiative?' Analysis of this data found that in addition to respondents, most initiatives involved a variety of other individuals, organisations, committees and volunteers. In common then with traditional, business entrepreneurs, this finding suggests that social entrepreneurs are effective networkers who seek to develop relationships and embed their activities within networks which will benefit their vision and assist in the achievement of their social objectives.

Figure 2: Others Involved In the Initiative



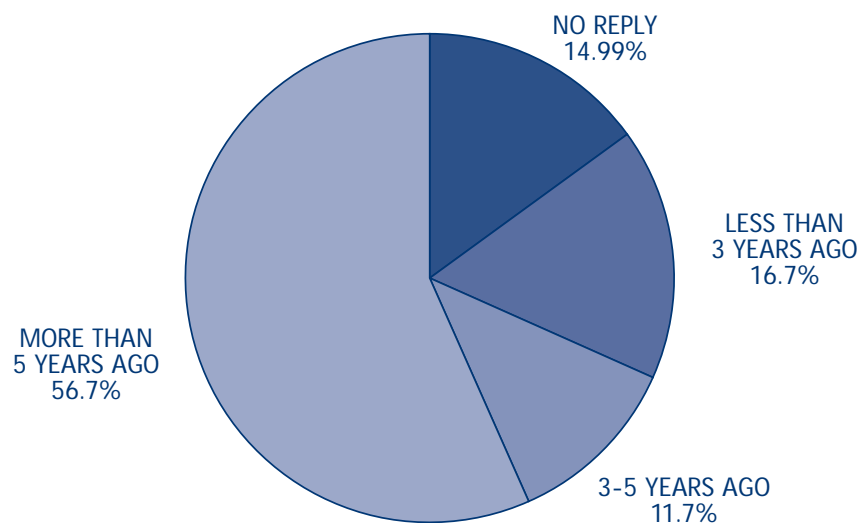
## 5.2 Performance

As social entrepreneurs are motivated by the opportunity of addressing unmet social needs, when asking respondents about the performance of their initiatives, questions relating to both quantitative and qualitative indicators were used.

### Quantitative Indicators

All respondents were involved in an initiative established to achieve a social objective regardless of whether it was trading. Over 56% of these initiatives were established more than 5 years ago, with only 16% founded in the last three years.

Figure 3: When was the initiative founded?



Of the initiatives involved, 20% were registered for VAT at the time of the research. The remaining 80% replied that either their activities were not eligible for VAT or:

- their trading activity was under the VAT threshold;
- they were exempt from paying VAT;
- the organisation was managed by another charity;
- they were governed by an Education or Local Authority.

Analysis of figures collected from those respondents who provided information about the income which their initiative had generated over the last financial year, found that:

- 25% had recorded turnover of below £25,000;
- 19% had recorded turnover of between £25-50,000;
- 15% had recorded turnover of between £50-100,000;
- 21% had recorded turnover of between £100-250,000;
- 15% had recorded turnover of between £250,000-£1million;
- 6% had recorded turnover of more than £1million.

When asked about the sources of this income, approximate figures suggest that 38% of the total income of participating initiatives is generated by sales; 47% from grants and 14% from donations. Also included, as 'other' sources of income were franchise contracts with local colleges, matched funding for personnel and property and fundraising by members of the community. These figures should be interpreted with some caution as not all respondents were able to provide information about the breakdown of their initiative's finances and those which did, stressed that they could not guarantee the accuracy of the figures which they mentioned. A more comprehensive and reliable understanding of the funding sources used by social initiatives is provided in the following section, which discusses findings relating to the support of participating initiatives.

In line with many of their aims, 88% of respondents reported that their initiatives had created jobs. Analysis of responses found that, 492 jobs have been created by participating initiatives. In response to the question, "Since the initiative started, has the number of jobs which it created changed?" 70% reported that this figure had increased, 21% reported that it had remained the same and only 7% that it had fallen. Reasons for these changes included:

*"The market has expanded and created opportunities for growth."*

*"The project started with 3 full time workers providing a catering service, with the increase and diversity in our trading activities, we now employ 1 fulltime worker as a manager and 14 part-time posts."*

*"Because the numbers of children attending the scheme has increased, the ratio of staff numbers reflect this."*

*"Growth in activities and a brand new building."*

*"Developed a community café with full inductional kitchen and centre, building management, it will increase further when we start the environmental project and training for the local area."*

*"Attracted resources. Growing demand for services..."*

*"More ideas, more funding."*

## Qualitative Indicators

More than 95% of respondents reported that they believed that their initiatives were meeting their aims. Indicators of this mentioned by respondents included both quantitative measures, such as the number of jobs created by their initiative and the number of people engaged in training as well as qualitative measures including a culture change and positive feedback from customers and clients. The following quotes provide a more detailed insight into the ways in which respondents identified that the aims of their initiatives were being met:

*"The Café facility is well used by local people and we are doing this successfully, we have overall customer satisfaction."*

*"We have a good reputation – we know from Social Services monitoring. Users give good feedback about service and are complimentary about the workers."*

*"Our shops are doing better than we thought."*

*"Each year we help more people."*

*"We are achieving more than we set out to achieve by the participation of the community."*

*"We're astonished by how well it's gone."*

When asked whether they believed that their initiative would be an 'overall success', nearly all respondents replied that it would and included the following in their explanations as to why:

*"People have taken on inclusion, equality and disability. People have walked in the door who would not normally have come in."*

*"We have survived for 12 years, because of the commitment of the staff and the way in which we operate as a business."*

*"We are increasingly successful in attracting new funding, local communities are keen to be involved and health services are being forced to listen."*

*"We are generating extra business, we are going from strength to strength and we are fully committed. More people are approaching us for our service and we are branching out."*

Analysis of responses to questions about the types of activities which initiatives were employing to ensure that its aims were met found that, in ascending order, the following were identified to be of 'a great deal of importance':

**Table 9: Activities employed to ensure the initiative was meeting its aims**

*% of respondents scoring 5,6 or 7 on a scale of 1 - 'very little' to 7 - 'a great deal'*

Activities employed to ensure the initiative was meeting its aims	% of respondents
Working in partnership	81%
Planning	81%
Monitoring	79%
Reviewing	77%
Evaluation	72%
Preparing grant proposals	68%
Expanding the range of activities	63%
Developing another initiative	50%
Training staff	49%
Increasing staff levels	45%
Extend premises	40%
Investing in new technologies	32%
Starting another initiative	30%
Increasing sales volume	26%
Restructuring	23%
Starting/increasing exports	2%

In contrast, the following were described as being of 'very little importance':

- Starting another initiative
- Increasing sales volume
- Restructuring
- Starting/increasing exports

### 5.3 Culture of Initiatives

When asked to select from a range of words which described the culture of their initiatives, 71% selected 'open' and 'creative'. Expanding upon this, the following comments were made:

*"Very creative, it is a very positive environment, where people listen to your ideas. I don't think I've ever heard the word 'no' being used."*

*"Liberating. Creative in our way, we think differently."*

*"Very willing with focus on same aims, working for the future of the area – we're very hungry."*

*"Caring, friendly, all round support, simply the best. Have to be creative/innovative to get the clients through the door – break down cultural and gender stereotypes."*

Without any definitions being offered over 70% of the respondents described their initiative as being “entrepreneurial”.

Elaborating on this further, respondents explained:

*“It’s innovative, gives people space to be creative and collectively powerful.”*

*“We are innovative because we identify local needs and respond, but we are also able to diversify to meet grant requirements.”*

*“A community led partnership looking at innovative solutions to improve the health of communities. It tries to develop the skills of the people involved in the decision making process and create solutions to the issues that effect their lives.”*

*“Pioneering in the community.”*

*“We are diverse, can adapt and offer other things.”*

Given that 45% of respondents described themselves as entrepreneurial, this is an interesting finding which seems to reflect the confusion felt within the social economy about the use of the word ‘entrepreneurial’. It may be that as many social initiatives seek to address social objectives within defined communities and locations by adopting structures inclusive of these communities, the word ‘entrepreneurial’ sits uneasily because it is associated more with the work of individuals rather than collections of people working entrepreneurially together towards a common social goal. Taken further, these findings might be interpreted to suggest that in the same way that not all small business owner-managers can be described as entrepreneurs, not all individuals establishing and running social initiatives can be described as ‘social entrepreneurs’.

## 5.4 The Future of Initiatives

The majority of the respondents had positive feelings about the future of their initiatives. In particular, they expressed confidence that initiatives would expand and develop, while remaining committed to their core vision: 91% of respondents said that there were plans to expand the activities of their initiatives in the future. Many respondents felt that initiatives had reached an “exciting” stage in their development and stressed that their overall aim was to be self-sufficient with the ability to generate income, either from sales or through grants.

*“Very positive, I feel we are working with like minded people. We are now benefiting from the experience and credibility we have gained over the years.”*

*“Handled with the right approach, it will deliver what other organisations have failed to do over the last 30 years.”*

*“Positive. There are people who’ve been with the project since the beginning who are still committed. It’s become part of the fabric of the community. We get lots of positive feedback.”*

Some respondents, despite reporting broad optimism about the future, expressed caveats in terms of:

- Funding:

*“Very positive but dependent on securing long term funding.”*

- Growth:

*“Exciting but could be so big it is unmanageable.”*

- Succession:

*“I do feel if young people don’t get involved when our committee retires then it will just go down the drain.”*

## 6.0 SUPPORT FOR SOCIAL ENTREPRENEURS

This section of the report presents findings about the types of advice and support received by initiatives as well as the learning and training which respondents and others involved in the initiative have received.

### 6.1 Creating the Initiative

Once respondents had committed to the initiative, its establishment tended to happen quickly:

- 50% of interviewees reported that their initiative was established within six months of the decision to proceed;
- only 25% of initiatives took longer than a year to establish.

When asked to comment on the extent to which a range of barriers had impacted upon the establishment of initiatives, significantly very few respondents ranked many barriers as having constrained the establishment of initiatives. Those that were identified do, however, largely relate (as the table below shows) to finance and the bureaucracy encountered in obtaining it.

**Table 10: Barriers which affected the establishment of initiatives**

*[% of respondents scoring 5,6 or 7 on a scale of 1 - 'not at all' to 7 - 'greatly']*

Constraint	% of respondents
Availability of finance	52%
Bureaucracy	43%
Premises and equipment	43%
Lack of initial support for the initiative	25%
Regulations	24%
Management skills	19%
Lack of practical support (access to childcare, transport etc.)	17%
Business skills	17%
Financial skills	17%
Lack of confidence	17%
Marketing/sales skills	15%
Competition from other organisations working in the same area of interest	13%
Lack of support from banks	11%
IT skills	11%
Legal requirements	9%
Vocational skills	8%
Lack of support from colleagues/managers involved in the initiative	6%
Lack of support from family/friends	6%

The table provides a picture of the pattern of barriers to the development of social initiatives. This is brought into sharp focus by the fact that, whilst 59% of all potential constraints scored 1 – ‘not at all’, only 7% scored 7 – ‘greatly’. The relatively small number of respondents describing these barriers as having ‘greatly’ constrained the establishment of initiatives suggests that in common with traditional business entrepreneurs, entrepreneurs working towards social objectives see very few barriers as constraints; instead they are not under-confident about their ability to realise their ideas which is consistent with the findings presented above.

## 6.2 Advice, Support and Learning Received at Start-up

84% of respondents reported that their initiative had received support and/or advice at the time of its establishment. As shown in Table 11 below, they also revealed that this support was provided by a wide range of organisations. Of these, advice was principally sought from local authorities during the initial stages of development of the enterprises. Authorities in the geographic study areas tend to have strong regeneration agendas. Co-operative Development Associations were also strongly represented where active and the private sector has provided an alternative source of support for many. A wide range of support from industry specific sources was sought by respondents (reflected in the classification ‘other’ in the table below). The business support network was not a significant source of advice to the sample group during the start-up phase.

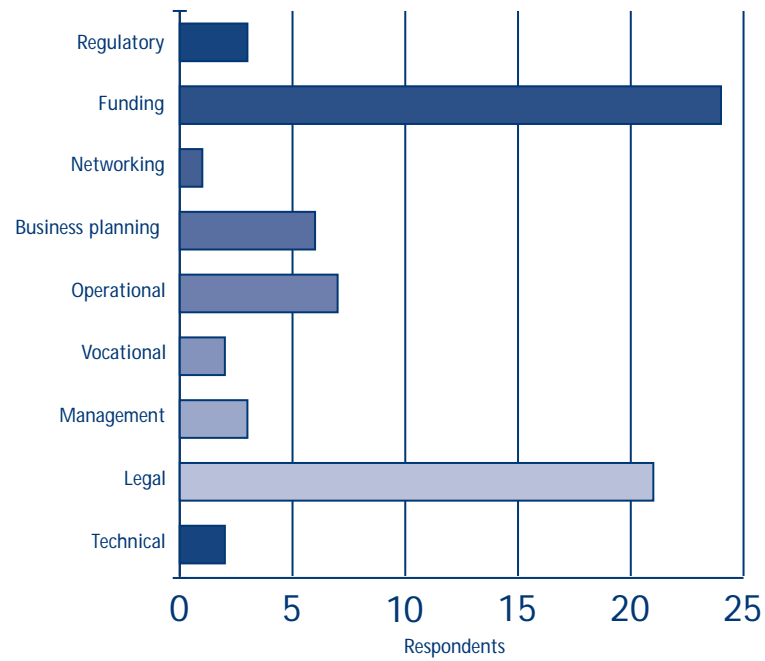
**Table 11: Sources of Support and Advice Accessed at Start-up**

Source of Support/Advice	% of respondents
Local Authority	43.3%
Other	26.7%
Private Sector	23.4%
Co-operative Development Association	23.3%
TEC/LEC	15.0%
Bank Manager	15.0%
Family/Friends	15.0%
Business Link/LETs	11.7%
Universities/Colleges	8.3%
Charities Commission	6.7%
Universities Commission	3.3%

Agencies providing specific local support to social economy initiatives were also strongly represented as were co-operative development associations. Business Links have historically not been utilised by social entrepreneurs as sources of support to the point of start-up of their initiatives and this is reflected in the findings.

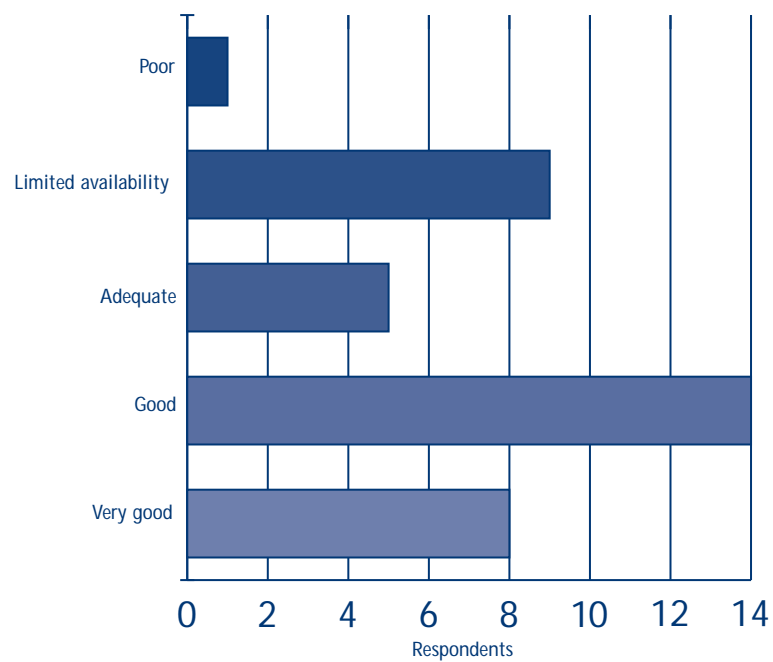
As shown in Figure 4 the type of the support/advice sought by respondents was overwhelmingly about funding and appropriate legal structures for their initiatives. Business planning and managerial support were sought by few respondents at start-up; again reflecting their confidence in their ability to deliver. This finding, perhaps, reflects the complex relationship between an organisations legal structure and the funding it can acquire. Funding bodies, general charities and the National Lottery, for example, will not support organisations generating income for private profit. Advice is sought about regulatory matters associated with these specific and varied forms of incorporation.

Figure 4: Type of Support and Advice Sought at Start-up



When interviewees were asked to comment about the quantity and quality of support available at the time of the establishment of their enterprises those who responded mostly described it as 'good' or 'very good'. Analysis of these comments are shown in Figure 5 below.

Figure 5: Quality of Support Received at Start-up



These findings suggest that where there has been available support it has been well regarded. The following comments are representative of the categories 'Very good', 'Good' and 'Limited availability' respectively:

*"100 per cent. Never any worries. All approachable and very willing to help."*

*"Our development officer was heavily involved at the beginning and after start-up. His advice and support was of good quality. He always gave the impression he was there for us."*

*"Almost zero as our project falls between two funding stools."*

When asked, 'Do you believe that the initiative would have benefited from more specific support?' 58% of respondents commented that they believed it would have. The following quotations provide some insight into their reasoning and seem to suggest two things: while support was available, more was often needed after the start-up stage; secondly, there seems to be some uncertainty about where to go to access support.

*"More financial advice."*

*"Yes, but I don't know from where."*

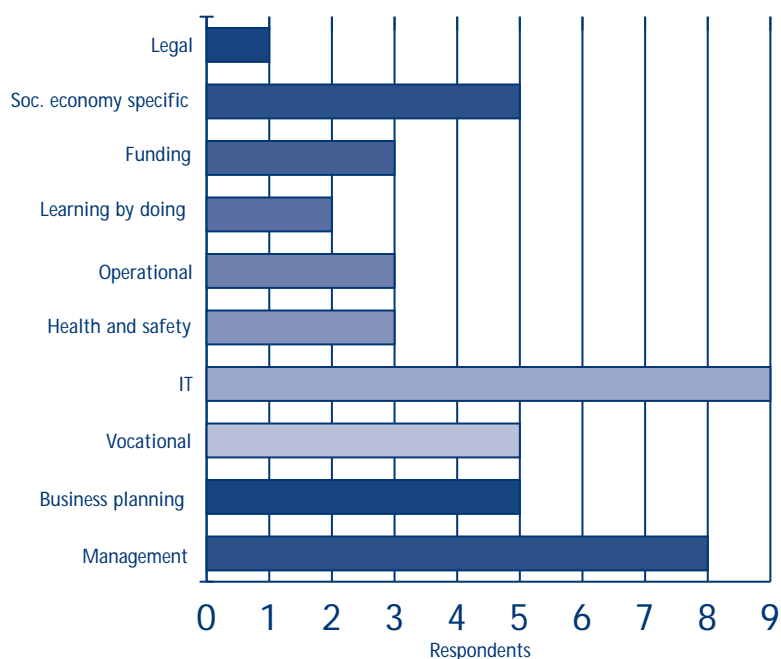
*"I would like to see an organisation that can help disabled people set up in business."*

*"Yes – the mentoring we received was good – but as we took off we really needed a wise old head to help keep us on track and remind us of the basics."*

*"If we had more connection with someone like Business Link to help us set up policies, procedures, contacts. We had to suck it and see and learn by mistakes."*

About one third of the respondents reported that they or someone else in the initiative had taken part in training or learning, to support initiatives at their establishment. Of those who did undertake prior learning, the greatest participation was in IT and management training. Although significant numbers of people sought advice about funding and legal issues, very few took part in learning about these areas prior to starting their projects.

**Figure 6: What type of learning/training did you/a member of your team engage in at start-up?**



The overwhelming majority of those who did participate in learning felt that it had benefited themselves and their initiatives. Comments typical of this view included:

*"We eliminated problems before they occurred."*

*"People began to realise they had talents and got really enthusiastic."*

*"Starting to work out how to run an organisation – they were fairly inspirational."*

### 6.3 On-going Advice and Support

Almost 75% of respondents reported that once established, they sought advice and support about their initiatives on a regular basis. As shown in Table 12, the pattern of support sought by respondents on a regular basis to develop their projects once they are established closely reflects that sought during the start-up phase. Local authorities, the private sector and industry specific sources (classified as 'other' below) continued to be important providers of support to the sector. Again, little advice is sought from the business support network.

Table 12: Source of On-going Advice and Support

Source of Support	% of respondents
Local Authority	31.7
Private Sector	28.3
Other	16.7
TEC/LEC	13.3
Co-operative Development Association	13.3
Family/Friends	11.7
Universities/Colleges	11.7
Business Link/LETs	7.8
Charities Commission	6.7
Bank Manager	5

Those who sought regular support principally required help with funding, and to a lesser degree, business planning issues. Operational and regulatory matters are also areas in which respondents sought support. Regulatory advice sought related primarily to employment law and operational advice to the specific industrial sector within which initiatives were active.

A pattern of need for ongoing support with funding is apparent as initiatives develop. It is interesting to note that no respondent referred to seeking support for growth or to manage expansion; this is despite the finding presented in section 5.4 that 91% of respondents had plans to expand the activities of their initiative in the future. One reason for this may be that people active in the sector are more likely to say they are seeking support to fund new and existing services than to say they are seeking support for growth.

When specifically asked about relationships between banks and initiatives, respondents described these as either good or indifferent but rarely very bad. 22 interviewees used terms such as ‘excellent’, ‘very good’ or ‘good’ to describe the relationship with the bank. Comments from those describing the relationship as indifferent included:

*“They process our cheques and not much else.”*

*“We don’t really have a relationship, we just put money in and write cheques and they send us statements every month.”*

*“We’re just regular customers.”*

*“We just put the money in, we don’t really talk to them.”*

**Table 13: How would you describe your relationship with your bank?**

Description	% of respondents
Helpful	36.7
Neither	33.3
No reply	26.7
Unhelpful	3.3

The overriding impression given by respondents is that of a low level of relationship banking. When respondents were asked to choose a description of their banks as either ‘helpful’, ‘unhelpful’ or ‘neither particularly helpful or unhelpful’ the majority (59%) either failed to respond or opted for the neutral description. However, relationships with banks appear to be sensitive and easily polarised. Where banks have been seen to make an effort this has been recognised and appreciated:

*“They attended one of our management meetings and explained the accounts to us.”*

*“The bank visits the project, we feel like we have a personal relationship with them and the bank understands public and European funding and grants so agrees loans and overdrafts.”*

Others are less satisfied:

*“Every year our management committee changes so the signatories have to be changed and the bank loses the information and is particularly inefficient.”*

*“Trying to sell me insurance products was a real problem.”*

These comments might also be interpreted to suggest that for the respondents involved in this study, banks are not perceived to be of great importance in the development of social initiatives. One reason for this, as discussed below, may be that respondents do not regard banks as a source of funding for social initiatives and use them only for routine banking services.

### 6.4 Funding, Constraints and the Environment

The funding of social enterprise is recognised as a significant challenge and the findings presented below support suggestions that issues relating to the funding of social entrepreneurship are complex, challenging and merit detailed and careful consideration by all relevant stakeholders.

The principal sources of funds accessed by respondents are shown in Table 14 below.

**Table 14: Sources of Funding**

Source of Funding	% of respondents
Charitable Trusts	49%
Regional and Central Government	49%
Europe (ESF/ERDF)	39%
Local Authority	33%
National Lottery	33%
Sales	22%
Further/Higher Education	18%
Other	10%
Other Europe	4%
Private Sector	4%
Bank	2%
Own Funds	2%

These findings show that the sector is heavily reliant on grant funding. This table shows that for respondents, principle funders include: Charitable Trusts, Local Authorities, Central and Regional Government Funds and European Structural Funds. Bank's and personal contributions are rarely evident as sources of finance. This is supported by recent research which has found that only 4% of social enterprises perceive private sector funding as an option (SEL Conference Report 2001). Many initiatives have multiple sources of income. It is a requirement of some funding providers that match funding is secured before funds can be released. This is true of most European Structural Funds (ESF and ERDF). Matched funding is only part of the picture which is put into stark perspective by the finding that three of the sample receive funds from thirteen or more separate organisations. Much of this is short-term finance and as a consequence, these organisations are dedicating a great deal of time to the acquisition and administration of funding.

In response to the question, 'How often Do You Reapply for funding?' the majority of respondents reported that that the process is ongoing;

*"It's a constant process. We are always writing to people – planning for fundraising and making grant applications."*

*"It's ongoing – every 3 years, 5 years, constant process."*

*"We apply for new funding on a regular basis. We have grown rapidly over the past ten months."*

*"Constantly, never stop. We are always down to the bone – we only carry £2,000 over this year."*

When asked which sources of funding interviewees would or would not particularly recommend the most striking response was hostility to European, particularly ESF, funds:

*"ESF is a minefield."*

*"European funding is too restrictive and output based."*

*"Not European. Bureaucratic issues cost so much."*

*"Stay away from ESF."*

*"European funds pay in arrears which is difficult for cashflow purposes."*

*"Gave ESF money back – it has threatened the whole project."*

By contrast, National Lottery Funds are seen as accessible and valuable;

*"Lottery, a lot of work but very thorough and supportive."*

*"Lottery – once in easy to access and use."*

*"Lottery money is easy to apply for."*

Charitable funding was seen as flexible and easy to manage and where mention of specific Trusts was made the comments were always positive:

*"Northern Rock. Very, very good."*

*"John Paul Getty. No restrictions on how we spend the money."*

*"Henry Smith. Very easy to apply for and manage."*

*"British Steel Enterprise. Immediately responsive and non-bureaucratic."*

When asked to rank the extent to which they felt a range of factors were constraining the development of their initiative and the achievement of its aims, most factors discussed were ranked as of minor significance with the startling exceptions of the 'availability of finance' and the associated 'bureaucracy in seeking finance'.

Clearly for enterprises and initiatives working towards social objectives, finance is the major challenge which they face.

Table 15: Factors Constraining the Future Development of Initiatives

[% of respondents scoring 5,6 or 7 on a scale of 1 - 'very little' to 7 - 'a great deal']

Constraint	% of respondents
Availability of funding	81%
Bureaucracy in seeking funding	60%
Skilled labour	26%
Marketing/sales skills	17%
Acquisition of new technology	15%
Lack of volunteers	15%
Changes in regulations/environment	13%
Bureaucracy within organisation	13%
Organisations working with a similar beneficiary group	8%
Difficulty in managing volunteers	4%

This situation will not alter significantly until the dependency of social economy initiatives on grant funding is reduced and entrepreneurs are less burdened with the bureaucracy of managing funds which consumes time which would be better spent on development issues. This is a view supported by the New Economics Foundation:

*"The growth of small organisations into medium sized enterprises is not helped by the regulation and bureaucracy which envelop the sector."  
(Ed Mayo, New Economics Foundation 2001).*

One means by which social enterprises can reduce the bureaucratic burden is to seek alternative income sources, particularly sales and loan finance, which will fund the development of saleable goods and services.

When asked to describe the environment in which their initiatives operate respondents predominantly focused on the extent of the social need(s) which they were addressing:

*"It is an area suffering from high unemployment, lone parents and mainly local authority housing stock. The people have good commitment and a sense of community spirit."*

*"The initiative operates in the East End communities where residents have poor health and suffer considerable disadvantages. A strong history of community involvement in the area has helped us develop a strong bottom-up approach."*

*"Mostly the project works with people who have the worst deal in society."*

*"There is a high proportion of unemployed and people on low wages. It is a fractured community because the authority dumped problem families in the area - some are now being moved out but it has meant the breakdown of a formerly family oriented, close knit community."*

*"Socially it's friendly, economically it's very bad, even depressing."*

*"There is some poverty but it's an open and friendly community. Everyone is very approachable."*

*"This is a close community, friendly and together. We are in the heart of regeneration. There is a need for our services and the support is here to keep us going."*

Working environments are mostly seen as changing, challenging and increasingly competitive, in part a consequence of greater public interest in, and increased resources dedicated to, regeneration and social inclusion agendas:

*"Other 'profit motivated' businesses are trying to jump on the social enterprise bandwagon for the wrong motives."*

*"It is challenging – there are lots of opportunities and high expectations. There are also contradicting agendas of communities v's political."*

*"Funding is drying up and changing conditions are quite confusing. There is more competition as voluntary organisations are starved of funds."*

*"The environment is potentially changing. It is more negative than when we started and there is uncertainty about the future."*

*"Other community groups are cold because of political difficulties arising from our emergence from another established group which has the support of the local authority but not the people we work with."*

*"The whole sector is set to grow. Social Services Departments increasingly have to contract out work creating more opportunities for us."*

## 7.0 CONCLUSIONS AND IMPLICATIONS

### 7.1 Who are Social Entrepreneurs?

#### • Education and Experience

The findings presented in this report suggest that individuals establish social initiatives later in life after acquiring both education and life experience. This suggests that in seeking to encourage entrepreneurship within the social sector government initiatives may have more effect when targeted towards individuals meeting these criteria.

#### • Similarities with Traditional Business Entrepreneurs

Like many traditional business entrepreneurs, many of those involved in social initiatives and enterprise have a history of involvement in the social economy and can be described as 'serial entrepreneurs'. Also, like many traditional entrepreneurs, 70% of respondents were involved with at least one other social initiative, many can be described as 'portfolio entrepreneurs'.

In common with their traditional business counterparts, many respondents bring vision, passion, creativity and the ability to network and build the relationships necessary to engage others in their vision and achieve the objectives of their initiative.

Also, like traditional business entrepreneurs, many respondents reported that they were motivated to establish the initiative and achieve its aims for reasons other than personal financial benefits. In particular, the findings presented in this report suggest that like traditional entrepreneurs, many working within the social economy are motivated by a variety of non-financial incentives including, personal satisfaction from knowing that a special issue is being tackled, the opportunity of affecting change and making a difference and the opportunity of meeting a local need.

These findings suggest that support designed for and targeted towards social initiatives may result in benefits for more than one initiative: as the majority of respondents reported to be involved in at least one other initiative, there is the possibility that any support they receive will have benefits for all of the initiatives with which they are involved. These findings further suggest that individuals involved in serial and portfolio activities may be effective mentors to others seeking to establish, develop and grow social initiatives.

#### • Definitions and Descriptions

Findings about the terms which respondents use to describe themselves suggest that there is still confusion and debate over the use of the word 'entrepreneurial' to describe socially motivated activities. These findings can also be interpreted to suggest that like small business owner-managers, not all of those people establishing social initiatives can be described as 'entrepreneurs'. Instead, these findings can be interpreted to suggest that like small firm owner-managers, only some of those motivated to establish an initiative for the purposes of addressing an unmet social need will engage in activities which can be described as 'entrepreneurial'. Considered within discussion around how social entrepreneurship can be encouraged these findings imply that thought should be given to ways in which individuals working entrepreneurially for the purpose of satisfying unmet social needs can be identified, supported and encouraged.

## 7.2 What Do They Do?

### • Diversity of the Social Sector

The findings presented demonstrate that the social sector is characterised by diversity: the initiatives involved in this research demonstrate diversity, not only in the range of social needs which they seek to address but also in their activities and structure. In particular these findings reveal that while respondents have a clear vision and strong focus, initiatives will employ a range of activities in order to achieve these.

These findings suggest a number of implications. First, they suggest that any actions taken to support the social economy must embrace the diversity of the sector and recognise that initiatives working towards different social needs, adopting a range of structures and engaging in a range of activities to ensure that their objectives are met will require a range of support. Second, these findings suggest that there is a need to collect data about a wider range of social initiatives, present efforts to collect data about the number of charities and co-operatives operating in the UK provide a restricted understanding of the scale, size and range of activities currently engaged to address unmet social needs. Finally, findings about the diversity of structures and activities employed to ensure that the vision and objectives of social initiatives are met suggest that, in common with other entrepreneurial organisations, many social initiatives adopt flexible and adaptable approaches to ensure the achievement of their objectives.

### • Agenda of Inclusion

Findings about the beneficiaries of initiatives and range of people involved in supporting social initiatives suggest that an agenda of inclusion is common to all. Beneficiaries include the most under-represented and excluded groups of society: unemployed, people with disabilities, single parents and people living within poor areas. A commitment to inclusion can also be found in the range of individuals involved in initiatives: common to most were residents and organisations located within the communities in which they were operating.

### • Impact and Performance

Findings about the quantitative and qualitative measures employed to evaluate the performance of participating initiatives suggest that across the UK, social initiatives make significant economic and social contributions. In particular, these findings demonstrate that social initiatives generate significant income with 59% having a turnover of between £25,000 and £100,000 per annum; 36% between £100,000 and £1million and 6% more than £1million. They also show that social initiatives generate employment and patterns of increasing job creation as 88% of initiatives have created jobs for the local community and beneficiaries, reaching a combined figure of 492 and, for 70% of initiatives, this figure had increased since the initiative was established.

Working in partnership, planning, monitoring, reviewing, evaluation and preparing grant proposals were deployed by most initiatives to ensure that its aims were met and the majority of respondents had positive feelings about the future of their initiatives, expressing confidence that they would expand and develop while remaining committed to their core vision.

Despite reporting broad optimism about the future of initiatives, respondents expressed caveats in terms of, funding, growth and succession. These feelings are emphasised when figures for the breakdown of income are considered: for the majority of participating initiatives, a significant proportion of their funding is provided by grant funding.

These findings suggest a number of implications. First, they reveal that the economic and social contribution of social initiatives is not insignificant. Second, with most initiatives generating less than 50% of their income from sales, they suggest that many social initiatives are characterised by a 'grant culture' which it can be argued may hamper the extent to which social initiatives engage in entrepreneurial activities.

#### • Definitions and Descriptions

The finding that most initiatives were described as having 'open' and 'creative' cultures and that more than 70% of respondents described their initiative as 'entrepreneurial', supports the suggestion that within the social sector there is debate over the extent to which the word 'entrepreneurial' can be used to describe the individuals establishing and driving initiatives working towards social objectives. Considered alongside the finding that only 45% of respondents described themselves as social entrepreneurs, these findings can be interpreted in a number of ways. First, they suggest that for many, while the term 'entrepreneurial' can be used to describe the activities of individuals initiatives, the collective nature and local embeddedness of many social initiatives restricts the extent to which those involved feel comfortable describing individual people as 'social entrepreneurs'. Second, as mentioned above, these findings might be interpreted as suggesting that within the social sector, only a percentage of individuals can be identified as behaving entrepreneurially.

### 7.3 How can they be supported

#### • Creating Social Initiatives

The findings presented demonstrate that respondents have the capacity to establish social initiatives quickly and that they identify few barriers at start-up. Where barriers do exist, these predominantly relate to access to finance and bureaucracy in obtaining finance. These suggest that like many business entrepreneurs, the vision, drive and focus of individuals establishing initiatives to address unmet social needs are similar to entrepreneurs working for other objectives: rather than identifying barriers, constraints are regarded as obstacles or challenges which respondents have the ability to overcome.

#### • Advice and Support

Most respondents access a range of advice and support both when establishing initiatives and in the post-start-up development of these. At both times the sources of support used mainly included local authorities, social economy organisations, consultancies and industry sector specialists, the business support network was not found to be an important source of support during either the establishment of initiatives or their development. The type of support and advice sought at start-up and on an ongoing basis once initiatives were established overwhelmingly related to funding and appropriate legal structures. Where advice and support was available it was well regarded. However, a majority commented that they would have benefited from more specific support.

These findings suggest a number of implications. First they imply that the business support sector is not identified by social initiatives as an appropriate source of advice and support. Overwhelmingly they suggest that while those involved in the establishment of social initiatives identify few barriers, finance and the bureaucracy involved in securing finance pose particular challenges.

## • Funding, Constraints and the Environment

The findings presented demonstrate that participating initiatives were heavily dependent upon grant funding; banks and personal resources were rarely evident as sources of finance. Of the funding accessed, initiatives use a variety of sources, many of which offer short-term finance. As a consequence, much time is dedicated to the acquisition and management of funds rather than activities which directly lead to the achievement of social objectives. Findings also reveal a hostility to European sources of funds, particularly European Structural Funds, which, despite the fact that they are accessed by a significant number of participating initiatives, are regarded as difficult to manage for a range of reasons including bureaucracy and lack of flexibility in how funding can be used. In contrast National Lottery funding was regarded as accessible and valuable and charitable funding was seen as flexible and easy to manage.

Access to funding and bureaucracy in seeking funding were overwhelmingly identified as the major constraints to the future development of initiatives. In particular, respondents recognise that they are diverted from developing their initiatives by the bureaucratic demands of funding management.

These findings suggest that issues relating to the financing of social initiatives are complex and challenging and merit detailed and careful consideration, particularly if social initiatives are to be supported in continuing the contribution which they make to the social, economic, cultural and environmental wealth of the UK.

## 8.0 RECOMMENDATIONS

In view of the conclusions and implications discussed, a number of recommendations can be offered.

### 1. Improved Data

While there are a number of sources providing data about constituent parts of the social economy, even when considered in tandem, few sources provide an accurate indication of the scale and diversity of the social economy. Despite problems associated with the diversity of the sector, such data is vital if the contribution and impact which social initiatives make are to be understood and supported.

For these reasons, it is recommended that local authorities, social economy organisations, consultancies and industry sector specialists, the business support network and banks re-define what they regard as a social initiative and introduce systems which specify and record data about socially motivated enterprise activity.

### 2. Social/ Private Partnerships

To help social initiatives move away from a grant dependency culture towards one of self-financing it is recommended that social initiatives work more closely with the private sector. By sharing experiences, social initiatives can increase their competitiveness and spot market opportunities, thus reducing their dependency on grant funding. Initiatives such as “The Exchange Programme” which is currently piloted in the North East of England by the DTI and University of Durham Business School is an example of how such partnerships can be initiated.

Individuals working in the private sector will also benefit from such partnerships: by working with individuals who engage in entrepreneurial activity for the purposes of addressing unmet social needs, often in the most excluded parts of society with little or few resources, the private sector can benefit by learning about how a vision can be shaped and networks and contacts can be used to get others to buy into the vision and work towards its achievement.

### 3. Mentoring

As many individuals involved in social initiatives can have portfolio and serial experience of the social sector, it is recommended that social initiatives collaborate to share best practice and support knowledge transfer. Network organisations like ‘The Entrepreneurial Exchange’ in Scotland can provide a good model upon which to develop and build such collaborations. Related to this, it is recommended that social initiatives are directed to organisations working in a similar industry sector, for example organisations working in the childcare sector have a wealth of experience from which social enterprises can draw upon. This again will facilitate the exchange of knowledge, best practice and stimulate networking.

### 4. Support for Social Initiatives

The business support network including the Small Business Service and the Scottish Enterprise Network can help mitigate the barriers encountered by social entrepreneurs by exploring a number of the following recommendations:

- Undertake mapping exercises to establish an understanding of the networks operating within the social economy and ensure that national organisations providing niche support to the sector are accessible to all;

- Add value to the existing support network by developing partnerships with established agencies to avoid duplication of support provision. In particular, it should be recognised that expertise in the relatively complex and critical areas of funding and legal structures mainly reside in agencies and individuals external to the current business support network. Such expertise could be bought in where not available locally;
- Support should be directed towards aiding the transition of social enterprises from small to medium sized businesses, an area in which its expertise is richer than that of social economy support organisations. The business support sector can perform an important role in helping to fill what has been called the 'missing middle' (SEL Conference Report 2001) which recognises that the sector is weighted towards micro-enterprises which do not develop at one extreme and large mutuals at the other extreme.
- As described in more detail below, engage in the creative use of financial resources to encourage movement away from the grant dependency which characterises the social economy.
- Encouraging the provision of incubator space. The lack of access to premises and equipment is a strong constraint to the development of social enterprises. Moreover, integrating social enterprises within the same environment as commercial enterprises will enhance their status, encourage networking and potentially provide markets.

## 5. Access to Finance

In view of the complex and challenging relationship between social initiatives and sources of finance, a number of recommendations particular to finance are offered.

Support available from specialists in social enterprise development is recognised by those involved in the sector as being of high quality. This expertise is, however, weighted towards the complex legal and funding environment of social enterprises and may serve to reinforce the dependency culture by which many social enterprises can be characterised. The business support sector and others controlling financial resources can make positive interventions by directing funding to those seeking to innovate, explore new market opportunities or build capacity to enable themselves to engage in trading activities.

Bureaucracy in acquiring funding is another major burden for many social enterprises. The desirability of, and potential to, reduce grant dependency by selectively directing grant awards to entrepreneurial objectives has been noted above. Further scope exists to promote this trend through a consideration of the nature of funding relationships. It is recommended, that wherever possible, commercial contracts rather than grant awards are made for the delivery of services. Changing the relationship between local authorities and social enterprises from one of dependency to one of commercial equality will inevitably impact on the culture of social firms. There is considerable scope to do this:

*"Local authorities' procurement and local purchasing can be used to assist social enterprises. Clauses contained within procurement contracts can require training or employment of local people. It is possible to award contracts below £50,000 to a social enterprise under European Union procurement procedures. Social enterprises should get on to tender lists and provide training if necessary."*

(SEL Conference report 2001).

## 6. Definitions and Descriptions

Given the difficulties surrounding definitions and descriptions, it is recommended that a wider conceptualisation of entrepreneurship, particularly the contexts within which entrepreneurship can occur should be encouraged by a range of stakeholders including the business support sector, the banking community, specialist social enterprise development agencies and social initiatives themselves. The economic and social benefits which can accrue when entrepreneurial behaviours are employed to address unmet social needs should be recognised, supported and celebrated. Initiatives like the Scottish Enterprise 'premier advisor' training programme should be encouraged across the business support network as this will have the effect of repositioning socially motivated entrepreneurial behaviour within the mainstream of economic development.

## 7. Collaboration

It is recommended that underpinning all of the above recommendations is a need for the public, private and social sectors at all levels to foster closer relationships which are necessary for the collaboration between these sectors upon which the success of social ventures ultimately rests. Such collaboration would extend to the sharing of more information, the creation of greater common ground and the sharing of best practice. Mapping exercises such as that recommended above will be useful in the generation of such information as will the mentoring and social/private partnerships also recommended.

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### Websites:

Askoka	<a href="http://www.askoka.org.uk">www.askoka.org.uk</a>
Charity Commission for England and Wales	<a href="http://www.charity-commission.gov.uk/">www.charity-commission.gov.uk/</a>
Community Action Network	<a href="http://www.can-online.org.uk">www.can-online.org.uk</a>
Community Enterprise	<a href="http://www.celltd.demon.co.uk">www.celltd.demon.co.uk</a>
Forth Sector	<a href="http://www.forthsector.co.uk">www.forthsector.co.uk</a>
National Council for Voluntary Organisations	<a href="http://www.ncvo-vol.org.uk">www.ncvo-vol.org.uk</a>
SENSCOT	<a href="http://www.senscot.net">www.senscot.net</a>
Scottish Council for Voluntary Organisation	<a href="http://www.scvo.org.uk">www.scvo.org.uk</a>
Social Entrepreneurship Initiative	<a href="http://www.gsb.stanford.edu/ces/social_entrepreneurship.html">www.gsb.stanford.edu/ces/social_entrepreneurship.html</a>
Social Enterprise Unit (DTI)	<a href="http://www.dti.gov.uk/socialenterprise/index.htm">www.dti.gov.uk/socialenterprise/index.htm</a>
Social Enterprise Sunderland	<a href="http://www.socialenterprise-sunderland.org.uk">www.socialenterprise-sunderland.org.uk</a>
Social Firms UK	<a href="http://www.socialfirms.co.uk">www.socialfirms.co.uk</a>
Social Firms Scotland	<a href="http://www.socialfirms.org.uk">www.socialfirms.org.uk</a>
Social Enterprise London	<a href="http://www.sel.org.uk">www.sel.org.uk</a>
School for Social Entrepreneurs	<a href="http://www.sse.org.uk">www.sse.org.uk</a>
The Upstarts Awards	<a href="http://www.upstarts.org.uk">www.upstarts.org.uk</a>

University of Durham Business School  
Mill Hill Lane  
Durham DH1 3LB  
United Kingdom  
Tel: 0191 374 3383  
Fax: 0191 374 1316  
International Tel: +44 191 374 3383  
International Fax: +44 191 374 1316  
[www.worldofent.com](http://www.worldofent.com)