

Hidden Social Enterprises

Results for the Northwest Development Agency

In a first attempt to measure the scale of social enterprise in the general business population, a new report by Delta Economics and IFF Research finds that 42% of the North West's growth-oriented entrepreneurs set up a company because they want to make a difference. Many of the region's growth-oriented entrepreneurs can lay claim to being social entrepreneurs, even though they are set up as for profit companies. These "Hidden Social Enterprises" do not identify themselves as social entrepreneurs but nevertheless conform to accepted definitions of social enterprise.

The survey conducted was of 500 growth-oriented entrepreneurs in the North West with turnovers of more than £200,000 who were survivors – i.e. they had set up businesses which were older than two years but younger than ten years.

The research finds that nearly 18% of these entrepreneurs run "broad" Hidden Social Enterprises: they set up their businesses for the sole purpose of making a difference, either socially or environmentally or in terms of job creation, and they reinvest their surpluses (or profits) in their businesses in order to be able to achieve this.

- 10.2% of the North West's growth-oriented entrepreneurs are a more narrow definition of hidden social enterprises who are motivated purely by the desire to make a difference, who reinvest their surpluses and who do not pay a dividend to shareholders.
- 8% of the region's growth-oriented entrepreneurs are "pure" social enterprises in that they are motivated by the desire to make a difference, reinvest their surpluses, do not pay a dividend to shareholders and have sales volumes that account for more than 25% of revenues.

Across this spectrum of Hidden Social Enterprises, profitability varies, but nevertheless, each business returns on average £16 (pure) and £15 (broad and narrow) for every £1 invested in it on average. All types of social enterprises return slightly more than the UK average of £1:£13 for narrow and broad social enterprises £1:£12 for pure social enterprise.

The research also found:

- 58% of women and 38% of men are motivated by social enterprise goals generally. Women are more likely to have set up all types of Hidden Social Enterprise – for narrow and pure types, there are twice as many women as men.
- Similarly, Minority Ethnic communities are nearly a twice as likely to be "Hidden Social Entrepreneurs" than mainstream entrepreneurs.
- The percentage of all categories of hidden social enterprises is slightly lower in the North East compared to other regions.
- Hidden Social Entrepreneurs in the region run companies that create, on average, 10 jobs compared to the average for the whole entrepreneurial population of 8 jobs.
- Hidden Social Entrepreneurs set up companies with similar growth to their mainstream counterparts in the region.
- Profitability is similar across all types of social enterprises in the region at an average of between £431k (pure) and £576k (broad).
- All types of Hidden Social Entrepreneurs are more likely to say that they perform well in terms of a raft of intangible aspects of business such as welfare of their employees, salaried and non-salaried jobs created, positive social impact and positive environmental impact.