



Hidden social enterprise – why we need to look again at the numbers

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Introduction

- Defining social enterprise and social entrepreneurship is a bit like nailing jelly to the wall
- We need to get boring about social enterprise
- We need a definition and data because:
 - We need to make a convincing business case for public and private sector support
 - We need some evidence to back claims that social entrepreneurs and social enterprise are the way of delivering better public service and sustainability in a post crisis world
 - The sector can't agree on these so tends to cop out: "let's do social enterprise and leave future generations to judge what we did"
 - It's fine for the entrepreneurs, but not for the people who invest money in all of this

So what did we do?

- In 2008, nearly 50% of entrepreneurs in our COGS survey said they wanted to Make a Difference. This was enough to warrant closer investigation
- The figure was replicated in 2009 so we had a base sample of 1023 people to work with:
 - 43% of these said that Making a Difference was their primary objective
 - 39% said that Making a Difference was their primary objective and that they reinvested their surpluses
 - 24.4% said that Making a Difference was their primary objective and that they reinvested their surpluses and that they didn't pay a dividend to shareholders
 - 20% said all of that and that they had sales comprising more than 25% of their revenue.
- Not only is this sector hidden in the general entrepreneurial population, it is also very large!

So what have we found?

- This really is a distinctive group of for-profit entrepreneurs:
 - Motivations and values
 - Business goals
 - Perspectives on their business performance
 - Innovation
 - Risk takers
- And the business models conform to broad and narrow definitions of social enterprise:
 - 92% of them reinvest
 - 99.6% have some sales revenue stream
 - They distribute their profits in many ways, including to shareholders
- They are not just focused on the UK – they are scalable

Who are they?

- They are more likely to be women than men
- Minority ethnic groups are more represented in this group than in the general population
- They are highly educated: over 40% have graduate or post-graduate qualifications compared to 1/3rd of mainstream entrepreneurs
- They are 31-40 or over 60!
- Over 1/4 of them have owned a business before but have left to pursue other goals – they are less likely to have closed it down

But what do they add to the economy?

- For all except the purest social enterprises, their turnovers and levels of profit are very similar. We have estimated that there are 213, 219 of this type of broad social enterprise contributing £91.7bn to the economy a year.
- Within this group, pure social enterprises have lower profitability but as none of this is going to shareholders, it is pure impact on the social economy. 109,371 companies contributing £17.7bn
- And they are more likely to create jobs – each on average has created 9 irrespective of types: or, at present, 1 million, 9 hundred and eighteen thousand, 9 hundred and 17 jobs!

Some implications

- We set out with two objectives:
 - To provide some more evidence
 - To make the area measurable by economists and ultimately dull
- We have succeeded on the first but I apologise, we have failed on the second.
- Even if our calculations on numbers and contribution to GDP are wild, we have
 - Identified a distinct group of entrepreneurs who are motivated by value-driven objectives within the business community
 - Isolated the business models they use and demonstrated that they are aligned with some of the tough definitions used by the Government.
 - Shown how much latent potential there is amongst this group
 - Made a case for broadening our understanding of social enterprise and hopefully started the process of nailing the social enterprise jelly to the wall.
 - Developed a system for tracking increases and decreases in this population as a proportion of the whole entrepreneurial population
- We deliberately didn't set out to measure social enterprise – no previous value judgements and no dedicated method. But look how much of it there is out there and how much value it looks like it creates. That has to be worth something!