Executive Summary

Advantage West Midlands (AWM) commissioned WM Enterprise (WME) in November 2007 to undertake a mapping and baselining exercise of social enterprise activity across the West Midlands region. The assignment has measured the extent and nature of social enterprise across the region and its contribution to regional economic activity.

Research Brief

In November 2007, Advantage West Midlands (AWM) commissioned WM Enterprise (WME) to accurately scope the size, scale, impact and key issues facing the sector in the West Midlands. This piece of work forms a crucial part of a wider initiative to target support for social enterprises and thereby encourage the growth of existing businesses and help to create new ones, especially in the more disadvantaged parts of the region.

The key aims of this assignment were to establish:

- The number of social enterprises currently operating in the West Midlands region;
- The geographical distribution of social enterprises across the region;
- The activities and sectors in which social enterprises operate;
- The number of social enterprises generating between 25% and 49%, and 50% or more, of their income from trading; and
- a breakdown of social enterprises, in terms of: the gender and ethnicity of ownership; establishment date and trading history; and legal status.

In undertaking this assignment WME have also been able to establish the contribution of social enterprise to the West Midlands' economic performance, both in terms of employment and volunteering posts supported, and contributing to regional GVA.

Social Enterprise Defined

AWM and WME have used the Cabinet Office's definition of a "social enterprise" (included in the 2006 National Social Enterprise Action Plan):

"A business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners".

As a principle, all social enterprises must be incorporated in some form and:

- Their regular, everyday, activities should involve providing products or services in return for payment;
- At least 25 per cent of their funding should be generated from trading (in the direct exchange for goods and services);

- They should have a primary purpose of pursuing a social or environmental goal (as opposed to being purely or mainly profit driven);
- They should re-invest any profit or surplus that is made in the organisation or community to further the social or environmental goal.

Research Methodology

The research process consisted of five stages:

Stage 1 - a desk-based review of key regional strategic policy documents affecting social enterprise, and previous research reports on social enterprise in the West Midlands.

Stage 2 - the acquisition of a bespoke database from Guidestar containing contact details of all registered charities, companies limited by guarantee, community interest companies, and industrial and provident societies in the West Midlands Region. All organisations that were not incorporated or where trading income comprised less than 25% of their total income were then eliminated. This formed a "long list" of **7,078** potential social enterprises.

Stage 3 - a survey of 378 of these potential social enterprises. This sample size was statistically significant at the 95% confidence level. Members of WME's in house market research team carried out the interviews facilitated through a structured questionnaire, which explored:

- Business activities and social, economic and environmental aims;
- Client groups;
- Legal status;
- Annual income level and sources of income;
- Numbers of employees and volunteers;
- Collaborative activities;
- Barriers to growth and development;
- Business and financial support utilised; and
- Business and financial support needs.

Stage 4 - Stakeholder interviews and focus groups with key individuals involved in social enterprise activity at the strategic level in each sub-region to obtain more in-depth qualitative information on the key issues affecting social enterprise in the sub-regions.

Stage 5 - Analysis of the survey findings, in relation to composition of the "long list" from the Guidestar database, to identify the extent and nature of social enterprise activity across the region.

Key Findings

Key Finding 1 – Evidence suggests that there are around 5,554 social enterprises in the West Midlands region.

- Registered charities (2,522 / 45.4%), Companies Limited by Guarantee (1,415 / 25.4%) Industrial and Provident Societies (1,375 / 24.8%) make up the majority of the social enterprises with the remainder being Housing Associations (169) or Community Interest Companies (73).

- 1,993 (36%) are female run, but only 217(3.9%) Black and Minority Ethnic (BME) run.
- The geographical split is shown below:

Sub-region	Social Enterprises	%
Birmingham and Solihull	1,254	22.6
Coventry and Warwickshire	1,175	21.2
Black Country	807	14.5
Staffordshire	803	14.5
Worcestershire	673	12.1
Shropshire	493	8.9
Herefordshire	307	5.5
	5,554	

- In terms of economic sectors, the most common sectors of social enterprise activity are education, sport, the cultural industries, and health and social work.

<u>Key Finding 2</u> - Social enterprise supports around <u>156,456</u> jobs within the West Midlands

- This includes 105,138 full-time, and 51,318 are part-time jobs. Social enterprises therefore account for around 6.58% of the West Midlands' overall employed workforce.
- Given that The Social Enterprise Coalition indicate that nationally, social enterprises account for 5% of all businesses with employees. This suggests that social enterprise, as a sector, is relatively more important in the West Midlands than nationally, from an employment perspective.
- Social enterprises also support around 210,441 volunteering opportunities across the region.

<u>Key Finding 3</u> - Social enterprise is responsible for generating around £5,694 million of the West Midlands' trading income.

- Nationally, social enterprises are thought to have a combined annual turnover of combined turnover of £27 billion (source: www.socialenterprise.org.uk) suggesting that social enterprises in the West Midlands contribute as much as 21% of the overall turnover generated by social enterprises nationally.

- 34.2% earn all of their annual income through trading activities and 27.1% earn between 75% and 99% of their annual income through trading. 23.5% earn less than 50% of their annual income through trading.
- 5.5% of the region's social enterprises earn over £1 million annually through trading.
- During the last three years, more than three in five social enterprises had experienced an increase in their overall income levels. In almost one in four cases overall, trading income had secured a greater share of overall income.
- Prospects for the next three years are also positive, given that more than two in five expect their overall level of income to increase, and more than one in four expect the number of staff they employ to increase.

- To facilitate any long-term expansion, more than two in three social enterprises had a business plan.

Key Finding 4 - The most common aims of the region's social enterprises are around community based facility provision

- Over 41% of Social Enterprises provide meeting facilities for community groups or affordable community sports facilities.

- 39% of social enterprises serve their entire local community and the majority of the remaining 61% serve at least one traditionally disadvantaged social group.
- The region's social enterprises impact on a wide range of geographical areas. 50.7% serve a local market whilst one in seven support the whole West Midlands region, and just under one in ten serve national markets.

Key Finding 5 – Collaboration between social enterprises is limited

- More than three in four social enterprises were not collaborating with any others.
- Around two in three of those collaborating appear to have strong relationships with their partner (i.e. either tendering for, or delivering contracts). Levels of collaboration are highest in Birmingham and Solihull, and Coventry and Warwickshire, and lowest in the rural counties.

Key Finding 6 – The key challenges for social enterprises are around financial monitoring, public sector procurement and new income generation

- There is a need to become more entrepreneurial. This includes improving their business management systems, and a need to monitor finances more closely.
- There is a common inability to access public sector contracts. Many social enterprises lack the capacity to bid for, and successfully deliver many public sector procurement contracts. One potential issue in this process is a lack of interface between different social enterprises, and between social enterprises and the public sector.
- Many social enterprises (particularly rural social enterprises) operate in relatively small markets. They therefore need to identify new income generating activities that would expand their potential markets, and develop ways to penetrate these markets.

Key Finding 7 – The major requirements moving forward are financial support, business planning advice and sales, marketing and promotional guidance

- More than three in five social enterprises require financial support in the future. In the majority of cases, this related to the need to access grant funding to help the organisation become self-sustaining.
- Around one in five social enterprises feel that they require non-financial support in the future.
- Of these 32% require generic business planning and advice and 34% require sales, marketing and promotion support.

- The support should be provided over flexible time frames, and by individuals who have previous experience of successfully managing social enterprises.

Future Policy Implications of This Research

Several policy implications have emerged as a result of this research, including the need to:

- **identify the most appropriate means of facilitating collaboration amongst social enterprises.** SEWM are currently actively involved in identifying potential means of increasing collaboration levels.
- **raise awareness within the public sector of the potential role and value for social enterprise.** This would help to increase the extent to which the region's social enterprises are able to successfully secure contracts from public sector bodies.
- **raise awareness in charities, and community and voluntary sector organisations of the role of social enterprise, the potential benefits of adopting the social enterprise model, and, where appropriate, support its adoption.** The provision of this type of support could help to increase the quantity of self-sustaining community and voluntary sector groups.
- **support social enterprises in developing additional income generating activities.** This could help to expand the size of potential markets and reduce dependency on grant funding and donations as income sources in some of the region's social enterprises.
- **review the range of financial and non-financial support packages available to social enterprises, and the extent to which the non-financial support could link in with any financial support available.** The research findings indicate that the main areas of non-financial support required by the region's social enterprises include business planning, sales and marketing and procurement support.
- **provide support to social enterprises in monitoring their main economic and social impacts (including undertaking social audit).** This type of support would not only help social enterprises to bid successfully for public sector contracts, where such monitoring is a pre-requisite, but would also increase their understanding of the impacts they generate for their target groups and communities.
- **identify delivery approaches that ensure that all future support services are easily accessible to both urban and rurally based social enterprises, and all ethnic and social groups.**

This mapping exercise has uncovered additional areas that would benefit from further research to add value to the intelligence base of social enterprise across the West Midlands. These include further research into:

- The special needs of BME and disabled run social enterprises;
- The capacity of community and voluntary sector bodies to provide support to organisations intending to develop the social enterprise model of service delivery;
- The impact of social enterprises on the region's most deprived communities, and on the most disadvantaged social groups;

- The full range of business and financial support services currently available to social enterprises; and
- The range of opportunities for mainstreaming the social enterprise model.