PERSONALIZED FEEDBACK REPORT

PREPARED BY THE SELUSI RESEARCH CONSORTIUM

INTRODUCTION

Sometime between November 2009 and March 2010, we contacted you, inviting you to take part in a new, EU-funded and interdisciplinary research initiative on social enterprises in Europe. Thanks to your diligent cooperation with our survey efforts, we have been able to launch a unique, novel panel database on over 550 social enterprises in Hungary, Romania, Spain, Sweden, and the United Kingdom. This database is unique in its scope and depth – in our (admittedly, lengthy) conversations with you, we discussed in detail a whole host of topics, ranging from your innovation habits to your perceptions of the market wherein you operate. It is also unique in its methodology – we adopted a special type of snowball sampling method, called respondent-driven sampling, which allowed us to survey a representative sample of social enterprises in the UK through tapping into your networks. And it is unique in its rigour - we took a range of steps to ensure data quality. For instance, Analysts (Interviewers) double-scored 30% of all the interviews (so that we can test inter-rater consistency); and Analysts were continuously trained throughout the interviewing period.

With this report, we would like to give you a sneak preview of the many more insights and policy recommendations to come using these data. But more than that, the report is also designed to help you benchmark your organization against fellow social enterprises in Hungary. It wishes to help you better place your organization (e.g., what makes it distinct; readily spot differences and similarities with your peers). Of course, if you can put this report to any other good uses, we would be most delighted.

Finally, as a preview of the SELUSI survey efforts coming up, we plan to survey social enterprises again between January and April 2011. Our aim is twofold. On the one hand, try to further expand our database – that is, survey new social enterprises in the UK (and elsewhere). On the other hand, to engage with your organization. Again, we will be most grateful for your time and inputs – Together, we would be able to build unique insights – both practical and academic- into the dynamics of individual social enterprises and social enterprises as a whole.

Please feel free to contact us with your questions or remarks. Below you will find the contact details of Marieke, Academic head of the Project. Also, if you would like to read the other country reports, or find out more about the other research initiatives within SELUSI, please visit our website: www.selusi.eu.

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A Big Thank You from us all.

Funded under Socio-economic Sciences & Humanities

SOCIAL ENTERPRISES IN THE UK: EVIDENCE FROM A SNEAK PREVIEW SELECTION OF SELUSI SURVEY QUESTIONS

At the beginning of each topic section, we briefly recap what we measured, and how to interpret the data summarized in the graphs or visuals. In case you are interested in more detail on how we analyzed the information, you'll find a more detailed description in the 'method' boxes. We interviewed 169 social ventures in the UK. Please note though that the total sample size we base this report on varies slightly across the different sections; this is due to some missing data, some questions not being applicable to all social enterprises, and some questions having multiple answers.

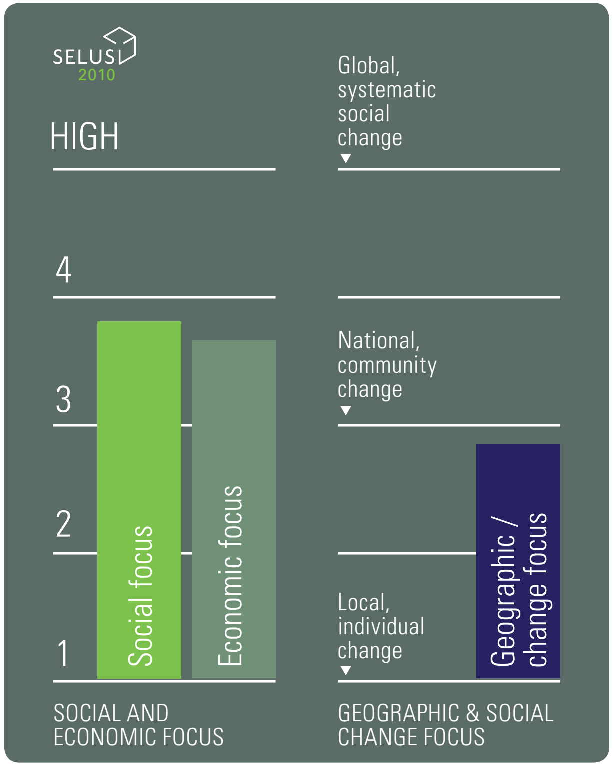
1 ORGANIZATIONAL GOALS: MISSION AND VISION

One feature of social ventures is their pursuit of social goals. We were interested to capture the goals that social ventures – as organizations – aim to achieve more broadly and so asked you to tell us about your organization's mission and vision. Figure 1 presents evidence on three categories of organizational goals (see also Methods Box A. for more detail):

1) social goals – capturing to what extent an organization focuses on achieving societal change.
2) economic goals – capturing to what extent the organization focuses on economic success and financial viability such as developing revenue-generating activities to cover its costs and generating surpluses.
3) geographic and social change focus – capturing to what extent the organization works locally vs. internationally and aims to transform and empower individuals, communities or society as such.

We find that social ventures in the UK expressed moderate to strong social goals as reflected in concerns about the well-being of others, social justice and/or the environmental goals. They also tended to specify the theories of change guiding their work, i.e. explain how their change process will unfold. However, the organizational goals did not centre entirely on social aspects but also incorporate moderate to strong economic concerns. Notably, social ventures in the UK pursued nearly equally strong social and economic goals, with a slight dominance of social goals (the ratio of economic to social goals is 1: 1.1). This is the strongest balance of social goals and economic goals observed across the five countries sampled in the SELUSI survey (Hungary, Romania, Spain, Sweden, and the United Kingdom). Finally, the efforts of UK social ventures were typically focussed at the regional to national level, aiming to bring about change for communities and specific groups.

Figure 1: Organizational Goals – Mission and Vision
Note: N=169.



METHODS BOX

A

A mission elaborates on an organization's purpose of being and captures organizational goals, while a vision captures the closely related goals an organization strives to achieve in the future. SELUSI Analysts scored your mission and vision reports using a total of 8 rating scales (scores ranged from 1 to 5). The rating scales were developed based on extant theories of social enterprise and previous research into organizational goals. We factor-analyzed the ratings to summarize the 8 scales according to their common underlying dimensions. The three underlying dimensions are: social goals, economic goals and geographic focus. These dimensions are summarized above and are described in more detail below.

The dimensions reflect:

1) SOCIAL GOALS

A score of 5 reflects strong social goals, in that the organizations mission and vision centre entirely on the alleviation of a social issue. This is reflected in great concern about the well-being of others, social justice concerns and/or environmental concerns. A high score in this dimension also reflects that the organization had specified a theory of change, i.e. the logic of how it works to bring about societal change. ***A score of 3*** reflects moderate and less specific social concerns, for instance when the target group or the social issue which the organization aims to deal with are not clearly specified. ***A score of 1*** reflects virtually no social goals.

2) ECONOMIC GOALS

A score of 5 reflects strong economic goals, in that the organization's mission and vision put a high emphasis on economic success and financial viability of the organization, such as earning high profits which can then be used to grow the organization and scale social impact. ***A score of 3*** reflects moderate economic goals, for example when the organization addresses a social issue in a self-sustainable way such that it covers all its costs through own revenue-generating activities. ***A score of 1*** reflects low concern for self-sustaining economic success, as is often the case with pure non-profits which are close to 100% grant financed or subsidized.

3) GEOGRAPHIC AND SOCIAL CHANGE FOCUS

A score of 5 reflects that the organization operates internationally (across continents). Our analysis finds that these organizations typically aim for systemic societal change, i.e. aim to change society as such and in a way that the social issue that the organization addresses would no longer exist. ***A score of 3*** reflects that the organization aims at community change, typically at a national level. In other words the organization seeks to transform a community or segment of the population, with the aim of empowering that group. ***A score of 1*** reflects that the organization aims to change and empower individuals. These organizations typically work locally, e.g. within a certain city or town (not a region).

2 OPERATIONAL MODEL OF MAIN ACTIVITY

During our phone survey, we asked you to tell us about the products and/or services that your organization provides. Specifically, we asked:

(i) *What does your organization do? What are its core services and/or products?; and*

(ii) *How does your organization self-generate revenues?*

The following three figures below summarize the answers obtained from the interviewed UK social ventures. 75% of the interviewed organizations identified their primary business activities belonging to the following 6 industrial sectors: Community, Social and Related Services; Business Activities; Education; Wholesale and Retail Trade; Agriculture, Hunting, Forestry and Fishing; and, Health and Social Work. The remainder were active primarily in Real Estate and renting; Electricity, Gas and Water Supply; and Financial Intermediation.

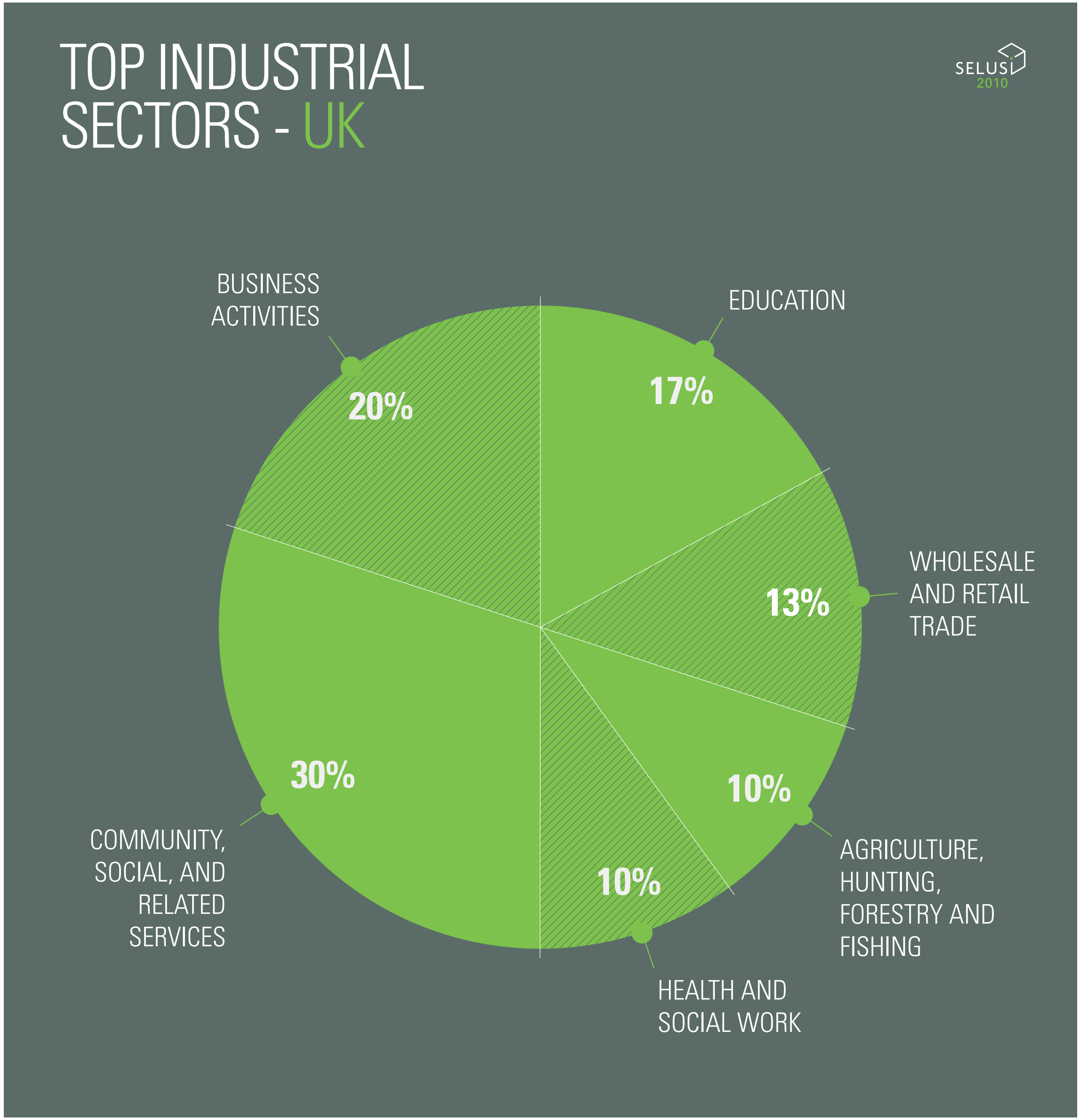


Figure 2a: Top Main Industrial Sectors
Note: N=168. We used the General Industrial Classification of Economic Activities (NACE)

Next, 73% of interviewed UK social ventures identified their primary social activities belonging to the following 6 social sectors: Economic, Social, and Community Development; Environment (including organic goods); Employment and Training; Social Services; Other Education; and, Housing. The rest were predominantly active in Philanthropic Intermediaries and Voluntarism Promotion; Culture and Arts; and Primary and Secondary Education.

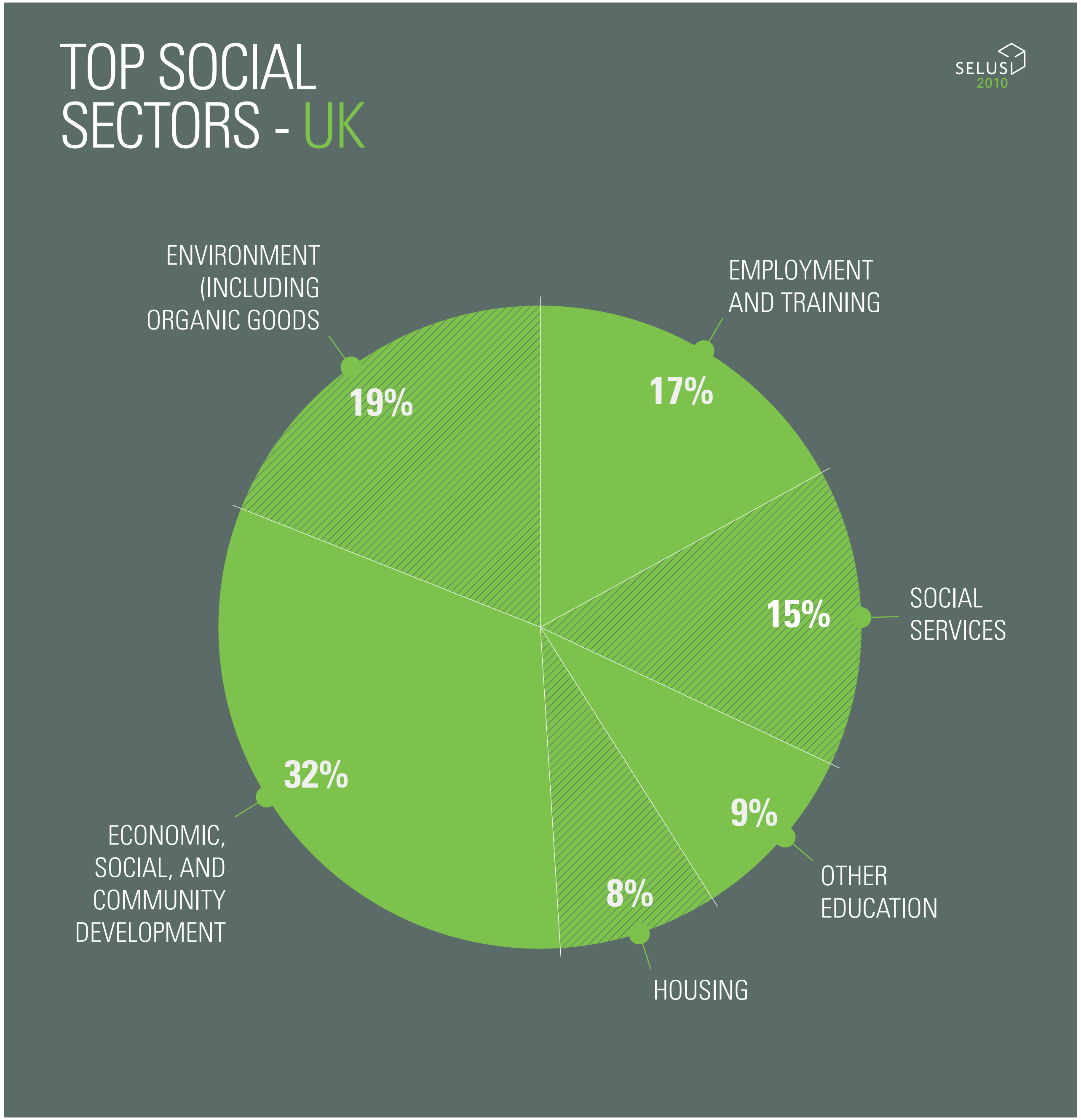


Figure 2b: Top Main Social Sectors
Note: N=168. We used the International Classification of the Nonprofit Organizations (ICNPO)

The three main operational models for UK organizations are: Fee for Service and/or Product; Entrepreneur Support; and Fee for Service and/or Product with Low-Income Clients. For a detailed description of each operational model, please refer to Methods Box B.

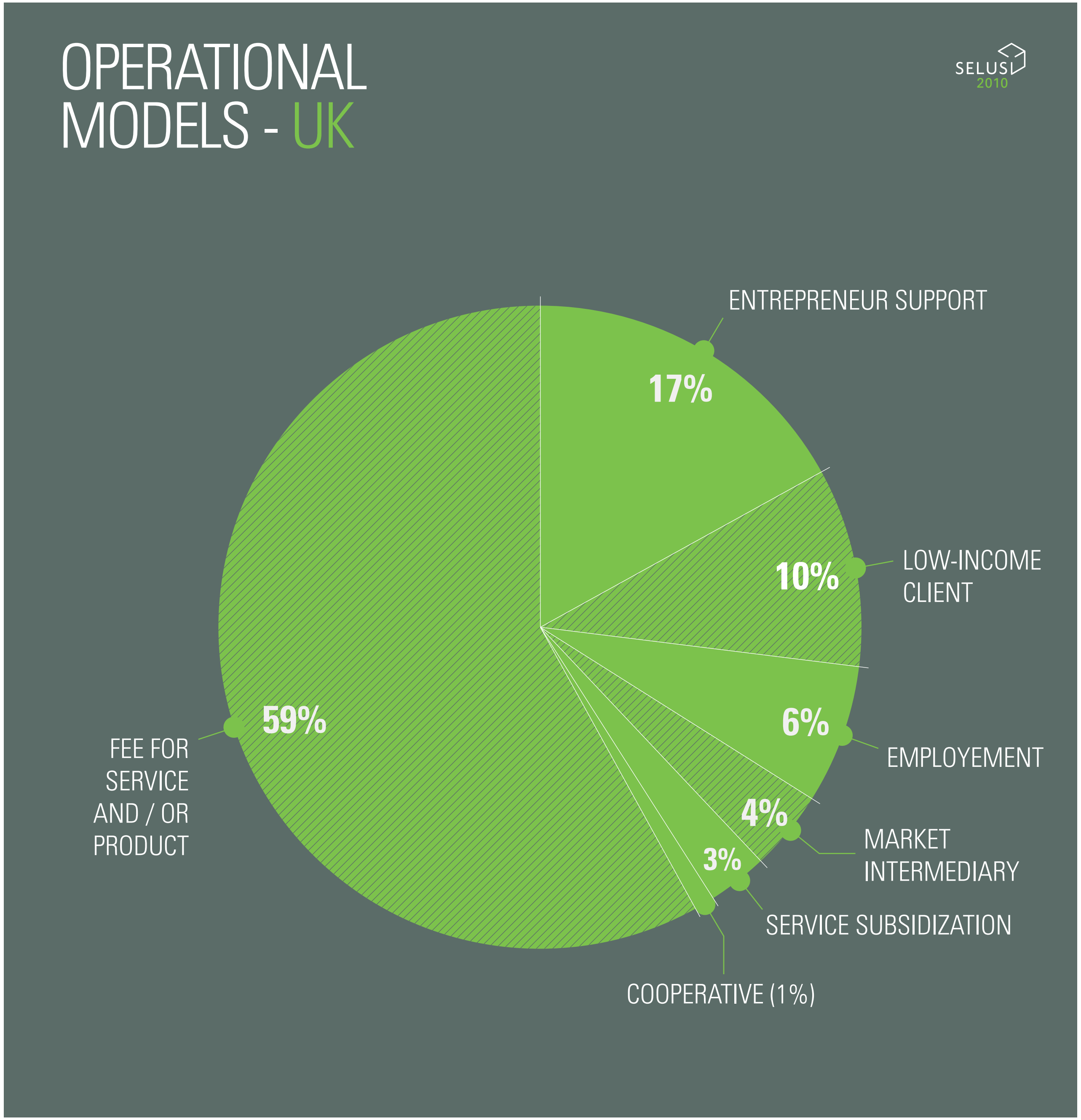


Figure 2c: Top Main Operational Models
Note: N=168. We adapted the typology of operational models developed by Alter (2008)

METHODS BOX

B

Operational models illustrate configurations of how organizations create social value (societal impact) and economic value (earned income). They are designed in accordance with the social enterprise's financial and social objectives, mission, marketplace dynamics, client needs or capabilities, and legal environment. Fundamental models can of course be combined and enhanced to achieve maximum value creation (Alter, 2008). Our Analysts recorded your answers verbatim, and used these answers to identify the venture's main operational model.

1 Fee for service and/or product model: The fee-for-service model of social enterprise commercializes its social services and/or products, and then sells them directly to the target populations or "clients," individuals, firms, communities, or to a third party payer.

2 Entrepreneur support model: The organization sells business support and financial services to its target population or "clients," which are self-employed individuals or firms. Its mission centres on facilitating the financial security of its clients by supporting their entrepreneurial activities.

3 Fee for service and/or product model – Low-income client model: A variation of the fee-for-service model is the low-income client model. The emphasis of this model is providing poor and low income clients access to products and services.

4 Employment model: The organization provides employment opportunities and job training to its target populations or "people with high barriers to employment" such as disabled, homeless, at-risk youth and ex-offenders. The organization operates an enterprise employing its clients, and sells its products or services in the open market.

5 Market intermediary model: The organization provides services to its target population or "clients," small producers (individuals, firm or cooperatives), to help them access markets. The services add value to client-made products, typically these services include: product development; production and marketing assistance; and credit. The market intermediary either purchases the client-made products outright or takes them on consignment, and then sells the products in high margin markets at a mark-up.

6 Service subsidization model: The service subsidization model of social enterprise sells products or services to an external market and uses the income it generates to fund its social programs. There is some alignment of social and business activities.

7 Cooperative model: The cooperative model of social enterprise provides direct benefit to its target population or "clients," cooperative members, through member services: market information, technical assistance/extension services, collective bargaining power, economies of bulk purchase, access to products and services, access to external markets for member-produced products and services, etc. The cooperative membership is often comprised of small-scale producers in the same product group or a community with common needs, i.e. access to capital or healthcare.

8 Organizational support model: Similar to service subsidization model but now business activities are separate from social programs, i.e. no alignment of social and business activities.

3 ALIGNMENT

During the phone survey, we asked you to tell us: If you only ran your revenue generating activity, to what extent would you also generate social impact? Your answers were given on a scale from 1 to 5, where 1 stood for "to no extent" and 5 for "to the largest extent". The average score for UK social enterprises was 4.28, which was the highest of all five countries that we investigated. In Figure 3, the number at the top of each column indicates the number of organizations that gave that specific answer.

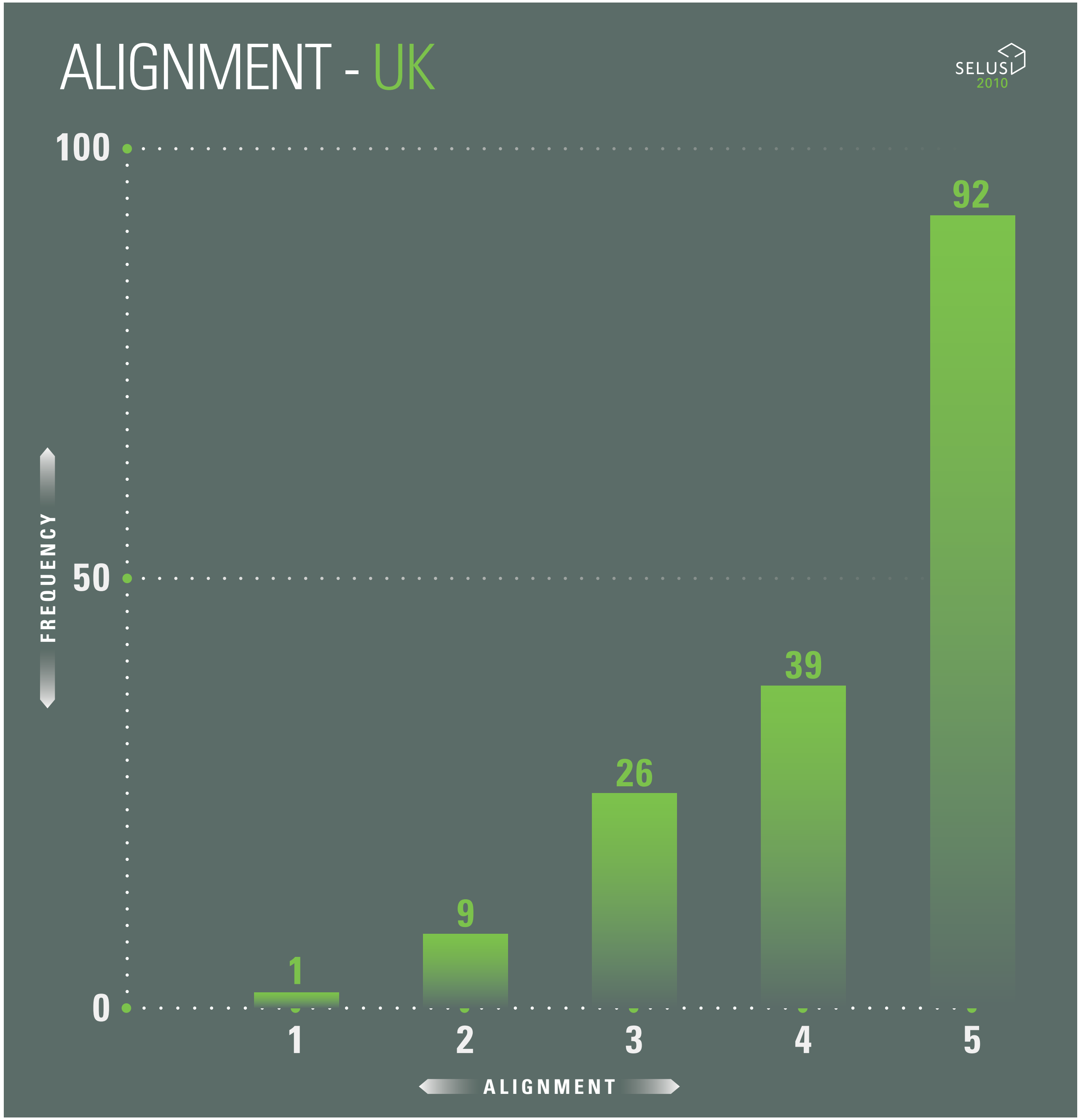


Figure 3: Alignment between Revenue-generating Activity and Social Impact Activity
Note: N=167.

4 ENTREPRENEURIAL ORIENTATION

We also wanted to gain more insight into how 'entrepreneurial' social ventures are. In line with the literature, we gathered data on the four main components of Entrepreneurial Orientation: Innovation, Experimentation, Proactiveness and Risk-taking. Please refer to Methods Box C for more detail on the definition and measurement of the four components. Figure 4 summarizes the results. We find that on average UK social ventures reported that they tend to be innovative, experimenting and risk-taking, as indicated by an average score above the scale mean of 4. Furthermore, they reported that they take a rather strong proactive stance in the sense that they are typically introducing product, service and process ahead of similar organizations and/or competitors.

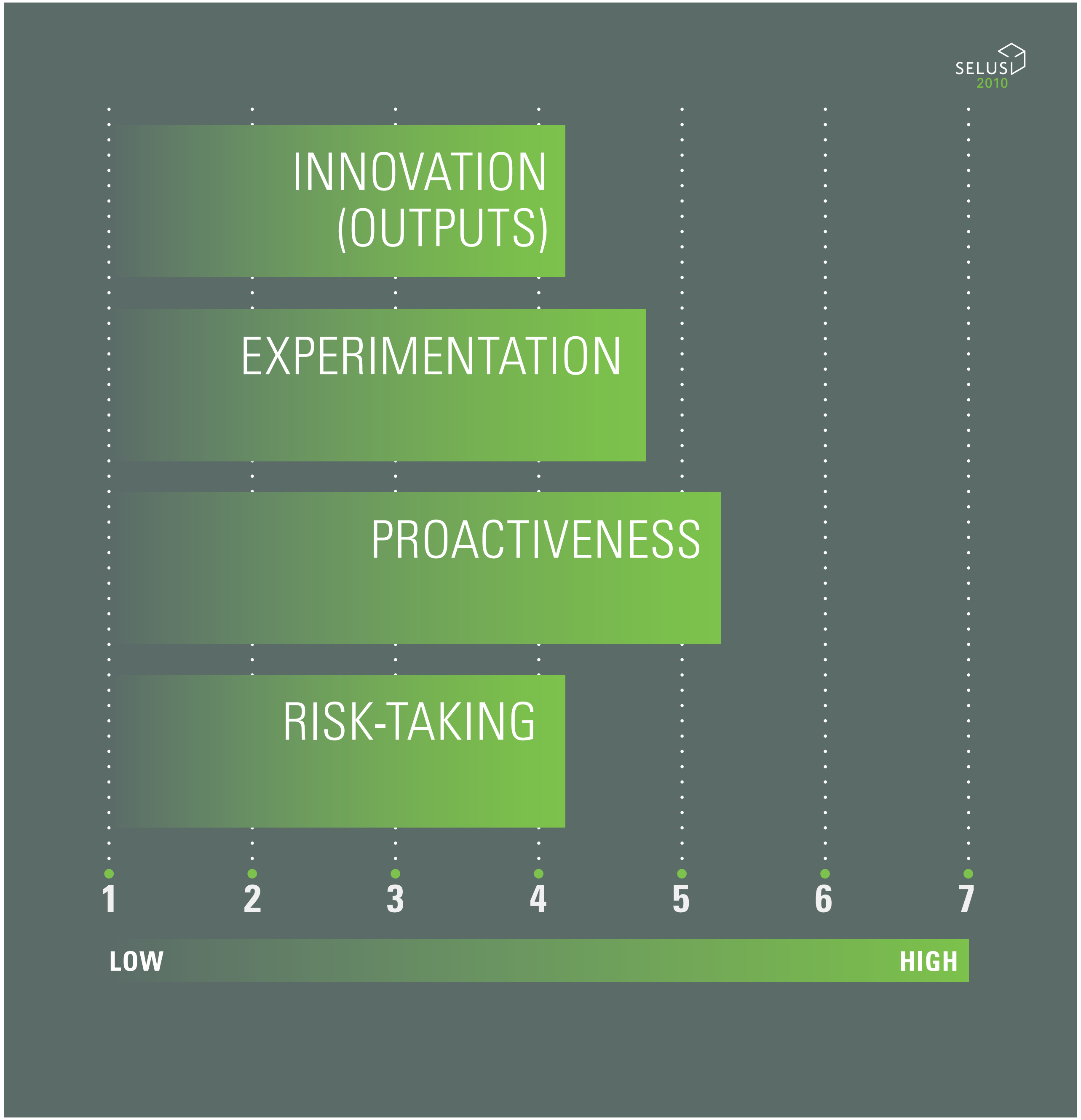


Figure 4: Breakdown Entrepreneurial Orientation in its Four Components
Note: N=166.

METHODS BOX

C

Organizations are typically understood to have an 'Entrepreneurial Orientation' when they act in the following ways (e.g. Rauch, Wiklund, Lumpkin and Frese, 2009):

1. They regularly introduce innovations in the market such as new products, services and processes.

2. They experiment with new ways of doing things such as developing unique methods and processes to solve problems.

3. They behave proactively in the market, i.e. they are typically the first organizations to introduce a new product, service or process in the market – ahead of similar organizations and/or competition.

4. They are risk-taking, i.e. have a proclivity to engage in high-risk projects, and don't shy away from bold actions in uncertain situations.

To obtain data on these four components, Innovation, Experimentation, Proactiveness and Risk-taking, we derived a series of questions from well-established measures of entrepreneurial orientation, commonly used in business studies. You were asked to indicate on a scale from 1 to 7 how much your organization behaved like described in each of those questions. Statistical analyses such as factor analyses confirmed that these four aspects of entrepreneurial orientation were indeed meaningful in the context of social enterprises in the UK. Interestingly, a fifth aspect, competitive aggressiveness, i.e. an attitude that prefers an aggressive stance toward similar and competing organizations rather than collaboration, emerged as a distinct aspect, not at all associated with the standard four aspects of a social venture's entrepreneurial orientation. This suggests that the entrepreneurial orientation profile of social ventures shares with that of commercial ventures the emphasis on innovation, experimentation, proactivity and risk-taking, but is also distinct since an aggressive stance towards competition, i.e. one in which a venture tries to 'outcompete' and 'fight' similar organizations in a field, is not integral to the entrepreneurial behaviours of social ventures.

5 SOURCES OF LIQUIDITY

We invited you to elaborate on how your organization has been financing its activities over the past 12 months. For each source of capital, we were also interested to know how much (in percentage terms) this has been contributing to the overall funding of your organization (again over the past 12 months). These were the broad category types that we identified: 1) Fees for services or sales of products; 2) Investors' capital (equity); 3) Grants; 4) Private donations; 5) Loans; 6) Microfinance; or 7) Other.

Figure 5 summarizes the results over all UK social enterprises. Sales and/or fees were clearly the most important source of capital (63%). Still, a significant share of liquidity also hailed from grant finance (24%). The other categories were (on average) only of marginal significance.

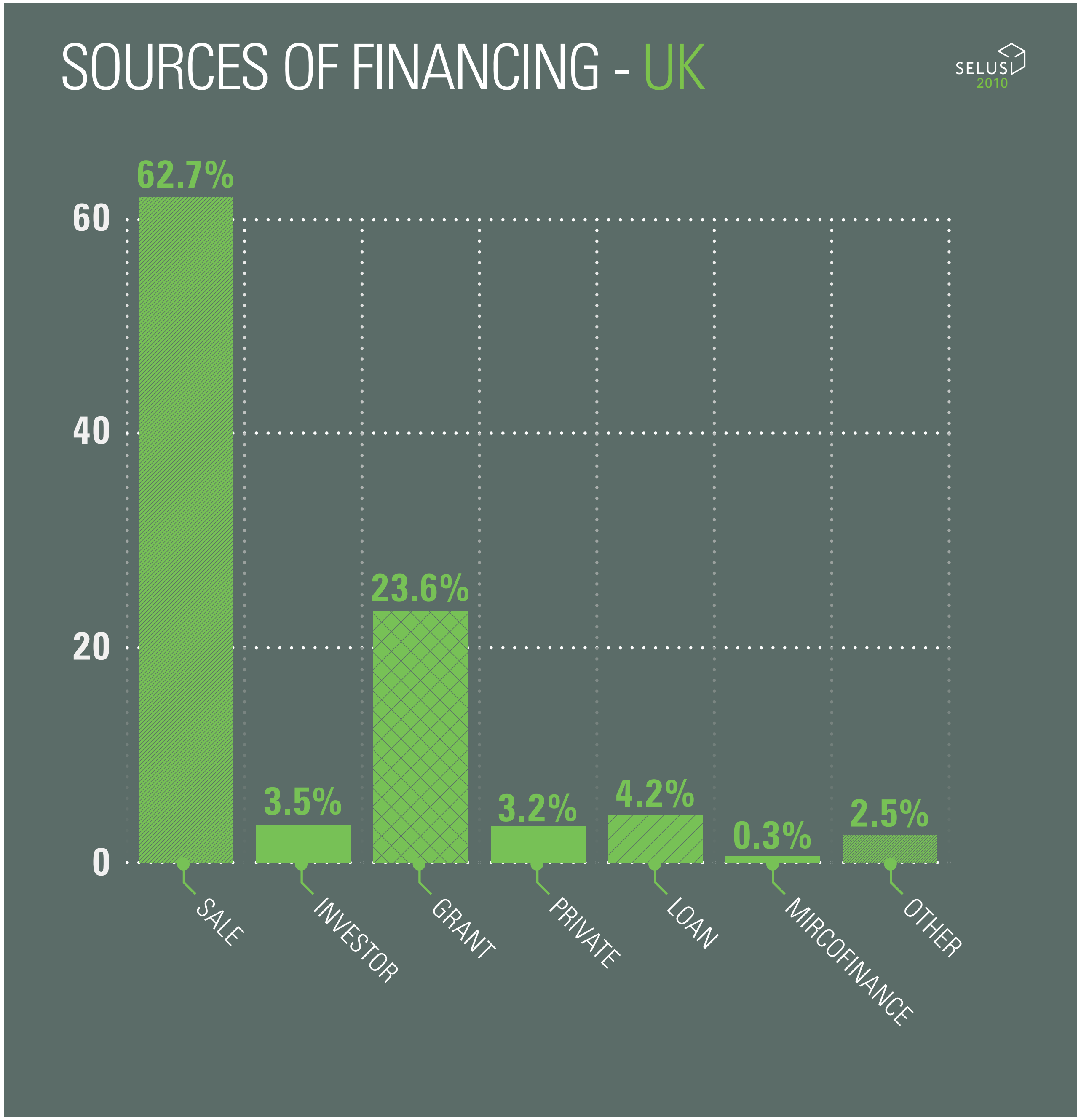


Figure 5: Sources of Liquidity over the Past 12 Months
Note: N=166.

6 TOTAL REVENUES FROM NOV '08 TO NOV '09 AND CHANGE IN REVENUES OVER TIME

In the online survey, we were interested to find out what the total revenues were that your organization generated between Nov '08 and Nov '09 and how these revenues compare with revenues generated in the previous year - that is, Nov '07 and Nov '08.

Figure 6a presents total revenues earned by UK social enterprises over the past year. Notice that there is a remarkably balanced split between these different categories. In other words, UK social ventures are neither predominantly small nor large in terms of revenues. Nearly 20% of social enterprises in our sample reported annual revenues of more than 1 million EUR. Median revenues equalled 239,987 EUR.

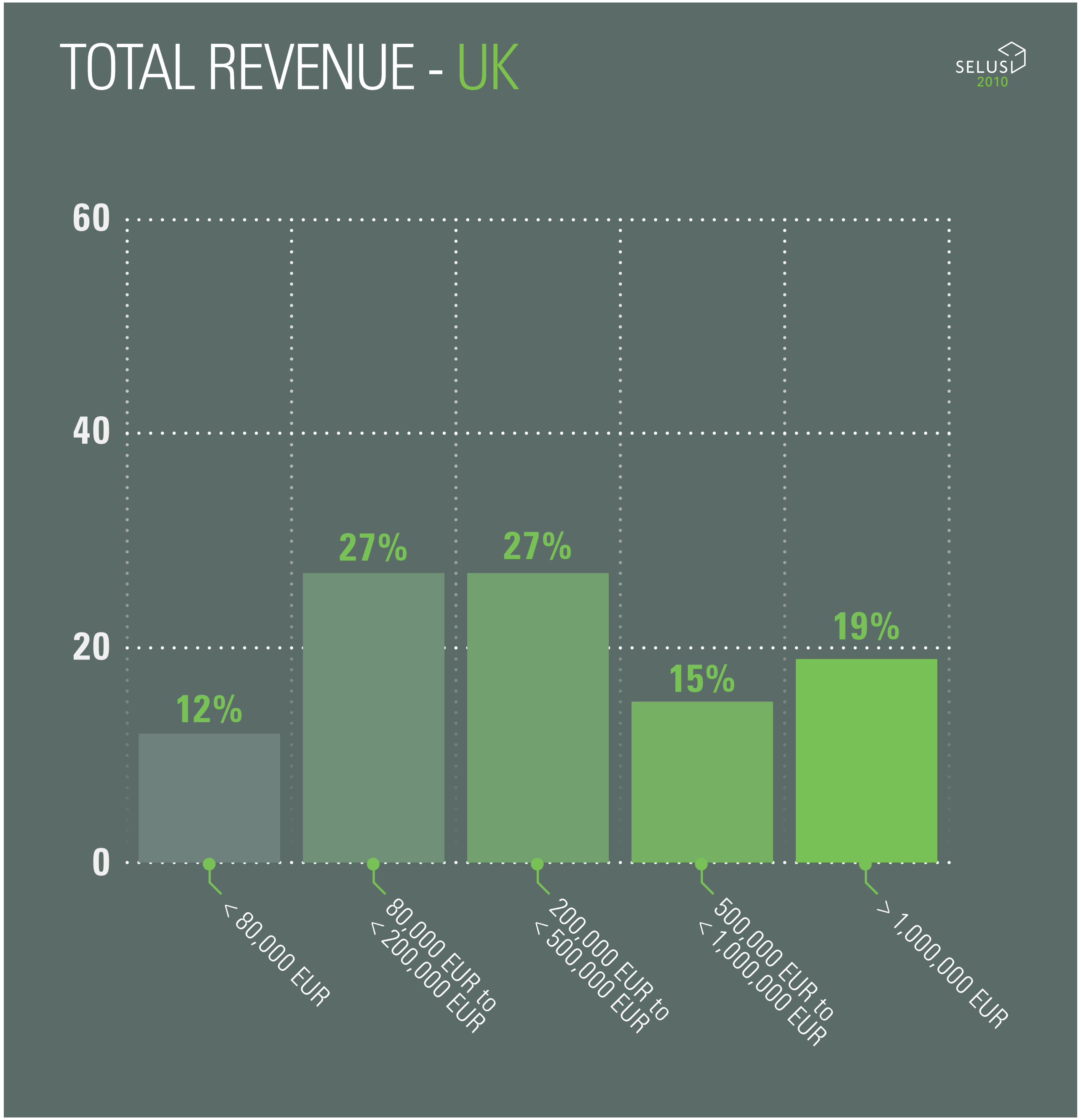


Figure 6a: Total Revenues (EUR) from Nov '08 to Nov '09
Note: N=156. Figure shows percentage of social enterprises in each revenue category. The answers were given in Pounds Sterling, which we converted into EUR using exchange rate of 1 GBP = 1.11622 EUR (31 Oct 2009). Revenue categories were chosen taking into account revenue development across the entire sample of analysed countries (Spain, UK, Hungary, Romania and Sweden). According to Eurostat, GDP per capita in UK in 2009 was 27,500 EUR or 117% in PPP (percentage of EU27).

Figure 6b summarizes the development of revenues relative to the previous year (i.e. Nov. '07 to Nov. '08). It is remarkable that despite the financial crisis, only 16% of social enterprises experienced a reduction in revenues, while 7% reported stable revenues (i.e. 0% growth). 47% reported moderate growth (up to 20%) and 30% reported strong growth (20% to 40% and more than 40%).

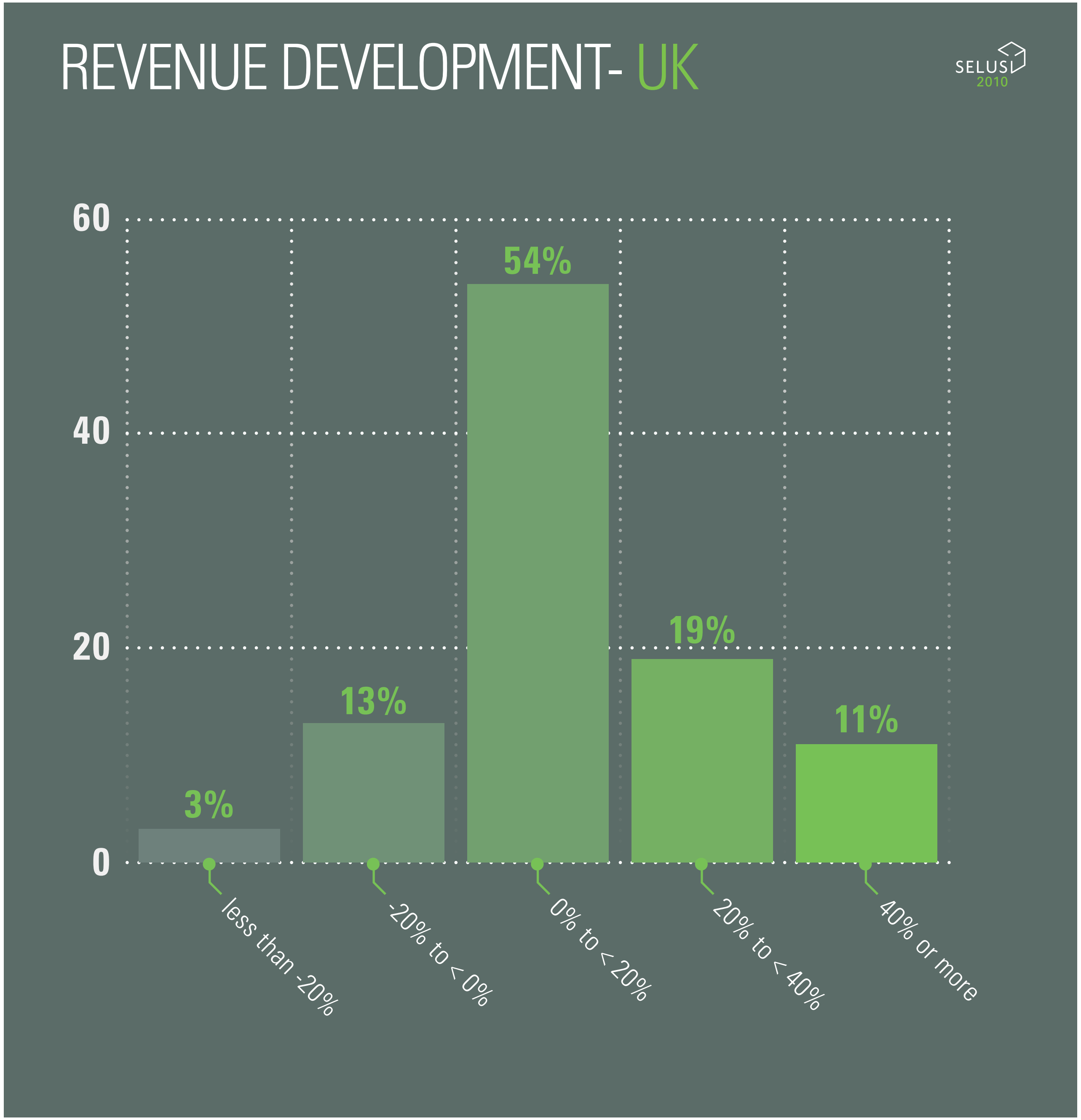


Figure 6b: Revenue Change from Nov '08 to Nov '09 Compared to Nov '07 – Nov '08
Note: N=149. Figure shows percentage of social enterprises in each category. Number of companies for which this question does not apply because they were founded after November 2008 is equal to eight.

7 AGE AND LABOUR CAPITAL

In the on-line survey, we asked you to tell us the year and the month when your organization was formally established by registering with the appropriate government agency. The average age of the 166 UK social enterprises that responded to this question was 12.3 years. Half of those organizations were 8 years old or younger. Figure 7a shows the distribution of organizational age using 5 age intervals: organizations younger than 1 year, organizations between 2 and 4 years old, organizations between 5 and 10 years old, organizations between 11 and 20 years old, and organizations older than 20 years. The number at the top of each column indicates the number of organizations in the given age interval.

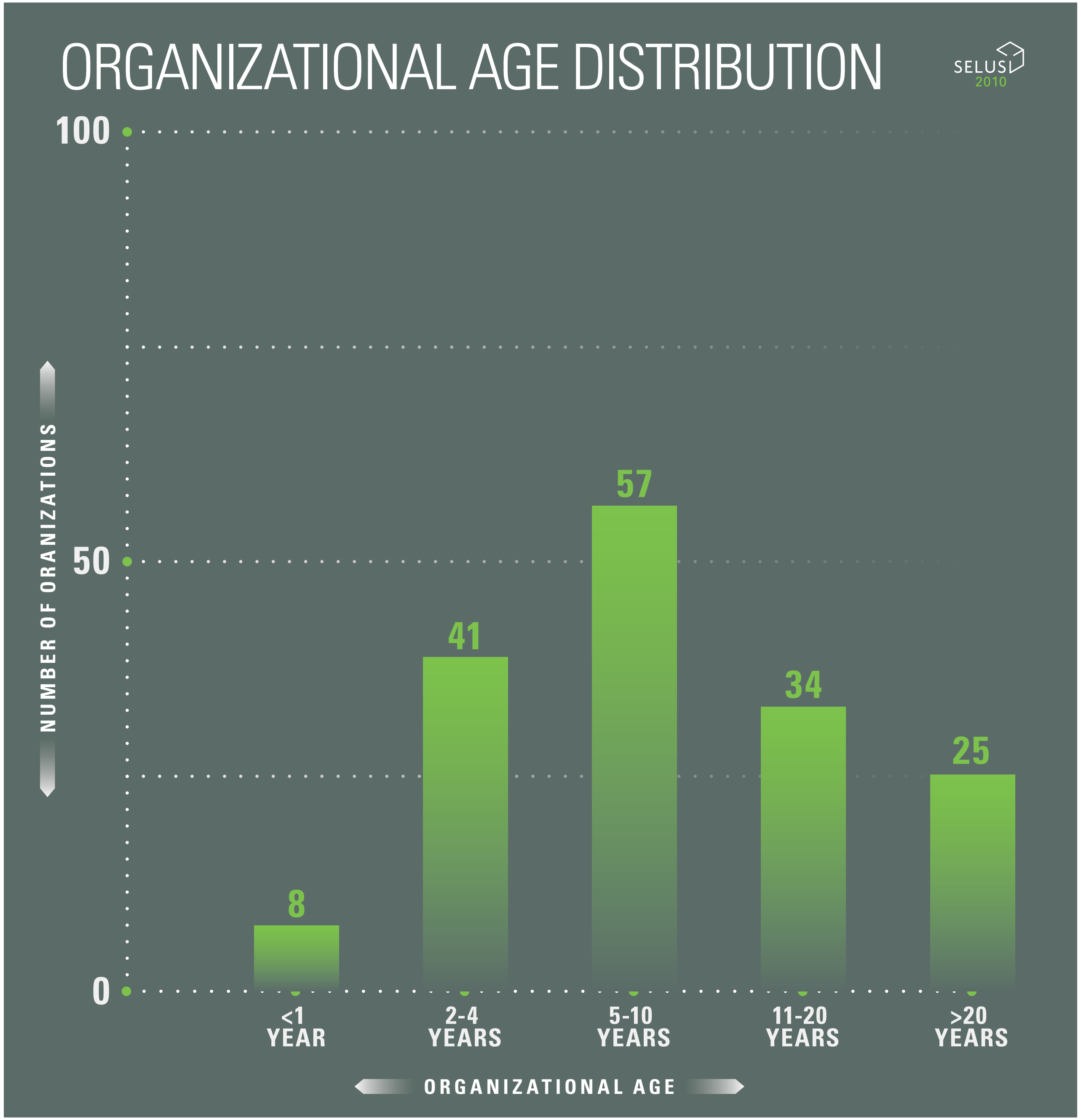


Figure 7a: Organizational Age
Note: N=166.

Another more standard, but important measure we enquired about was the (i) number of full-time equivalents (not counting the owners) that currently work for the venture either as wage employees or subcontractors, and (ii) the number of volunteers that currently work for the venture.

Figure 7b shows us that slightly over half the ventures interviewed employ less than 10 full-time equivalents (FTEs). At the same time, nearly 15% of the ventures interviewed employed at least 50 FTEs.

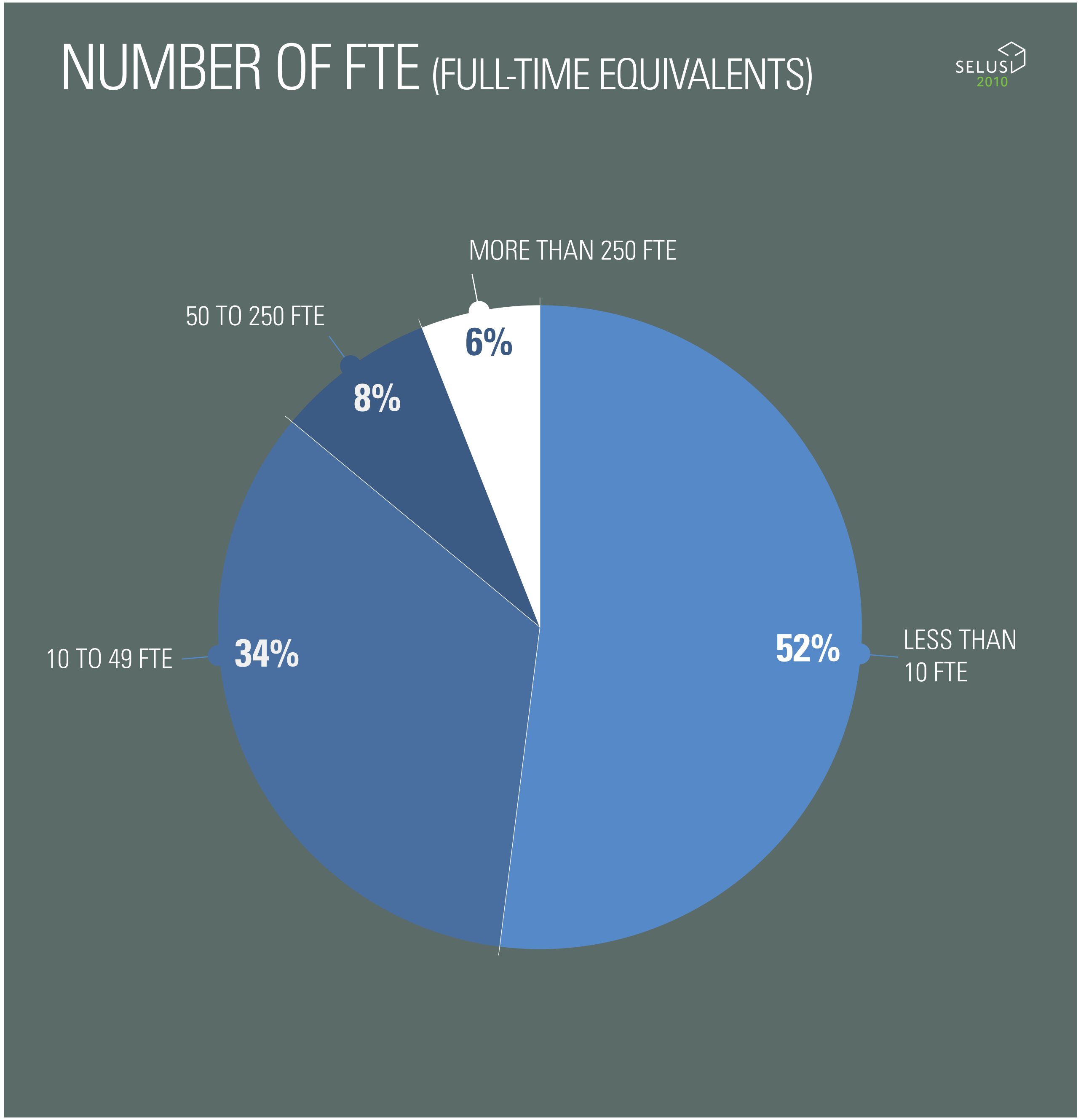


Figure 7b: Number of Full-time Equivalents Employed (not including the owners)
Note: N=167.

Figure 7c suggests a similar pattern in the distribution of number of volunteers across all ventures. Note that nearly one fifth of all enterprises interviewed did not work with volunteers.

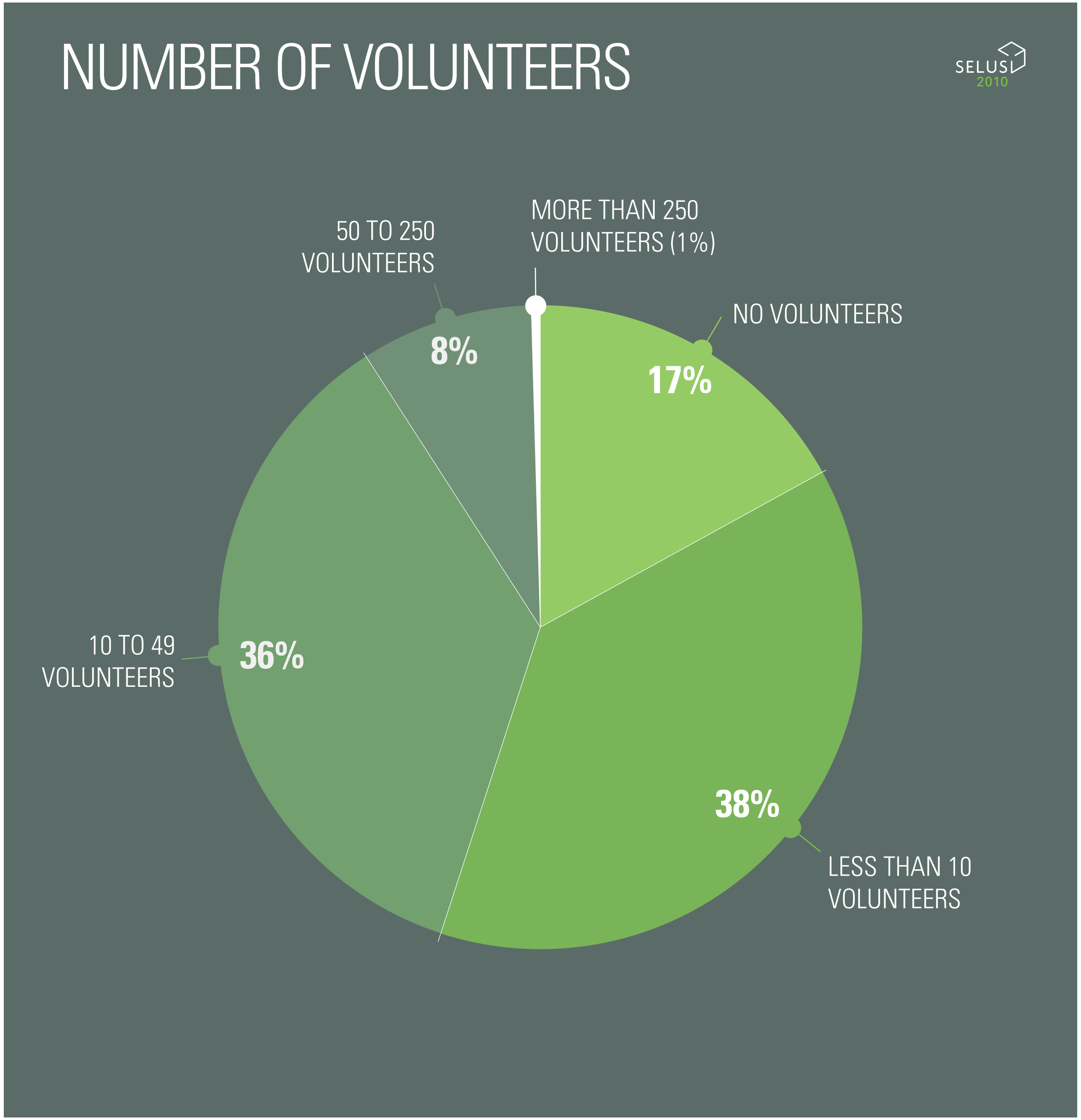


Figure 7c: Number of Volunteers Working at the Social Venture ▶

Note: N=163.

8 RESOURCES

In the on-line survey, you were presented with an extensive list of resources and asked to indicate on a scale from 1 to 7 how much your organization relied on each specific resource during the past 12 months. By resources, we mean assets that your organization has used “to do business”, i.e. to generate economic and social value. A value of 1 indicated that your organization didn’t rely at all on the specific resource, whereas 7 that your organization relied on this resource to a great extent. The following Figures group resources based on their relatedness into 4 groups: Collaboration Resources; Advice and Knowledge Resources; Resources Related to Reputation; and, Human Resources. The number in the rectangle below indicates the average score for all of 169 surveyed UK social enterprises for the specific resource.

Together, these data demonstrate that the interviewed UK social ventures relied most extensively (as indicated by average scores of at least 5.5) on informal social networks, partnerships with other organizations, organizational reputation, and full-time employees. The least relied-upon resources (as indicated by average scores at or below 3.5) were government providing support services, registered trademarks, patents and copyright protections, and paid professional consultants.

COLLABORATION RESOURCE (UK)

Figure 8a
1 Informal social networks
2 Formal social networks
3 Partnerships with other organizations
4 Participation in professional events

ADVICE & KNOWLEDGE RESOURCES (UK)

Figure 8b
1 Government provided support services
2 Other subsidized consulting services
3 Advice from financing organizations and business incubators
4 Registered trademarks, patents, copyright protections
5 Professional publications

REPUTATION RELATED RESOURCES (UK)

Figure 8c
1 Organizational reputation
2 Founder's/Leader's reputation
3 Industry/Social sector reputation
4 Important individuals and celebrity endorsements

HUMAN RESOURCE (UK)

Figure 8d
1 Full-time employees
2 Temporary staff
3 Volunteers
4 Founders
5 Board members
6 Paid professional management consultants

▲ Note: N=166. The closer the line to the middle of the spider web, the less did social ventures rely on that particular resource in doing business.

9 INNOVATION

Another special focus area was innovation. For instance, we collected general data on 'how innovative' social ventures were using standardized questions from the European Community Innovation Surveys (available through Eurostat), and found that 89% of UK social enterprises reported having introduced at least one new or significantly improved service, product and/or process to their organization within the past year (i.e., 2009). Moreover, 67% of those ventures had introduced at least one 'new-to-the-market' innovation, i.e. a 'radical' innovation over the past year (again, 2009). When we contrast these figures with comparable data on commercial enterprises, we find that social ventures reported to be much more innovatively active, and this was the case across all countries surveyed.

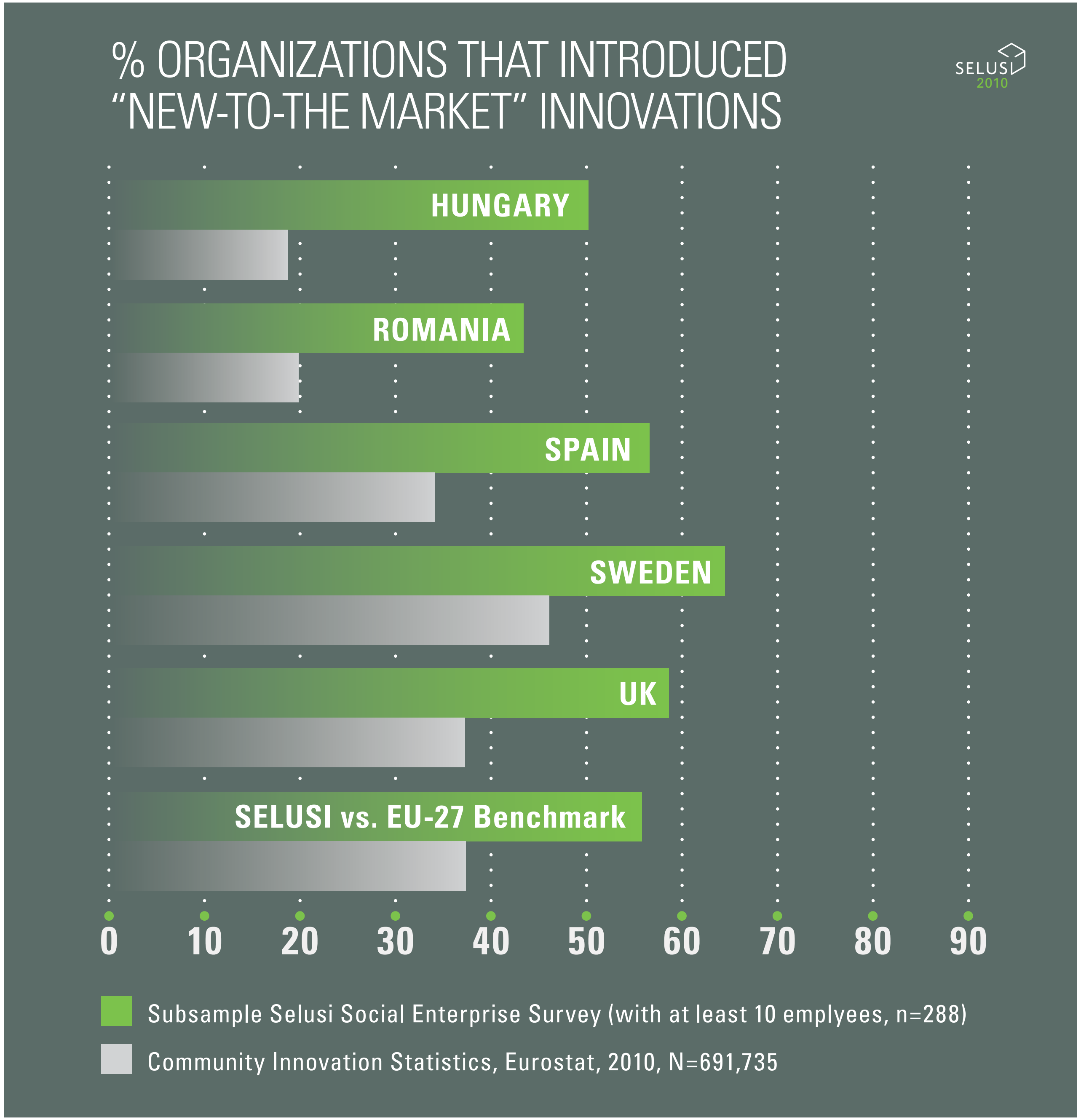
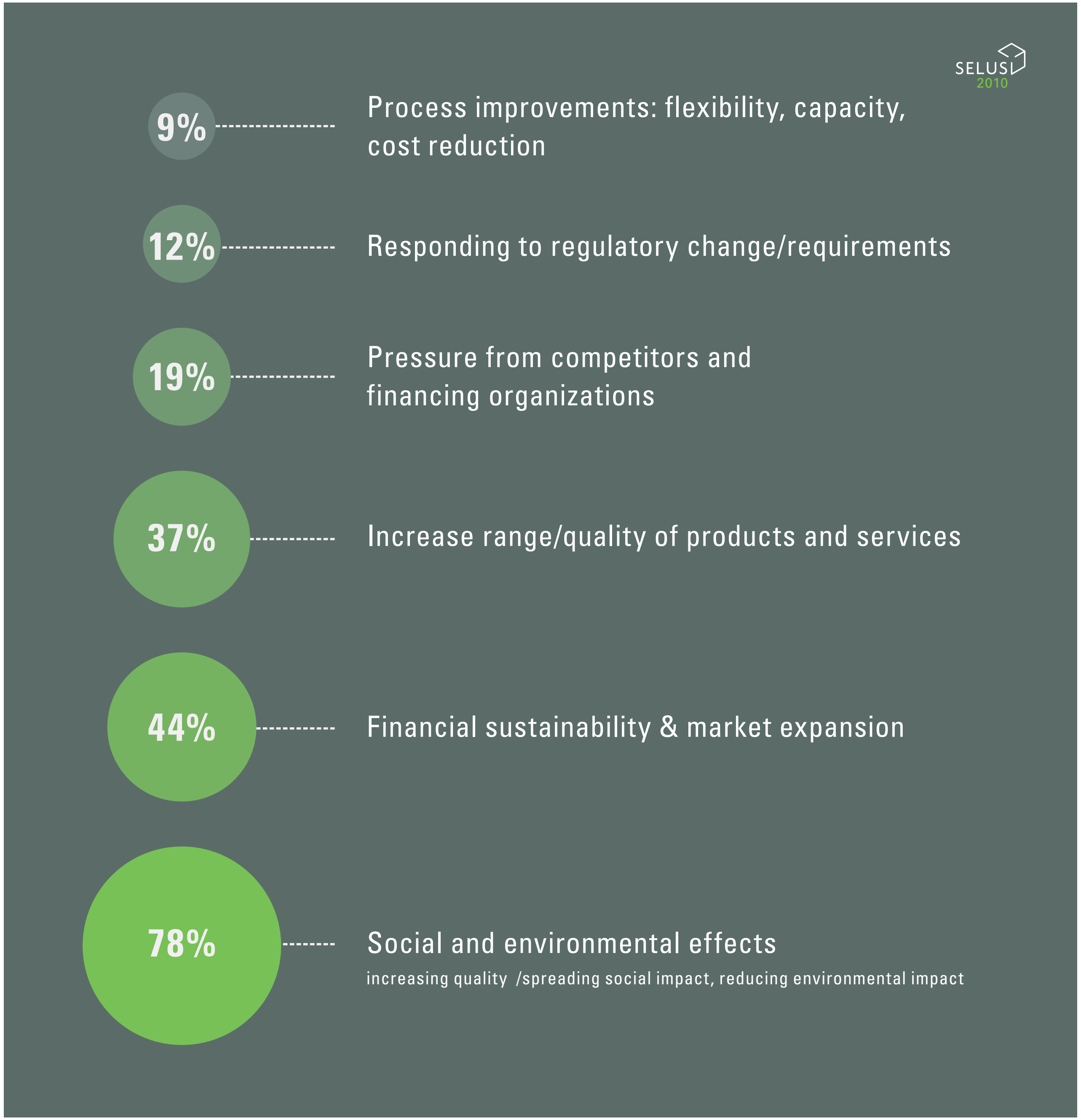


Figure 9a: Proportion of Social Ventures that had introduced New-to-the Market Innovations during the past year.

We also asked you to recount why you consider it important to innovate and what you wish to achieve by innovating - virtually all ventures considered innovation important. Six main clusters of innovation drivers emerged; these are depicted in Figure 9b along with the percent of social ventures mentioning a motivation for innovation that belonged to that category.

Figure 9b shows that the most widespread driver of innovation activity was to achieve the social venture's social goals: for example, to improve the quality of how the venture delivers social impact and/or increase the spread of social impact by increasing the number of people they reach. Some of these entrepreneurs also indicated that they were innovating to reduce the negative environmental impact of their organization's activities. Other important drivers were to increase the social venture's financial sustainability and expand its market; and to increase the range and/or quality of the products and/or services that the social venture provides. For your information, the main driver of innovation of commercial enterprises identified has been to increase the range and/or quality of their products and services (Eurostat, CIS 2006; Parvan, 2009).

Figure 9b: Innovation Drivers ▶
Note: N=164. The categories were obtained through prior exploratory research, and from the Community Innovation Surveys (available through Eurostat).



We also asked you to report on any innovation barriers that you have encountered over the past 12 months, i.e. factors that led the organization not to develop new or improved products/services or processes. These factors have been grouped into the following four large areas (see Method Box D for the definition of these categories).

Figure 9c shows that cost-related innovation barriers (much like with commercial enterprises) were most frequently mentioned, whereas market-related barriers (and this is different to commercial enterprises) were least frequently raised.

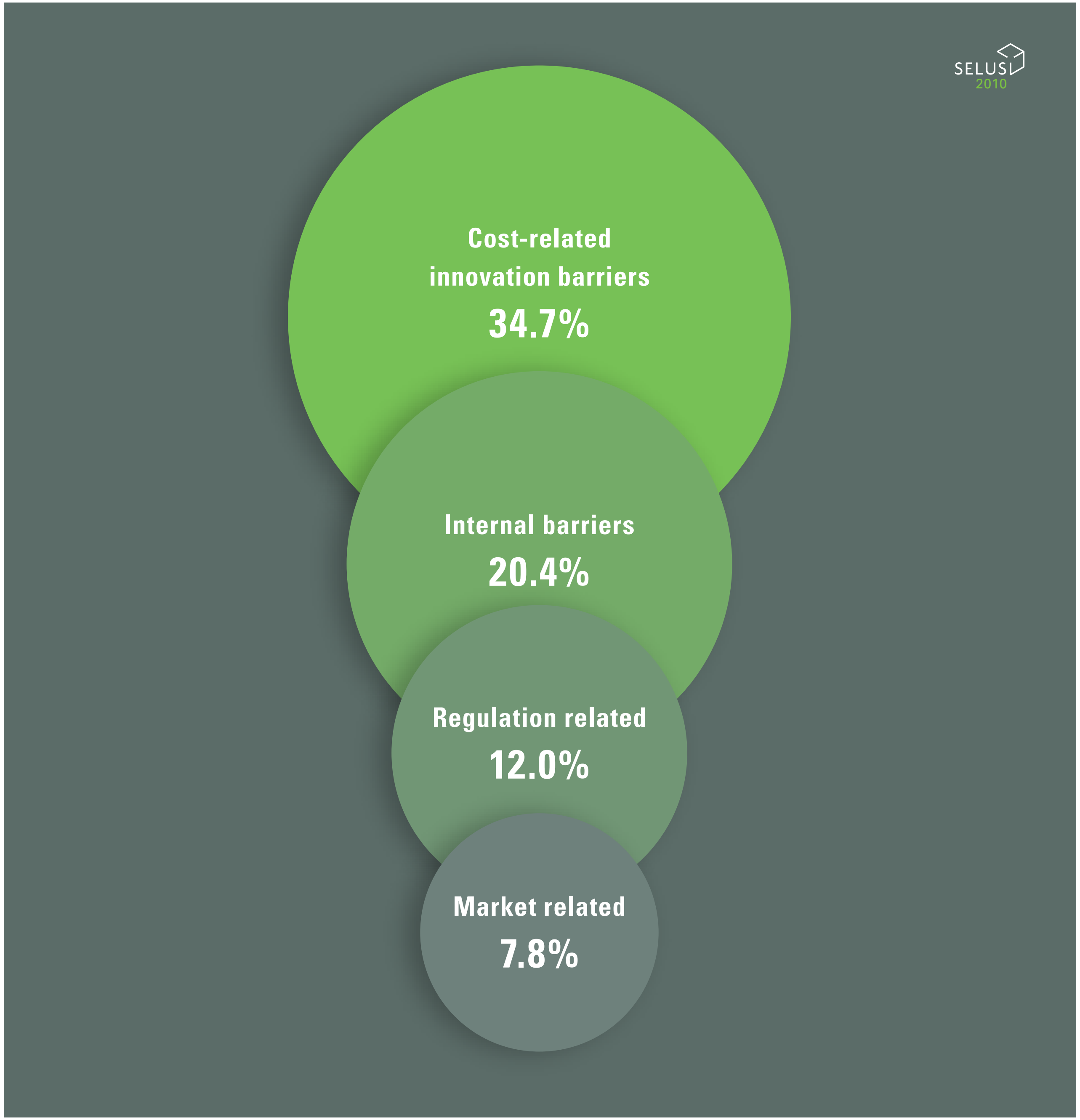


Figure 9c: Innovation Barriers
Note: N=167.

METHODS BOX

D

The barriers typically reported by commercial enterprises are more numerous and most frequently relate to the cost of innovation being too high, the economic return of an innovation being uncertain, and market-related barriers (D'Este, Iammarino, Savona & von Tunzelmann, 2008).

1 Cost-related innovation barriers – reflect excessive economic risk that would be associated with pursuing an innovation, as well as the cost and/or lack of available financing for an innovation. This category also captures whether an innovation has not been pursued due to the ongoing economic crisis.

2 Internal barriers – reflect lack of time, lack of qualified personnel and/or lack of information on technology and/or markets to pursue innovation activities further.

3 Regulation-related barriers – reflect the fact that innovations were inhibited by the need to meet government and/or EU regulations and/or also the fact that social ventures do not receive support from official institutions because these are not familiar with 'what a social venture is'.

4 Market-related barriers – reflect the fact that an innovation was not pursued because it was envisioned that it would not be accepted by the market, e.g. potential customers. Furthermore uncertain demand for an innovation as well as the dominance of another established organization discouraged innovation activities of social ventures.

10 EU POLICY SUGGESTIONS

Towards the very end of our phone conversations, we invited you to make policy recommendations to the EU. Figure 10 gives you a summary overview of all your answers. Easing access to EU finance was most frequently mentioned. The second most popular type of policy suggestion concerned improving employment conditions and social justice for homeless and disabled people. The rest of the answers were fairly evenly distributed across the remaining categories. Category 'other' comprises answers such as better regulated state aid for developing countries (5 answers), gender equality (2 answers), justice and citizens' rights (2 answers), bringing UK closer to EU (2 answers), and issues related to transport and travel (1 answer).

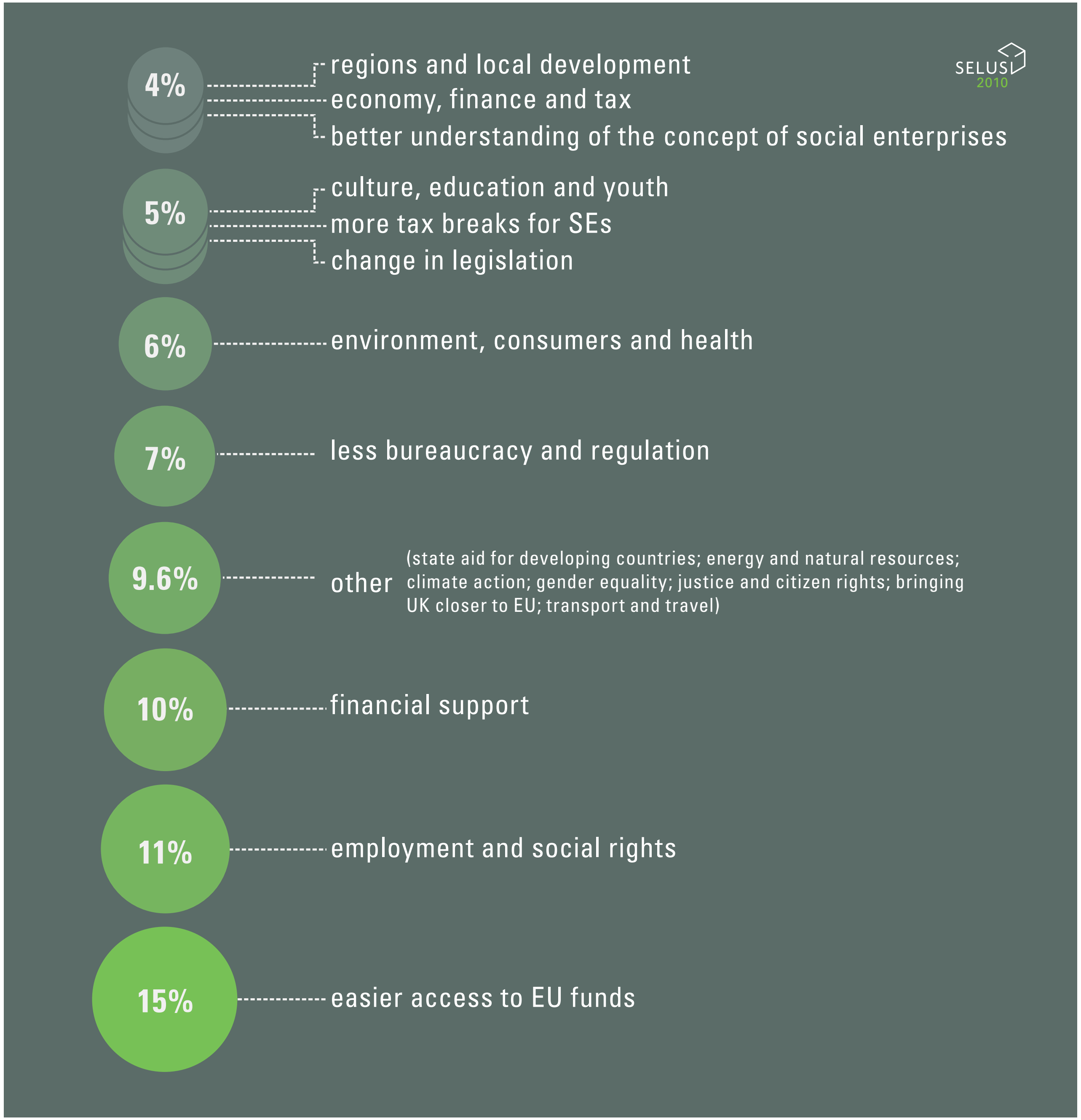


Figure 10: Overview of Policy Suggestions to the EU Note: N=229 , which is the total number of responses. We adapted a typology of policies used by the European Commission: http://ec.europa.eu/policies/index_en.htm. Note that in 16% of the cases, we had missing values for this question.

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