

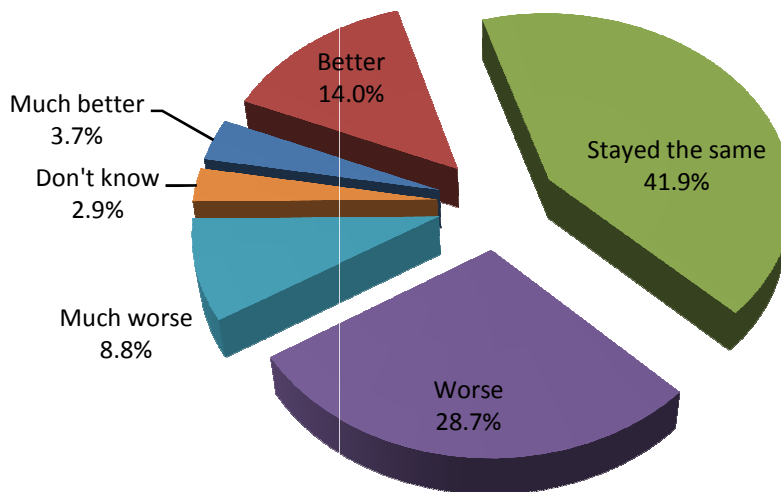
Social Enterprise in the Economic Upheaval - Summary

The survey was conducted online between the 17th of October and the 13th of November. For more detailed results please see www.socialenterprise.org.uk/pages/research.html.

The experiences of social enterprises in the economic upheaval so far are diverse

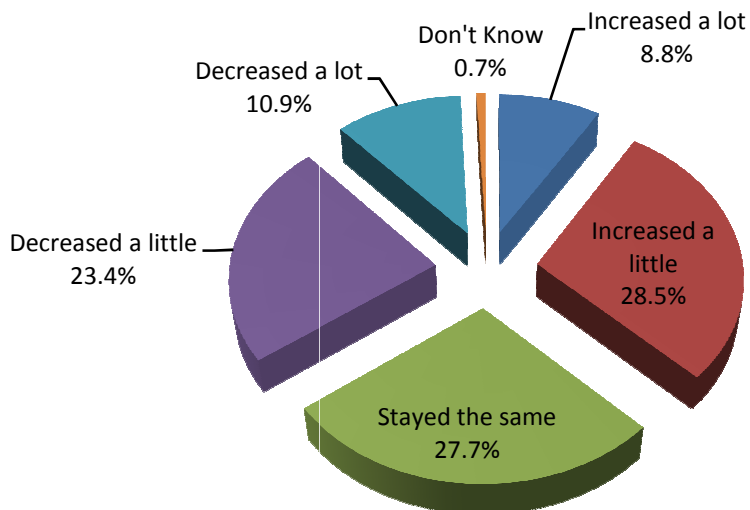
More social enterprises had experienced a worsening financial situation than an improving one in the last 3 months before responding, though the majority had not experienced a worsening.

3 month change in financial situation



Social enterprises had experienced both increases (37.2%) and decreases (34.3%) in their amount of trading activity.

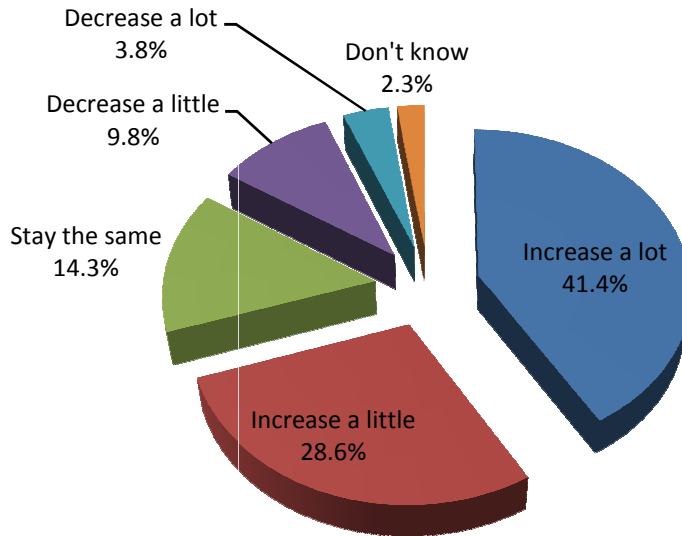
3 Month Change in Amount of Business



Social enterprises strongly expect the social and environmental needs they address to increase in the current economic climate

A clear majority (70%) expected the social or environmental need they addressed to increase, with 41.4% believing that it would increase a lot.

Expected Change in Social or Environmental Need Addressed



The needs they were most commonly addressing by their direct trading activity were:

Training/ consultancy	21.4%
Business support and advice	19.1%
Employment services	15.6%
Environmental/ recycling services	15.6%
Regeneration	14.5%
Education	13.9%
Retail	12.1%
Social care	12.1%

The problems experienced by social enterprises surveyed included many that are already commonly reported before the upheaval

They were:

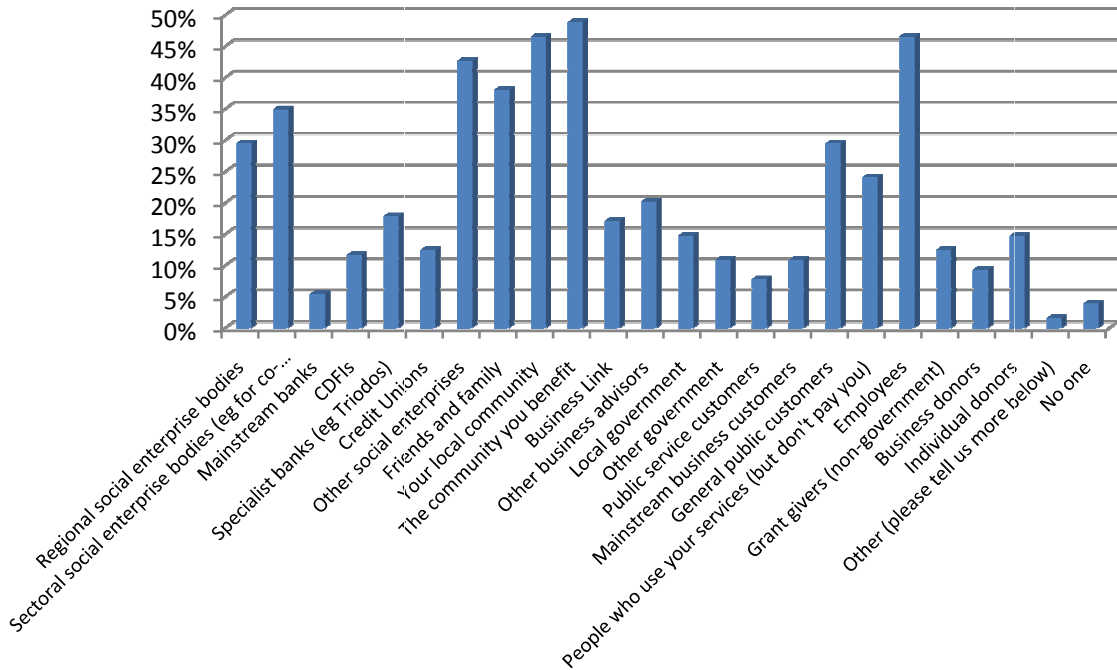
Late payments from public service (eg Local Authority, PCT)	34.2%
Grants denied	32.5%
Unable to access finance to develop or invest	29.2%
Falling demand from general public consumers	26.7%
Lost contracts for public services	25.8%

Other cash flow	24.2%
Late payments from private businesses	17.5%
Growth in the need for goods or services you provide	17.5%
Unable to access suitable business advice	14.2%
Other problems (please tell us more below)	14.2%
Denied credit from mainstream lenders	12.5%
Mainstream lenders trying to charge more for the same service	10.8%
Lost orders from private businesses	7.5%
Denied credit from specialist lenders	6.7%
Difficulty meeting targets/terms of own contracts	6.7%
Mainstream lenders introducing new charges	5.0%
Other party defaulting on contracts	5.0%
Specialist lenders introducing new charges	2.5%
Specialist lenders trying to charge more for the same service	1.7%

These results re-enforce the need for government to meet its commitments to pay SMEs within 10 days and to consider systems for reporting and action where this commitment is not being met, and the importance of finance, supporting social investment and lending to enable social enterprises to start and scale up to meet the anticipated demand.

While social enterprises feel supported by their communities and the movement, there is an opportunity for government to support them more

Who is Helping



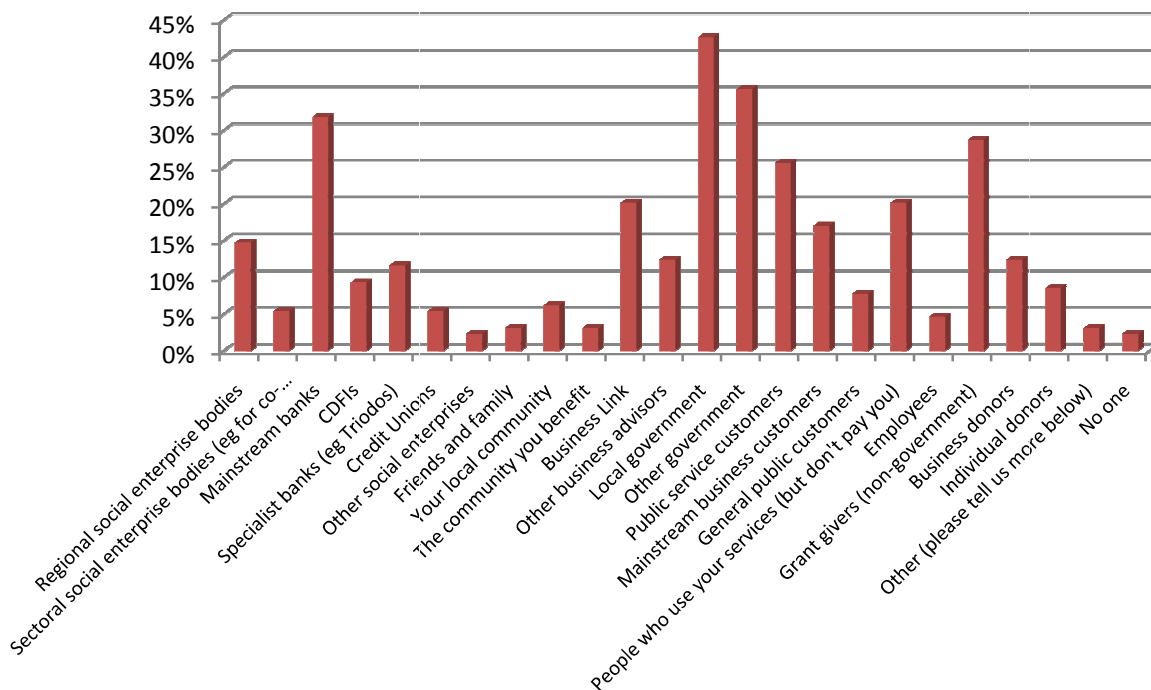
When asked who was helping *most*, the most common responses were:

Employees	13.3%
Sectoral social enterprise bodies (eg for co-operatives, development trusts, social firms)	9.5%
Your local community	9.5%
The community you benefit	9.5%
Regional social enterprise bodies	7.6%
Friends and family	6.7%
Other social enterprises	5.7%

This seems to support the idea of utilising peers and networks to help social enterprises translate the support from their communities, workers and beneficiaries into success.

Government, mainstream banks and grant givers were frequently thought to be making things more difficult:

Who is Making things More Difficult



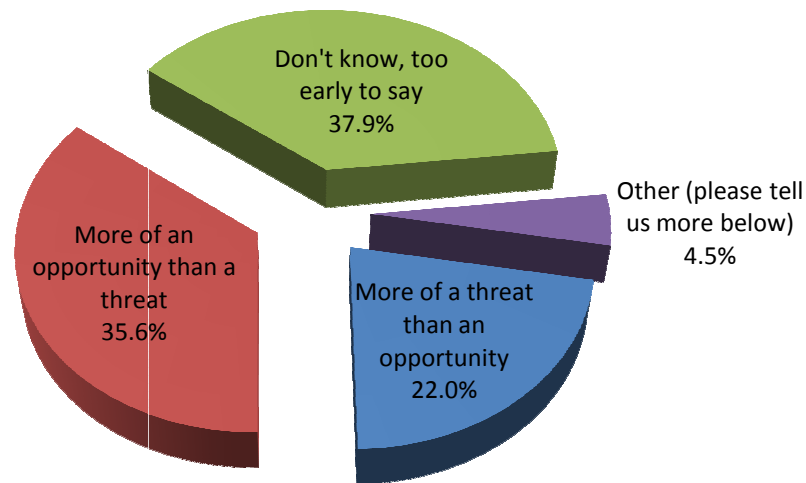
Although many surveyed work in public service provision (33.5%) many rely on trading with the public (39.8%) and on both (19.9% for whom it was too evenly split to say).

Actions taken because of the upheaval include diversification and more collaboration

Cut running costs	40.5%
Diversify into a new market	37.4%
Apply for more grants	37.4%
Work more with other social enterprises (eg consortia)	35.1%
Work more with public service commissioners (eg Local Authorities, PCTs)	31.3%
Work more with mainstream businesses (eg partnerships)	24.4%
Reduce reserves	21.4%
Postpone planned investment	20.6%
More energy efficiency	20.6%
Ask social enterprise support bodies for help	18.3%
Reduce the services you offer	16.0%
Use your own money to help the business	16.0%
Expand into a new geographic area	16.0%
Reduce profit	16.0%
Stop planned hiring	13.7%
Make redundancies	13.0%
Ask other social enterprises for help	11.5%
Make wage cuts	8.4%
Other (please tell us more below)	8.4%
Increase debt	6.1%
Buy property	5.3%
Alternative finance (eg community bond or share issue)	5.3%
Cancel planned investment	4.6%
Reduce inventories	4.6%
Recruit from the financial services sector	3.1%
Close the business	2.3%
Buy a private company	0.8%
Procure from less ethical/environmental sources	0.8%

Of the social enterprises surveyed, although many (37.9%) thought that it was too early to say, more thought that overall the economic upheaval presented social enterprise in general with more of an opportunity than a threat (35.6%), than more of a threat than an opportunity (22%).

Economic Upheaval Presents to Social Enterprise



Although there is confidence in the potential for social enterprise, some of the uncertainty may depend on not knowing what actions will be taken on the support available to social enterprises to rise to the challenge as well as the economic course in general.

Implications

Many social enterprises provide jobs, skills, community cohesion and resilience that are especially needed during a recession, as well as the social and environmental benefits, innovation and inspiration they have always offered. Many social enterprises provide services of specific relevance to economic development such as training, employment for those disadvantaged in the labour market and social lending. The skills and models honed by community development and regeneration experience may be deployed more widely as strained economic circumstances apply to more people and communities.

Social enterprise business models offer an opportunity for a more just and sustainable recovery, with greater equity of economic power and a more sustainable society by combining market efficiency with social and environmental justice. Social enterprises with the possibility of growth, and those strained by adversity need resources and support to make this happen.

The Coalition is developing its policy recommendations to support social enterprises in the light of developing events in consultation with our members and key stakeholders. We have suggested:

- Increased financial support and investment, especially providing liquidity to social lenders, bringing forward the proposed social investment wholesaler now when the need is most pressing and accelerating asset transfers.
- Maintaining and creating jobs, including support for employees and communities to transform troubled private businesses into social enterprises.
- Promoting peer support and networking to make the most of the expertise within the movement.

- Public sector action, in recognising the added value of social enterprise solutions through intelligent commissioning of existing and new public services and infrastructure, enforcing commitments on prompt payment, a level playing field in procurement and recognising the distinct needs of social enterprises in providing Solutions for Business.
- Promoting social enterprise as a better business model.

While Government and other decision makers have committed to supporting small businesses (90.7% of those we surveyed had fewer than 50 employees), individuals and communities during the recession, it is important that in doing so they understand the distinctive experiences and contributions that social enterprises make.

The need remains for more research to better understand what actions need to be taken, especially as economic conditions change. The full impacts of some recent policy announcements are not fully clear, specifically:

- How well the free business health checks offered through Business Link and the Solutions for Business funded by government programme, announced in October, will take into account the specific needs of social enterprise.
- How successful the implementation of the commitment to pay suppliers within 10 days is.
- What effects suspending the Small Firms Loan Guarantee and subsuming it into the Enterprise Finance Guarantee will have, and whether alternative support will be made available for social lenders, credit unions and CDFIs and others, who have actually increased their lending to those who most need it during the credit crunch.
- How the £2,500 Employers' Golden Hellos for employers taking on those who have been unemployed for more than 6 months will be administered.

The Coalition is conducting a new shorter survey shortly as both economic conditions and government actions have changed in the last three months.

To take the survey, please follow this link:

http://www.surveymonkey.com/s.aspx?sm=H8DiZz2vyPgWHhHQx2u_2bUQ_3d_3d

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February 2009