

# Social Enterprise Barometer

## February 2010

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By IFF Research Ltd.



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## Introduction

BIS's Business Barometer first took place in December 2008 – a survey of 500 SME employers across the UK. The survey was intended to monitor SME experiences in getting finance, achieving growth and profitability, their usage of business support, their credit terms and payment etc. The Barometer has since been repeated every 2-3 months, with surveys in February, April, June, September and December 2009, and also February 2010. The sample for the Barometer is taken from the Annual Small Business Surveys (ASBS) that took place in 2006/07 and 2007/08 – each of these consisting of over 10,000 interviews with SMEs across the UK.

The Government defines a social enterprise as follows: “a business with primarily social objectives, whose surpluses are principally reinvested for that purpose in the business or community rather than mainly being paid to shareholders or owners”. The number of Social Enterprises was estimated from the ASBS using the following criteria:

- A business that has mainly social and environmental aims, and...
- Does not pay more than 50% of trading profits or surpluses to owners or shareholders, and...
- Principally reinvests its surpluses in the business or the community, and...
- Generates more than 25% of income from trading goods and services, and...
- Has less than 75% of its turnover derived from grants or donations

Under this definition the ASBSs found that in 2005-8 at least 60,000 businesses were Social Enterprises, this is around 5% of businesses with employees.

Given that only a small proportion of SMEs are social enterprises, it has not been possible to track their progress through the Business Barometers. For this reason BIS has commissioned a Cabinet Office funded two part project that seeks to further understand the social enterprise sector, its experiences in the recession, and its needs for business support. The second part to this project is an intensive 12 month research project based on those who participated in the first stage. This report is concerned with this first stage – a representative survey of up to 500 social enterprises in the UK.

500 social enterprises were interviewed by telephone between the 8<sup>th</sup> and 19<sup>th</sup> February 2010 by IFF Research Ltd. Those interviewed were owners/proprietors, Managing Directors or partners in the enterprise.

The sample was drawn in part from those who had participated in the 2006/07 and 2007/08 ASBSs, and in part from a general database sample provided by Dun & Bradstreet, and a sample from Guidestar<sup>1</sup>. 342 interviews derived from these ASBS recalls, and 158 from the combined DnB/Guidestar sample. The reason for using DnB/Guidestar was partly because there was not enough available sample from the ASBS recall to enable 500 interviews to be completed, and partly because representation of new enterprises was sought.

The 500 interviews included 27 with enterprises with no employees. These are excluded from this report in order that figures can be compared directly with the February 2010 Business Barometer. Therefore, the overall sample size for the dataset reported here is 473.

Businesses were screened to ensure they corresponded to the Government definition of a social enterprise (see previous page). Not every enterprise recalled from the ASBSs fitted these criteria, even though they had conformed to the definition at the time of the original interview, indicating that the social motivations and income generation structure can change over time. More details of the outcomes of these attempted interviews are given in the technical appendix at the back of this report.

Comparisons are made in this report with the February 2010 Business Barometer, the 07/08 ASBS survey, and the 2009 State of Social Enterprises survey<sup>2</sup>, which was undertaken on behalf of the Social Enterprise Coalition. Where comparisons are not made, this is usually because comparable questions were not asked in these other surveys.

In this report we will highlight changes in the findings between the waves that are statistically significant at the 95 per cent confidence level. In general, when considering the overall comparison between the Social Enterprise Barometer and the February 2010 Business Barometer, a difference of 4 to 6 percentage points indicates a significant finding<sup>1</sup>.

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<sup>1</sup> Guidestar's database is drawn from Charity Commission records, with organisations selected where their annual returns indicated 25% or more of income drawn from trading

<sup>2</sup> The sample for this survey was drawn from members of the Social Enterprise Coalition, members of related social enterprise networks, and Community Interest Companies. A total of 5,355 social enterprises were identified within this base, and 962 of them were interviewed at random by telephone between 15<sup>th</sup> December 2008 and 6<sup>th</sup> March 2009 by CELLO MRUK. The sample for this survey does not necessarily correspond to the Government definition of a social enterprise, yet they identify themselves as social enterprises through their affiliation. Because of the nature of the sample base is very different from that used in the Social Enterprise Barometer, comparisons are for information only.

# Executive Summary

## Nature of Social Enterprises

Social enterprise SMEs tend to employ more people than SMEs generally. Twenty-two per cent have 10 or more employees, compared to 16 per cent of SMEs in general.

Forty per cent of social enterprise employers are Companies Limited by Guarantee (CLGs). Twenty per cent are Private Companies Limited by shares, with a further 17 per cent being sole traders (with employees). Only 2 per cent are CICs. Thirty-nine per cent of social enterprise employers have charitable status, this being more likely to be the case among the larger institutions.

Forty-seven per cent of social enterprise employers have always been social enterprises, 23 per cent began as private-profit focussed business, and 18 per cent as charities. Larger social enterprises are more likely to have begun as charities. Evidence suggests that there is some movement in terms of compliance with the Government definition of a social enterprise, with some of those previously classified in the 07/08 ASBS as social enterprises no longer being so<sup>3</sup>, and others that were previously private profit motivated adopting a primarily social goal.

The main business activity of all social enterprise employers is the retail trade (17 per cent). However, for small and medium sized social enterprises (i.e. 10+ employees) it is social work.

The turnover for social enterprise SME employers is lower than for SMEs generally. For the social enterprises the mean average turnover is £471,000, whilst for SME employers it is £719,000.

Nearly half of social enterprise employers (49 per cent) are half or majority owned by women. This compares with 39 per cent for both social enterprise employers and SMEs recorded in the 07/08 ASBS.

Women-led social enterprises tend to have different characteristics from male-led ones. Women-led ones are more likely to be involved in retail and social work, and are more likely to derive income from donations (but not Government grants).

Five per cent of social enterprise employers are half or majority led by people from minority-ethnic groups (MEG-led), less than the 10 per cent recorded in the 07/08 ASBS. Eleven per cent are led by people with a long standing illness, disability or infirmity.

Fifty-four per cent of social enterprise employers derive all their income from trading. Of those that do not, 55 per cent receive public grants, 46 per cent private donations and 18 per cent corporate donations. Public grants and corporate donations are more common for the larger social enterprises.

There appear to be two distinct groups within the social enterprise universe: (a) those that derive all or nearly all of their income from trading, whose characteristics are similar to SMEs generally; and (b) those that are more reliant on public grants and donations, many of which have charitable status.

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<sup>3</sup> Overall, this worked out as 44 per cent of social enterprise employers interviewed in the 2006 and 2007 ASBS surveys, although the figure also includes social enterprises that are no longer in existence, and possibly others that have moved location. The figure is hard to quantify exactly and is given as an indication.

## **Growth**

Eighteen per cent of social enterprise employers now employ more people than they did 12 months ago, 56 per cent employ about the same numbers, and 26 per cent employ fewer people. These figures are very similar to those for SME employers generally, but medium sized social enterprises (50-249 employees) have fared better than medium sized SMEs generally.

Twenty-four per cent of social enterprise employers expect to employ more people in 12 months time, 62 per cent expect to keep staff numbers stable, and 14 per cent think they will have fewer employees. These figures are very similar to those for SME employers generally.

Twenty-eight per cent of social enterprise employers have a greater turnover than they did 12 months ago, for 36 per cent it is about the same, and for a further 36 per cent it has reduced. In this respect social enterprise employers have fared better than SME employers generally, but not for those that receive 100% of income from trading, only 22 per cent of whom have seen turnover increase in the last 12 months.

Thirty-seven per cent of social enterprise employers think turnover will be greater in 12 months time, 45 per cent think it will be about the same and 12 per cent think it will be lower. These expectations are very similar to those for SME employers generally.

Fifty-five per cent of social enterprise employers made a profit in the last 12 months. Sixty-two per cent think they will make a profit over the coming 12 months, but this is lower than the 80 per cent of SME employers generally who say this. This is explained by the preponderance of charities within social enterprises, only 50 per cent of whom expect to make a profit.

Two thirds of social enterprise employers expect to grow over the next 2-3 years, the same proportion as for SME employers generally.

Fifteen per cent of social enterprise employers export outside the UK, less than the 22 per cent of SME employers that do this.

Fifty-four per cent of social enterprise employers have introduced new products or services in the last 12 months, more than the 42 per cent of SME employers that have done this.

## **Business Environment**

Like SME employers generally, social enterprise employers cite the state of the economy as their main barrier to achieving success. However, social enterprise employers are more likely to mention obtaining finance and a lack of financial understanding as obstacles to success. Obtaining finance is more of a problem to charities than non-charities.

Cashflow is no more of an obstacle to social enterprise employers than it is to SME employers in general, but the cause of cashflow problems does differ. Social enterprises are more prone to fluctuating income and outgoings, whilst SMEs generally are more likely to be affected by late payment. This is because social enterprises are generally less likely to offer credit than SMEs.

For those that do offer credit, late payment is slightly less of an issue for social enterprise employers than it is for SMEs in general. This is likely to be related to sector – there are very few construction firms among social enterprises, and these in particular tend to have problems with late payment.

A third of social enterprise employers have public sector clients, with a quarter having worked for them in the last six months. These are the same proportions as for SME employers generally. Of those that have worked for the public sector in this time period, 44 per cent are mainly paid slowly, more than is the case for SME employers.

### **Access to Finance**

External finance is important to 56 per cent of social enterprise employers – more than is the case for SME employers generally. Charities are most likely to think this (72 per cent).

Seventeen per cent of social enterprise employers have sought external finance in the last six months. Whilst this is a similar proportion to SME employers generally, social enterprises are more likely to have sought it more than once, perhaps indicating that they have business models that rely upon more regular injections of finance.

Of those that sought finance, social enterprises were more likely than SME employers to seek funds for building improvement and refinancing, but no more likely to seek working capital.

Although social enterprise employers are likely to go to banks to seek finance (of those that sought it, 31 per cent sought a bank loan and 17 per cent an overdraft), they are less inclined to go to banks than SME employers generally. Twenty per cent of social enterprises that sought finance were looking for a grant.

Twenty-nine per cent of the social enterprise employers that sought finance were rejected outright by the first source they approached, the same proportion as for SME employers generally. A further 10 per cent had other problems getting finance. Rejections were more common from banks than from grants.

Thirty-eight per cent of social enterprise employers have had an overdraft facility in the last 6 months, a lower proportion than for SMEs generally. Charities were less likely to have overdrafts than non-charities. Among those with overdrafts there is no evidence to suggest social enterprises experience more changes to their terms and conditions than SMEs generally.

Fourteen per cent of social enterprise employers have had an outstanding bank loan in the last 6 months, less than for SMEs generally. Charities are less likely to have had loans. Of those that had loans, social enterprises were more likely to be penalised with less favourable lending terms and demands for more securitisation than SMEs generally.

## Business Support

Forty-five per cent of social enterprise employers have sought general advice and information on the running of their business in the last 12 months, many more than is the case for SME employers generally. However, awareness in England of a publicly funded business support service and Business Link in particular is no higher among social enterprises than it is for SMEs.

Although awareness of the Business Link Health Check is lower for social enterprises in England than for SMEs, social enterprises are more likely to have made use of the service (17 per cent for social enterprise employers in the UK).

Social enterprise employers are more likely than SME employers to be aware of the previous Government's measures announced as part of the Real Help for Business Now scheme, but are no more likely in general to have made use of them. There are some differences here, however, as social enterprises are more likely to have used Train to Gain (10 per cent compared to 5 per cent of SME employers), but are less likely to have used the HMRC support service (5 per cent, compared to 16 per cent of SME employers).

From the evidence here it is difficult to conclude whether social enterprises have different needs for business support than SMEs in general, and whether they are being serviced adequately. Perhaps because of the proportion with charitable status there is less need for support from HMRC, but the greater numbers making use of Train to Gain suggest training is more of an issue than for SMEs generally.

## Conclusions

The nature of social enterprises is very different from SMEs in general. This is a factor of the sectors they operate in, and the way they are funded. Indeed, there are two types of social enterprises: those that are entirely or almost entirely dependent on their own trading for their income, and those that are more dependent on public money and donations. The latter group are more likely to be charities.

Those that are more dependent on trading income behave much like SMEs generally, although their sector profile means they avoid some of the problems associated with certain industries such as construction. Those with a lower proportion of trading income are less reliant on bank finance, and concentrate their efforts on fundraising and obtaining grants. There is no evidence to suggest that social enterprises have significantly greater problems obtaining finance than SMEs generally, although overall this is partly explained by the fact that they are less inclined to attempt to get bank finance in the first place.

Overall, social enterprises have fared much the same as SMEs in the recession, with one exception: a higher proportion have managed to increase their turnover in the last 12 months. However, this is not the case for those that derive 100% of income from trading, whose performance has been much the same as SMEs generally, indicating that the others have managed to increase turnover through the support they receive elsewhere. Looking forward, social enterprises are cautiously optimistic in the same way as are SMEs generally.

Steve Lomax, Director

IFF Research Ltd.

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## Part 1: Nature of Social Enterprises

The first part of the report looks at the characteristics of social enterprises, and how they differ from SMEs as a whole.

### Size<sup>4</sup>

Social enterprises tend to be larger than SMEs generally, in terms of the numbers they employ. Among employers, 78 per cent of social enterprises have 1-9 employees (micro businesses), compared to 84 per cent of SMEs as a whole. Nineteen per cent of social enterprise employers are small businesses with 10-49 employees, compared to 14 per cent of SMEs generally.

Table 1: Size of Social Enterprises		
Base = all Social Enterprise employers/SME employers	Feb. 2010 Social Enterprise Barometer	Feb. 2010 Business Barometer
	n=473	n=500
	%	%
Micro business (1-9 employees)	<b>78</b>	84
Small business (10-49 employees)	<b>19</b>	14
Medium business (50-249 employees)	3	2

Figures in bold are statistically significant differences at the 95% confidence level between the two surveys

If we include non-employers, we find that 56 per cent of social enterprises have no employees, which compares with 77 per cent of all SMEs having no employees<sup>5</sup>.

It should be noted that although every social enterprise reported here has employees, a significant proportion (17 per cent) still classify themselves as sole traders.

<sup>4</sup> Quotas were imposed on size of organisation. The figures have been calculated using weighting targets based on the 07/08 ASBS, but then adjusted to take into account the proportions who screened out of the social enterprise barometer because they no longer fitted the Government definition of a social enterprise.

<sup>5</sup> Source = 2008 SME Stats (BIS)



## Legal Status

Forty per cent of social enterprise employers are private companies limited by guarantees, this being most likely to be the case for medium sized social enterprises (52 per cent). Twenty per cent are private companies limited by shares, 17 per cent are sole traders, whilst 9 per cent describe themselves as charities, although this is not strictly speaking a legal status.

The number of sole traders in the sample, despite the report being based on employers only, is explained by the fact that it is possible for sole traders to have employees.

A comparison with the legal statuses of SMEs in the Business Barometer and ASBS is not possible because the ASBS under-represents companies limited by guarantee<sup>6</sup>, but SME Stats indicates that 61 per cent of SME employers are companies (including public corporations and nationalised bodies), 14 per cent are partnerships, and 25 per cent are sole traders.

In the State of Social Enterprise survey 59 per cent of social enterprises described themselves as CLGs, 39 per cent as charities, 17 per cent as CICs, 12 per cent as IPSs and only 7 per cent as companies limited by shares. The State of Social Enterprise also has far fewer that describe themselves as sole traders (1 per cent).

Base = all Social enterprise employers	All	Micro	Small	Medium
n=	473	182	187	104
	%	%	%	%
Private Company Limited by Guarantee	40	38	45	<b>52</b>
Private Company Limited by Shares	20	18	24	4
Sole Trader	17	<b>20</b>	<b>6</b>	<b>1</b>
Charity	9	10	7	13
Partnership	6	7	4	<b>1</b>
Industrial and Provident Society	3	3	2	4
A Trust	2	2	1	4
Community Interest Company	2	2	2	0
Limited Liability Partnership	1	1	3	0
An Unincorporated Association	1	0	<b>3</b>	2
Other	1	1	3	3

Figures in bold are statistically significant at the 95% confidence level against the overall finding

<sup>6</sup> This was due to the way the question was asked in the ASBS. It asked respondents to confirm whether the legal status information held on the record was correct. The sample source, Dun & Bradstreet, did not distinguish between companies limited by shares, and those limited by guarantee. Hence, respondents agreed that they were private limited companies. The ASBS did not ask about charitable status.

Thirty-nine per cent of social enterprise employers have charitable status. This is more likely to be the case the larger the enterprise (36 per cent of micros, 48 per cent of small social enterprises, 62 per cent of mediums). Sixty per cent of those with charitable status are companies limited by guarantee, with a further 24 per cent describing themselves as charities<sup>7</sup>.

Thirty five per cent of the private companies limited by guarantee were founded in the 1990s, compared to 27 per cent of non-CLG social enterprise employers founded in this decade.

### Age of Social Enterprise

Nine per cent of social enterprise employers were founded in the last 5 years (2004 onwards), 15 per cent between 6 and 10 years ago, 31 per cent between 11 and 20 years ago, and the rest longer ago. A comparison with the February Business Barometer is not possible<sup>8</sup>, but the age of social enterprises is similar to that seen in the 07/08 ASBS.

<b>Table 3: Age of Social Enterprises</b>			
Base = all Social Enterprise employers/SME employers	<b>Feb. 2010 Social Enterprise Barometer</b>	<b>07/08 ASBS (Social Enterprise Employers)</b>	<b>07/08 ASBS (All SME Employers)</b>
	n=473	n=570	n=7783
	%	%	%
Up to 5 years	9	<b>13</b>	14
6-10 years	15	16	17
11-20 years	31	27	26
21+ years	43	45	42
Don't know/refused	2	*	*

Figures in bold are statistically significant differences at the 95% confidence level between the 2010 SEB and the 07/08 ASBS  
 \* = a figure which is less than 0.5% but not zero

Thirteen per cent of social enterprise employers in the 07/08 ASBS were formed within 5 years of the survey, compared to 9 per cent in the Social Enterprise Barometer, a significant difference. However, this is to be expected as the bulk of the SEB sample is drawn from previous ASBSs, and by definition will not have included any social enterprises formed in 2009-10 (and very few in 2008).

<sup>7</sup> All of these also agreed they had charitable status when asked the question directly.

<sup>8</sup> This is because firms interviewed in the Business Barometer were previously interviewed in either the 07/08 or 06/07 ASBSs, meaning that newer SMEs are not represented.

Of those interviews gained through the boost Guidestar sample 13 per cent were formed in the last five years, the same proportion seen in the 07/08 ASBS. Of the ASBS-recall interviews the equivalent figure is 8 per cent. There is no indication in this survey that the age profile of social enterprises has changed since 07/08, and on the evidence of the 07/08 ASBS there is no significant difference in the age profile of social enterprises compared to SMEs generally.

### Form in Which Organisation Began

Forty-seven per cent of social enterprise employers say that they have always been a social enterprise, 23 per cent began as a profit focussed business that increased its social or environmental focus over time, and 18 per cent began as a charity.

Table 4: Form in which Organisation Began				
Base = all Social Enterprise employers	All	Micro	Small	Medium
n=	473	182	187	104
	%	%	%	%
Have Always Been a Social Enterprise	47	46	47	51
Began as a Profit Focussed Business that Increased its Social/Environmental Focus	23	23	21	<b>14</b>
Charity	18	17	22	<b>29</b>
Community Organisation	5	6	3	3
Public Sector Organisation	1	1	2	1
Religious Organisation	1	1	3	1
Other	4	4	2	2
Don't Know	1	2	1	1
Figures in bold are statistically significant at the 95% confidence level against the overall finding				

The interesting finding here is that there appears to be movement in the definition of a social enterprise. Some start as charities, and presumably not all of these will have sold goods or services at first, others started up as normal businesses and changed their focus over time. It is also possible for organisations that started as social enterprises to become normal private profit seeking SMEs - this finding evidenced by the fact that 44 per cent of those that were social enterprises when interviewed in the 07/08 and 06/07 ASBSs no longer are (see footnote 3 and technical appendix).

Medium sized social enterprises are the most likely to have started as charities (29 per cent). Forty-five per cent of those that currently have charitable status say they began as a social enterprise, with a further 45 per cent saying they began as a charity. Of those that started as a charity, 4 per cent no longer claim to have charitable status<sup>9</sup>.

One third (34 per cent) of social enterprises that derive all their income from trading, started as a private profit making business. Thirty-six percent of social enterprises without charitable status started as profit making firms (compared with 23 percent of all social enterprises).

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<sup>9</sup> As it is not legally possible to transform a charity into a profit making organisation the 4 per cent may have reformed legally as a new business, but trace their history back to another organisation which is a charity, as on reforming the staff and activities may not have changed. Alternatively, it may be that the organisation is still a charity, but has decided to deregister from the Charities Register. In this case it is still a Charity but no longer claims the tax advantages of a charity (only a proportion of Charities are on the register).

## Main activity<sup>10</sup>

Social enterprises cover a wide range of activities and are found in many different sectors. The most common of these among social enterprise employers is in the retail/wholesale<sup>11</sup> sector (17 per cent), with social work, hospitality and membership organisations also being common activities for social enterprises.

<b>Table 5: Main activity of social enterprise</b>				
Base = all Social Enterprise employers	<b>All</b>	<b>Micro</b>	<b>Small</b>	<b>Medium</b>
n=	473	182	187	104
	%	%	%	%
Retail/wholesale	17	<b>21</b>	<b>5</b>	<b>4</b>
Social work	9	<b>6</b>	<b>17</b>	<b>28</b>
Hospitality	7	6	8	4
Membership Organisation	7	6	<b>11</b>	5
Manufacturing	6	5	<b>10</b>	4
Transport	5	5	4	2
Arts	5	5	3	2
Construction	5	5	5	4
Sports	5	4	7	6
Printing/publishing	4	5	2	5
Education	4	3	6	8
Renting	3	3	2	0
Recycling	3	4	2	0
Repair/maintenance	2	2	1	0
Agriculture	2	3	1	0
Tourism	2	2	*	1
Environmental activities	2	<b>1</b>	<b>4</b>	4
Religious organisations	2	2	2	0
Health	2	1	2	4
Other	11	11	7	<b>21</b>
Unclassifiable	3	3	0	0
Figures in bold are statistically significant at the 95% confidence level against the overall finding * = a figure which is less than 0.5% but not zero				

<sup>10</sup> Because so many social enterprises are classified in a relatively few SIC codes (many are in the codes that cover charities and other membership organisations), this is not a classification based on SIC, but rather the given activity of the organisation as stated by the respondent. Therefore, it is difficult to compare the data with other sources.

<sup>11</sup> Because many organisations combine retail and wholesale, these sectors have been combined.

There is a big difference in the activities undertaken by the smaller social enterprises – the micro businesses with 1-9 employees, and the medium sized businesses with 50+ employees. The medium sized social enterprises are more likely than average to be involved in social work, health, education and environmental activities – the sectors more traditionally associated with social enterprises.

Because so many social enterprises are concentrated in the broad service sector, the standard tables in this report show size of enterprise rather than sector (unlike the Business Barometer).

## Turnover

Seventeen per cent of social enterprise employers have an annual turnover of less than £67,000, with 3 per cent having a turnover of more than £2.8 million. The mean average turnover is £471,000.

This is less than for SME employers generally where the mean average is £719,000. A smaller proportion of social enterprise employers have a turnover of £250,000 or more (40 per cent) compared to SMEs as a whole (56 per cent). This is in spite of the fact that social enterprises tend to be larger than SMEs in terms of number of employees.

<b>Table 6: Turnover</b>					
	<b>Social Enterprise Barometer</b>				<b>February Business Barometer</b>
Base = all Social Enterprise employers/SME employers	<b>All</b>	<b>Micro</b>	<b>Small</b>	<b>Medium</b>	
n=	473	182	187	104	500
	%	%	%	%	%
Less than £67,000	17	<b>21</b>	<b>2</b>	<b>0</b>	9
£67,000-£99,999	13	<b>16</b>	<b>3</b>	<b>2</b>	6
£100,000-£249,999	23	<b>26</b>	<b>14</b>	<b>1</b>	20
£250,000-£499,999	18	17	23	<b>7</b>	20
£500,000-£999,999	11	<b>8</b>	<b>25</b>	<b>4</b>	18
£1 million - £1.499 million	5	<b>3</b>	<b>11</b>	<b>17</b>	6
£1.5 million - £2.8 million	3	*	<b>10</b>	<b>10</b>	7
More than £2.8 million	3	*	<b>5</b>	<b>57</b>	5
Don't know	4	5	3	2	4
Refused	3	3	4	1	5
MEAN AVERAGE (£000'S)	£471	£277	£885	£2,546	£719
Figures in bold are statistically significant at the 95% confidence level against the overall finding * = a figure which is less than 0.5% but not zero					

One per cent of social enterprise employers (12 cases unweighted) have turnovers of less than £100,000 but also have 10+ employees. Further examination of these indicates that a lower than average proportion of turnover comes from trading, and they are also more likely than average to have charitable status (sample sizes are too small for differences to be statistically significant). The explanation for the relatively low turnover is probably that these social enterprises employ a higher proportion of part-time employees and volunteers than average<sup>12</sup>.

The mean average turnover for those with charitable status is slightly lower than those without (£422,000 compared to £503,000).

Compared with the ASBS 07/08 the turnover of social enterprise employers has, if anything, decreased slightly. In that survey 13 per cent of these had a turnover of more than £1 million, compared to 11 per cent now<sup>13</sup>.

The State of Social Enterprise survey found a similar profile in terms of turnover: 17 per cent had a turnover of more than £1 million, with 56 per cent having a turnover of less than £250,000 (SEB = 53 per cent).

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<sup>12</sup> The Social Enterprise Barometer, Business Barometer and the ASBS do not ask about numbers of part time employees and volunteers within the total work force.

<sup>13</sup> This appears to be an effect of both lower turnover among ASBS recall respondents, and a lower turnover among the social enterprises interviewed through the Guidestar sample, as there is no significant difference in the proportion with more than £1 million turnover between the two.

## Aims of Organisation when Started

The most common aims of social enterprise employers when they started were to improve both their own and social outcomes (54 per cent), improve community outcomes (54 per cent) and to make a difference/feel positive (48 per cent). These three main motivations apply to all social enterprise employers, regardless of size.

<b>Table 7: Aims of organisation when started</b>				
Base = all Social Enterprise employers	<b>All</b>	<b>Micro</b>	<b>Small</b>	<b>Medium</b>
n=	473	182	187	104
	%	%	%	%
Improve Both Your Own and Social Outcomes	<b>54</b>	<b>55</b>	<b>53</b>	<b>54</b>
Improve Community Outcomes	<b>54</b>	<b>54</b>	<b>54</b>	<b>54</b>
Make a Difference/Feel Positive	<b>48</b>	<b>48</b>	<b>45</b>	<b>49</b>
Improve Environmental Outcomes	25	26	23	22
Earn Money/Make a Profit/A Living	2	1	3	4
Other	2	1	3	4
Don't Know	2	3	2	1
Figures in bold are statistically significant at the 95% confidence level against the overall finding				

Charities are more likely to have had the aim of improving community outcomes when they started than non-charities (77 versus 39 per cent). They are also more likely to have wanted to make a difference/feel positive (61 per cent compared to 39 per cent of non-charities). Women-led social enterprise employers are also more likely to have these two aims when starting than male-led ones.



## Ownership

Five per cent of social enterprise employers are owned or at least half owned by a person or people predominantly from a minority ethnic background (MEG-led). This is a lower proportion than that seen in the 07/08 ASBS. Forty-nine per cent of social enterprise employers are owned by a woman or at least half or more of the owners are women (women-led). This is a higher proportion than that seen in the 07/08 ASBS. Eleven per cent are at least half owned by people with longstanding illnesses, disabilities or infirmities, about the same proportion seen in the ASBS.

<b>Table 8: Ownership of Social Enterprises</b>			
Base = all Social Enterprise employers	<b>Feb. 2010 Social Enterprise Barometer</b>	<b>07/08 ASBS (Social Enterprise Employers)</b>	<b>07/08 ASBS (All SME Employers)</b>
	n=473	n=570	n=7783
	%	%	%
MEG-led <sup>14</sup>	5	<b>10</b>	8
Women led	<b>49</b>	39	39
(Male led)	51	<b>60</b>	61
Led by person/people with long standing illness, disability or infirmity	11	15	9
Figures in bold are statistically significant differences at the 95% confidence level between the 2010 SEB and the 07/08 ASBS			

There is no significant difference between the proportion of women-led social enterprise employers according to sample type (ASBS recall vs. Guidestar). In the 07/08 ASBS social enterprise employers were no more likely to be women-led than SME employers generally. It is not possible to say whether this is the case in February 2010<sup>15</sup>.

Women-led social enterprise employers tend to be different from male ones in several respects. There is no significant difference in their size by number of employees, but the turnover of women-led businesses tends to be less than that of male-led ones (36 per cent of women-led social enterprise employers have a turnover of more than £250,000, compared to 43 per cent of male-led ones).

<sup>14</sup> Detailed analysis of MEG-led and disabled-led social enterprises is not really possible due to small base sizes (30 and 36 respectively).

<sup>15</sup> The comparison here is made with the 07/08 ASBS rather than the most recent business barometer. The reason for this is that questions on ownership according to ethnicity, gender and disability were not asked in the business barometer series, and the demographics of ownership may have changed since the questions were originally asked in the ASBSs.

Women led social enterprise employers are more likely to be involved in certain activities. Thirteen per cent are involved in social work, compared to 4 per cent of male-led ones; twenty-two per cent are involved in retail/wholesale compared to 13 per cent of the male-led; nine per cent are involved in hospitality, compared to 4 per cent of male-led; and 4 per cent are involved in tourism compared to less than half a percent of male-led ones. On the other hand, women-led social enterprise employers are less likely than male-led ones to be involved in membership organisations, sports, environmental activities, religious activities, construction and agriculture.

Women led social enterprise employers tend to be newer organisations, with 27 per cent having been formed since the year 2000, which compares with 17 per cent of the male led ones.

Forty-three per cent of women-led social enterprise employers have charitable status, compared to 35 per cent of male led ones. Twenty-one per cent of the women-led organisations started as a charity, compared to 15 per cent of the male led ones.

There is no difference between the two groups in terms of percentage of turnover derived from trading, but women-led social enterprise employers that do have non-trading income are more likely than male-led organisations to derive this from private donations (60 per cent, compared to 33 per cent of male led), corporate donations (22 compared to 15 per cent). They are no more likely to receive public grants than the male led social enterprises.

Women led social enterprise employers are less likely to be sole traders than their male counterparts (11 per cent compared to 23 per cent). Women are more likely to have partnerships (9 per cent compared to 4 per cent of male led), but there is no difference between the genders in terms of companies limited by guarantees, and private limited companies.

## Sources of Non-Trading Income

Fifty-four per cent of social enterprise employers derive all of their income from trading. This is most likely to be the case for micros (56 per cent) than for small (49 per cent) and medium sized social enterprises (40 per cent). The figure also varies by main activity – 74 per cent of those in retail/wholesale derive all income from trading, compared to just 31 per cent of those whose activity is social work.

<b>Table 9: Sources of Non –Trading Income</b>				
Base = all social enterprise employers that derive some income from non-trading sources	<b>All</b>	<b>Micro</b>	<b>Small</b>	<b>Medium</b>
n=	246	81	94	71
	%	%	%	%
Public Grants	55	53	58	<b>70</b>
Private Donations	46	44	51	51
Corporate Donations	18	16	24	<b>29</b>
Rental Income	3	4	1	3
Charity Trusts/Charity Donations/Trusts	3	3	5	3
Members Fees/Subscriptions	3	3	3	0
Investment Income	1	1	1	4
Other	13	15	8	<b>4</b>
Don't Know	4	4	6	0
Refused	1	1	0	0
Figures in bold are statistically significant at the 95% confidence level against the overall finding				

Sixty per cent of charities get public grants, with 55 per cent getting funding from private donations.

Of those that do have non-trading income, the most common source is public grants (55 per cent) followed by private donations (46 per cent) and corporate donations (18 per cent). The larger social enterprises are more likely to gain funds from all these main sources, with 70 per cent of them getting money from public grants, and 29 per cent getting corporate donations.

## Part 2: Growth

### Employment Levels over the Last 12 Months

Eighteen per cent of social enterprise employers are employing more people than they did 12 months ago. Twenty-six per cent are employing fewer, and 56 per cent about the same. The proportions are very similar to those seen in the February Business Barometer for all SME employers.

Table 10: Numbers Employed Compared with 12 Months Ago				
Base = all SME employers	All	Micro	Small	Medium
Social Enterprise Barometer February 2010. n=	473	182	187	104
	%	%	%	%
More than 12m Ago	18	<b>14</b>	<b>30</b>	<b>43</b>
The same	56	<b>60</b>	<b>45</b>	<b>41</b>
Fewer than 12m Ago	26	27	26	<b>16</b>
Business Barometer February 2010. n=	501	211	181	109
	%	%	%	%
More than 12m Ago	16	<b>15</b>	<b>24</b>	<b>34</b>
The same	57	<b>61</b>	<b>38</b>	<b>32</b>
Fewer than 12m Ago	27	<b>25</b>	<b>38</b>	34
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that survey				

However, the medium-sized social enterprises seem to be doing better than their counterparts among all SMEs. Only 16 per cent of the medium social enterprises now have fewer employees compared to 12 months ago, compared to 34 per cent for all SMEs. The same is also true for small social enterprises – 26 per cent of whom now have fewer employees, compared to 38 per cent of all small businesses.

Those that are significantly more likely to have more employees now are charities (24 per cent) and women-led social enterprise employers (21 per cent).

In the 07/08 ASBS 19 per cent of social enterprise employers had increased employment levels in the previous 12 months, with 21 per cent having downsized. In the ASBS social enterprise employers performed significantly worse than SME employers generally, which is no longer the case now.

## Expectations of Employment in the Next 12 Months

Twenty four per cent of social enterprise employers think they will have more staff in 12 months time than they have now, 14 per cent think they will have fewer.

<b>Table 11: Numbers Expect to Employ in 12 Months Time Compared to Now</b>				
Base = all SME employers	<b>All</b>	<b>Micro</b>	<b>Small</b>	<b>Medium</b>
Social Enterprise Barometer February 2010. n=	473	182	187	104
	%	%	%	%
Will Employ More in 12m	24	23	28	26
Same numbers in 12m	62	63	57	52
Will Employ Fewer in 12m	14	14	15	22
Business Barometer February 2010. n=	501	211	181	109
	%	%	%	%
Will Employ More in 12m	22	<b>20</b>	<b>33</b>	<b>38</b>
Same numbers in 12m	65	<b>69</b>	<b>48</b>	<b>48</b>
Will Employ Fewer in 12m	12	<b>11</b>	<b>19</b>	14
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that survey				

At an overall level these figures are very similar to those in the February Business Barometer, but there lay differences within. Among social enterprise employers expectations for future employment do not vary significantly according to size. In the Business Barometer the larger SMEs are more likely to think employment levels will increase. This may be due to the fact that medium sized social enterprises are more likely to have increased numbers in the last 12 months compared to medium sized SMEs generally.

Charities are less likely to think they will employ fewer in 12 months time (9 per cent), compared to non-charities (18 per cent).

In the 07/08 ASBS 26 per cent of social enterprise employers had expected employment growth in the forthcoming year, compared to 21 per cent expecting to downsize. These figures indicated that social enterprises were previously less confident than SME employers generally, which is again not the case now.

## Turnover in the Past 12 Months

Twenty eight per cent of social enterprise employers have a greater turnover now than was the case 12 months ago, for 36 per cent turnover was about the same, and a further 36 per cent have a lower turnover now.

Table 12: Turnover Now Compared to 12 Months Previously				
Base = all SME employers	All	Micro	Small	Medium
Social Enterprise Barometer February 2010. n=	473	182	187	104
	%	%	%	%
Turnover Greater Now	28	<b>26</b>	33	<b>45</b>
Turnover about the same	36	37	36	<b>20</b>
Turnover Less Now	36	37	36	20
Business Barometer February 2010. n=	501	211	181	109
	%	%	%	%
Turnover Greater Now	20	19	21	<b>34</b>
Turnover about the same	29	30	26	<b>18</b>
Turnover Less Now	50	50	53	48
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that survey				

Social enterprise employers have fared much better than SME employers in the last 12 months in terms of turnover. They are significantly more likely to have increased turnover than SMEs generally, and are significantly less likely to have lower turnover, although it should be noted that there is still a greater number of social enterprises with reduced rather than increased turnover.

Medium sized social enterprises, however, have fared well with 45 per cent increasing turnover, and only 20 per cent having lower turnover – a much better year than that experienced by medium sized SMEs in general.

Women led and companies limited by guarantees are the social enterprises most likely to have increased turnover (32 and 36 per cent respectively). However, those that derive 100% of income from trading are significantly less likely to have increased turnover (22 per cent, a similar proportion to SME employers generally).

In the 07/08 ASBS 43 per cent of social enterprise employers had increased their turnover in the previous 12 months, with 23 per cent having decreased turnover. These figures were similar to those for SME employers generally. As we have seen from the Business Barometers, turnover for all types of organisations has declined since the last ASBS.

In the State of Social Enterprise survey (2008-09) 56 per cent of social enterprises had increased turnover, whilst only 20 per cent had seen turnover decrease.

### Future Turnover Expectations

Thirty-seven per cent of social enterprise employers expect turnover to increase in 12 months time, 45 per cent think it will remain at about the same level, and 12 per cent think it will decrease. These overall figures are very similar to those seen in the February Business Barometer.

<b>Table 13: Expectations of Turnover in 12 Months Time</b>				
Base = all SME employers	<b>All</b>	<b>Micro</b>	<b>Small</b>	<b>Medium</b>
Social Enterprise Barometer February 2010. n=	473	182	187	104
	%	%	%	%
Greater than Now	37	37	37	36
About the same	45	45	43	43
Less than Now	12	<b>11</b>	<b>18</b>	18
Business Barometer February 2010. n=	501	211	181	109
	%	%	%	%
Greater than Now	34	<b>31</b>	<b>53</b>	<b>46</b>
About the same	44	<b>45</b>	<b>36</b>	40
Less than Now	15	16	11	9
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that survey				

Small social enterprises are less inclined to believe they will increase their turnover as are small businesses generally.

In the 07/08 ASBS 50 per cent of social enterprise employers expected to increase turnover in the next 12 months, compared to 13 per cent thinking turnover would decrease. In these expectations social enterprise employers back then were similar to SME employers as a whole.

In the 08/09 State of Social Enterprise survey, 49 per cent of social enterprises thought they would increase their turnover in the next year, compared to 20 per cent thinking turnover would stay the same, and 21 per cent predicting a decrease.

## Profit/Surplus in the Last 12 Months<sup>16</sup>

Fifty-five per cent of social enterprise employers made a profit or surplus in the last 12 months. However, of those that did make a profit, a greater number have managed to increase their profit compared to the previous 12 months, than had decreased profit levels.

Table 14 : Whether Made a Profit/Surplus in the last 12 Months				
Base = all SME employers	All	Micro	Small	Medium
Social Enterprise Barometer February 2010. n=	473	182	187	104
	%	%	%	%
Yes – profit/surplus increased compared with previous 12 months	36	34	41	<b>51</b>
Yes – profit/surplus decreased compared with previous 12 months	20	20	20	17
No profit/surplus	41	<b>43</b>	33	<b>29</b>
Don't know/refused	4	4	6	3
ANY PROFIT/SURPLUS	55	54	61	69
Figures in bold are statistically significant at the 95% confidence level against the overall finding				

Medium sized social enterprises were the most likely to have increased their profit levels (51 per cent). Charities were the least like to do this (29 per cent compared to 39 per cent of non-charities), and were also significantly more likely not to have made a profit (48 per cent, compared to 36 per cent of non-charities).

In the 07/08 ASBS 70 per cent of social enterprise employers generated a profit. This was lower than the equivalent figure of 78 per cent for SME employers as a whole.

In the State of Social Enterprise survey 62 per cent of social enterprises described themselves as making a profit in the last 12 months, whilst 18 per cent were in deficit.

<sup>16</sup> This question was not asked in the February 2010 Business Barometer. It was last asked in September 2009, but this is not a valid comparison.



## Whether Expect to make a Profit in the Next 12 Months

Sixty-two per cent of social enterprise employers expect to make a profit in the next 12 months. This proportion does not vary significantly according to size. It is lower than the 80 per cent of SMEs generally that expect to make a profit.

<b>Table 15: Whether Expect to Make a Profit in the Next 12 Months</b>				
Base = all SME employers	<b>All</b>	<b>Micro</b>	<b>Small</b>	<b>Medium</b>
Social Enterprise Barometer February 2010. n=	473	182	187	104
	%	%	%	%
Yes	<b>62</b>	<b>62</b>	<b>64</b>	<b>62</b>
No	<b>35</b>	<b>35</b>	<b>35</b>	<b>36</b>
Refused	<b>3</b>	<b>4</b>	<b>1</b>	<b>2</b>
Business Barometer February 2010. n=	501	211	181	109
	%	%	%	%
Yes	<b>80</b>	<b>79</b>	<b>83</b>	<b>85</b>
No	<b>16</b>	<b>17</b>	<b>14</b>	<b>15</b>
Refused	<b>4</b>	<b>4</b>	<b>2</b>	<b>0</b>
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that survey				

Charities are less likely to expect to make a profit (50 per cent) than non-charities (70 per cent). Companies limited by guarantee, many of which are charities, were also less likely to think they would make a profit (57 per cent).

Those that derive 100% of income from trading are more likely to think they will make a profit (68 per cent).

## Expect to Grow Over the Next 2-3 Years

Two thirds of social enterprise employers expect to grow over the next two to three years - the same proportion as for SME employers generally.

<b>Table 16: Expect to Grow Over The Next Two to Three Years</b>				
Base = all SME employers	<b>All</b>	<b>Micro</b>	<b>Small</b>	<b>Medium</b>
Social Enterprise Barometer February 2010. n=	473	182	187	104
	%	%	%	%
Yes	67	<b>64</b>	<b>77</b>	<b>80</b>
No	29	<b>31</b>	<b>22</b>	20
Refused	4	<b>5</b>	2	-
Business Barometer February 2010. n=	501	211	181	109
	%	%	%	%
Yes	67	<b>63</b>	<b>88</b>	<b>84</b>
No	33	<b>37</b>	<b>12</b>	<b>14</b>
Refused	*	*	-	2
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that survey * = a figure which is less than 0.5% but not zero				

The proportion who think they will grow increases the larger the size of the social enterprise, which is also the case with SME employers generally.

Companies limited by guarantee are the most likely to think they will grow (75 per cent), sole traders the least likely to think this (53 per cent).

Of those expecting to grow, 44 per cent say they will do this via internal finance only, 19 per cent through external finance only, and 34 per cent both of these. Compared with SME employers generally there are fewer social enterprise employers who think they can grow through internal finance only (the February Business Barometer figure for this was 58 per cent), and more thinking they need both internal and external finance (Business Barometer = 23 per cent).

Charities are the most likely to think they will need both internal and external finance (47 per cent, compared to 25 per cent of non-charities).

In the ASBS 07/08 67 per cent of social enterprise employers expected to grow over the next 2-3 years, the same percentage as for SME employers generally.

## Exports

Fifteen per cent of social enterprise employers export goods or services outside of the UK. This is significantly less than for SME employers generally (22 per cent).

Unlike SME employers generally, there were no significant differences in the proportions exporting according to size of social enterprise. Only 21 per cent of medium sized social enterprises export, compared to 46 per cent of medium sized SMEs.

Charities are less likely to export (9 per cent) than non-charities (19 per cent). Private limited companies are the most likely to export (26 per cent).

The activities most likely to export or sell outside of the UK are education (44 per cent), manufacturing (47 per cent), publishing (36 per cent) and environmental (26 per cent).

In the 07/08 ASBS 21 per cent of social enterprise employers exported, slightly below the overall average of 24 per cent for all SME employers.

Of those that do export, 28 per cent expect exports to increase in the next 12 months, 7 per cent expect them to decrease, and 60 per cent expect the same levels to occur. These proportions are not significantly different from those for all SME employers.

Only 2 per cent of those social enterprise employers not currently exporting intend to do so in the next 12 months. This compares with 1 per cent of SMEs generally.

## Innovation

Fifty-four per cent of social enterprise employers claim they have introduced new products or services in the last 12 months. Forty-one per cent claim they have introduced new processes in this period. Larger social enterprises are more likely to have introduced new processes, but are not significantly more likely than smaller ones to have introduced new products or services.

<b>Table 17: Introduction of New Products and Services/Processes in the Last 12 months<sup>17</sup></b>				
Base = all SME employers	<b>All</b>	<b>Micro</b>	<b>Small</b>	<b>Medium</b>
Social Enterprise Barometer February 2010. n=	473	182	187	104
	%	%	%	%
Products or Services	54	53	57	63
Processes	41	<b>38</b>	<b>50</b>	<b>56</b>
Business Barometer December 2009. n=				
	%	%	%	%
Products or Services	42	37	48	42
Processes	40	<b>30</b>	<b>46</b>	<b>47</b>
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that survey				

Social enterprises are significantly more likely to have introduced products or services in the last 12 months than SMEs generally, but this is not the case with processes.

The activities most likely to think they have innovative new products or services are education (75 per cent) and recycling (84 per cent).

In the 07/08 ASBS 55 per cent of social enterprise employers said they had introduced new or significantly improved products or services in the previous 12 months, which was also higher than the figure for all SME employers at the time (46 per cent).

In the ASBS 37 per cent of social enterprise employers had introduced new processes, higher than the equivalent figure for all SME employers (33 per cent).

<sup>17</sup> This question was not asked in the February Business Barometer. The comparison is with the December 2009 Business Barometer.

## Part 3: Business Environment

### Obstacles to the success of the business

Respondents were read out a list of possible difficulties and were asked which, if any, represented obstacles to the success of their business. For social enterprise employers those most likely to be mentioned were the economy (85 per cent), competition (48 per cent), obtaining finance (48 per cent), taxation (47 per cent), regulations (45 per cent) and cashflow (44 per cent).

<b>Table 18: Obstacles to the success of the enterprise/business</b>				
Base = all Social Enterprise employers/SME employers	<b>Feb. 2010 Social Barometer</b>		<b>Feb. 2010 Business Barometer</b>	
	n=473		n=500	
	<b>Any obstacle</b>	<b>Main obstacle</b>	<b>Any obstacle</b>	<b>Main obstacle</b>
The economy	<b>85</b>	29	78	<b>39</b>
Competition in the market	48	7	50	9
Obtaining finance	<b>48</b>	<b>15</b>	33	9
Taxation, VAT, PAYE, NI, business rates etc.	47	7	52	9
Regulations	45	7	44	7
Cash flow	44	12	50	11
Lack of financial understanding	<b>33</b>	<b>8</b>	15	4
Availability/cost of suitable premises	<b>27</b>	<b>3</b>	15	1
Keeping up with new technology	26	2	21	1
Shortage of skills generally	22	1	18	1
Recruiting staff	19	2	17	1
Shortage of managerial skills/expertise	<b>18</b>	1	11	*
Keeping staff	<b>17</b>	1	6	0
Transport issues	16	1	14	*
Crime	<b>12</b>	1	8	0
Lack of broadband access	10	0	12	1
Pensions	10	1	10	*
No obstacles	3	3	5	5

Figures in bold are statistically significant differences at the 95% confidence level between the two surveys  
 \* = a figure which is less than 0.5% but not zero

In comparison with SME employers, social enterprise employers are significantly more likely to mention more of these difficulties as obstacles. In particular, they are more likely to mention the economy, obtaining finance, lack of financial understanding, premises, managerial skills, keeping staff and crime.

Looking at the **main** obstacle to success, SME employers are most likely to mention the economy (39 per cent). This is also the difficulty most likely to be mentioned by social enterprise employers, but significantly less so than is the case for SME employers. Rather, the social enterprises are more likely than SME employers to pick obtaining finance, financial understanding and premises.

Focussing on obtaining finance, this is a particular problem for charities (24 per cent) and CLGs (21 per cent). Those that derive 75-100% of their income from trading (7 per cent of those who derive 75-99% of trading from income, 10 per cent of those deriving 100%) are about as likely to cite access to finance as their main obstacle as SME employers (9 per cent), whereas those that derive between 25 and 75% from trading find it a much bigger problem (35 per cent). This suggests that social enterprises that rely more heavily on grants and donations find it more difficult to maintain funding in these areas than enterprises that are more reliant on trading.

Cash flow is more of a problem for smaller social enterprise employers, being cited as the main obstacle by 13 per cent of micro social enterprises, but by only 7 per cent of small ones, and 8 per cent of medium sized ones.

Sole traders are the group most likely to mention taxation as their main difficulty (15 per cent). This is also much more likely to affect non-charities (11 per cent) than charities (1 per cent).

There are no significant differences by subgroup for mentions of the economy, lack of financial understanding, regulations, competition or premises.

In the 07/08 ASBS only 4 per cent of social enterprise employers mentioned obtaining finance as their main obstacle to success. Back then 15 per cent mentioned the economy, 14 per cent taxation, 14 per cent competition, and 11 per cent regulation. In these responses, the obstacles to social enterprise employers in 07/08 did not differ significantly from those of SME employers generally.

## Cashflow

Those who mentioned cashflow as an obstacle to success were read out a further list of possible causes of this cashflow difficulty. The most commonly mentioned reasons for cashflow difficulties among social enterprise employers are fluctuating income (68 per cent), and late payment from individuals (51 per cent) or other businesses (51 per cent).

SME employers are similarly affected by fluctuating income and late payment, but differ in that credit is more of a problem than it is for social enterprises. Thirty-eight per cent of SME employers say that the need to offer credit to customers is a cause of cashflow difficulty, compared to just 25 per cent of social enterprise employers. Looking at the main reason for cashflow difficulty, late payment from other businesses (who receive credit) is the main problem for 29 per cent of SME employers, but only 19 per cent of social enterprise employers.

<b>Table 19: Causes of Cashflow Difficulties</b>				
Base = All social enterprise employers/SME employers for whom cashflow is an obstacle	<b>Feb. 2010 Social Barometer</b>		<b>Feb. 2010 Business Barometer</b>	
	n=192		n=249	
	<b>Any problem</b>	<b>Main problem</b>	<b>Any problem</b>	<b>Main problem</b>
	%	%	%	%
Income fluctuates while outgoings are steady	68	<b>32</b>	71	23
Late payment from individual customers	51	14	59	15
Late payment from other businesses	51	19	58	<b>29</b>
High levels of working capital needed	36	8	34	4
Tax payment timings	34	1	30	2
Early payment required by suppliers	31	3	33	3
High levels of investment required by business	<b>29</b>	0	19	2
Outgoings fluctuate but income is steady	27	<b>8</b>	27	3
Need to offer credit to customers	25	1	<b>38</b>	3
Difficult to get credit from suppliers	14	0	16	2
Other	12	9	13	11
Don't know	1	2	*	3

Figures in bold are statistically significant differences at the 95% confidence level between the two surveys  
 \* = a figure which is less than 0.5% but not zero

For social enterprise employers fluctuating income (32 per cent) and outgoings (8 per cent) are more likely to be mentioned as the main problem. Fluctuating income is a particular problem for charities (43 per cent of those with cashflow problems say this is the main cause, compared to 27 per cent of non-charities). Fluctuating outgoing are also more likely to be a main cause of cashflow difficulty for charities (18 per cent) as opposed to non-charities (4 per cent).

In the 07/08 ASBS fluctuating income was mentioned as the main cause of cashflow difficulties by 22 per cent of social enterprise employers, whilst 21 per cent said it was late payment from businesses, and 17 per cent late payment from individuals. Seven per cent mentioned fluctuating outgoings. The differences in the reasons given in this survey between social enterprises and SMEs generally were similar to those seen now.

## Late Payment

Fifty-three per cent of social enterprise employers offer credit to their customers, which compares with 61 per cent of SME employers overall. Unlike with SMEs, larger social enterprises are no more likely to offer credit. Companies limited by shares are more likely to offer credit than other legal forms (66 per cent), but those who are 100% reliant on trading for their income are no more likely to offer credit than those that are supported by grants or donations.

Of those that offer credit, 28 per cent of social enterprise employers have had customers that negotiated longer payment periods in the last six months. This compares with 34 per cent of SME employers that offer credit.

<b>Table 20: Whether Late Payment is Problem</b>				
Base = All offering credit	<b>All</b>	<b>Micro</b>	<b>Small</b>	<b>Medium</b>
Social Enterprise Barometer February 2010. n=	237	94	94	49
	%	%	%	%
Big problem	19	18	23	20
Small problem	36	36	32	48
No problem	45	46	45	31
Business Barometer February 2010. n=	346	126	136	84
	%	%	%	%
Big problem	22	21	27	24
Small problem	47	47	46	53
No problem	30	31	27	20
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that survey				

Late payment is a big problem for 19 per cent of social enterprises offering credit, and a small problem for a further 36 per cent. Overall, 45 per cent of social enterprise employers offering credit have no problem with late payment, compared to 30 per cent of all SME employers.

The companies limited by shares are the most likely to have a problem with late payment (65 per cent), the charities that offer credit the least likely (40 per cent).

In the ASBS 07/08 47 per cent of social enterprise employers that offered credit has a problem with late payment. The February 2010 SEB at 55 per cent is significantly higher.



Table 21: Whether Late Payment Problem has become Better or Worse in the Last 6 Months		
Base = all Social Enterprise employers/SME employers for whom late payment is a problem	Feb. 2010 Social Enterprise Barometer	Feb. 2010 Business Barometer
	n=136	n=255
	%	%
Better	11	7
Same as it was	51	46
Slightly worse	19	<b>28</b>
Significantly worse	17	18
ANY WORSE	36	<b>47</b>
Figures in bold are statistically significant differences at the 95% confidence level between the two surveys		

Of those that consider late payment to be a problem, 11 per cent of the social enterprise employers think the problem has become better in the last 6 months, 51 per cent think it is the same as before, with 36 per cent thinking it has become worse – 17 per cent significantly worse. Compared to SME employers generally social enterprise employers are less likely to think the problem has become worse.

### Payment Times from the Public Sector

One third of social enterprise employers have public sector clients, with just under a quarter having worked for any of them in the last 6 months. These proportions are very similar to those seen for SME employers in general. The larger the organisation, the more likely they are to have worked with the public sector.

Table 22: Work for the Public Sector				
Base = all Social Enterprise employers/SME employers	All	Micro	Small	Medium
Social Enterprise Barometer February 2010. n=	473	182	187	104
	%	%	%	%
Any Public Sector Clients	33	<b>30</b>	<b>42</b>	<b>46</b>
Any Work Last 6 Months	24	<b>21</b>	<b>33</b>	<b>36</b>
Business Barometer February 2010. n=	501	211	181	109
	%	%	%	%
Any Public Sector Clients	30	29	35	<b>45</b>
Any Work Last 6 Months	23	21	<b>30</b>	<b>37</b>
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that survey				

The social enterprise activities most likely to have public sector clients are education (75 per cent), health (61 per cent) and transport (55 per cent). CLGs (46 per cent) and those with charitable status (42 per cent) are the most likely.

The ASBS 07/08 has a similar figure with 35 per cent of social enterprise employers having public sector clients. Back then this was a much higher figure than for SME employees generally (26 per cent).

Nine per cent of social enterprise employers who deal with the public sector think its payment has speeded up in the last 6 months, with 17 per cent thinking it has slowed down. Therefore, 26 per cent have noticed a change, similar to the 23 per cent of SME employers that deal with the public sector that have noticed this.

However, there are differences in the perception of whether the public sector generally pays promptly between the two groups. Fifty two per cent of social enterprise employers that deal with the public sector think payment is usually prompt, but 44 per cent consider it to be usually slow. This compares with 74 per cent of SME employers that deal with the public sector thinking payment is fast, and 23 per cent thinking it is slow.

<b>Table 23: Whether Noticed any Change in the Speed of Payment by Public Sector Bodies in the Last 6m</b>		
Base = All social enterprise employers/SME employers who have dealt with public sector bodies in the last 6 months	<b>Feb. 2010 Social Enterprise Barometer</b>	<b>Feb. 2010 Business Barometer</b>
	n=143	n=136
	%	%
Payment has speeded up	9	10
No change – still mainly paid promptly	44	<b>63</b>
No change – still mainly paid slowly	<b>27</b>	10
Payment has slowed down	17	13
Other/Don't know	3	2
TOTAL PROMPT PAID	52	<b>74</b>
TOTAL SLOW PAID	<b>44</b>	23
Figures in bold are statistically significant differences at the 95% confidence level between the two surveys		

## Part 3: Access to Finance

### Importance of External Finance

Thirty-seven per cent of social enterprise employers consider external finance to be very important, with a further 19 per cent considering it fairly important – 56 per cent in total thinking it important. This compares with just 25 per cent of SME employers generally thinking it very important, and 49 per cent thinking it important overall.

<b>Table 24: Importance of External Finance</b>		
Base = All social enterprise employers/SME employers	<b>Feb. 2010 Social Enterprise Barometer</b>	<b>Feb. 2010 Business Barometer</b>
	n=473	n=501
	%	%
Very important	<b>37</b>	25
Fairly important	19	24
Not very important	18	22
Not at all important	25	29
Don't know	1	*
<b>TOTAL IMPORTANT</b>	<b>56</b>	49
<b>TOTAL NOT IMPORTANT</b>	44	<b>51</b>
Figures in bold are statistically significant differences at the 95% confidence level between the two surveys * = a figure which is less than 0.5% but not zero		

Charities (72 per cent) are much more likely to think this important than non-charities (45 per cent). Those reliant on their own trading income are less likely to think it important (44 per cent of those who derive 100% of income from trading, compared to 77 per cent of those who only derive 26-75% of income from trade).

Micro social enterprises are less likely to think finance important (53 per cent) than small ones (65 per cent), although medium sized ones are no more likely than average to think this (58 per cent).

## External Finance Sought in the Last 6 Months

Seventeen per cent of social enterprise employers have sought external finance in the last 6 months. Eleven per cent have sought this once, and 6 per cent more than once.

Table 25: Whether any External Finance Sought in the Last 6 Months				
Base = all Social Enterprise employers/SME employers	All	Micro	Small	Medium
Social Enterprise Barometer February 2010. n=	473	182	187	104
	%	%	%	%
Yes, once	11	10	14	5
Yes, more than once	6	5	<b>10</b>	<b>2</b>
None	82	84	<b>75</b>	87
Don't know/refused	1	1	1	6
ANY FINANCE SOUGHT	17	15	<b>24</b>	<b>7</b>
Business Barometer February 2010. n=	501	211	181	109
	%	%	%	%
Yes, once	16	16	16	15
Yes, more than once	3	<b>2</b>	<b>7</b>	<b>9</b>
None	80	81	75	72
Don't know/refused	1	1	2	3
ANY FINANCE SOUGHT	19	18	23	25
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that survey				

This compares with 19 per cent of SME employers having sought finance in the last 6 months, with only 3 per cent having sought it more than once. This may indicate that some social enterprises have business models which are reliant on regular infusions of external finance to be sustainable.

Finance was most likely to have been sought by social enterprises who are small businesses (24 per cent) or companies limited by shares (24 per cent). By activity of social enterprise, those in tourism (50 per cent), hospitality (38 per cent), manufacture (27 per cent) and the arts (27 per cent) were the most likely to have sought finance. Those in the arts were the people most likely to have sought finance more than once (25 per cent).

Whether finance was sought did not vary significantly according to charitable status or the proportion of income gained from trading.

In the 07/08 ASBS 25 per cent of social enterprise employers had sought finance – 10 per cent more than once – although these figures relate to the 12 months preceding interview.

The State of Social Enterprise survey found that one third of social enterprises had sought finance in the last 12 months.

## Reasons for Seeking Finance

Forty-seven per cent of social enterprise employers that sought finance did so for working capital or cashflow reasons. This compares to 59 per cent of SME employers seeking finance, although the difference is not statistically significant.

<b>Table 26: Reasons for Seeking Finance</b>		
Base = all Social Enterprise employers/SME employers that tried to obtain finance in the last 6 months	<b>Feb. 2010 Social Enterprise Barometer</b>	<b>Feb. 2010 Business Barometer</b>
	n=82	n=121
	%	%
Working capital, cashflow	47	59
Acquiring equipment or vehicles	22	28
Improving buildings	<b>15</b>	4
Research and development	10	3
Refinancing the business	<b>9</b>	2
Buying land/buildings	5	6
Marketing	<b>4</b>	0

Figures in bold are statistically significant differences at the 95% confidence level between the two surveys

Compared to all SME employers, however, social enterprises were more likely to need finance for improving buildings, refinancing the business and marketing.

Small sample sizes mean it is not possible to compare reasons for needing finance by different types of social enterprises.

In the ASBS 07/08 38 per cent of social enterprise employers that sought finance did so for working capital or cashflow reasons, a similar proportion to the SEB figure.

## Types of Finance Sought

A bank loan is the type of finance most likely to be sought by social enterprise employers (31 per cent of those that sought finance), followed by a grant (20 per cent) and a bank overdraft (17 per cent).

<b>Table 27: Types of Finance Sought</b>		
Base = all Social Enterprise employers/SME employers that tried to obtain finance in the last 6 months	<b>Feb. 2010 Social Enterprise Barometer</b>	<b>Feb. 2010 Business Barometer</b>
	n=82	n=121
	%	%
Bank Loan	31	<b>46</b>
Grant	<b>20</b>	2
Bank Overdraft	17	<b>33</b>
Leasing or Hire Purchase	13	10
Mortgage for Property Purchase or Improvement	6	11
Credit Card Finance	5	2
Local Authority/Town Hall Funding	<b>5</b>	0
Fundraising/Donations	<b>4</b>	0
Equity Investment	3	*
Charitable Trusts	3	0
Loans from Family/Friends etc.	0	<b>6</b>
Factoring	0	4
<b>ANY BANK FINANCE</b>	<b>47</b>	<b>79</b>
Figures in bold are statistically significant differences at the 95% confidence level between the two surveys * = a figure which is less than 0.5% but not zero		

Forty-seven per cent of social enterprise employers that sought finance sought bank finance. This is significantly different from SME employers generally, 79 per cent of those that sought finance seeking bank finance.

The SEB figures are similar to those in the ASBS 07/08 where 30 per cent of social enterprise employers seeking finance looked for a bank loan, 22 per cent a grant and 15 per cent a bank overdraft. The State of Social Enterprise survey shows that 29 per cent looked for grants, and 18 per cent sought a bank loan.

Although sample sizes are small, it appears that CLGs and charities were the most likely to seek grants, and to fund raise and seek donations, as were those that derive less than 75% of their income from trading. The others were more likely to seek bank finance.

Of those that sought bank finance, only 11 per cent discussed whether a loan backed by a Government guarantee was suitable for them (a similar figure to that in the February Business Barometer).

## Difficulties in Obtaining Finance

Thirty-nine per cent of social enterprise employers that sought finance encountered difficulties from the first sources they approached. Twenty-nine per cent were unable to obtain any finance, 1 per cent obtained some but not all the finance they needed, and 9 per cent obtained the finance but with some problems. Compared to the February 2010 Business Barometer social enterprises are as likely to encounter difficulties and to be turned down outright for finance, but are less likely to be offered part of the finance they required, and more likely to obtain the finance with difficulties.

<b>Table 28: Whether Any Difficulty Obtaining Finance from the First Source Approached</b>		
Base = all Social Enterprise employers/SME employers that tried to obtain finance in the last 6 months	<b>Feb. 2010 Social Enterprise Barometer</b>	<b>Feb. 2010 Business Barometer</b>
	n=82	n=121
	%	%
Yes – unable to obtain any finance	29	30
Yes – obtained some, but not all of the finance	1	<b>6</b>
Yes – obtained all of the finance required but with some problems	<b>9</b>	2
No – had no difficulty obtaining finance	55	53
Don't know	6	8
ANY DIFFICULTIES	39	38

Figures in bold are statistically significant differences at the 95% confidence level between the two surveys

In the ASBS 07/08 only 15 per cent of social enterprise employers that sought finance were turned down outright – a lower proportion than that seen in the SEB. This proportion was similar to the figure for all SME employers that sought finance that year. The State of Social Enterprise survey reports a similar proportion – 29 per cent – getting less than 75% of the finance they sought.

There were no significant differences for difficulties obtaining finance in the SEB according to type of social enterprise.

Most of the difficulties getting finance were with banks (41 per cent bank loans, 23 per cent bank overdrafts), rather than grants (13 per cent). The main reasons cited for being turned down for finance concerned poor accounts (lack of income coming in) and poor business credit history.

Of those turned down outright<sup>18</sup>, half did not approach any other source for finance. A quarter approached another bank, others tried for Government grants. Most of these were unable to obtain any finance from this second source, the impact of this being that growth was stunted, financial difficulties occurred, and the overall social impact of these organisations was lessened.

<sup>18</sup> The sample size for those with difficulties obtaining finance (n=31), those turned down outright (n=24) and those who did not manage to gain finance from a secondary source (n=15) are too small to allow reporting in percentage terms.

## Existing Bank Lending - Overdrafts

Thirty-eight per cent of social enterprise employers have had an overdraft facility at some point in the last 6 months. This is significantly less than the equivalent figure for SME employers generally (52 per cent).

Those most likely to have had an overdraft facility are sole traders (67 per cent), and those that derive 100% of income from trading (50 per cent). Charities (18 per cent) and CLGs (31 per cent) are less likely than average to have overdrafts. There is no correlation between the size of a social enterprise and them having an overdraft.

<b>Table 29: Changes to Terms and Conditions on Overdrafts in the Last 6 Months</b>		
	<b>Feb. 2010 Social Enterprise Barometer</b>	<b>Feb. 2010 Business Barometer</b>
Base = all Social Enterprise employers/SME employers with overdraft facilities	n=180	n=271
	%	%
Bank put up overdraft fees or interest rates	<b>22</b>	<b>28</b>
Bank required more security	<b>7</b>	<b>8</b>
Bank reduced overdraft limit	<b>6</b>	<b>3</b>
Bank cancelled existing overdraft facility	<b>5</b>	<b>2</b>
Bank extended overdraft limit	<b>17</b>	<b>15</b>
Bank reduced overdraft fees or interest rates	<b>3</b>	<b>3</b>
Bank relaxed security requirements	<b>1</b>	<b>2</b>
No change	<b>56</b>	<b>47</b>
Don't know	<b>4</b>	<b>5</b>
Figures in bold are statistically significant differences at the 95% confidence level between the two surveys		

Of the social enterprises that have overdrafts, 22 per cent claim that their bank put up overdraft fees or interest rates, 7 per cent that the bank required more security, 6 per cent that the bank reduced their overdraft limit, with 5 per cent having their overdraft facility cancelled altogether, all in the last six months.

More positively, 17 per cent had their overdraft limit extended, 3 per cent had reduced overdraft fees or interest rates, and 1 per cent had their security requirements relaxed. Fifty-six per cent experienced no changes to the terms and conditions on their overdraft in the last 6 months.

There are no significant differences between these figures for social enterprise employers and those based on SME employers in the February 2010 Business Barometer. This seems to indicate that banks treat social enterprises the same with regards to overdrafts as they do their other SME customers.



Twenty-eight per cent of social enterprise employers with overdrafts managed to exceed their limit on at least one occasion in the last six months. This is a similar proportion to the 23 per cent that did the same in the February Business Barometer.

### Existing Bank Lending - Loans

Fourteen per cent of social enterprise employers have had a bank loan in the last 6 months (with the loan outstanding). This is a five percent less than the equivalent figure for SME employers as a whole in the February 2010 Business Barometer, again indicating that social enterprises are less likely to make use of bank finance than SME employers generally.

Loans are most likely to be held by medium sized social enterprises (21 per cent), by companies limited by shares (25 per cent) and non-charities (18 per cent). CLGs (9 per cent) and charities (7 per cent) are less likely to have outstanding bank loans.

Table 30: Changes to Terms and Conditions on Bank Loans in the Last 6 Months		
	Feb. 2010 Social Enterprise Barometer	Feb. 2010 Business Barometer
Base = all Social Enterprise employers/SME employers with outstanding business bank loans	n=70	n=118
	%	%
Bank asked for more security	<b>16</b>	6
Bank renegotiated terms of existing loan less favourably for borrower	12	4
Interest rates increased on variable loan	10	13
Bank cancelled existing loan	6	*
Interest rates decreased on variable loan	25	15
Bank renegotiated terms of existing loan more favourably for borrower	<b>12</b>	2
No changes	58	65
Don't know	2	6
Figures in bold are statistically significant differences at the 95% confidence level between the two surveys		
* = a figure which is less than 0.5% but not zero		

Fifty-eight per cent of social enterprise employers with bank loans experienced changes to their terms and conditions in the last 5 months. This compared with 65 per cent of SME employers with loans.

Sample sizes are small for the social enterprises, and therefore few of the differences with SME employers are significant, but it does appear that social enterprise employers with loans are more likely to be asked to provide more security. On the other hand they are also more likely to have renegotiated the terms of their existing loan more favourably.

Three per cent of social enterprise employers say they have missed a repayment on a loan or leasing/HP agreement in the last 6 months – exactly the same percentage as in the February 2010 Business Barometer.

### Relationship with Bank

Thirty-six per cent of social enterprise employers have a very good relationship with their banks, with a further 33 per cent enjoying a fairly good relationship. The proportion having a very good relationship is significantly higher than it is for SME employers generally.

<b>Table 31: Organisation's Relationship With its Bank</b>		
Base = all Social Enterprise employers/SME employers	<b>Feb. 2010 Social Enterprise Barometer</b>	<b>Feb. 2010 Business Barometer</b>
	n=473	n=501
	%	%
Very good	<b>36</b>	29
Fairly good	33	35
Neither good nor poor	18	23
Fairly poor	7	9
Very poor	5	4
<b>TOTAL GOOD</b>	<b>69</b>	<b>64</b>
<b>TOTAL POOR</b>	<b>12</b>	<b>13</b>
Figures in bold are statistically significant differences at the 95% confidence level between the two surveys		

Charities are the most likely to report a good relationship (75 per cent, compared to 65 per cent of non-charities). Sole traders are the most likely to have a poor relationship (20 per cent), although generally the relationship does not improve with the size of the organisation.

## Part 4: Business Support

### General Advice and Information in the Last 12 Months

Forty-five per cent of social enterprise employers have sought general advice and information for running their organisation in the last 12 months. This is less likely to be the case for micro social enterprises (43 per cent). Charities (53 per cent) are more likely to have done this than non-charities (40 per cent).

Table 32: Whether Sought General Advice and Information in the Last 12 Months				
Base = all Social Enterprise employers/SME employers	All	Micro	Small	Medium
Social Enterprise Barometer February 2010. n=	473	182	187	104
	%	%	%	%
Yes – sought general advice and information	45	<b>43</b>	<b>55</b>	54
Business Barometer February 2009. n=	503	218	171	111
	%	%	%	%
Yes – sought general advice and information	30	<b>28</b>	<b>37</b>	<b>41</b>
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that survey				

This question was last asked on the Business Barometer in February 2009. Back then, only 30 per cent of SME employers had sought advice, significantly less than for social enterprises.

In the ASBS 07/08 only 29 per cent of social enterprise employers had sought advice, a figure very similar to that for all SME employers at the time (27 per cent). It would therefore appear that social enterprises now make much more use of business advice than was the case a couple of years ago

## Awareness of Business Link

Fifty-one per cent of social enterprise employers in England are aware of a publicly funded service which provides access to information and advice for businesses, including a national network of local operators. Twenty-eight per cent can spontaneously name this service as Business Link.

<b>Table 33: Spontaneous Awareness of Business Link</b>				
Base = all Social Enterprise employers/SME employers in England	<b>All</b>	<b>Micro</b>	<b>Small</b>	<b>Medium</b>
Social Enterprise Barometer February 2010. n=	381	145	153	83
	%	%	%	%
Aware of Publicly Funded Service	51	51	57	<b>39</b>
Aware of Business Link	28	28	32	<b>18</b>
Business Barometer February 2010. n=	456	196	162	98
	%	%	%	%
Aware of Publicly Funded Service	47	<b>45</b>	55	55
Aware of Business Link	23	<b>21</b>	<b>36</b>	31
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that survey				

The awareness levels are very similar to those seen for all SME employers in the February Business Barometers. However, unlike that survey, the larger organisations actually have a lower level of awareness than the smaller ones.

Awareness of the publicly funded service is highest among charities (58 per cent compared to 47 per cent of non-charities), and among CLGs (59 per cent). It is lowest for sole traders (36 per cent).

In the 07/08 ASBS 41 per cent of social enterprise employers were aware of the publicly funded service, compared to 42 per cent of SME employers generally. This indicates that awareness levels have improved in the last couple of years.

## Business Link ‘Health Checks’

Fifty-eight per cent of social enterprise employers are aware of the Business Link Health Check, with 17 per cent having made use of it. The overall awareness figure is significantly lower than that for all SME employers, whilst the usage figure is not significantly higher.

<b>Table 34: Awareness and Usage of Business Link Health Checks</b>				
Base = all Social Enterprise employers/SME employers in England	<b>All</b>	<b>Micro</b>	<b>Small</b>	<b>Medium</b>
Social Enterprise Barometer February 2010. n=	381	145	153	83
	%	%	%	%
Aware of Health Check	58	<b>56</b>	<b>70</b>	52
Used Health Check	17	16	<b>23</b>	<b>6</b>
Business Barometer February 2010. n=	456	196	162	98
	%	%	%	%
Aware of Health Check	70	69	<b>78</b>	74
Used Health Check	13	12	<b>16</b>	18
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that survey				

Usage of the service is highest among small social enterprises and lowest among the medium sized ones. This is in contrast to SME employers as a whole.

Otherwise, there are no differences in awareness and usage levels according to type of social enterprise.

## Real Help for Businesses Now

Sixty one per cent of social enterprise employers across the UK are aware that the ‘Government has announced a number of measures to help businesses through the economic downturn’<sup>19</sup>. This is a similar proportion to that seen for all SME employers in the February Business Barometer (59 per cent). The main difference between the two surveys is in the awareness levels among medium sized enterprises – 67 per cent of medium sized social enterprises are aware, but the figure is higher for medium sized SMEs generally at 79 per cent.

There were no differences in awareness levels by type of social enterprise.

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<sup>19</sup> This refers to the previous Labour-led Government.

Eighty-six per cent of social enterprise employers claim to have heard of any of the measures that form part of the Real Help for Business Now package. This is higher than the equivalent 68 per cent figure among all SME employers seen in the February Business Barometer.

Awareness is significantly higher among social enterprises for the Real Help For Business Now website, the Capital for Investment Fund and the Trade Credit Insurance Top-Up Scheme. Awareness is higher among SME employers generally for the Prompt Payment Business Code.

<b>Table 35: Awareness and Usage of Real Help for Businesses Now Services/Measures</b>				
Base = all Social Enterprise employers/SME employers	<b>Feb. 2010 Social Enterprise Barometer</b>		<b>Feb. 2010 Business Barometer</b>	
	<b>Aware</b>	<b>Used</b>	<b>Aware</b>	<b>Used</b>
	n=473		n=501	
			%	%
Business Health Check <sup>20</sup>	57	<b>17</b>	<b>69</b>	12
Train to Gain	55	<b>10</b>	50	5
HMRC Support Service	37	5	37	<b>16</b>
Prompt Payment Business Code	27	*	<b>33</b>	0
Government Guaranteed Loan from Bank	27	2	27	1
Payment by Government within 10 Days	22	1	25	*
RHFBN Website	<b>19</b>	2	12	*
Help with Managing Cashflow	17	*	14	1
Capital for Investment Fund	<b>14</b>	*	9	*
Trade Credit Insurance Top-Up Scheme	<b>14</b>	0	7	*
None of these	14	75	<b>22</b>	76
Figures in bold are statistically significant differences at the 95% confidence level between the two surveys * = a figure which is less than 0.5% but not zero				

Although awareness is higher among social enterprise employers, usage of the various schemes is at a similar level to that for SME employers. In fact, social enterprises are more likely than SME employers to have made use of Business Health Checks and Train to Gain, but are less likely to have used the HMRC support service<sup>21</sup>.

<sup>20</sup> The figures here relate to awareness and usage of the Business Link Health Check across the whole of the UK whereas the previous figures were confined to England only. Usage of the Health Check appears higher than that previously reported because of social enterprises in Wales and Scotland claiming to have made use of it.

<sup>21</sup> This finding may be due to the fact that the HMRC Support Service was specifically prompted in the Business Barometer, but not in the Social Enterprise Barometer

Train to Gain is most likely to have been used by small social enterprises (16 per cent) and charities (17 per cent).

### Satisfaction with Information Found through Real Help for Businesses Now

Sixty one per cent of social enterprise employers that have used Real Help for Business Now are satisfied with the information they received, whilst 10 per cent are dissatisfied. These figures are very similar to those seen in the December 2009 Business Barometer<sup>22</sup>.

<b>Table 36: Satisfaction with Information Found Out About Real Help for Business</b>		
	<b>Feb. 2010 Social Enterprise Barometer</b>	<b>Dec. 2009 Business Barometer</b>
Base = All social enterprise employers/SME employers who have used any RHFB Products	n=137	n=196
	%	%
Very satisfied	21	18
Fairly satisfied	40	41
Neither satisfied nor dissatisfied	<b>26</b>	14
Fairly dissatisfied	4	7
Very dissatisfied	6	7
Don't know	3	<b>13</b>
TOTAL SATISFIED	61	60
TOTAL DISSATISFIED	10	13
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that survey		

<sup>22</sup> This question was not asked in the February Business Barometer. This is the latest comparison.

## *Technical Appendix*

500 social enterprises were interviewed between the 8<sup>th</sup> and 19<sup>th</sup> February 2010 by IFF Research Ltd., from its Telephone Interviewing Centre in Hoxton, London. Those interviewed were owners/proprietors, Managing Directors or partners in the enterprise.

The sample was drawn in part from those who had participated in the 2006/07 and 2007/08 ASBSs, and in part from a general database sample provided by Dun & Bradstreet, and a sample from Guidestar<sup>23</sup>. 342 interviews derived from these ASBS recalls, and 158 from the combined DnB/Guidestar sample. The reason for using DnB/Guidestar was partly because there was not enough available sample from the ASBS recall to enable 500 interviews to be completed, and partly because representation of new enterprises was sought.

For the interviews gained as a result of the ASBS recall the following sampling procedures were used:

- Those that had been interviewed in the December 2008, February, April, June, September, December 2009 and February 2010 Business Barometers were excluded
- Larger social enterprises were oversampled (10-49 employees, 50-249 employees)

Quotas were imposed on size of social enterprise (according to number of employees), and broad sector indicated in the ASBS (primary/manufacturing/construction [primary]; transport, retail and distribution [secondary]; services [tertiary]). The data were weighted at the analysis stage according to size/sector profiles derived from the 07/08 ASBS, adjusted as follows:

- IFF looked at the proportion of ASBS re-interviewees that screened out on the basis of (a) no longer corresponding to the Government definition of a social enterprise; (b) no longer being in existence
- The percentage that screened out on this basis varied greatly according to size (no employees/micro/small/medium) and sector (primary/secondary/tertiary)
  - Only 33% of those with no employees in primary sectors were still eligible
  - 36% of those with no employees in secondary sectors
  - 38% of those with no employees in tertiary sectors
  - 55% of micros in primary sectors
  - 61% of micros in secondary sectors
  - 62% of micros in tertiary sectors
  - 57% of small social enterprises in primary sectors

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<sup>23</sup> Guidestar's database is drawn from Charity Commission records, with organisations selected where their annual returns indicated 25% or more of income drawn from trading



- 62% of small in secondary sectors
  - 64% of small in tertiary sectors
  - 49% of medium social enterprises in primary sectors
  - 54% of mediums in secondary sectors
  - 55% of mediums in tertiary sectors
- These percentages were applied to the ASBS targets and new targets calculated for all social enterprises

The 500 interviews included 27 with sole traders. These are excluded from this report in order that figures can be compared directly with the February 2010 Business Barometer. Therefore, the overall sample size for the dataset reported here is 473.

Unweighted and weighted profiles of those social enterprise employers interviewed are shown below:

<b>Table 37: Unweighted and Weighted Data – Social Enterprise Barometer 2010</b>				
	Unweighted		Weighted	
<b>Size</b>	n=	%	n=	%
1-9 employees	182	38	368	78
10-49 employees	187	40	89	19
50-249 employees	104	22	16	3
<b>Broad Sector (ASBS derived)</b>				
Primary/manufacturing/construction	70	15	106	22
Transport, retail and distribution	136	29	179	38
Services	267	56	189	40
Total	473	100	473	100

Figures reported on in this report are statistically significant at the 95 per cent confidence limit, unless stated otherwise. No design factor has been applied to the calculations. Where a change occurs for figures based on sample sizes of less than 10 respondents, this is not reported as significant.

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<sup>i</sup> This depends on the percentage where the finding is at. A change/difference of 3.7 percentage points is required for findings around 10 or 90 per cent; a change/difference of 5.7 percentage points for findings around 30 or 70 per cent; and a change/difference of 6.2 percentage points for findings around 50 per cent. Throughout the report, changes are described as statistically significant or not. Significance testing has been done at the 95% confidence level.

Where a change occurs for figures based on sample sizes of less than 10 respondents, this is not reported as significant.