



Department for  
Digital, Culture  
Media & Sport



Department for  
Business, Energy  
& Industrial Strategy

# Social Enterprise: Market Trends 2017

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# 1. Executive summary

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This *Social Enterprise: Market Trends 2017* report was commissioned jointly by the Department for Digital, Culture, Media and Sport (DCMS) and the Department for Business, Energy and Industrial Strategy (BEIS). It offers a revised methodology which allows identification of social enterprises in the UK small business population<sup>1</sup> with greater accuracy. Based on this methodology and a dedicated survey of a representative sample of the UK small business population, this report provides estimates of the number of social enterprises in the UK, describes the key characteristics of social enterprises and compares these to those of Small and Medium-sized Enterprises (SMEs). SMEs in this report refers to enterprises within the small business population that are neither traditional non-profits nor social enterprises (see Chapter 4 for details)<sup>2</sup>. The survey employed the approach, sampling strategy and telephone survey questionnaire used in the UK Small Business Survey (SBS) and included 1,300 business owners and managers as respondents.

This report is unique in being able to offer systematic comparisons of social enterprises with SMEs based on the same sample, which is representative of the UK small business population. The information on the number and characteristics of small business social enterprises in the UK as well as the comparisons with SMEs will be useful to those wishing to better understand social enterprises and how they are different, for instance, in order to effectively target policy or offer support to social enterprises. Thus, this report aims to inform social enterprise support organisations, social investors, government departments and other key stakeholders about the key characteristics of social enterprises in the UK in 2017. It is also intended to inform social enterprises themselves, and those in the wider voluntary and community sector.

The first part of the report describes the rationale for and process employed in revising the methodology to identify social enterprises (Chapter 3). Following this, the report focusses on the number of social enterprises in the UK small business population, the employment they offer and charts their characteristics compared to SMEs. In particular, the report focusses on the profile of social enterprise employers, their business performance, growth, perceived obstacles to success, access to finance, business support utilised and type of customer served (Chapters 4 – 10).

A primary focus of the research that led to this report was on revising the methodology used to identify social enterprises. All findings in this report are based on the revised methodology of identifying social enterprises. Therefore no comparisons with the prior reports on *Social Enterprise: Market Trends 2012* and *2014*<sup>3</sup> (published in 2013 and 2016, respectively) can be made and statements about the trajectories of social enterprises in the UK are not possible. This revised methodology is deemed to be more reliable and valid than that used in previous reports. One result of this higher accuracy is that the estimates of the number of

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<sup>1</sup> The 'UK small business population' is a shorthand for the population of all enterprises with fewer than 250 employees. These are also often referred to as small- and medium-sized enterprises (SMEs). In this report we use the label SME more narrowly and exclude traditional non-profits and social enterprises. This allows us to chart differences and similarities between SMEs and social enterprises. Please see the next page and Chapter 4 for more detail on the classifications used in this report.

<sup>2</sup> SMEs in this report include socially-oriented SMEs, which may also be referred to as mission-led businesses.

<sup>3</sup> See: [Social Enterprise: Market Trends 2012](#) and [Social Enterprise: Market Trends 2014](#).

social enterprises in the UK small business population are lower compared to earlier *Social Enterprise: Market Trends* reports. This change can be explained by the revisions made to the methodology and should **not** be interpreted to mean that there are fewer social enterprises in the UK in 2017 compared to 2014. In addition, as a result of the focus of the research on developing a revised methodology, the sample size is smaller compared to previous reports. In previous reports findings were based on the SBS, which has a larger sample size. This means some estimates presented in this report are less robust and should be seen as tendencies. Wherever this is the case, it has been indicated in the report text.

## Key findings

### Revised methodology to identify social enterprises (Chapter 3)

The revised methodology preserves the intention and nature of the main criteria used in the past, but simultaneously recognises that social enterprises are difficult to identify in the general business population and there are challenges with the historical self-identification process upon which prior measures relied. In addition, it recognises changing market trends, specifically the increase in businesses that are making a long-term commitment to social or environmental impact but are also making a profit.

The research revised the methodology through a review of existing survey questions and cognitive testing of previous and new survey questions. This was followed by a pilot study employing the SBS approach with 100 small business owners and managers. Throughout, an advisory panel of practitioners was consulted and the team of researchers worked closely with DCMS and BEIS. The detailed findings are presented in Chapter 3.

The core criteria to identify social enterprises used in the revised methodology capture the following aspects:

<b>Income:</b>	Share of income from trading/commercial activities at least 50 per cent.
<b>Use of Surpluses/Profits:</b>	Rules/restrictions to use surpluses/profits chiefly to further social/environmental goals or past surpluses/profits are chiefly used to further social/environmental goals.
<b>Organisational Goals:</b>	Type of social or environmental goals that the organisation/business has and whether social/environmental goals are of greater or equal concern compared to financial goals.
<b>Charitable status &amp; legal form:</b>	Using the standard SBS questions asking for charitable status and legal form

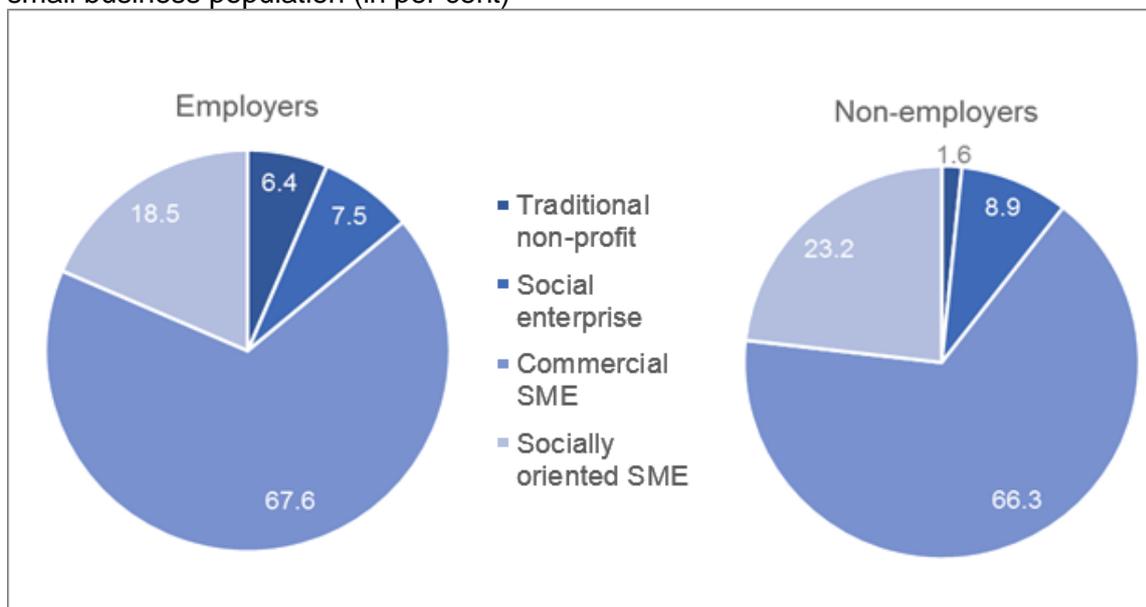
### Number of social enterprises and employees<sup>4</sup> (Chapter 4)

- Nearly 9 per cent of the UK small business population are social enterprises.
- There are an estimated 471,000 UK social enterprises overall. This is made up of 99,000 social enterprises with employees and 371,000 social enterprise with no employees.
- Social enterprises employ roughly 1.44 million people, the majority of these are employees, the remainder are working owners and partners.

### Share of other enterprises in the small business population

- Figure 1 shows the share of different types of enterprises in the UK small business population (in per cent) separately for employer and non-employer enterprises.
- A total of 22 per cent of the UK small business population (or 1.21 million enterprises) are identified as socially-oriented SMEs, i.e. SMEs that have social/environmental goals but do not use surplus/profit chiefly to further these goals. These socially-oriented SMEs may also be referred to as mission-led businesses.
- Two thirds of the UK small business population (or 3.65 million enterprises) are identified as commercial SMEs with predominant commercial and financial goals and no predominant social/environmental goals.

Figure 1.1: Share of different types of employer and non-employer enterprises in the UK small business population (in per cent)



Note. Based on classification of sample according to decision tree (Chapter 3), weighted to be representative of UK small business population, unweighted base N=938 employers, N=295 non-employers.

<sup>4</sup> The number of social enterprises and employees are estimated based on the weighted survey sample relative to the [2016 Business Population Estimates](#).

The following findings focus on employer enterprises only and compare social enterprise employers with other SME employers (combining commercial and socially-oriented SME employers). These findings are expanded on in chapters 5 to 10 of the report.

### **Profiles of social enterprises (Chapter 5)**

- Compared to SME employers, social enterprise employers are somewhat larger in terms of number of employees and are more likely to have been operating for more than ten years. For instance, fewer social enterprise employers are micro businesses with one to nine employees (69 per cent vs. 83 per cent of SME employers), and more social enterprises employers are small with ten to 49 employees (27 per cent vs. 15 per cent of SME employers).
- Social enterprise employers are more likely than SME employers to be operating in human-facing social service sectors (e.g., health, education, arts). Social enterprise employers also tend to be more likely to work in food and accommodation sectors compared to SME employers, and less likely in business services sectors.
- Social enterprise employers are less likely to be entirely male-led compared to SME employers, but appear similar in terms of being led by those from minority ethnic groups.

### **Business performance, plans for growth and innovation (Chapter 6)**

- Compared to SME employers, more social enterprise employers generated a surplus or profit over the last year. Indeed nearly all social enterprise employers generated a surplus (93 per cent vs. 76 per cent of SME employers).
- Growth patterns of social enterprise employers and SME employers appear similar for both past and expected future growth in terms of both turnover and employees. However, social enterprise employers are more likely to report a positive longer-term outlook, expecting growth over the next three years.
- Social enterprise employers are more likely to innovate than SME employers. Two thirds of social enterprise employers innovated products or services (vs. 43 per cent of SME employers)<sup>5</sup> and half innovated processes (vs. 19 per cent of SME employers).
- Social enterprise employers are less likely to engage in exporting (17 per cent vs. 27 per cent of SME employers).

### **Potential obstacles to success (Chapter 7)**

- The top three reported obstacles for social enterprise employers are competition in the market (61 per cent), regulations/red tape (58 per cent), taxation (49 per cent) followed by recruitment/skills (39 per cent), workplace pensions (28 per cent) and UK exit from the EU (28 per cent). With a few exceptions this pattern is similar for SME employers.

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<sup>5</sup> Innovating products or services refers to introducing a new or significantly improved product or service over the past 3 years.

- Social enterprise employers cite regulation/red tape and the national living wage more frequently as an obstacle to success than SME employers, and late payment less frequently.

### **Access to finance (Chapter 8)**

- Social enterprise employers were more likely to have sought finance in the past year than SME employers (21 per cent vs. 14 per cent).
- The reasons for seeking finance and the type of finance sought appeared to be similar for social enterprise employers and SME employers. Although social enterprise employers were more likely to seek smaller amounts of finance than SME employers (see chapter 8 for more detail).

### **Business support (Chapter 9)**

- More social enterprise employers than SME employers sought information or advice in the past year (53 per cent social enterprise employers vs. 31 per cent SME employers).
- Social enterprise employers were more likely than SME employers to try and access information on day-to-day operations or strategic advice to help grow the business (35 per cent social enterprises vs. 21 per cent SME employers).
- Social enterprise employers tend to seek more advice than SME employers from general business advisors/consultants, the internet, and university/education providers. In turn, SME employers use accountants, banks and business networks as sources of information or advice more frequently than social enterprises.

### **Type of customer (Chapter 10)**

- Roughly two thirds of social enterprise employers have had individual consumers (69 per cent), private sector businesses (63 per cent) and public sector bodies (60 per cent) as customers in the past 12 months.
- Social enterprise employers are significantly less likely to have private sector businesses as their customers compared to SME employers (63 per cent vs. 71 per cent).
- Sixty per cent of social enterprise employers report that they have public sector customers. This is significantly more than SME employers (43 per cent).

## 2. Introduction

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**Geographic Coverage:** United Kingdom

### 2.1 Background

HMG has had a longstanding policy to support the growth of social enterprises, with a particular focus on growing the social investment market. As part of this, the Office for Civil Society (formerly in Cabinet Office and now in the Department for Digital, Culture, Media and Sport (DCMS)) support social enterprise. Historically, the Cabinet Office produced a biennial report on social enterprise market trends in the UK (see *Social Enterprise: Market Trends 2012* and *2014*)<sup>6</sup>. The analysis in these reports has been drawn from the BEIS [Small Business Survey \(SBS\) and Longitudinal Small Business Survey \(LSBS\)](#)<sup>7</sup>. In recent years there has been a growing recognition of the difficulties involved in identifying social enterprises in the general business population and questions have been raised about the reliability of the data on social enterprises collected in SBS<sup>8</sup>.

### 2.2 Objectives and intended audience of this report

This third *Social Enterprise: Market Trends* report has three objectives:

- (1) To ascertain the suitability of questions used to identify social enterprises in the SBS/LSBS survey, and, propose an improved revised methodology to identify social enterprises as well as businesses with a commitment to social or environmental impact.
- (2) To provide estimates of the number of social enterprises in the UK small business population, which includes all businesses with less than 250 employees.
- (3) To highlight key characteristics of social enterprises, their profiles and current business performance, perceived obstacles to their success, access to finance, business support and their customers.

To address the first objective, research was conducted in multiple phases, using various methods and drawing on best practice in survey design to develop an improved methodology for identifying social enterprises. Chapter 3 details the approach and results of this research.

To address the second and third objectives a survey of 1,300 respondents was conducted using an approach identical to that used in SBS/LSBS; the sample was drawn in the same way and the same questions were used (see Appendix B for details on the methodology), whilst also incorporating the improved questions to identify social enterprises (as per

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<sup>6</sup> See: [Social Enterprise: Market Trends 2012](#) and [Social Enterprise: Market Trends 2014](#)

<sup>7</sup> See the [collection of Small Business Survey Reports](#). In 2015, the established biennial cross-sectional survey was developed into a longitudinal survey (called Longitudinal Small Business Survey, LSBS) in which the same panel of businesses will be re-interviewed each year up to 2020.

<sup>8</sup> Teasdale, S., Lyon, F. & Baldock, R. (2013) [Playing with Numbers: A Methodological Critique of the Social Enterprise Growth Myth](#). Journal of Social Entrepreneurship, 4(2), 113-131.

Chapter 3 and displayed in Appendix C). The sample is representative of the UK small business population and therefore provides insight into the contribution that social enterprises make to the economy, their prevalence and characteristics. These results are contained in Chapters 4 to 10 of this report. Throughout these chapters social enterprises are compared against the general UK population of Small and Medium-sized Enterprises (SMEs), that is, against SMEs that are not social enterprises or traditional non-profits.

This *Social Enterprise: Market Trends 2017* report is unique in being able to offer systematic comparisons of social enterprises with the SME population based on the same sample, which is representative of the UK small business population. The information on the number and characteristics of small business social enterprises in the UK as well as the comparisons with SMEs will be useful to those wishing to better understand social enterprises and how they are different, for instance, in order to effectively target policy or offer support to social enterprises. Thus, this report aims to inform social enterprise support organisations, social investors, government departments and other key stakeholders about the key characteristics of social enterprises in 2017. It is also intended to inform social enterprises themselves, and those in the wider voluntary and community sector.

### **2.3 Comparability to prior Social Enterprise: Market Trends reports and other reports**

The information on social enterprises contained in this report is not comparable to prior *Social Enterprise: Market Trends* reports or any other reports derived from the SBS data due to the revised methodology (see further in Chapter 3). Although no methodology is perfect, the way in which social enterprises are identified in this report is considered more reliable and valid compared to earlier reports. One result of this higher accuracy is that the estimates of the number of social enterprises in the UK small business population are lower compared to earlier *Social Enterprise: Market Trends* reports. This change can be explained by the revisions made to the methodology and should **not** be interpreted to mean that there are fewer social enterprises in the UK in 2017 compared to 2014.

Other reports used in the UK such as the Social Enterprise UK (SEUK) 'State of Social Enterprise Reports' use non-probability, convenience sampling strategies and different methodologies to identify social enterprises and thus are also **not** comparable to the data presented in this report.

## 3. Revised methodology to identify social enterprises

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### 3.1 Background

This chapter sets out why and how the methodology for identifying social enterprises used in earlier *Market Trends* reports was revised.

The revised methodology preserves the intention and nature of the main criteria used in the past, but simultaneously recognises:

- (1) That the concept of social enterprise is difficult to define and that there are challenges with the historical self-identification process upon which prior measures relied.
- (2) Changing market trends, specifically the increase in businesses that are making a long-term commitment to social or environmental impact but are also making a profit.

Historically, HMG estimates of social enterprises have been based on the [Small Business Survey \(SBS\)](#), which is the BEIS flagship survey of small and medium sized enterprises.<sup>9</sup> The survey provides data on small business performance and the key factors that affect this. These data are widely used within BEIS, by other government departments and by a range of external stakeholders. The SBS has normally included a section of questions that were used to identify social enterprises within the overall sample. This allowed an estimate to be made of the number of social enterprises in the UK and analyses of their characteristics, behaviours and performance.

In recent years, questions have been raised about the reliability of the data on social enterprises collected within SBS<sup>10</sup>. This report documents the research undertaken to address concerns about the reliability of the social enterprise data. The research was conducted in multiple phases, which are documented in the remainder of this chapter. It started, in summer 2016, with a resurvey of 400 SBS 2014 respondents who were categorised as social enterprises and comparison groups categorised as charities and commercial SMEs. This re-survey was complemented by in-depth qualitative interviews. The findings are summarized in Appendix A to this report. In brief, the re-survey highlighted a number of areas of concern with the approach and the questions historically used in SBS surveys. First, there are a number of different definitions of what constitutes a social enterprise, with BEIS (formerly the Department for Business, Innovation and Skills) and Cabinet Office using different definitions. Second, to date, SBS questions have sought to identify a discrete set of 'social enterprises'. This has been problematic because in addition to enterprises that clearly meet accepted definitions there are also 'mission-led businesses' and socially or environmentally motivated businesses that meet some but not all of these criteria. These businesses have received more industry and policy attention in recent years

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<sup>9</sup> See [the collection of Small Business Survey Reports](#). In 2015, the established biennial cross-sectional survey was developed into a longitudinal survey (called Longitudinal Small Business Survey, LSBS) in which the same panel of businesses will be re-interviewed each year up to 2020.

<sup>10</sup> Teasdale, S., Lyon, F. & Baldock, R. (2013) [Playing with Numbers: A Methodological Critique of the Social Enterprise Growth Myth](#). *Journal of Social Entrepreneurship*, 4(2),113-131.

often being referred to as ‘mission-led businesses’ or ‘profit-with-purpose’ businesses. Third, the research made clear that many respondents were misinterpreting some if not all of the social enterprise-identifying questions in SBS. This included but was not limited to challenges with the self-identification as a social enterprise. It also resulted in a significant share of enterprises being classified as social enterprise in 2014 but not in the re-survey in 2016 and vice versa. The classifications were frequently not consistent with respondents’ answers in the in-depth interviews (see Appendix A for details).

In summary, the resurvey of 2014 SBS respondents confirmed suspicions about the unreliability of the SBS survey questions used to identify social enterprises. Consequently, this research set out to make revisions to the methodology. It did so following best practice to develop and revise survey questions in social science research. This chapter first reviews the criteria in use to identify social enterprise in the current report as compared to those used in prior *Market Trends* reports (see below). It then provides a description of how revisions were made to the specific survey questions. These phases included a literature review of best practice to identify social enterprises, drafting and extensive cognitive testing of survey questions, and a pilot study. Throughout this process the research team worked closely with BEIS, DCMS and an advisory panel of stakeholders including representatives from Social Enterprise UK (SEUK), Big Society Capital, B Lab, and NCVO.

### 3.2 Criteria to identify social enterprises

In past reports, BIS and Cabinet Office used three criteria to identify social enterprises. These criteria were anchored in a definition of social enterprise initially published by the [Department for Trade and Industry \(2002, p.7\)](#)<sup>11</sup>: ‘A social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners.’ The criteria used to classify social enterprise were:

- (1) The enterprise must generate a minimum of 75 (BIS) or 50 (Cabinet Office) per cent of its income from trading (i.e. selling products or services). This draws a distinction between organisations that rely predominantly on grants and donations and those that are mainly funded through commercial activities.
- (2) The enterprise must not pay more than 50 per cent of profit or surplus to owners or shareholders, as a social enterprise principally reinvests profit or surplus into the enterprise instead of paying it to owners or shareholders.
- (3) The enterprise must self-identify as a social enterprise, specifically as: ‘A business with primarily social/environmental objectives, whose surpluses are principally reinvested for that purpose in the business or community rather than mainly being paid to shareholders and owners’.

From the re-survey of SBS 2014 respondents it became clear that the criteria (2) and (3) were often misunderstood. This led to misclassifications, with an overall suggestion that the population of social enterprises in the UK was likely overestimated. In combination, these criteria were misinterpreted in a way that some commercial SMEs were classified as social

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<sup>11</sup>The report [Social Enterprise: A strategy for success \(2002\)](#).

enterprises. Although it should be noted that there were also problems in the other direction, with some social enterprises not self-identifying as social enterprises.

Specifically with regard to criterion (2), it was common for commercial SMEs to reinvest profits/surplus back into the business instead of paying them out to shareholders or owners. In addition, some SMEs do not generate a profit/surplus<sup>12</sup>, so that missing values further complicated accurate identification of social enterprises.

Regarding criterion (3), the self-identification appeared prone to bias with many respondents adopting an overly broad understanding of 'social and environmental objectives', which led some commercial SMEs to self-identify as social enterprises. The self-identification question also appeared to be too complex and demanding for a phone survey. It included multiple aspects and required respondents to listen closely to take in these different aspects (such as primary objectives of the enterprise, use of surpluses specifically either reinvested into business or community). It further required respondents to judge to what extent these aspects applied to their business while simultaneously listening closely to the interviewer.

Mindful of these misinterpretations of the existing criteria by survey respondents, this research set out to refine and improve the existing method of identifying social enterprises in three phases.

### **3.3 Phase 1: Review of existing and best practice methodologies to identify social enterprises**

When the methodology to capture social enterprises through SBS was first defined, social enterprise were an emerging phenomenon. Since then governments, support organisations and researchers across the world have made great strides to understand social enterprise better. To take advantage of these developments, the revision of the methodology started with a rapid literature review<sup>13</sup> of existing and best practice methodology to identify social enterprises.

The review was conducted in October and November 2016 and focussed on survey-based research that sought to identify social enterprises. Broadly four methodologies could be differentiated: Common measures in (1) government surveys, (2) social enterprise support organisation surveys, (3) large-scale surveys, and (4) in in-depth academic work.

**(1) Common measures in government surveys.** There is a notable absence of existing government surveys seeking to identify social enterprises in countries other than the UK. However, the European Commission (EC) and the Organisation for Economic Co-operation and Development (OECD) offer a definition (although not a survey) of social enterprises. This definition emphasises an explicit and primary social aim, a limit on the distribution of

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<sup>12</sup> According to the [Social Enterprise: Market Trends 2014](#) report roughly a fifth (22 per cent) of all SMEs did not generate a profit/surplus in the past 12 months.

<sup>13</sup> The literature review was not exhaustive. The literature review started from sources that the researcher team was familiar with including the Global Entrepreneurship Monitor, the SEFORIS project, European Commission and OECD approaches and academic literature, supplemented by web-searches using google and sources recommended by the advisory board. Reference searches were also conducted, that is, whenever reference to further documents was made containing potentially relevant information, these documents were also retrieved. The focus of the review was strictly on how social enterprises were identified through survey data.

profits and/or assets, independence from the state/government and an inclusive governance dimension (defined as participatory and/or democratic decision making, see: [EC and OECD policy brief on social entrepreneurship](#)).

**(2) Common measures in social enterprise support organisation surveys** such as those by [Social Enterprise UK](#)<sup>14</sup>, [UnLtd](#)<sup>15</sup> and the [National Survey of Third Sector Organisations](#)<sup>16</sup>. A common feature of these surveys is that they broadly align with the definitions and methodology developed by BIS and through the *Social Enterprise: Market Trends* reports. They stress social purpose such as having a clear social/environmental mission set out in the enterprises governing documents, economic criteria such as generating the majority of income through trading, and the reinvestment of the majority of the profits/surplus into the enterprise and for a social purpose. Additionally these surveys tend to include secondary criteria similar to those advanced by the European Commission. These secondary criteria include governance criteria reflecting independence from the state, being accountable and transparent towards the general public, beneficiaries and investors. Nevertheless, the primary questions defining the population of social enterprises typically rest on the core criteria of: social goals or social purpose of the organisation, income from trading and reinvestment of surpluses/profits. If criteria need to be prioritised for instance due to the space-constraints of a phone survey such as the SBS, then these three core criteria should be focused on.

**(3) Common measures in large-scale research surveys.** Similar to the SBS these surveys seek to obtain representative samples of social enterprises, albeit through two different approaches.

The first approach relies on the identification of **organisational goals and the organisational mission**. This approach has been implemented in the EU [SEFORIS](#) research project<sup>17</sup> and the [Global Entrepreneurship Monitor \(GEM\)](#) project<sup>18</sup>.

The EU [SEFORIS](#) research project has piloted two types of organisational goals questions.

- In the SEFORIS survey, trained interviewers rate the 'socialness' of the organisational mission on a specially developed rating grid with anchored scale points. The rating is based on the social enterprise directors' answers to the question "What is the purpose of your organisation, its mission?" Additional criteria include a minimum of trading (the sale of products or services must generate at least five per cent of a social enterprise's revenues), and that the enterprise employs at least one full-time equivalent staff<sup>19</sup>.

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<sup>14</sup> [The State of Social Enterprise Report 2015](#)

<sup>15</sup> [Changing the World: a Young Person's Guide to Social Entrepreneurship](#)

<sup>16</sup> [2010 National Survey of Charities and Social Enterprises](#) (NSCSE)

<sup>17</sup> Social Enterprise as a Force for Inclusive and Innovative Societies (SEFORIS) is a multi-method, multi-disciplinary international research programme funded by the European Commission. It collects in-depth representative data on social enterprises in the form of a panel study for countries such as the UK. For more information see [www.seforis.eu](http://www.seforis.eu).

<sup>18</sup> The Global Entrepreneurship Monitor is a global study of entrepreneurship that annually collect population-representative data on entrepreneurship, and in 2009 included social entrepreneurship. For more information see [www.gemconsortium.org](http://www.gemconsortium.org).

<sup>19</sup> Stephan, U., Huysentruyt, M., Rimac, T. & Vuijc, S. (2016). Sampling in management and organizational research: A new approach for sampling hard-to-reach populations. Working paper, Aston University.

- The Flemish Community Innovation Survey (CIS - 2013)<sup>20</sup> has successfully applied a new organisational goal measure to obtain independent ratings of multiple, specifically defined social and economic goals. This measure was developed by SEFORIS researchers<sup>21</sup> in an effort to capture the social orientation of mainstream companies. The CIS survey is the standard European and Eurostat survey that informs innovation statistics. Unlike the Global Entrepreneurship Monitor (GEM) questions (see below), these questions do not force any trade-off between different goals.

The [Global Entrepreneurship Monitor \(GEM\)](#) project includes an organisational goals question. GEM conducts population-representative household surveys to identify entrepreneurs (those who start, own and currently lead an operating business). In 2009 GEM asked entrepreneurs to allocate 100 points between three types of organisational goals (economic, social and environmental). It also separately identified social entrepreneurs as those who led an activity, organisation or initiative that had a particular social, environmental or community objective. Those who answered in the affirmative to the latter question (and follow-up questions) are classed as social entrepreneurs. Those reporting predominantly social or economic goals in the 100-point question have also been depicted as social entrepreneurs, but at least some of these may be more accurately termed socially oriented business entrepreneurs<sup>22</sup>.

In the second approach the **motivation of the business founder at the time of start-up** is used to classify an enterprise as a social enterprise. In the Panel Study of Entrepreneurial Dynamics II in the USA<sup>23</sup>, a nationally representative sample of individuals is asked a set of questions to identify whether or not they are commercial entrepreneurs. All commercial entrepreneurs are asked two open-ended questions about their start-up motivation. The responses are classified by trained interviewers, and the responses “Help others; help community” or “Aid in economy; economic development; economy” are taken to identify social enterprises<sup>24</sup>.

**(4) Common measures in in-depth academic survey work.** During the review it became evident that measures used in in-depth academic survey work are ill suited for an SBS type phone survey. This is chiefly because of the length of the questions and the limited time available in a phone survey. Nevertheless, the approach used in the academic studies identified focuses on either organisational goals (building upon questionnaires used in research on corporate social responsibility activities) or founder/CEO identity (in line with the focus on the entrepreneur or CEO as a key source of values for enterprises)<sup>25</sup>.

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<sup>20</sup> For the type of survey see [the UK Innovation Survey 2013](#).

<sup>21</sup> Andries, P., Daou, A. & Stephan, U. (2015, June). Social enterprises and innovation performance: the mediating effect of R&D activities and external knowledge sourcing. Paper presented at the Babson Enterprise Research Conference, Babson Park, USA.

<sup>22</sup> Terjesen, S., Lepoutre, J., Justo, R., & Bosma, N. (2012). [2009 Report on Social Entrepreneurship](#). The [2015 social enterprise report](#) adopts a somewhat changed methodology, discarding the 100 points question.

<sup>23</sup> [Panel Study of Entrepreneurial Dynamics](#)

<sup>24</sup> Renko, M. (2013). [Early Challenges of Nascent Social Entrepreneurs](#). *Entrepreneurship Theory and Practice*, 37(5), 1045–1069.

<sup>25</sup> See for examples, Sieger, P., Gruber, M., Fauchart, E., & Zellweger, T. (2016). [Measuring the social identity of entrepreneurs: Scale development and international validation](#). *Journal of Business Venturing*, 31(5), 542–572. Stevens, R., Moray, N., & Bruneel, J. (2015). [The Social and Economic Mission of Social Enterprises: Dimensions, Measurement, Validation, and Relation](#). *Entrepreneurship Theory and Practice*, 39(5), 1051–1082.

**Summary Phase 1.** From the review of previous studies, we conclude that there are three primary components being used to classify an organisation as a social enterprise (as distinct from a charity/ traditional non-profit or a commercial business) and which government definitions, support organisations, social enterprise practitioners and researchers all acknowledge to varying degrees:

1. Identifiable social or environmental goals or purpose of the organisation.
2. Some degree of entrepreneurial activity i.e. a minimum proportion of income generated through trading activity.
3. Some constraint on the use of surpluses/profits to further the social purpose of the organisation. This may include reinvesting to grow the organisation so that it can aid a greater number of beneficiaries, expanding the scope of the social activities undertaken, or paying out to a linked charity organisation.

### **3.4 Phase 2: Cognitive testing of survey questions**

Following the literature review, the second phase involved drafting and cognitive testing a range of possible survey questions. The aim was to improve upon the existing approach rather than re-invent it.

As a starting point, the existing SBS questions to identify social enterprise were modified and alternative questions developed as needed, using insights from the 2016 resurvey of SBS respondents, the literature review and discussions with the advisory panel of stakeholders. The set of questions was assembled in a semi-structured interview guide for in-depth telephone interviews.

Respondents for the cognitive tests were drawn from those who previously took part in the SBS 2014 resurvey (see Appendix A), the latest SBS survey to include questions on social enterprise. Respondents were also selected from those that had answered social enterprise questions in the Global Entrepreneurship Monitor 2015. This selection process allowed us to select organisations with different characteristics (social enterprises, charities, commercial small- and medium-sized enterprises (SMEs)), based on their previous responses. All the selected respondents had agreed that they might take part in further surveys.

Overall 30 semi-structured telephone interviews were conducted between 1 November and 30 November 2016: ten with social enterprises, five with charities, and 15 with commercial SMEs. During and after the survey, respondents were asked about their understanding of the questions, their thought processes as to how they arrived at giving a particular answer and were asked to provide examples illustrating their answers. The interviews took between 30 and 60 minutes. They were analysed on an ongoing basis allowing the team to test adapted or new questions based on respondents' feedback. In particular, an in-depth content analysis was conducted of answers to all questions, answers to the additional open-ended questions, the nature of examples given and of the type of challenges respondents reported in answering a particular question.

Two key insights from this phase were that:

- Respondents typically answered half-way through longer questions as they were read out by the interviewers, thus casting doubt on the validity of answers.
- Different types of respondents found different types of questions difficult (see below). This reinforced the need to intensively test all questions with different types of organisations (charities, social enterprises, commercial SMEs).

In response to these findings, the survey questions were shortened.

Where challenges arose around terminology (e.g. commercial entrepreneurs did not understand 'surplus', charities were put off by the word 'profit') the questionnaire was revised to either use both terms or provide interviewers with examples to read out to clarify terminology in the case of queries. Furthermore, commercial SMEs often interpreted 'environmental' goals as activities that they carried out in the course of their everyday business (e.g. recycling activities), rather than the primary goal of the organisation (e.g. a social enterprise seeking to ameliorate global warming). This reinforced the finding that the use of examples and wording are important to highlight that 'environmental organisational goals' imply a focus on substantive environmental issues such as climate change.

Other issues surrounded 'trigger' words. For instance, 'governance' was often misunderstood as government and hence reworded. Questions that required inferences and 'what if' questions were challenging for respondents and were subsequently dropped.

### 3.5 Phase 3: Pilot study

Building on the cognitive testing, the pilot study was conducted using the same methodology as SBS, that is, CATI telephone interviews by trained BMG interviewers. The pilot phase lasted from December 13th to 20th 2016 with 100 respondents being interviewed. Respondents were randomly selected from those sampled for the mainstage phase of the survey (sourced from the Inter-Departmental Business Register (IDBR), see Appendix B) with a random spread by size and sector. The pilot study included the core SBS/LSBS questionnaire. For the purpose of the pilot the usually short section on social enterprises was extended to allow testing multiple questions that were identified as reliable and valid in the cognitive testing phase. The interview took on average just under 18 minutes in total.

The evaluation of the pilot phase included charting descriptive information for each question (e.g. a high amount of don't knows or refused answers would indicate problematic questions), exploring correlation patterns among answers, feedback from the interviewers on common problems and misunderstandings. The pilot highlighted that nearly half of organisations did not generate surpluses/profits. This suggests that questions asking about general rules or principles around the redistribution surpluses/profits may be more useful than relying on questions asking about past use of surpluses/profits.

### 3.6 Revised methodology for identifying social enterprises

This section summarises the core criteria for identifying social enterprises that resulted from the three phases of research outlined above and compares them with the previous methodology (the *Social Enterprise: Market Trends 2012* and *2014* reports). This is followed by an outline of two approaches to combining the criteria to arrive at a classification of

organisations into social enterprises, traditional charities and commercial SMEs. These two approaches are a decision tree and an index.

### 3.6.1 Criteria for identifying social enterprises

The core criteria to identify social enterprises in the revised methodology capture the following aspects:

<b>Income:</b>	Share of income from trading/commercial activities at least 50 per cent.
<b>Use of Surpluses/Profits:</b>	Rules/restrictions to use surpluses/profits chiefly to further social/environmental goals or past surpluses/profits are chiefly used to further social/environmental goals.
<b>Organisational Goals:</b>	Type of social or environmental goals that the organisation/business has and whether social/environmental goals are of greater or equal concern compared to financial goals.
<b>Charitable status &amp; legal form</b>	Using the standard SBS questions asking for charitable status and legal form.

Compared to the three criteria used to identify social enterprises in the 2012 and 2014 *Social Enterprise: Market Trends* reports:

- (1) The first criterion now specifies that a social enterprise must generate a minimum of 50 per cent of its income from trading (i.e. selling products or services).
- (2) Instead of relying solely on past uses of surpluses/profits, the second criterion now additionally considers as a social enterprise an enterprise that has rules or restrictions in place to use surpluses/profits *chiefly* to further social or environmental goals. This allows for surpluses/profits being paid out to a linked charity that may own a social enterprise (a situation that may have previously resulted in that enterprise being classified as a commercial SME). It also allows for classification of enterprises that have not made any surpluses/profits.
- (3) The third criterion now focusses explicitly on the core aspect of the previous self-identification question by asking for ratings of specifically defined social and environmental organisational goals. The validity of the question was enhanced by asking about several types of goal separately and defining each through brief and specific examples. In addition, a follow-up question asks for the prioritisation of social and environmental goals relative to financial goals.

- (4) Additionally, a fourth criterion takes into account the legal form and charitable status of an organisation. It takes advantage of the fact that certain organisational forms have a social purpose enshrined in their legal form and are verified by an independent regulator or registrar such as the CIC Regulator, the Charity Commission or the Financial Conduct Authority (FCA).

The questions are included in Appendix C, the full questionnaire can be downloaded separately.

### **3.6.2 Combining criteria for the classification of organisations: Decision Tree and Index**

There are two possible options for combining these four criteria to arrive at a classification of social enterprises: A decision tree and an index. The decision tree mirrors the prior approach taken in the *Social Enterprises: Market Trends* reports. The index is an alternative approach identified in the literature searches and is potentially more robust towards missing data. The viability of both approaches was examined with reference to the literature and discussed with the advisory panel. Each approach is described below.

#### **Decision tree**

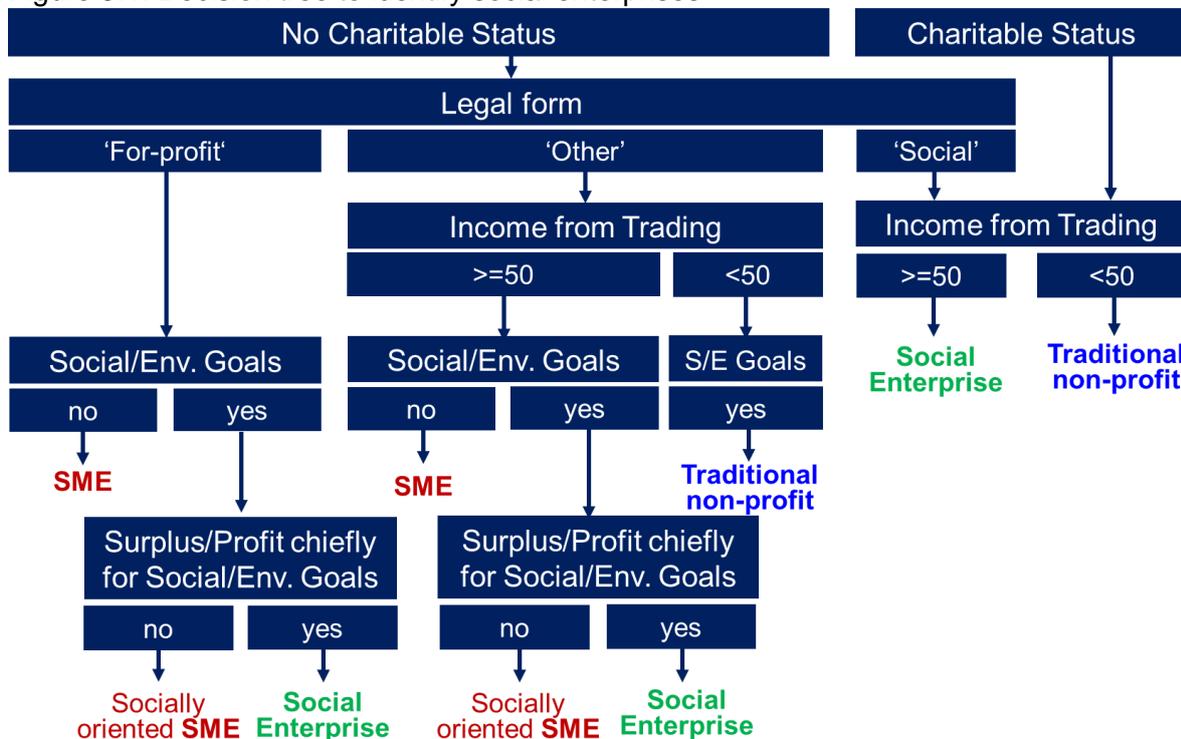
This approach is similar to the approach taken in past [Social Enterprise: Market Trends](#) reports and is visualised below. Its logic is to first make use of criteria that are easy to identify such as charitable status followed by legal form. For instance, an organisation that has charitable status has a verified social purpose (recorded by the Charity Commission) making it unnecessary to check whether the organisation pursues social goals. Similarly, the charitable status imposes constraints on the use of profits/surpluses making it unnecessary to verify whether respective rules are in place. However, an organisation with charitable status can engage to varying degrees in trading. If 50 per cent or more of its income originates from trading it would be deemed a social enterprise, if less than 50 per cent of its income originates from trading it is classified as a 'traditional' non-profit<sup>26</sup>.

In line with emerging market trends, the decision tree also allows to differentiate strictly commercially oriented SMEs from those with a social or environmental orientation. Appendix C provides the specific wording of questions underlying each of the criteria and cut-offs.

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<sup>26</sup> Some (but not all) social enterprises have charitable status. The distinguishing feature for a social enterprise is the proportion of turnover derived from trading being above 50 per cent. Therefore, for the purposes of this report, the term 'traditional non-profit' is used to indicate a charity which earns under 50 percent of its revenue from commercial activity.

Figure 3.1: Decision tree to identify social enterprises



Note. 'For-profit' legal forms include sole proprietorship/trader, private limited company, limited company by shares, public limited company, private unlimited company, foreign company. 'Other' legal forms include partnerships, limited liability partnerships, private company limited by guarantee, co-operative, 'other', don't know and refused answers. 'Social' legal forms include community interest company (limited by guarantee or shares), friendly society, industrial and provident society, trust, unincorporated association, community benefit society, charitable un/incorporated organisation. 'Env.' - Environmental. S/E – social or environmental.

## Index

The second approach is to allot 'scores' to the questions which will be used to define a social enterprise, and combine them to form an index, with cut-off points identifying the range of index values that correspond to social enterprise, a traditional non-profit<sup>27</sup> and commercial SME. As opposed to a decision tree, an index describes tendencies. An index can be more flexible in dealing with missing data<sup>28</sup> and allows a two-dimensional depiction of organisations' social and economic orientation. Indices are well-established and widely used to capture more complex phenomena: for example, the [United Nation's Human Development Index](#) recognizes that GDP is an insufficient characterization of a country's level of

<sup>27</sup> Some (but not all) social enterprises have charitable status. The distinguishing feature for a social enterprise is the proportion of turnover derived from trading being above 50 per cent. Therefore, for the purposes of this report, the term 'traditional non-profit' is used to indicate a charity which earns under 50 per cent of its revenue from commercial activity.

<sup>28</sup> For instance, if information on one of the economic aspects (e.g. income from trading) is not reported by the respondent, then the index could still be computed without it as multiple questions measure aspects of economic orientation (e.g. economic goals of the organisation).

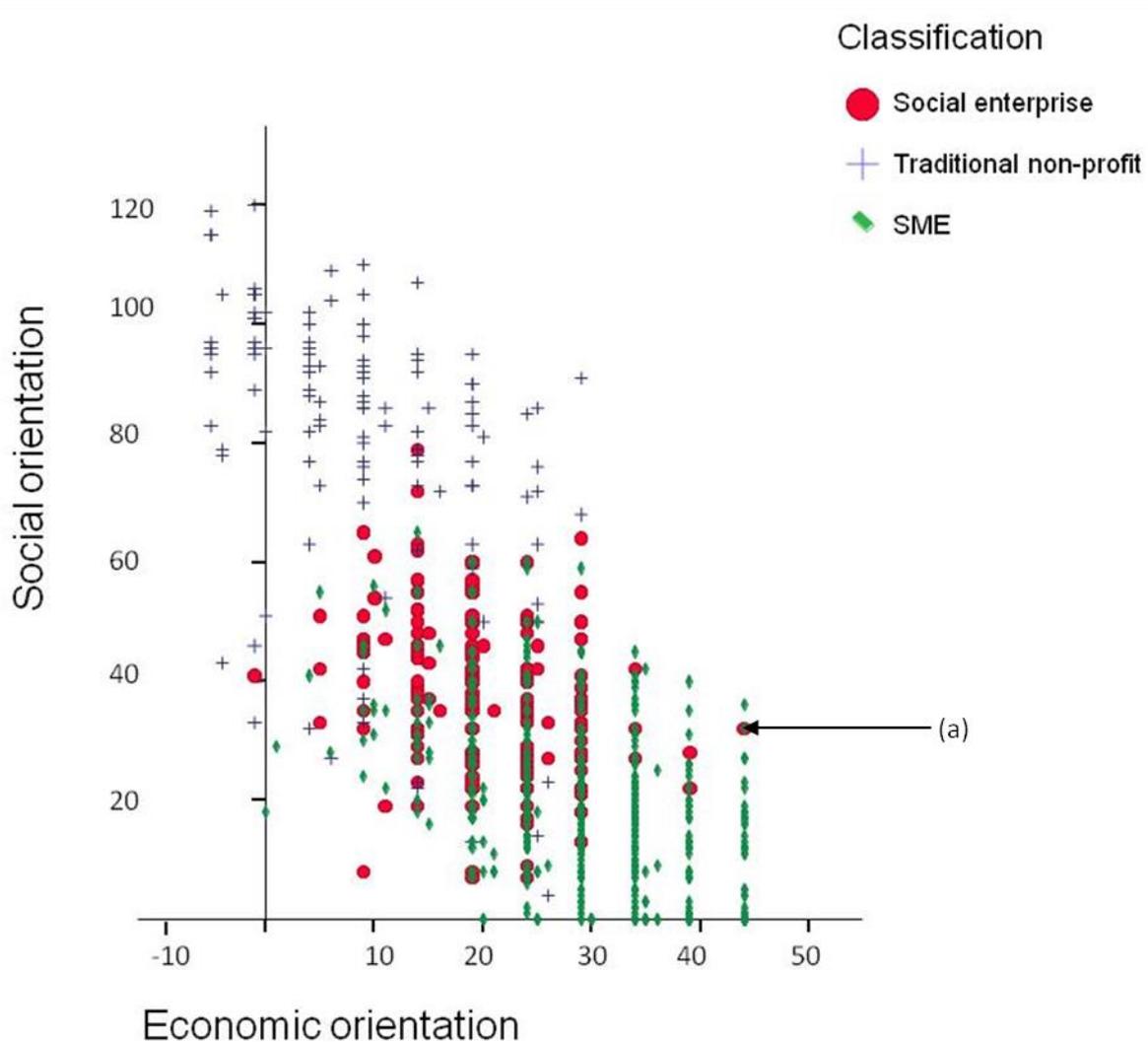
development, while the [Index of Multiple Deprivation](#) recognizes that deprivation entails more complex aspects in addition to low GDP.

Here, two sub-indices were calculated: one for social orientation and one for economic orientation, with the intention that social enterprises could be identified using the inter-relationship between the two.

The indices largely used the same questions as the decision tree but in a more fine-grained way and using 'weightings' to reflect their relative importance. The weights were assigned based on question quality as established through the cognitive testing and the pilot, by fitting the index to respondents' answers in the cognitive testing, and by capturing defining elements for the different categories, i.e. the share of income from trading activities, restrictions on the use of surpluses/profits, organisational goals and legal form. The specific questions and their scoring underlying the economic and social dimensions of the index can be found in Appendix D.

Each organisation obtains a 'score' for its social and economic orientation (based on its answers in the survey and the weighting described in Appendix B). These sub-indices produce the chart shown in **Error! Reference source not found.**3.2. The classification of organisations shown in the chart is based on the decision tree. The indices did not lead to sufficiently clear-cut boundaries between the different types of organisation to allow us to reliably assign each to a classification: commercial SMEs, social enterprises and traditional not-for profits 'merge' into each other. This can mean that a social enterprise is misclassified as a commercial SME. For example, the point labelled (a) in Figure 3.2 is identified as a social enterprise using the decision tree, having a social legal form (a trust) which gives high importance to both financial and social goals. The organization places a priority on serving members of the organisation (classed as social stakeholders), places social goals as secondary to financial goals but considers that their trading directly generates a high level of social impact ('four' on a scale from one to five). The percentage of revenue from trading is exactly 50 per cent, but the trust does not have rules or restrictions in place for the use of surpluses (although they did reinvest past surpluses chiefly to increase social impact). This combination produces a social enterprise classification on the decision tree, but the index places it among SMEs (mostly because of the high priority given to financial indicators).

Figure 3.2: Actual distribution of organisations based on index scores and overlap with decision-tree based classification



Note: The classification of organisations is taken from the decision tree. The axes correspond to the points an organisation can score on the social and economic subindices as outlined in Appendix B.

To test the index a cluster analysis was performed to judge how well the indices split the organisations into defined clusters. The results are shown in Table 3.1. The mean represents the centre of the cluster, and the standard deviation shows how dispersed cases are around that mean. The labels in the table are an interpretation of the statistical analysis. As an example, the cluster labelled 'traditional non-profit' exhibits the lowest mean score on the economic orientation but a high mean score on social orientation of all three clusters. The 'social enterprise' cluster has a similar high score for social orientation as the traditional non-profits, but also a high economic orientation score. The clusters were identified only from an analysis of the two indices, rather than using the definitions as a starting point. Thus they illustrate that empirically traditional non-profits, social enterprises and SMEs can be differentiated based on their index scores on economic and social orientation respectively,

but not to the extent that a reliable and simple to implement classification approach can be developed.

Table 3.1: Characteristics of centroids of clusters identified from economic and social orientation indices

Clusters (label)	Economic orientation		Social orientation	
	Mean	Std. Deviation	Mean	Std. Deviation
1 ('SMEs')	20.6	3.5	9.2	7.3
2 ('Social enterprises')	20.7	2.4	34.2	10.1
3 ('Traditional non-profit')	9.9	4.1	32.9	15.7

Note. Unweighted base N=1,300.

### Comparing the Decision Tree and Index

The decision tree and index are useful for different purposes. Both approaches were developed to be as much as possible evidence-based as well as considering existing practice (e.g., through input from the advisory panel). Each approach has their strengths and weaknesses, with neither being a perfect way of identifying social enterprises.

Because the decision tree offers clear-cut boundaries it is useful for classifying different types of organisations and, in turn, to derive estimates of social enterprises in the UK. **For this reason the decision tree is used in this report to derive population estimates and outline features of social enterprise employers compared to SME employers.** The decision tree is furthermore methodologically clear-cut as it offers 'either/or' decision criteria. Yet unlike the index approach it is limited when it comes to accommodating missing data. For instance, 67 organisations could not be classified chiefly because they did not answer the question about the share of income derived from trading. These 67 organisations were removed from subsequent analyses.

The index is a useful tool for showing where organisations lie on a social and economic spectrum in a differentiated manner. It is able to identify clusters of organisational types, but without the clear-cut boundaries that the decision tree offers. Thus, these clusters more accurately describe the nuanced picture that exists in practice, where organisations must decide how to balance decisions on their economic and social orientation in order to fulfil their over-arching organisational goals, but may be unable to offer the 'either/or' choice offered by the decision tree. The index also makes fuller use of information and is more flexible in dealing with missing values. It enables future research about the relative social and economic propensities of enterprises in general (not just social enterprises).

All following chapters are based on a survey of 1,300 respondents following the SBS and LSBS surveys as closely as possible in their approach, sampling and using the same questions (see Appendix B for details on the methodology), whilst also incorporating the improved questions to identify social enterprises (as per chapter 3 and displayed in Appendix C).

## 4. Number of Social Enterprises and Employees

This chapter provides estimates of the number of social enterprises and the employment they offer as part of the UK small business population. The numbers reported here cannot be compared to those reported in the *Social Enterprise: Market Trends 2012* and *2014* reports due to differences in the methodology (see Chapter 3). Estimates are based on a survey of 1,300 respondents<sup>29</sup> following the SBS and LSBS surveys as closely as possible in their approach and sampling (see Appendix B for details on the methodology), whilst incorporating the improved questions to identify social enterprises (Chapter 3) alongside standard (L)SBS questions to profile enterprises and their performance.

### 4.1 Proportions of SME employers that are social enterprises

Using the decision tree (shown in Figure 3.1), Table 4.1 shows the number of enterprises which fall into each classification by relating the proportions from our survey to the [2016 Business Population Estimates](#). In total, they indicate that approximately 471,000 enterprises in the UK small business population are social enterprises, 99,000 of these are employers and 371,000 have no employees. These figures are not comparable with those in previous *Social Enterprise: Market Trends* reports, due to the different methodology used.

Table 4.1: Classifications of enterprises

	All	Employers	Non-employers
Number of all enterprises (BPE estimates)	5,490,500	1,318,300	4,172,200
Social Enterprise	471,000	99,000	371,000
Traditional non-profits	152,000	84,000	68,000
SME	4,868,000	1,135,000	3,733,000
Commercial SME	3,656,000	891,000	2,765,000
Socially oriented SME	1,212,000	244,000	968,000

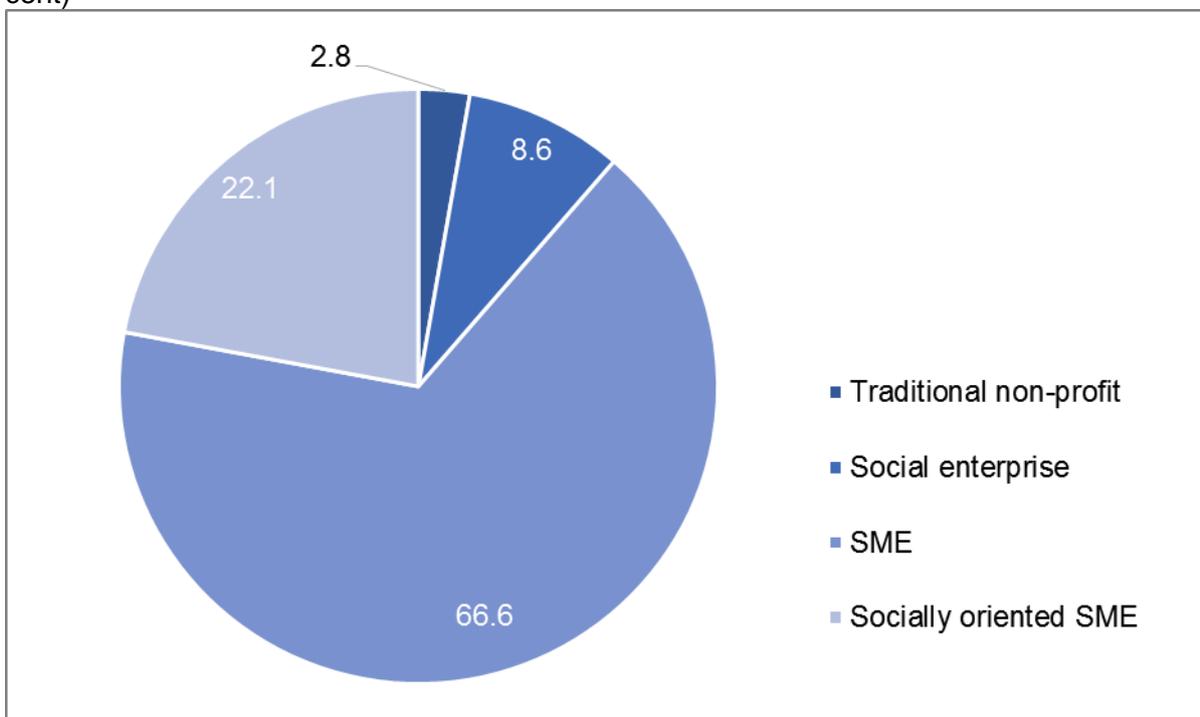
Note. BPE – [Business Population Estimates](#). Due to rounding, in some instances, the figures in columns ‘employers’ and ‘non-employers’ do not add up precisely to those in the column ‘all’. Unweighted base N=1,233 (67 enterprises could not be classified due to missing data).

The decision tree allows further differentiation of the types of enterprises in the UK small business population. There are an estimated 1,212,000 socially-oriented SMEs (244,000 of whom are employers and 968,000 have no employees). Socially-oriented SMEs are enterprises that have social/environmental goals and generate their income chiefly from

<sup>29</sup> The effective unweighted sample size is N=1,233 as 67 enterprises could not be classified as social enterprise, traditional non-profit, commercial or socially-oriented SME due to missing data (Chapter 3 for details).

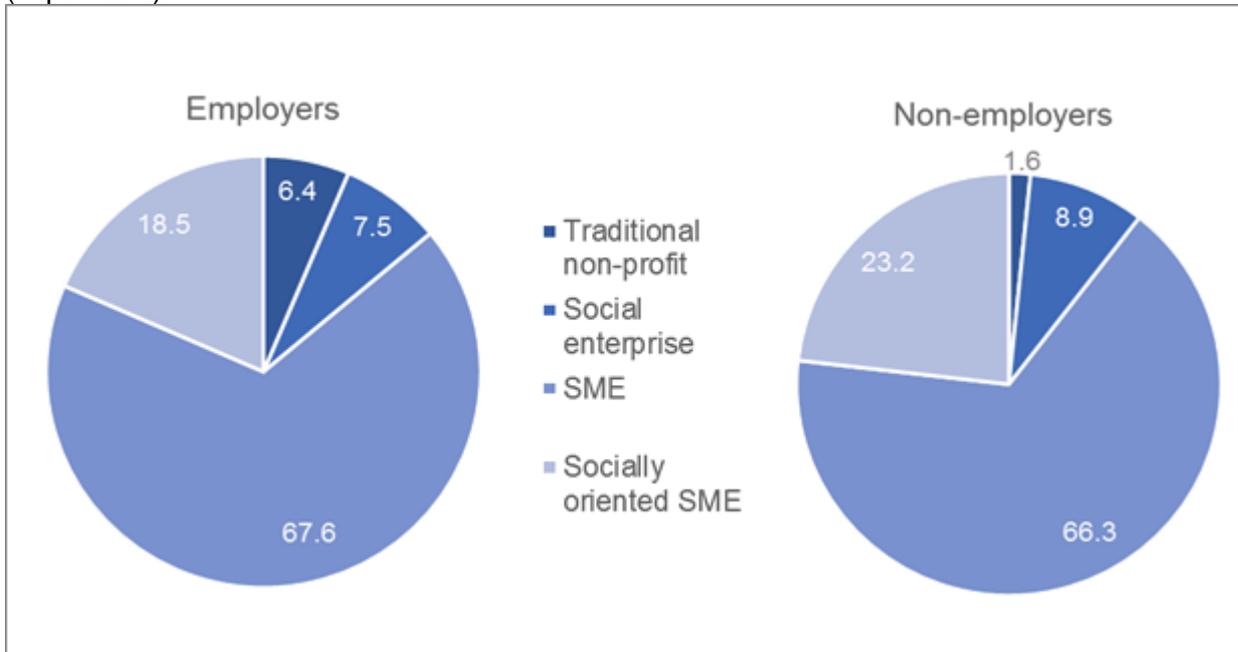
trading activities but that do not use their surplus/profit chiefly to further those social/environmental goals. Socially-oriented SMEs make up 22 per cent of the UK small business population (Figure 4.1), while two thirds (67 per cent) are SMEs with clear commercial and financial goals. Furthermore there are an estimated 152,000 'Traditional non-profits' (84,000 of these are employees and 68,000 have no employees). 'Traditional non-profits' are organisations that pursue social goals but generate less than 50 per cent of their income from trading activities. These constitute 2.8 per cent of the UK small business population. Figure 4.2 breaks these numbers down by employer (left hand side) and non-employer status (right hand side) and complements the estimates provided in Table 4.1.

Figure 4.1: Share of different types of enterprises in the UK small business population (in per cent)



Note. Based on classification of sample according to decision tree, weighted to be representative of UK small business population. Unweighted base N=1,233 (67 enterprises could not be classified due to missing data).

Figure 4.1 Share of different types of enterprises in subset of employers and non-employers (in per cent)



Note. Based on classification of sample according to decision tree, weighted to be representative of UK small business population, unweighted base N=938 employers, N=295 non-employers.

**Estimated number of social enterprises in the UK (in the small business population)**

Overall:

471,000

Employers:

99,000

Non-employers:

371,000

Note. Due to rounding, the 'overall' number of social enterprise in the UK deviates from the combined number of social enterprise 'employers' and 'non-employers'.

Table 4.2 illustrates the margin of error associated with the estimates of the UK social enterprise population. The sampling error is the error caused by observing a sample instead of the whole population. It is the margin of error between the number derived from the sample which is used to estimate a given population parameter and the actual but unknown value of the parameter. This is expressed as a percentage around the core value within which range we can say with 95% certainty that the 'true' value of the parameter lies. For

instance, due to sample error and the size of the sample, we can say that the number of social enterprise non-employers lies, with a 95 per cent certainty, between 237,000 and 505,000. Similarly, the number of social enterprise employers lies with a 95 per cent certainty between 77,400 and 122,200. Finally the overall number of social enterprises (both employers and non-employers) lies with 95 per cent certainty between 388,500 and 555,500.

Table 4.2 provides more detailed estimates for different sizes of UK employer social enterprises. Most UK employer social enterprises (69,000) are micro social enterprises, i.e. they employ between 1 and 9 employees. There are 27,000 small social enterprises in the UK, employing between 10 and 49 employees; and 3,000 medium-sized social enterprise employing between 50 to 249 employees.

Table 4.2: Total estimated number of UK SME social enterprises by enterprise size

Sizeband	Total SME numbers (rounded) - from BPE	Proportion of social enterprises	Number of social enterprises (rounded)	Sample error	Range of number of social enterprises (reflecting 95 per cent certainty)
No employees	4,172,185	8.9%	371,000	3.2%	237,000 – 505,000
Micro (1 to 9 employees)	1,081,425	6.4%	69,000	2.4%	43,000 – 95,000
Small (10 to 49 employees)	203,550	13.2%	27,000	3.4%	20,000 – 34,000
Medium (50 to 249 employees)	33,310	10.2%	3,000	3.9%	1,700 – 4,300
SME employers	1,325,485	7.5%	99,000	1.7%	77,400 – 122,200
All SMEs	5,490,470	8.6%	471,000	1.5%	388,500 – 555,500

Note. BPE – [Business Population Estimates](#), Numbers are rounded and may not add up exactly. Sample error – refers to sample error for the number of social enterprises, the range for the number of social enterprises is calculated based on the sample error with a 95 per cent certainty level. Unweighted base N=1,233 (67 enterprises could not be classified due to missing data).

### 4.3 Numbers employed by social enterprises

Table 4.3 shows estimates for employment offered by UK social enterprises. As above, this was calculated by applying proportions obtained from our survey to the relevant figures on employment from BPE 2016. In total, social enterprises employers employ just over 1 Million people (1,069,000), with approximately half of that total employed by social enterprises with 10-49 employees. Social enterprise employers also have 41,000 working owners and partners. Non-employer social enterprises have 331,000 working owners and partners.

Total employment is calculated by adding the number of full- and part-time employees to the number of working owners/partners in employer and non-employer social enterprises. This gives a figure of 1,441,000 total employment offered by social enterprises in 2017.

**Estimated number employed by UK social enterprises**

1.44 m

Table 4.3: Numbers employed by social enterprises

	Size class	Total employees/ working owners	Social enterprises	Social enterprise employment
Employees	Micro (1 to 9)	3,507,000	6.4%	222,800
	Small (10 to 49)	3,899,000	13.2%	515,400
	Medium (50 to 249)	3,237,000	10.2%	331,100
	All size classes			1,069,300
Working owners and partners	Micro (1 to 9)	471,000	6.4%	29,900
	Small (10 to 49)	71,000	13.2%	9,400
	Medium (50 to 249)	14,000	10.2%	1,400
	All size classes			40,700
Non-employers	Working owners/ partners <sup>30</sup>	3,725,000	8.9%	331,000
All				1,441,000

Note. Unweighted base N=1,233 (67 enterprises could not be classified due to missing data).

<sup>30</sup> The number of working owners/partners given by the BPE estimates for businesses with zero employees differs from (and is lower than) the number of businesses.

## 5. Profiles of social enterprises

This chapter profiles social enterprise employers with regard to their size, age, sector of their activity, location, and diversity at the top of social enterprises, i.e. in their management and leadership (team). All comparisons are made against SME employers who are not social enterprises or traditional non-profits. For this purpose employer enterprises identified as commercial and socially-oriented SMEs are combined in the joint category ‘SME employers’. Throughout chapters 5 to 9, the bold numbers in the tables indicate differences between SME employers and social enterprise employers that are statistically significant (at the 95 per cent confidence level). Estimates are based on a survey of 1,300 respondents<sup>31</sup> following the SBS and LSBS surveys as closely as possible in their approach and sampling (see Appendix B for details on the methodology), whilst incorporating the improved questions to identify social enterprises (Chapter 3) alongside standard (L)SBS questions to profile enterprises and their performance. The numbers reported here cannot be compared to those reported in the *Social Enterprise: Market Trends 2012* and *2014* reports due to differences in the methodology (Chapter 3).

### 5.1 Size of enterprise

Similar to SME employers, social enterprise employers are predominantly micro businesses (see Table 5.1). However, compared to SME employers, there are relatively fewer micro social enterprise employers (employing one to nine employees) and more small social enterprise employers (employing ten to 49 employees). Specifically, 69 per cent and 27.4 per cent of social enterprise employers are micro and small businesses respectively.

Table 5.1: Employment size

	SME employers	Social enterprise employers
unweighted base	619	181
	%	%
Micro businesses (1-9 employees)	83.0	<b>68.5</b>
Small businesses (10-49 employees)	14.6	<b>27.4</b>
Medium-sized businesses (50-249 employees)	2.4	4.1
Total	100	100

1. Figures in bold were statistically significant (at the 95 per cent confidence level) against the figures for SME employers not defined as social enterprises.

2. \* denotes that there were fewer than 50 observations for this cell and should therefore be treated with caution.

3. Percentages may not sum to 100 due to rounding.

<sup>31</sup> The effective unweighted sample size is N=1,233 as 67 enterprises could not be classified as social enterprise, traditional non-profit, commercial or socially-oriented SME due to missing data (Chapter 3 for details).

## 5.2 Age of enterprises

Seventy-two per cent of social enterprise employers are ten years and older, which compares to 62 per cent of SME employers. This difference is statistically significant.

Table 5.2: Age of business

	SME employers	Social enterprise employers
unweighted base	606	179
	%	%
0 – 10 years	38.0	<b>27.8</b>
>10 years	62.0	<b>72.2</b>
Total	100	100

1. Figures in bold were statistically significant (at the 95 per cent confidence level) against the figures for SME employers not defined as social enterprises.

2. \* denotes that there were fewer than 50 observations for this cell and should therefore be treated with caution.

3. Percentages may not sum to 100 due to rounding.

## 5.3 Sector

Table 5.3 shows the different industry sectors social enterprise employers operate in. Thirty-two per cent of social enterprise employers are active in social and other services sectors (these include education, health, arts and entertainment). A quarter of social enterprise employers operate in the retail and distribution sectors (including wholesale, transport and storage), while a further 18 per cent work in production-oriented sectors (including the primary sectors such as agriculture, manufacturing and construction). In terms of statistically significant differences, social enterprise employers are less likely than SME employers to be operating business services (eight per cent vs. 34.9 per cent). They are significantly more likely than SME employers to be active in human facing social service sectors (31.5 per cent vs. eight per cent).<sup>32</sup>

<sup>32</sup> These estimates need to be interpreted with caution due to the relatively small sample size. For many sector groupings there are fewer than 50 observations for social enterprise employers (indicated by \* in all tables).

Table 5.3: Sector that the business operates in (1- digit SIC 2007 codes)

SIC Code	Business sector	SME employers	Social enterprise employer
unweighted base		619	181
		%	%
ABCDEF	Production	25.3	17.8*
GH	Retail/Distribution	22.2	24.7*
I	Food service/accommodation	9.8	<b>17.8*</b>
JKLMN	Business services	34.8	<b>8.2*</b>
PQRS	Social and other services (education, health, arts etc.)	8.0	<b>31.5</b>
	Total	100	100

1. Figures in bold were statistically significant (at the 95 per cent confidence level) against the figures for SME employers not defined as social enterprises.
2. \* denotes that there were fewer than 50 observations for this cell and should therefore be treated with caution.
3. Percentages may not sum to 100 due to rounding.

#### 5.4 Region

Most social enterprise employers in the UK are located in England (86 per cent). The regional distribution across the four UK countries does not differ between SME employers and social enterprise employers. However, the figures need to be interpreted with caution due to the small sample size.

Table 5.4: Region

	SME employers	Social enterprise employers
unweighted base	619	155
	%	%
England	82.1	86.1
Scotland	5.9*	8.3*
Wales	4.6*	2.8*
Northern Ireland	7.5*	2.8*
Total	100	100

1. Figures in bold were statistically significant (at the 95 per cent confidence level) against the figures for SME employers not defined as social enterprises.
2. \* denotes that there were fewer than 50 observations for this cell and should therefore be treated with caution.
3. Percentages may not sum to 100 due to rounding.

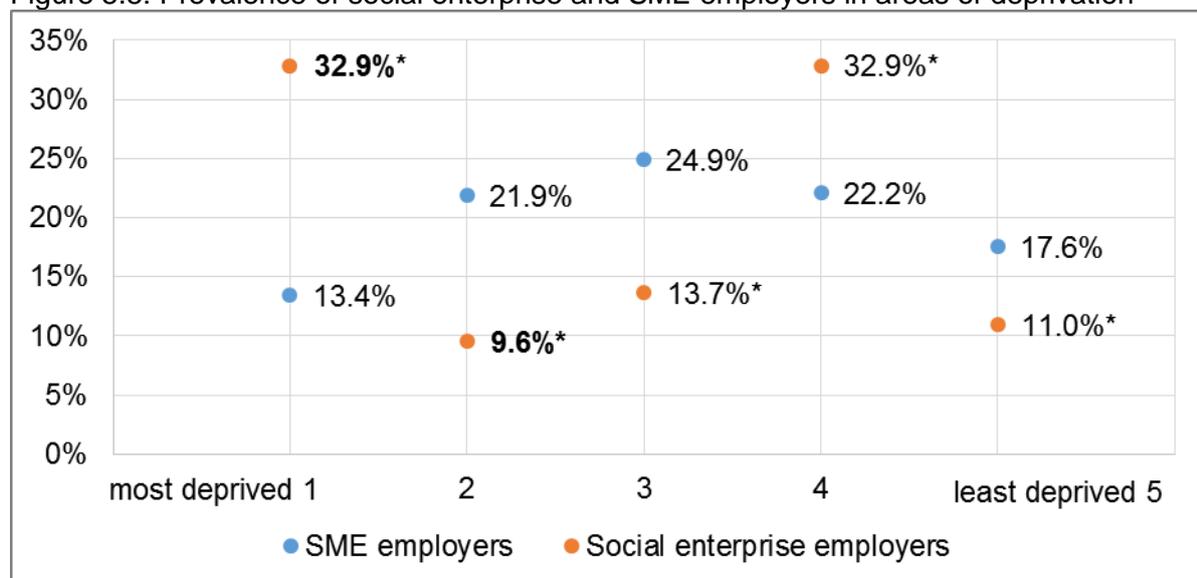
#### 5.5 Area of deprivation

The Index of Multiple Deprivation (IMD) measures relative deprivation of a geographical area (typically the size of about 1,500 individual or 650 households) across seven dimensions of deprivation (health, employment, income, education, crime, living environment and barriers to housing and services). It is calculated differently in England, Scotland, Wales and

Northern Ireland. The scores are combined based on their relative rank and depicted below in quintiles (from the 20 per cent most deprived to the 20 per cent least deprived areas).

Social enterprise employers are significantly more likely to be located in the 20 per cent *most* deprived areas. One third of social enterprises are located in these areas compared to 13 per cent of SME employers (Figure 5.5). However, social enterprise employers were less likely to be located in the *second most* deprived quintile of areas. Ten per cent of social enterprises are located there compared to 22 per cent of social enterprise employers. All other differences are not statistically significant. However, for social enterprises these numbers are based on small sample sizes for each quintile and should be interpreted as tentative trends. The reasons behind the relatively higher prevalence of social enterprise employers in the most deprived areas are not entirely clear. It may be that there are more and more diverse social needs in these areas (e.g., from poverty, social exclusion to academic underachievement), which create more demand for social enterprise that address these needs<sup>33</sup>.

Figure 5.5: Prevalence of social enterprise and SME employers in areas of deprivation



Note. Base N=617 SME employers, N=181 Social enterprise employers

1. Figures in bold were statistically significant (at the 95 per cent confidence level) against the figures for SME employers not defined as social enterprises.
2. \* denotes that there were fewer than 50 observations for this cell and should therefore be treated with caution.
3. Percentages may not sum to 100 due to rounding.

<sup>33</sup> For similar arguments see Estrin, S., Mickiewicz, T., & Stephan, U. (2013). [Entrepreneurship, Social Capital, and Institutions: Social and Commercial Entrepreneurship across Nations](#). *Entrepreneurship Theory and Practice*, 37(3): 479–504. However, existing research findings relating the level of deprivation to social enterprise are complex and in part depend on how social enterprise is measured (Levie, J., & Hart, M. (2011). [Business and social entrepreneurs in the UK: Gender, context and commitment](#). *International Journal of Gender and Entrepreneurship*, 3(3), 200–217.). Most publications focus start-up efforts and individual social entrepreneurs (as opposed to social enterprise employers, which are the focus of this report).

## 5.6 Legal status

Forty-four per cent of social enterprises employers and 60 per cent of SME employers are private limited companies. Fourteen percent of social enterprise employers are sole proprietorships, while 13 per cent are charitable unincorporated or incorporated organisations. Differences between social enterprise and SME employers cannot be meaningfully tested for statistical significance due to the small sample size and large number of legal forms.

Table 5.6: Legal status

	<b>SME employers</b>	<b>Social enterprise employers</b>
unweighted base	619	181
	%	%
Sole proprietorship	24.7	14.1*
Private limited company, limited by shares (LTD.)	60.3	43.7*
Public Ltd company (PLC)	2.3*	1.4*
Partnership	6.0	8.5*
Limited liability partnership	2.1*	1.4*
Private company limited by guarantee	2.8*	7.0*
Community Interest Company (CIC)	0.0*	7.0*
Friendly society	0.0*	0.0*
Industrial and provident society	0.0*	0.0*
Private Unlimited company	0.6*	0.0*
Foreign company	0.0*	0.0*
A trust	0.0*	1.4*
An unincorporated association	0.0*	0.0*
Community benefit society	0.0*	0.0*
Charitable un-/incorporated organisation	0.0*	12.7*
Other/don't know/refused	1.2*	2.8*
<b>Total</b>	<b>100</b>	<b>100</b>

1. Figures in bold were statistically significant (at the 95 per cent confidence level) against the figures for SME employers not defined as social enterprises.

2. \* denotes that there were fewer than 50 observations for this cell and should therefore be treated with caution.

3. Percentages may not sum to 100 due to rounding.

4. Categories with zero prevalence rates contain very few organizations which due to weighting and rounding appear as zero.

## 5.7 Diversity

In (L)SBS surveys, women-led businesses are defined as those controlled by a single woman or having a management team the majority of whom are women. Social enterprise employers are significantly less likely to be entirely male-led compared to SME employers

(25 vs. 45.9 per cent in bold in Table 5.7). These estimates need be interpreted with caution due to the small sample size and the relatively high rate of “don’t know” answers for this question. A robustness check<sup>34</sup> (not shown) confirms the higher percentage of SME employers as opposed to social enterprise employers being entirely male-led. However this robustness check also suggests that the percentage of enterprises with any women among the leadership team (combining the first three categories in Table 5.7) does not significantly differ for social enterprise employers compared to SME employers (58.3 vs. 52.0 per cent).

Table 5.7: Women-led businesses

	SME employers	Social enterprise employers
unweighted base	619	181
	%	%
Women-led	14.2	13.9*
Equality-led (equal number of men and women)	30.0	23.6*
Women in minority	7.8	20.8*
Entirely male-led	45.9	<b>25.0*</b>
Don't know	2.0*	16.7*
Total	100	100

1. Figures in bold were statistically significant (at the 95 per cent confidence level) against the figures for SME employers not defined as social enterprises.

2. \* denotes that there were fewer than 50 observations for this cell and should therefore be treated with caution.

3. Percentages may not sum to 100 due to rounding.

A share of 8.3 and 8.6 per cent of social enterprise employers and SME employers respectively is led by a person from a minority ethnic group (MEG) or has a management team with at least half of its members from an ethnic minority (Table 5.8). There are no statistically significant differences between social enterprise employers and SME employers in (not) being MEG led. The only significant difference is in the relatively high rate of “don’t know” answers among the social enterprise employers.

<sup>34</sup> For the robustness check the first three categories shown in Table 5.7 were combined into on ‘any female participation in leadership’ category and contrasted with the ‘entirely male-led’ category.

Table 5.8: Minority ethnic group (MEG)-led businesses

	<b>SME employers</b>	<b>Social enterprise employers</b>
unweighted base	619	181
	%	%
MEG-led	8.6	8.3*
Not MEG-led	89.4	75.0
Don't know	2.1	<b>16.7*</b>
Total	100	100

1. Figures in bold were statistically significant (at the 95 per cent confidence level) against the figures for SME employers not defined as social enterprises.

2. \* denotes that there were fewer than 50 observations for this cell and should therefore be treated with caution.

3. Percentages may not sum to 100 due to rounding.

## 6. Business performance of social enterprises

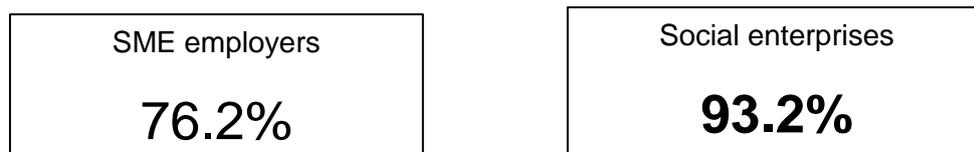
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This chapter explores how social enterprise employers performed in the year prior to the survey in terms of profitability, employment size and turnover, and their expectations for performance in the year following the survey. It also looks at their longer-term expectations for business growth, as well as their performance on innovation and exporting.

### 6.1 Generating a profit / surplus

A lower proportion of SME employers had generated a profit/surplus over the last year when compared to social enterprise employers overall (76 per cent vs. 93 per cent). This difference is significant.

**Proportion of businesses that had made a profit / surplus over the last year:**



Unweighted base N= 619 SME employers, N=181 Social enterprise employers.

1. Figures in bold were statistically significant (at the 95 per cent confidence level) against the figures for SME employers not defined as social enterprises.

### 6.2 Numbers employed compared to one year ago

A higher proportion of social enterprise employers reported that, compared to the previous year, they are employing more people (14 per cent) than those that reported they employed fewer (12 per cent, Table 6.2). The pattern for social enterprise employers was similar to that of SME employers with no significant differences.

Table 6.2: Numbers employed now compared to one year ago

	<b>SME employers</b>	<b>Social enterprise employers</b>
unweighted base	612	181
	%	%
Less than one year ago	11.9	12.3*
About the same	63.0	74.0
More than one year ago	24.4	13.7*
Don't know	0.7	0.0
<b>Total</b>	<b>100</b>	<b>100</b>

1. Figures in bold were statistically significant (at the 95 per cent confidence level) against the figures for SME employers not defined as social enterprises.

2. \* denotes that there were fewer than 50 observations for this cell and should therefore be treated with caution.

3. Percentages may not sum to 100 due to rounding.

### 6.3 Numbers expected to employ in one year's time

Table 6.3 shows how SME employers and social enterprise employers expect the numbers of employees to change in a year's time. Of social enterprise employers, 22 per cent expect to employ more people in one year's time with 11 per cent expecting to employ fewer. The majority of social enterprise employers (67 per cent) expects the number of employees to remain the same. This pattern is comparable to SME employers, with no significant differences.

Table 6.3: Numbers expected to employ in one year's time

	<b>SME employers</b>	<b>Social enterprise employers</b>
unweighted base	619	181
	%	%
More than currently	17.7	22.2*
About the same	72.7	66.7
Fewer	8.1*	11.1*
Don't know	1.6	0.0
<b>Total</b>	<b>100</b>	<b>100</b>

1. Figures in bold were statistically significant (at the 95 per cent confidence level) against the figures for SME employers not defined as social enterprises.

2. \* denotes that there were fewer than 50 observations for this cell and should therefore be treated with caution.

3. Percentages may not sum to 100 due to rounding.

### 6.4 Turnover compared to one year ago

Thirty-one per cent of social enterprise employers reported increased turnover, with 23.6 per cent reporting a decrease. The respective figures for SME employers overall were 27.5 per cent and 17 per cent. Thus, whilst changes in employment were similar between social enterprise employers and SMEs, changes in turnover were relatively less favourable for

social enterprise employers with more social enterprise employers reporting a decrease in turnover. This difference is not statistically significant.

Table 6.4: Turnover now compared to one year ago

	<b>SME employers</b>	<b>Social enterprise employers</b>
unweighted base	612	181
	%	%
Increased	27.5	30.6
Decreased	17.1	23.6*
Stayed the same	49.8	45.8
Don't know / refused	5.6*	0.0*
<b>Total</b>	<b>100</b>	<b>100</b>

1. Figures in bold were statistically significant (at the 95 per cent confidence level) against the figures for SME employers not defined as social enterprises.

2. \* denotes that there were fewer than 50 observations for this cell and should therefore be treated with caution.

3. Percentages may not sum to 100 due to rounding.

### 6.5 Turnover expected in one year's time

Thirty-four per cent of social enterprise employers expect their turnover to increase over the next year, with about half expecting it to remain the same, and 15.5 per cent expecting it to decrease. This pattern is comparable to SME employers although a smaller proportion (ten per cent) of SME employers expects their turnover to decrease. This difference is not statistically significant.

Table 6.5: Expected turnover in one year's time

	<b>SME employers</b>	<b>Social enterprise employers</b>
unweighted base	619	181
	%	%
More than now	34.8	33.8
Same as now	48.6	49.3
Less than now	10.0	15.5*
Don't know/refused	6.6*	1.4*
<b>Total</b>	<b>100</b>	<b>100</b>

1. Figures in bold were statistically significant (at the 95 per cent confidence level) against the figures for SME employers not defined as social enterprises.

2. \* denotes that there were fewer than 50 observations for this cell and should therefore be treated with caution.

3. Percentages may not sum to 100 due to rounding.

## 6.6 Plans for closure or transfer of the business

A very small proportion (1.4 per cent) of social enterprise employers anticipates closure of their business in the next five years. The proportion of SMEs that anticipates closure is higher, but the difference is not statistically significant. The patterns with respect to full transfer and neither closure nor transfer are similar between SMEs and social enterprise employers.

Table 6.6: Plans for closure or transfer of business in the next 5 years

	<b>SME employers</b>	<b>Social enterprise employers</b>
unweighted base	619	181
	%	%
Anticipate closure	6.4*	1.4*
Anticipate full transfer	10.6	9.5*
Neither	79.0	82.4
Don't know	4.0*	6.8*
Total	100	100

1. Figures in bold were statistically significant (at the 95 per cent confidence level) against the figures for SME employers not defined as social enterprises.

2. \* denotes that there were fewer than 50 observations for this cell and should therefore be treated with caution.

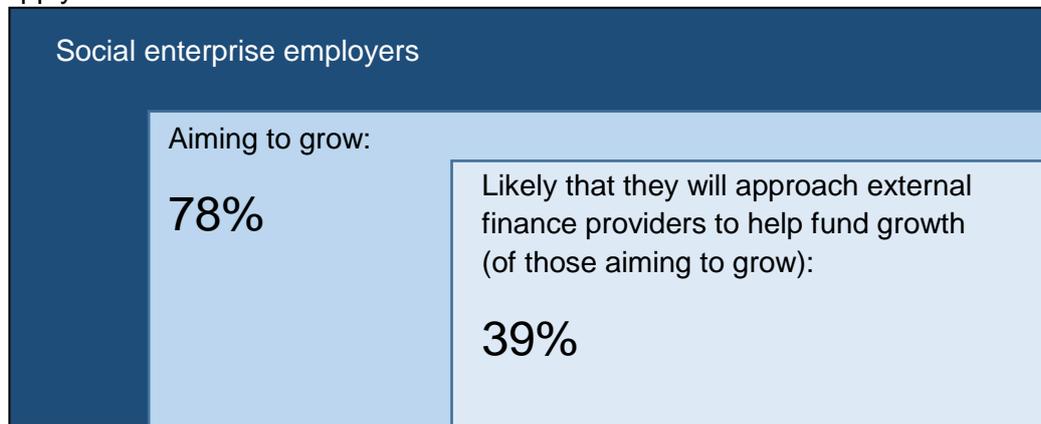
3. Percentages may not sum to 100 due to rounding.

## 6.7 Plans for growth over the next three years

The proportion of social enterprise employers (78 per cent) that aims to grow is higher than the proportion of SMEs (63 per cent). This difference is statistically significant.

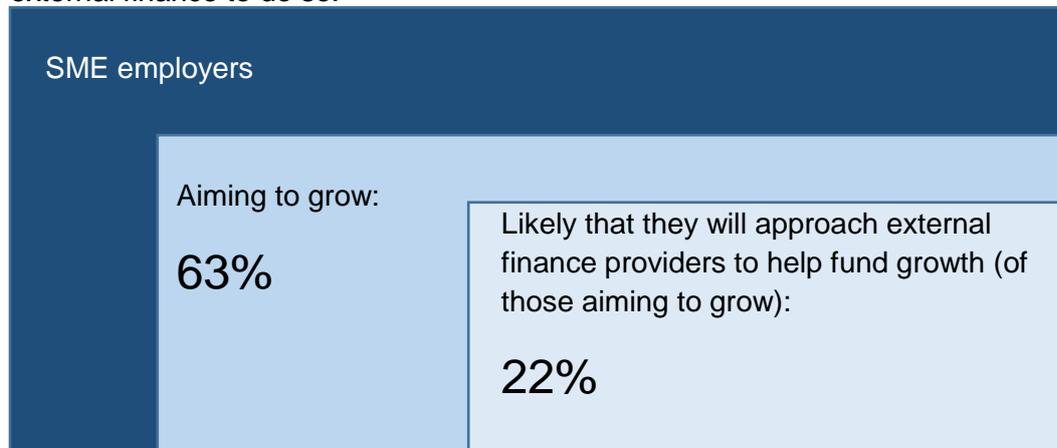
Of the social enterprise employers aiming to grow, 39 per cent thought it likely that they would approach external finance providers to help fund this growth. Of the SMEs that are aiming to grow, 22 per cent thought it likely that they would approach external finance providers to help fund this growth.

Figure 6A: Proportion of social enterprise employers that aim to grow and proportions to apply for external finance to do so.



Unweighted base = 181

Figure 6B: Proportion of SME employers that aim to grow and proportions to apply for external finance to do so.



Unweighted base = 619

## 6.8 Innovation

Two thirds (66 per cent) of social enterprise employers reported introducing a new or significantly improved product or service over the past 3 years, a higher proportion than that for SME employers. Almost half (48 per cent) of social enterprise employers reported introducing a new process for producing or supplying goods or services against 19 per cent of SME employers. Both of these differences are statistically significant.

### Proportions of businesses which introduced new or significantly improved...

#### ... products and/or services:



Note. Unweighted base N= 619 SME employers, N=181 Social enterprise employers.

1. Figures in bold were statistically significant (at the 95 per cent confidence level) against the figures for SME employers not defined as social enterprises.

#### ...processes:



Note. Unweighted base N= 619 SME employers, N=181 Social enterprise employers.

1. Figures in bold were statistically significant (at the 95 per cent confidence level) against the figures for SME employers not defined as social enterprises.

## 6.9 Exporting

A significantly lower proportion of social enterprise employers compared to SME employers exported their goods and services outside the UK in the past 12 months (27 per cent vs. 17 per cent).

### Proportion of businesses that have exported goods or services over the last year



Note. Unweighted base N= 617 SME employers, N=181 Social enterprise employers.

1. Figures in bold were statistically significant (at the 95 per cent confidence level) against the figures for SME employers not defined as social enterprises.

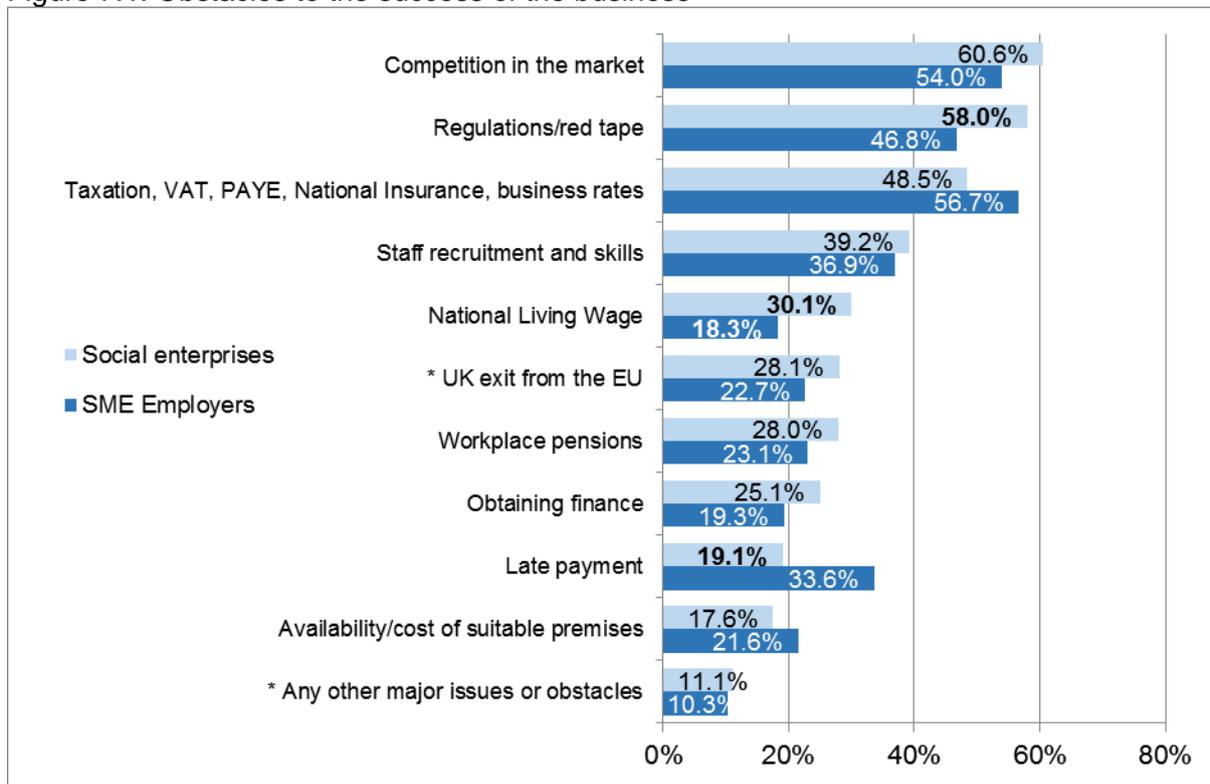
# 7. Potential obstacles to the success of the enterprise

This chapter explores the potential weaknesses and obstacles that social enterprises report as restricting their business success.

## 7.1 Obstacles to the success of the business

To identify perceived obstacles, respondents were read a list of issues and asked which, if any, represented major obstacles to the success of their business. Respondents could give multiple answers. Figures in bold were statistically significant (at the 95 per cent confidence level) for social enterprise employers against the figures for SME employers.

Figure 7.1: Obstacles to the success of the business



Unweighted base N= 619 SME employers, N=181 Social enterprise employers

1. Figures in bold were statistically significant (at the 95 per cent confidence level) against the figures for SME employers not defined as social enterprises.
2. \* denotes that there were fewer than 50 observations for this cell and should therefore be treated with caution.
3. Percentages may not sum to 100 due to rounding.

Sixty-one per cent of social enterprise employers report that competition in the market is an obstacle to the success of their business, 58 per cent see regulations/red tape, 48 per cent taxation (including VAT, PAYE, NI and rates), 39 per cent recruitment and skills, and 28 per cent workplace pensions and UK exit from the EU as obstacles to their success. Generally,

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SME employers reported similar proportions facing each obstacle to social enterprises, with the only statistically significant differences being higher proportions of social enterprises reporting regulation/red tape (58 per cent vs 47 per cent), and the National Living Wage (30 per cent vs 18 per cent) and a lower proportion of social enterprise employers reporting that late payment was an obstacle (19 per cent vs 34 per cent of SMEs).

## 8. Access to finance

This chapter looks at the demand for finance, what types of finance social enterprise employers are applying for and why, and their ability to obtain external finance. It should be noted that sample sizes throughout this chapter are considerably smaller than in earlier chapters, because most questions only apply to the subset of enterprises that sought to obtain finance in the last year. Hence, results should be interpreted with some caution.

### 8.1 Seeking finance in the past year

A higher proportion of social enterprise employers sought finance over the past year compared to SME employers (21 per cent vs. 14 per cent). This is in line with the findings in Chapter 6 (Figure 6A) that social enterprise employers looking to grow are more likely to apply for external finance to help do so. A significantly higher proportion of social enterprise employers applied for finance more than once.

Table 8.1: Whether sought finance in the last year

	SME employers	Social enterprise employers
unweighted base	619	181
	%	%
YES	13.8	20.6*
(Only once)	10.5	11.0*
(More than once)	3.3*	<b>9.6*</b>
NO	83.0	79.5
Don't know / refused	3.3*	0.0
Total	100	100

1. Figures in bold were statistically significant (at the 95 per cent confidence level) against the figures for SME employers not defined as social enterprises.
2. \* denotes that there were fewer than 50 observations for this cell and should therefore be treated with caution.
3. Percentages may not sum to 100 due to rounding.

### 8.2 Main reasons for applying for finance

The four main reasons for applying for finance were the same for social enterprise employers and SME employers overall. They were: to acquire working capital or for cash flow reasons; to acquire capital equipment or vehicles; to buy land or buildings; and to improve processes and products.

Social enterprise employers are relatively more likely to apply for finance to purchase capital equipment or buildings (29 per cent vs eight per cent) and to improve processes and products (36 per cent vs 1 per cent) and less often to improve or buy land and buildings (seven per cent vs 18 per cent). Social enterprise employers are significantly less likely to apply for working capital or cash flow compared to SME's. Due to the small sample size for

social enterprise employers statistical significance tests are not meaningful for other categories in this question.

Table 8.2: Main reasons for applying for finance

	SME employers	Social enterprise employers
unweighted base	90	35
	%	%
Working capital, cash flow	60.7	<b>21.4*</b>
Acquiring capital equipment or vehicles	8.4	28.6*
Buying, renting, leasing or improving buildings or land	17.8	7.1*
Investment in a new or significantly improved process, product or service	0.9*	35.7*
Other	1.9*	7.1*
Don't know	10.3	0.0
Total	100	100

1. Figures in bold were statistically significant (at the 95 per cent confidence level) against the figures for SME employers not defined as social enterprises.

2. \* denotes that there were fewer than 50 observations for this cell and should therefore be treated with caution.

3. Percentages may not sum to 100 due to rounding.

### 8.3 Main types of finance sought

The three main types of finance sought were similar for social enterprises and SME employers overall. They were: bank overdraft (including credit cards) loans from a bank, building society or other financial institution and leasing or hire purchase (mainly social enterprises). Social enterprises seek finance through government grants and schemes more often than SMEs. Due to the small sample size for social enterprises statistical significance tests are not meaningful for this question.

Table 8.3: Main types of finance sought

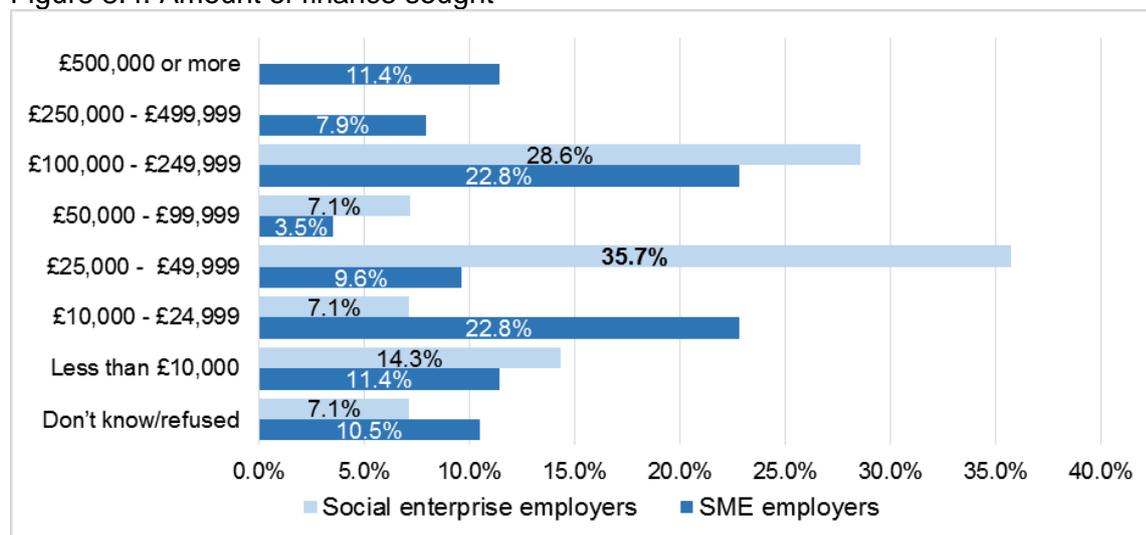
	SME employers	Social enterprise employers
unweighted base	94	37
	%	%
Bank overdraft facility	29.8*	7.1*
Commercial mortgage	4.4*	0.0*
Government grant or scheme	2.6*	7.1*
Leasing or hire purchase	5.3*	64.3*
Bank loan	39.5*	7.1*
Other loan	2.6*	0.0*
Other finance	14.9*	14.0*
Don't know / refusal	0.9*	0.0*
Total	100	100

1. Figures in bold were statistically significant (at the 95 per cent confidence level) against the figures for SME employers not defined as social enterprises.
2. \* denotes that there were fewer than 50 observations for this cell and should therefore be treated with caution.
3. Percentages may not sum to 100 due to rounding.

### 8.4 Amount of finance sought

Social enterprises applied more often than SMEs for smaller amounts of finance. In particular, they were significantly more likely to be applying for between £25,000 and £49,999 (36 per cent vs. ten per cent). Social enterprises applied less often for large amounts of more than £500,000 (10 per cent vs. zero). There were also no social enterprises that applied for finance of £250,000 to £499,999. Due to the small sample size for social enterprises statistical significance tests were only meaningful for the £25,000 - £49,999 category of this question.

Figure 8.4: Amount of finance sought



Note. Unweighted base N=95 SME employers, N=37 social enterprise employers

## 9. Business support for social enterprises

This chapter explores the demand for business support and the kinds of advice that were sought by social enterprise employers and in what areas this help is most needed.

### 9.1 Information or advice sought in the last twelve months

Thirty-one per cent of SME employers had sought external information or advice in the preceding twelve months. The proportion of social enterprise employers seeking external advice was higher, standing at 53 per cent. The difference is statistically significant.

#### Proportion of enterprises that sought external information or advice over the last year



Note. Unweighted base N= 603 SME employers, N=181 Social enterprise employers.

1. Figures in bold were statistically significant (at the 95 per cent confidence level) against the figures for SME employers not defined as social enterprises.

Table 9.1 provides information on the type of advice or guidance sought. The figures in bold were statistically significant against the figures for SME employers. Only single answers were allowed for this question. A higher proportion of SME employers than social enterprise employers sought information relating to the day-to-day running of their business (but not strategic advice, 43 per cent vs. 22 per cent). Social enterprise employers were also significantly more likely to access information on *both* day-to-day operations and strategic advice to help grow the business compared to SMEs (35 per cent vs. 21 per cent). A similar share of SME employers and social enterprise employers sought strategic advice.

Table 9.1: Type of advice or guidance sought

	SME employers	Social enterprise employers
unweighted base	184	80
	%	%
Information relating to the day-to-day running of your business	42.7	<b>21.9*</b>
Strategic advice to help introduce a stepped change to grow your business/organisation	30.9*	39.3*
Both of these	20.5	<b>35.3*</b>
Neither of these	5.9*	3.5*
Don't know	-	-
Total	100	100

1. Figures in bold were statistically significant (at the 95 per cent confidence level) against the figures for SME employers not defined as social enterprises.

2. \* denotes that there were fewer than 50 observations for this cell and should therefore be treated with caution.

3. Percentages may not sum to 100 due to rounding.

## 9.2 Sources of information or advice

The pattern of seeking strategic advice or information is different between social enterprise employers and SME employers. Due to the relatively small sample size, these categories of advice and guidance have been combined. Social enterprise employers are more likely to use consultants/general business advisers, general internet searches, and universities or other education providers more frequently than SME employers. In turn, SME employers use accountants, banks and business networks as sources of information or advice more frequently than social enterprise employers.

Table 9.2: Source of information or advice (selected results)

	SME employers	Social enterprise employers
unweighted base	197	78
	%	%
Accountant	28.5	<b>13.9*</b>
Bank	6.1*	<b>0.0*</b>
Business networks/trade associations	14.2*	<b>2.2*</b>
Consultant/general business adviser	19.6*	<b>45.6*</b>
Internet search/google/other websites	2.4*	<b>13.0*</b>
Solicitor/lawyer	9.1*	6.0*
Universities/other education sector	0.0*	<b>7.0*</b>
Other	17.3	23.4*
None	17.2*	25.6*
Don't know	3.3*	0.0*
Total	100	100

Base = SME employers who had sought advice in the last year, including either strategic advice on the running of the enterprise (see Table 9.1).

1. Figures in bold were statistically significant (at the 95 per cent confidence level) against the figures for SME employers not defined as social enterprises.

2. \* denotes that there were fewer than 50 observations for this cell and should therefore be treated with caution.

3. Percentages may not sum to 100 due to rounding.

4. Only the six most frequently mentioned sources of advice are shown, and those with significant differences.

### 9.3 Main reasons for seeking strategic advice

Table 9.3 shows the main reasons for seeking information or advice. Due to the relatively small sample size, reasons for seeking advice and guidance have been combined. The most common areas where SME employers sought advice were business growth, employment law, financial advice both in terms of obtaining finance, and running the business, innovation, improving productivity and tax issues. For social enterprise employers there were statistically significant differences in seeking advice on a range of issues including for example, business growth, employment law/redundancies, health & safety, improving productivity, management/leadership development, regulation, workplace pension and relocation (all higher than SME employers). However, due to the small sample size all differences should be interpreted with caution. Overall, social enterprise employers appear more engaged in information and advice seeking than SME employers.

Table 9.3: Main reasons for seeking information or advice

	SME employers	Social enterprise employers
unweighted base	221	86
	%	%
Business growth	10.8*	<b>24.7*</b>
E-commerce/technology	2.5*	<b>7.5*</b>
Employment law/redundancies	6.8*	<b>20.8*</b>
Exporting	0.0*	0.0*
Financial advice e.g. how and where to get finance	13.2*	13.3*
Financial advice e.g. accounting, for general running of business	20.2*	23.7*
Health and Safety	2.9*	<b>13.3*</b>
Improving business efficiency/productivity	5.7*	<b>22.4*</b>
Innovation	6.4*	10.6*
Legal issues	12.3*	<b>1.9*</b>
Management/leadership development	1.5*	<b>12.2*</b>
Marketing	1.5*	<b>12.4*</b>
Regulations	6.4*	<b>15.2*</b>
Relocation	0.0*	<b>10.9*</b>
Tax/national insurance law and payments	7.2*	<b>14.8*</b>
Training/skills needs	1.7*	<b>12.2*</b>
Workplace pension	9.3*	<b>20.2*</b>
Other	12.7*	<b>59.1*</b>
Don't know	3.1*	1.1*
Total	100	100

Base = SME employers who had sought strategic advice or information in the last year.

1. Figures in bold were statistically significant (at the 95 per cent confidence level) against the figures for SME employers not defined as social enterprises.

2. \* denotes that there were fewer than 50 observations for this cell and should therefore be treated with caution.

3. Percentages may not sum to 100 due to rounding.

## 10. Types of customers

This chapter looks at the types of customer that social enterprise employers have as well as the proportion of social enterprise employers that have done work for the public sector over the past year.

### 10.1 Type of customer

Approximately two thirds of social enterprise employers have had individual consumers (69 per cent), private sector businesses (65 per cent) and public sector bodies (60 per cent) as customers in the past 12 months. Compared to SME employers, social enterprise employers are significantly less likely to have private sector businesses as their customers (71 per cent vs. 63 per cent) and are significantly more likely to have public sector customers (43 per cent vs. 60 per cent).

Table 10.1: Types of customers

	SME employers	Social enterprise employers
unweighted base	619	181
	%	%
Private sector businesses	71.0	<b>63.0</b>
Individual consumers	64.0	68.5
Charities or third sector organisations	34.1	38.4
Public sector	42.7	<b>59.7</b>
Other/Don't know	2.5*	1.4*

1. Figures in bold were statistically significant (at the 95 per cent confidence level) against the figures for SME employers not defined as social enterprises.

2. \* denotes that there were fewer than 50 observations for this cell and should therefore be treated with caution.

3. Percentages do not add up to 100 as multiple answers were possible.

### 10.2 Work for the public sector

As seen in Table 10.1, 60 per cent of social enterprise employers had the public sector as a customer in the past year. In addition, a significantly higher proportion of social enterprise employers had bid for public sector contracts in the past year compared to SME employers (19 per cent vs. five per cent, see below). Yet, most social enterprise employers and SME employers had neither bid nor expressed an interest in bidding for public sector contracts (70 per cent vs. 87 per cent). This difference was not statistically significant. There were more refused or don't know responses from social enterprise employers than SME employers (six per cent vs. two per cent).

Although only 19 per cent of social enterprise employers had submitted a bid for a public sector contract in the past year, a higher proportion than this (60 per cent) had public sector customers in this period. This might be because of existing contracts, work that did not require contracts or because they worked as part of supply chain.

Proportion of business which...

...had the public sector as a customer in the past 12 months:



.. bid for a public sector contract in the past year:



Note. Unweighted base N= 619 SME employers, N=181 Social enterprise employers.

1. Figures in bold were statistically significant (at the 95 per cent confidence level) against the figures for SME employers not defined as social enterprises.

2. \* denotes that there were fewer than 50 observations for this cell and should therefore be treated with caution.

## 11. Conclusion

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Chapters 1 to 3 of this report have documented the objective and approach of this research. The research aimed to develop a more robust approach to identifying social enterprises in the UK small business population. By revisiting the SBS approach used in the past, it was found that the criteria used to identify social enterprises resulted in an overestimation of social enterprises in the UK. After a process of reviewing existing measures in use, cognitively testing previous and new survey questions, and conducting a pilot study with the final set of questions a revised set of survey questions has been introduced. The revised questions were implemented in a survey of the small business population that followed the SBS/LSBS approach.

Chapter 4 of this report provided estimates of the number of social enterprises in the UK small business population based on the revised methodology. Approximately 471,000 enterprises in the UK small business population are social enterprises, 99,000 of these are employers and 371,000 have no employees. In total, social enterprises employ approximately 1.4 million people in 2017.

Chapters 5 to 9 have discussed key characteristics of social enterprise employers, their profiles and current business performance, perceived obstacles to their success, access to finance, business support and their customers. The findings in these chapters suggest that social enterprise employers tend to be more sustainable and more dynamic businesses in certain respects. For instance, nearly all social enterprise employers generated a surplus/profits in the last year (compared to three quarters of SME employers). Compared to SME employers, social enterprise employers also reported higher levels of innovation, were more optimistic with regard to longer-term growth prospects (over three years), and more open to advice and external information. Yet social enterprise employers were also less internationally focussed as indicated by the lower rates of exporting compared to SME employers. Finally, because social enterprise employers are more likely than SME employers to have the public sector as a customer they also appear to be more vulnerable to changes in the public sector.

## Annex A – Summary: Resurvey of 2014 SBS Respondents

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Estimates of the numbers of social enterprises have been much contested in the recent past, facing criticism of inconsistent methodology, and over-reliance on subjective self-judgements of social enterprise status.<sup>35</sup> This meant that the estimated numbers of social enterprises could vary widely, prompting BEIS to commission research to (i) gauge the extent of these difficulties; (ii) examine the reasons why the estimates have been inaccurate in the past, and (iii) suggest ways in which the definition could be improved, leading ultimately to an improved set of questions suitable to be used in forthcoming Small Business Surveys.

This research was conducted in Spring/Summer 2016, using a resurvey of respondents to the 2014 Small Business Survey (the last survey to contain social enterprise identifying questions) to test the accuracy of the data produced by SBS, and develop recommendations for an improved approach and questions. At the time, BIS and the Cabinet Office had slightly different operational definitions for social enterprises (see Chapter 3 for more detail).

The research had 2 phases

- (1) A reanalysis of SBS2014 data, to determine the extent to which respondents who indicated their businesses were social enterprises (e.g., based on self-identifying as social enterprises in line with the BIS and Cabinet Office criteria), actually were or were not likely to be social enterprises in reality.
- (2) A resurvey of SBS2014 respondents. Whilst mostly quantitative, the survey included several open questions, with the responses recorded verbatim. This allowed the research team to better grasp how respondents understood concepts and terminology related to social enterprises.

The resurvey targeted a sample of SBS2014 respondents that had been identified as one of five segments (from specific social to commercial enterprises) based on their responses to SBS2014. Table A.1 provides more detail on these five segments and the achieved samples for each of these segments.

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<sup>35</sup> See the literature review sections of the current report for further details, especially Chapter 3.

Table A.1: Segments of organisations based on different social enterprise definitions.

Segment (based on SBS2014 responses)	Achieved sample size in 2016 resurvey			
	Unweighted		Weighted to SME population	
	N	%	N	%
Segment 1: very good fit with BIS social enterprise definition ( <i>SE1</i> )	56	14.0	21	5.3
Segment 2: very good fit or consider themselves social enterprise, and 26%+ of turnover from trading ( <i>SE2</i> )	106	26.5	82	20.5
Segment 3: under 25% of turnover from trading ( <i>Low trading</i> )	50	12.5	19	4.8
Segment 4: quite good fit, do not consider themselves social enterprise ( <i>Non-SE1</i> )	69	17.3	33	8.3
Segment 5: not social enterprises (comparison group – <i>Non-SE2</i> )	119	29.8	246	61.5

## Findings of the 2016 resurvey

### *Perceptions of 'social enterprise' based on open questions*

The open questions in the re-survey were analysed to get a better understanding of how misidentification of SMEs as social enterprises may have occurred. It became clear that there was widespread misunderstanding of what a social enterprise and a 'social objective' were. This resulted in respondents wrongly agreeing that they were a good fit with the BIS definition of a social enterprise. Such a misinterpretation applied to approximately a fifth of those who stated their business was 'a very good fit' with the definition, and approximately two-thirds of those who considered themselves 'a quite good fit'.

A similar situation applied to socially-motivated businesses. Ninety-one businesses reported that they were a socially-motivated business, but not a social enterprise. However, most reasons underlying this answer showed either that they misunderstood the question or the definition of 'social motivation'. It was clear that the level of activity to classify a business as a 'socially-motivated business' or 'social enterprise' was highly variable, and often at a low level.

By contrast, businesses which were clearly genuine social enterprises were more specific and expansive about business activities and social purpose, naming particular groups which benefit, and the ways in which this benefit is realised. Many of these genuine social enterprises refer to their not-for-profit status, and that the social purpose was the reason they were established in the first place. That suggested that a possible additional question may be *why* (as opposed to *in what form*) a business was established – to make a profit or trade commercially, as opposed to fulfilling a social or environmental purpose.

It became evident that both BIS and Cabinet Office definitions misidentified a number of commercial SMEs or traditional non-profits as social enterprises and vice versa:

- Fifty six businesses in the resurvey met the BIS definition (using their SBS 2014 responses), but the open responses in the resurvey showed that 33 of the 56 had been misidentified.
- Similarly, the Cabinet Office definition identified 99 businesses as social enterprises, but 74 had been misidentified.

#### *Quantitative survey*

The quantitative survey enquired about a range of indicators which could be used to distinguish social enterprises. The data was analysed to gauge which indicators were more commonly associated with social enterprises, as opposed to traditional non-profits or commercial SMEs. This suggested that the most useful questions which could potentially be used to distinguish social enterprises more effectively were:

- Proportion of turnover deriving from trading with the public sector.
- Restrictions on how profits/surpluses can be redistributed (using a more objective/quantitative approach than previous questions).
- Goals to measure organisational success, especially if strictly defined or legally guaranteed (e.g. enshrined in governance documents).
- Likelihood of promoting the business as one that pursues social/environmental goals.

#### *Changes in classification between surveys*

Table A.2 illustrates the subjectivity of the previous indicators used, using the same segmentation as in the Table A.1 above. Table A.2 shows how the classification of the same business changed between surveys based on the responses to the survey questions capturing the BIS/Cabinet Office social enterprise identifying criteria. A small amount of change of classification between surveys is inevitable (as organisations themselves change), but the fact that approximately three-quarters of respondents were allocated to a different classification in 2016 compared to 2014 is excessively high. The research concluded that the previous questions to identify social enterprises were not effective.

Table A.2: Change in classification of same organisations based solely on BIS criteria between 2014 SBS and 2016 re-surveys of SBS respondents

		2016 segment					
		1	2	3	4	5	Unknown
2014 Segment	1	26.8%	28.6%	3.6%	10.7%	17.9%	12.5%
	2	12.3%	22.6%	4.7%	19.8%	33.0%	7.5%
	3	4.0%	10.0%	52.0%	4.0%	22.0%	8.0%
	4	4.3%	7.2%	0.0%	21.7%	56.5%	10.1%
	5	1.7%	5.0%	0.8%	8.4%	84.0%	0.0%

Note. Percentages are based on 2014 base numbers. The shaded figures in the diagonal show the proportions of organisations which stayed in the same segment between the 2014 and 2016 surveys. Other areas indicate that the share of businesses whose classifications have changed from 2014 to 2016.

### *Suggestions for more effective questions to identify social enterprises*

The research suggested a number of areas where alternative questions could potentially be used to identify social enterprises in a more effective manner, combining the responses into an index, or a similar measure which combines data from a number of questions.

- Over 50 per cent of turnover from trading activities.
- Proportion of turnover from public sector customers (over 20 per cent).
- Legal restrictions on how profits/surpluses can be redistributed.
- Having any social or environmental goals.
- *Strictly defined* social/environmental goals.
- *Legally bound* to pursue social/environmental goals.
- Promotion of the organisation through social or environmental goals which focuses on either the goals or a mix of goals and commercial side, rather than mainly focusing on the latter.
- Charitable status (already asked in SBS).
- Legal form being limited by guarantee, CIC, Industrial and Provident Society, trust or co-operative. Other forms could potentially be added to this list (most notably friendly society, although there were none in the achieved sample). The legal form is already being asked in the SBS survey.
- Members of the organisation who share in ownership.
- Goals can only be pursued for members of the organisation.
- Use of volunteers.
- Membership of a voluntary sector representative body.
- Membership of a social enterprise or co-operative representative body.

# Annex B – Technical Appendix: Survey Methodology

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## Overall methodology

The overall methodology for the Social Enterprises Market Trends Survey 2017 mirrors that used in the [2015 Longitudinal Small Business Survey](#)<sup>36</sup> (LSBS). It uses a stratified random sample. The new questions that define social enterprises are likely to appear in further LSBS surveys and reports, and consistency of methodology between the surveys allows for robust comparisons of the total number of social enterprises.

## Sample Source

The primary source of contacts for SME employers for the 2017 Market Trends Survey was the [Inter Departmental Business Register \(IDBR\)](#). This comprises contact details of businesses that pay either PAYE or VAT (with some additional input from ONS<sup>37</sup>), and is generally considered to be the most up-to-date list of UK businesses.

Further contacts were purchased from Dun & Bradstreet, in order to represent businesses with no employees that fall below the VAT threshold. These contacts were screened to ensure they did not have employees or pay VAT, and if they did the interview was terminated.

Note that although businesses with no employees are referenced at point in this report, the bulk of analysis is based on SME employers only – i.e. those with 1-249 UK employees.

## Sample Stratification and Selection

As is the case with LSBS, a stratified random sample was drawn. Specifically, larger SMEs (with 10-249 employees) were oversampled above their actual proportion in the population. A target grid for total number of contacts with telephone numbers required was devised. In addition to the oversampling of larger SMEs, certain sectors<sup>38</sup> were also oversampled as, in the past, these tended to contain higher proportions of social enterprises. This helped to boost the total numbers of social enterprises in the unweighted dataset, and hence a greater number to interrogate than would have been the case with a random sample. This disproportionate sampling stratification was corrected at the weighting stage so that all data in this report is representative of SME employers.

Within each cell of the stratification the IDBR was sorted in postcode order (thus allowing for a geographic spread, and avoidance of duplicate addresses where multiple businesses might be registered). The IDBR contains few telephone numbers, especially for the smaller SMEs, and telephone look up was therefore required. Based on experience of conducting

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<sup>36</sup> The technical report was published in May 2016 see BIS Research Paper 291 (2016). [Longitudinal Small Business Survey Year 1\(2015\): Technical Appendix.](#)

<sup>37</sup> Office of National Statistics (ONS): [Inter-Departmental Business Register \(IDBR\)](#)

<sup>38</sup> These were sectors I (accommodation and food service), P (education), Q (human health) and R (arts and entertainment).

this exercise in the LSBS, a differential rate of sample selection occurred in each cell of the stratification. Where the IDBR did not provide telephone number, auto-telephone matching was first used, and then manual tele-matching (using internet searches), until the required number of contacts with telephone number for each cell were obtained. Overall, a ratio of 7:1 contacts with telephone numbers to target interviews were drawn within each cell.

### Data Collection Methodology

As is the case with LSBS and most general population surveys, Computer Assisted Telephone Interviewing (CATI) was used in order to collect data.

A pilot of 100 interviews was conducted between the 13<sup>th</sup> and 20<sup>th</sup> December 2016. The questionnaire was slightly modified as a result of this, and the mainstage began on the 25<sup>th</sup> January 2017, and ended on the 24<sup>th</sup> February 2017. Including the pilot interviews, a total of 1,300 interviews were conducted.

The number of completed interviews in each stratification cell was as shown in Table B.1.

Table B.1: Achieved unweighted sample by sample stratification criteria (sector and size)

Sector (SIC 2007)	Number of employees					Total
	Zero un-registered	Zero registered	Micro (1-9)	Small (10-49)	Medium (50-249)	
ABCDEF - Production	59	20	35	8	13	135
GH – Distribution (excluding I)	35	13	37	6	14	105
I – Accommodation/food service	2	4	98	93	28	225
JKLMNS – Services (excluding PQR)	58	40	65	17	30	210
P – Education	22	5	47	65	49	188
Q – Human health	11	4	96	128	72	311
R – Arts/leisure	23	5	16	54	28	126
Total	210	91	394	371	234	1,300

Note. Zero unregistered means a business with no employees, which is not registered. Zero registered is a business with no employees which is registered.

### Weighting

Data were weighted to targets derived from the [2016 Business Population Estimates](#).

This resulted in a weighted sample profile as shown in Table B.2. Please note that weighting factors for those with zero employees are relatively high, which is one reason for the majority of results in this report being based on employers only.

Table B.2: Achieved weighted sample by sample stratification criteria (sector and size)

Sector (SIC 2007)	Number of employees					Total
	Zero un-registered	Zero registered	Micro (1-9)	Small (10-49)	Medium (50-249)	
ABCDEF - Production	196	68	60	10	2.0	336
GH – Distribution (excluding I)	94	42	54	10	1.5	203
I – Accommodation/ food service	10	3	23	7	0.7	44
JKLMNS – Services (excluding PQR)	247	136	102	14	2.5	501
P – Education	66	3	3	1	0.1	74
Q – Human health	60	7	9	5	0.8	82
R – Arts/leisure	47	7	5	1	0.2	60
Total	721	267	256	48	7.9	1,300

Note. Zero unregistered means a business with no employees, which is not registered. Zero registered is a business with no employees which is registered.

### Statistical confidence

Unless stated otherwise, all findings for social enterprises reported in bold are statistically significant at the 95 per cent confidence level. Results are usually reported as a comparison between social enterprise employers and all SME employers. It should be noted that the comparison is between the sub-group – social enterprises -and the total minus that sub-group – SMEs that do not qualify as social enterprises. Tests of significance use an unweighted sample base.

Although the survey provides generally robust findings for the SME population overall and for many sub-groups, the achieved samples for some groups are smaller. The data relating to these smaller groups needs to be considered with some caution. Generally sample sizes below N=50 can result in less robust findings. Such cases are highlighted throughout the report.

## Annex C – Survey Questions used to identify Social Enterprises

The following questions constitute the set of questions that were used to identify social enterprises as per the steps of the decision tree (see section 3). They assess organisational goals, income from trading, and the use of past surplus/rules for the use of surplus. The questions for organisational goals are asked in a “staged” manner. First the nature and relevance of specific organisational goals is determined. Next social and environmental goals are ranked against financial goals. This staged approach mitigates uncertainty about what ‘social goals’ may be (e.g., by asking for specific goals and providing examples). In addition to the questions below the decision tree uses the standard LSBS question on legal form and charitable status. These questions are replicated here for completeness. **Note that any numbers contained in the response categories refer to the internal coding of that question, they are NOT response percentages.**

### Organisational Goals

**I would now like to ask about the goals of your [TEXT AT A-2]<sup>39</sup>.**

**Organisations/business may have different goals such as financial goals, or offering solutions to social or environment problems. I will now read out several of these goals. For each of these goals that I read out, please tell me whether it has been of high, medium or little importance to your [TEXT AT A-2], over the past [IF A6/1-2: year; IF A6/3-5, USE TEXT AT A6; IF A6/6-9 OR 97: five years], or whether it is not relevant. RANDOMISE ORDER OF B-F, A SHOULD ALWAYS COME FIRST. SINGLE CODE EACH.**

	High importance	Medium importance	Little importance	Not relevant	DK	Ref
(a) financial goals, e.g., relating to turnover or profit	1	2	3	4	97	98
(b) offering solutions to problems of health and/or ageing	1	2	3	4	97	98
(c) fighting economic and/or social exclusion, e.g. by supporting vulnerable or disadvantaged people	1	2	3	4	97	98
(d) working to enhance civic and community engagement	1	2	3	4	97	98
(e) serving the members of your organization such as in a mutual, a social or a sports club	1	2	3	4	97	98
(f) offering solutions to environmental problems, such as climate change or food waste	1	2	3	4	97	98

<sup>39</sup> See full questionnaire, the text at A-2 clarified whether the respondent saw their organisation as a business, a sole proprietorship or an organisation and allowed interviewers to adjust terminology accordingly. This resulted in a more natural flow of the conversation. Other references in the question text refer to the age of the business/sole proprietorship/organisation (asked in the survey in question A6).

**Does your [TEXT AT A-2] have any other social or environmental goals that I haven't mentioned?**

Yes (SPECIFY)	1
No	2
Don't know	3

ASK WHO HAVE OTHER SOCIAL ENVIRONMENTAL GOALS (D2/1)

**Has [ANSWER AT D2] been of high, medium or little importance to your [TEXT AT A-2], over the past [IF A6/1-2: year; IF A6/3-5, USE TEXT AT A6; IF A6/6-9 OR 97: five years], or is it not relevant. SINGLE CODE ONLY**

High importance	1
Medium importance	2
Little importance	3
Not relevant	4
Don't know	97
Refused	98

ASK IF LITTLE, MEDIUM OR HIGH (1-3) TO ANY OF D1b-D1f, OR D2a

**To help understand the importance of the different goals, can you tell me, are these social or environmental goals ... READ OUT. SINGLE CODE ONLY. NB: IF THEY HAVE BOTH SOCIAL AND ENVIRONMENTAL GOALS, FOCUS ON THE MOST IMPORTANT**

<b>Your [TEXT AT A-2]'s only concern</b>	1
<b>Your [TEXT AT A-2]'s primary concern</b>	2
<b>Equal to financial or other goals</b>	3
<b>Secondary to financial or other goals, or</b>	4
<b>Non-existent</b>	5
Don't know	97
Refused	98

### Income from Trading

Over the past [IF A6/1-2: financial year; IF A6/3-5, USE NUMBER AT A6 AND: financial years; IF A6/6-9 OR 97: five financial years], what approximately has been the average proportion of your income from the following sources...

READ OUT AND ASK FOR A PERCENTAGE FOR EACH (0-100%)

	% (0-100)		DON'T KNOW	REFUSED
<b>a. Trading or commercial activity, that is selling products or services to the public or other organisations</b>			97	98
<b>b. Grants and donations</b>			97	98
<b>c. Membership fees</b>			97	98
<b>d. Other sources (SPECIFY)</b>			97	98

### Use of Surplus

ASK IF GENERATED A PROFIT/SURPLUS IN THE LAST FINANCIAL YEAR (D11/1) AND IF LITTLE, MEDIUM OR HIGH (1-3) TO ANY OF D1b-D1f, OR D2a

What was done with this profit or surplus, did you use at least half of it to further your....

- ((IF D1f IS NOT/1-3 AND NOT D2a/1-3) **social goals?**
- (IF D1b-e ARE NOT/1-3 AND NOT D2a/1-2) **environmental goals?**
- ((IF D1f/1-3 OR D2a/1-3) AND D1b-e/1-3) **social/environmental goals?**

Yes	1
No	2
Don't know	97
Refused	98

(IF NO EMPLOYEES A2/0) **Do you have any principles or commitments in place for what you do with profits or surpluses**

(OTHERS) **Do you have any rules or restrictions in place for what you do with profits or surpluses?**

Yes	1
No	2
Don't know	97
Refused	98

ASK ALL THAT HAVE RULES OR RESTRICTIONS (D17/1) AND IF LITTLE, MEDIUM OR HIGH (1-3) TO ANY OF D1b-D1f, OR D2a

(IF NO EMPLOYEES A2/0) **Do these principles or commitments say to use at least half of the profits or surpluses to further....**

(OTHERS) Do these rules or restrictions say that you have to use at least half of the profits or surpluses to further....

- ((IF D1f IS NOT/1-3 AND NOT D2a/1-3) **social goals?**
- (IF D1b-e ARE NOT/1-3 AND NOT D2a/1-2) **environmental goals?**
- ((IF D1f/1-3 OR D2a/1-3) AND D1b-e/1-3) **social/environmental goals?**

Yes	1
No	2
Don't know	97
Refused	98

### Charitable Status

Are you a registered charity?

Yes	1
No	2
Don't know	97

### Legal Form

What is the legal status of your [TEXT AT A-2]? ADD IF A CHARITY (A4a/1): This is in addition to your charitable status

DO NOT READ OUT, BUT PROMPT IF NECESSARY. SINGLE CODE ONLY  
 INTERVIEWER NOTE: IF BUSINESS NAME CONTAINS 'LTD' OR 'LIMITED' THEY ARE USUALLY A LTD. COMPANY (CODE 2). IF 'PRIVATE LIMITED COMPANY' MENTIONED, CHECK WHETHER LIMITED BY SHARES OR BY GUARANTEE.

Sole proprietorship/trader	1
Private limited company, limited by shares (LTD.)	2
Public Ltd Company (PLC)	3
Partnership	4
Limited liability partnership	5
Private company limited by guarantee	6
Community Interest Company (CIC, limited by guarantee or shares)	7
Friendly Society	8
A Co-operative/Cooperative society	9
Industrial and Provident Society	10
Private Unlimited Company	11
Foreign Company	12
A trust	13
An unincorporated association	14
Community Benefit Society	15
Charitable Incorporated Organisation	16
Other (SPECIFY)	18
Don't know	97
Refused	98

## Annex D – Index Approach to Identifying Social Enterprises

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This Annex provides further information on the index approach to identifying social enterprise. It provides detail on the specific scoring or 'weighting' of questions to calculate the two sub-indices, economic and social orientation. The weightings reflect their relative importance to interviewees, and were assigned based on question quality as established through the cognitive testing and the pilot study (see chapter 3). The index was fitted to respondents' answers in the cognitive testing, as well as by capturing defining elements for the different categories, i.e. the share of income from trading activities, restrictions on the use of surpluses/profits, organisational goals and legal form. The starting point for criteria was to assign a weight of 5, but where possible, if respondents gave higher weight to certain elements (e.g. the importance of goals and charitable status), the weighting was increased correspondingly to reflect this.

### Economic orientation

- Share of income from trading/commercial activities as opposed to grants. (A weight of +5 is used when a business generates 50 or more than 50 per cent of income from trading, and a weight of -5 for under 50 per cent.)
- Rules/restrictions on surplus use (A weight of +5 is used when no restrictions are in place, and 0 when there are restrictions on reinvestment of achieved surpluses; the same scores apply to rules and restrictions on payouts.)
- Importance given to financial goals (A weight of +9 is used when an organisation indicated financial goals are of 'high' importance, weights of +4 and +1 are used for 'medium' and 'low' importance of financial goals respectively.)
- Whether social/environmental goals are primary concern (A weight of +5 is used if social/environmental goals are equal to financial or other goals. A weight of +10 when they are secondary, and a weight of +20 if social/environmental goals are non-existent.)

### Social Orientation

- Charitable status and legal form (A weight of +50 is given if an organisation is a registered charity or has another 'charitable' legal form and simultaneously generates under 50 per cent of revenue from trading. A weight of +10 is given if an organisation is a registered charity or has another 'charitable' legal form and simultaneously generates 50 or more per cent of revenue from trading.)
- Sum of importance of the five social/environmental goals (A weight of +9 for goals that are rated of 'high' importance, a weight of +4 for 'medium' important social/environmental goals and of +1 for 'low' importance for the social/environmental goals.)
- Social/environmental commitments written down (+5). (Although not a 'core question', as defined above, this was added to the index as the questions on rule/restrictions on use of surplus were not answered by all organisations, and this measure goes some way towards capturing information in a similar area.)

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- If only one social goal is ranked as 'high importance' and the financial goal is ranked high or medium importance a weight of +9 or +4 is assigned minus the number of social goals ranked at any importance.<sup>40</sup>
- Whether social/environmental goals are primary concern (A weight of +5 is used if social/environmental goals are of primary concern compared to financial. A weight of +10 when they are the organisation's only concern.)

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<sup>40</sup> This criterion was included to not penalise social enterprises which concentrate on a single social goal, and need to earn enough money to pursue that goal.

## Contact and Copyright

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5. We would be interested in any feedback that users have in the approach taken in this release, and any views on further enhancements to ensure that we are capturing social enterprises accurately. Please send any feedback to [evidence@culture.gov.uk](mailto:evidence@culture.gov.uk).

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