Social Enterprise Research 2023

Introduction

From June - September 2023, Action Hampshire undertook a piece of research on behalf of the Hampshire CVS Network that aimed to explore the experiences of social enterprises in Hampshire. The purpose of undertaking this research was to increase the Hampshire CVS Network's understanding of social enterprises in order to better meet their needs and provide more tailored support.

To achieve these aims, the following research questions were proposed:

1. Why were current social enterprises in Hampshire motivated to become Community Interest Companies (CIC)[1] instead of charities?
2. How do current social enterprises in Hampshire experience barriers and enablers to their organisation's delivery?

Methodology

To achieve robust and in-depth answers to our research questions, we used a qualitative methodology. First, a literature review was conducted to understand the experiences of social enterprises nationally and regionally. This gave a wider understanding of social enterprises, the context in which they operate and the successes and challenges they face, which has been used to point out the differences and similarities in findings from this project.

To gain potential participants, different methods were used to engage with social enterprise organisations across Hampshire. Firstly, an invitation video was sent out via Action Hampshire's social media channels and online forums such as Basecamp, alongside a participation call-out via Action Hampshire's newsletter. This was followed by direct recruitment emails to give potential participants more understanding of why the research was being conducted, focusing on how participating would be useful for organisations. All these methods proved to be successful, as we were able to recruit eight social enterprises to the project.

Once participants had been recruited, they were invited to a one-hour focus group. Two focus groups were undertaken, with five participants in one group and three in the other. The focus groups were held online via Zoom, as determined by participants' preferences indicated in their consent and availability forms. Within the focus groups, participants were asked to share their experiences of being a social enterprise and their motivations for creating a social enterprise. The focus groups were recorded and digitally transcribed using Microsoft Word's transcription tool, before being manually checked by Action Hampshire's Market Research Intern. The

[1] A Community Interest Company is one of the popular governance structures chosen by social enterprises.

transcripts were analysed using thematic analysis, a useful method for analysis of qualitative data.

Findings

Through undertaking thematic analysis of the data, we uncovered three themes that help to answer the research questions:

- Charity and business: The best of both worlds
- Understanding of CIC
- The necessity of good support

Charity & business: The best of both worlds

For some, bringing together charity and business was a strong reason for becoming a CIC. Participant 4 labelled it as *"the best of both together"*, explaining that a CIC worked:

"in terms of using business principles to run it so that it's transparent and financially sound and but also to have a charitable mission".

This highlights how social enterprises are able to draw on useful elements of both business and charitable organisation structures and operations to achieve their purpose. In terms of business, CICs need to charge for their services in order sustain their business and livelihood. However, some participants combined this business principle with charitable values as they discussed the need to provide accessible pricing:

"I try and keep costs down of the groups and things like that so that it's more attractive to the whole population rather than the more well-off part of the population because I think this should what I what we do should be provided anyway." – *Participant 6*

This quote highlights participants can keep their charitable values and mission at the heart of what they do and adapt business principles around them, thus making the social enterprise structure the best of both worlds.

Furthermore, multiple participants shared their passions for various causes and described the social issues they were aiming to address through the creation of their social enterprise, evidencing that their drive for becoming a social enterprise was because of their passion to make a social change. Participant 1 described their work as something *"akin to a charity"*, as the aim of a charity is to support a social cause or mission. Being driven by wanting to make a difference, we can suggest participants were likely to choose an operating structure that allowed them to keep this at the core of their purpose, therefore implying participants' motivation of seeking to make a difference partially led to them selecting a structure that allowed them the best of both charity and business.

"the social enterprise mission of it, that kind of heart mission, is making the difference on the individuals, that it's seeing people's life changes". - Participant 2

Some participants highlighted the inflexibility of a charity structure, instead preferring the CIC structure which was experienced as the opposite. When discussing the charity structure, Participant 1 stated that they "*didn't want to be that restricted"*, while Participant 3 shared *"I love being able to be as flexible and being able to provide free support"*. This shows that the social enterprise structure offers the leader/entrepreneur the desired flexibility to carry out their missions. Moreover, some participants alluded to the restrictions that come with being a charity, which can be frustrating. In particular, Participant 6 stated:

"I didn't want to go down the charity route because of the complications, difficulties of setting up the charity and getting funding initially".

This quote demonstrates that the social enterprise structure allows them to leave behind the parts of a charity structure they do not like, particularly those that make operating more difficult. Participants found the process of setting up a CIC easy and, whilst there is some annual reporting required, is it seen as less onerous than that of a charity.

Overall, participants felt a social enterprise structure left behind the difficult elements of a charity structure, but still maintained a social purpose at heart, something a sole business structure would not offer. This theme implies that some people are motivated to set up as a social enterprise rather than a charity because it is underpinned by business principles that allow autonomy and flexibility, whilst its key purpose is social driven rather than profit driven.

<u>Understanding of CIC</u>

Many participants felt other people who are not part of a social enterprise lack understanding of what social enterprises are and how they operate. This was most clearly demonstrated by Participant 6, who stated *"They may have heard of social enterprise but haven't got a clue what it is".* Participant 7 provided more insight into this issue by suggesting, *"they just think you're making money"*. This particular quote indicates that where there is a misconception that social enterprises just operate to make money, communities may be reluctant to support them, in turn damaging their sustainability.

This issue of lack of understanding was further demonstrated through participants' experiences of others' misconception of 'not for profit'. Participant 3 explained that the phrase not for profit *"doesn't actually encapsulate what we're doing and why we're doing it"*. This causes issues with perceptions of CICs from many stakeholders: customers, funders and the wider VCSE sector. This quote from Participant 6 suggests that the sector sometimes feels CICs are competing with charities:

"the perception sometimes I have noticed with the charity sector is that we're pinching all the…grants."

This perception suggests that participants feel other VCSE organisations lack respect for social enterprises, which may/can impact collaborative working within the sector. For some, the lack of understanding of CIC's has increased the importance of measuring social impact. For example, Participant 5 stated:

"*the constant battle is having to prove and evidence the fact that this work[s] and that's what hits that perception*".

This illustrates that the reputation of CIC's is dependent on how well they can be understood, which places pressure on them to prove that they have a positive social impact. Previous research demonstrates that measuring impact is important to evidence social enterprise interventions are effective to both funders and community members (Power to Change, 2023). Whilst there may be additional pressure to evidence a CICs impact, some participants felt that *"demonstrating what you're delivering is actually the most powerful thing anyway and actually getting wider commitment*" (Participant 7). Therefore, if CICs are supported to measure and communicate their impact, it will both secure positive perceptions and get funders/customers buy-in, something which is explored further in the third theme.

For CICs providing specialist, or more niche, services, participants suggested that stakeholders *"don't care that you're social enterprise it's what you offer them in terms of a service or activity"* (Participant 3). This was particularly felt to be the case for established social enterprises who have built their reputation over many years. Participant 4 linked this to evidencing value as discussed above: *"once you can show the value that you have then people don't…really care what your, what your structure is."*

The insights in this theme suggest more needs to be done to develop others' understanding of social enterprises, such as through raising awareness of the social enterprise purpose and structure and highlighting their impact. Doing so could increase respect for CICs and lessen the pressure of evidencing their impact.

Recommendation: Increase wider VCSE sector, statutory stakeholder, and the public's awareness and understanding of social enterprises.

The necessity of good support

This theme unravels the impact of social enterprises not getting enough, or adequately tailored, support. One stakeholder whom participants felt lacked in their provision of support, was the government. Participant 1 stated:

"central government don't want to advertise or promote us. We must be as innovative as we can be with our social impact. So online now we start publishing our social impact records".

This demonstrates that due to the lack of support, many social enterprises are left to find other ways to develop their reputation in order to get recognition from their communities. However, developing their reputation without support from external sources could be very challenging due to some of difficulties of being a social enterprise, such as the lack of understanding, as identified by participants in the second theme.

Furthermore, as addressed earlier, lack of understanding of social enterprises can also lead to misinformed advice from support services. For example, Participant 6 gave an insight into the difference in experience when being limited by shares vs being limited by guarantee:

"If you're limited by shares, it becomes much more complicated. If you're limited by guarantee, which we are, then it's much more straightforward in applying for things like grants".

Two participants were advised to register with a structure that they have since realised impacts their ability to get grants. Being given accurate and up-to-date guidance is vital, as it enables social entrepreneurs to make informed decisions about their organisation which may impact their operations, funding, and future.

The way in which support is delivered also has an impact on organisations' ability to access it, which was reflected in this quote from Participant 5:

"*if there's something that I need support with, I'm much more of a kind of like, in case you hadn't noticed, talking person than I am reading through lots of information"*.

This alludes to the large and often overwhelming amount of information available online and suggests that CICs would prefer to get direct support from a single source. Although not stated by participants, ensuring information and support are delivered in accessible ways could reduce the time taken to digest the content, which is helpful as the capacity of the VCSE sector is often limited (Action Hampshire, 2023).

Other participants expressed that funding needs to be available to social enterprises. As Participant 5 explained:

"not all funding is suitable for CIC's. Basically, that's probably the the most, that's the biggest challenge, *although it is improving and I think organisations like the Arts Council and as I said earlier, like HMPS starting to recognise the CIC's a bit more. But there's definitely things that we are not eligible for because we are a CIC. So that that really is for me the biggest barrier."*

Despite feeling that being a social enterprise allowed them to experience the best of both charity and business worlds, providing them more flexibility in regard to funding, the quote from Participant 5 evidences that there are still funding challenges experienced by CICs, driven by the lack of support. In particular, *"starting to recognise the CIC's a bit more"* indicates a previous lack of respect, which was also detailed in the theme above. However, differently, here it implies a lack of respect

has resulted in a lack of funding support, something which is only now just changing. The reasons for these changes were not explored but could potentially be linked to evidencing impact, as discussed in the second theme; something which could be explored more in future research.

Most participants agreed that networking and collaboration were key elements of good support. Participant 8 suggested the importance of collaborating with other social enterprises on funding bids, "*if you're going for big pot money do it together*". This quote suggests that networking and collaboration will strengthen funding applications and help bring more funding to social enterprises so they can work together to create a bigger positive impact, which in turn could ensure sustainability, something which was further emphasised by Participant 3, "*we can pass on the baton and share those networks so that it is sustainable*".

Despite the importance of networking, not all organisations felt it was accessible, again evidencing the lack of support given to social enterprises. Participant 4 shared "*there's not a huge amount of networking and support, the collective support here, I have to go into [location] and [location]"* and suggested that online coaching support groups could help support like-minded social entrepreneurs. Similarly, Participant 7 suggested there is currently a gap in support, which could be addressed by listening to the needs of social enterprises. Participants' experiences highlight that CICs value networking and collaboration, however, more could be done to ensure those across the county can all access the same support.

Recommendation: Improve the accessibility of support by delivering in different formats, such as easy-to-read documents and 1:1 discussion, and providing more localised support events.

References

Action Hampshire. 2023. Hampshire's State of the VCSE Sector: March 2023. Winchester: Action Hampshire

Power to Change and MB Associates. 2023. Understanding Community Businesses' Impact Measurement Needs: Phase 1 Learning Report 2023. [Online]. London: Power to Change. [Accessed 15 November 2023]. Available from: https://www.powertochange.org.uk/wp-content/uploads/2023/05/Phase-1-Report-Understanding-community-businesses-impact.pdf