

**Centre for
Regional
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Development**



**The Challenges faced by Social Enterprises in
North West England**

***Report commissioned as part of the UnLtd Social
Enterprise Education (SEE) Change Programme***

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The Challenges faced by Social Enterprises in North West England

As part of the UnLtd Social Enterprise Education (SEE) Change Programme, a collaboration between the Universities of Cumbria, Manchester Metropolitan University (MMU) and Edge Hill University has been formed to investigate social enterprise education in rural areas. In order to understand the needs of social enterprises and how best they can be supported, the Enterprise team at the University of Cumbria and Edge Hill University conducted a survey of such businesses. The Centre for Regional Economic Development at the University of Cumbria has been commissioned to analyse the findings of this survey.

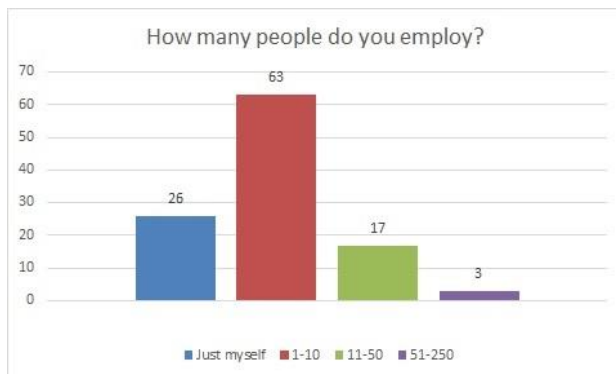
1. Introduction

On 9th February 2015, a questionnaire was sent out electronically to all businesses in Cumbria and Lancashire that appeared to be social enterprises. The database of email addresses of these businesses was compiled using regional databases such as the Cumbria Social Enterprise Partnership http://www.socialenterpriseincumbria.org/A_to_Z_of_Enterprises, social media and previous UnLtd award winners. The project manager also took printed questionnaire surveys to events in Cumbria (Cumbria Social Enterprise Partnership Awards and the Annual Conference and Cumbria CVS Funding Fair). In this document, we are analysing the responses that were returned by 15th June 2015, although it must be noted that a few others have come in since that cut-off date.

2. Characteristics of the businesses

Of the 109 businesses who replied to the questionnaire, 98 described themselves as a “social enterprise”¹ and all were SMEs. Only three businesses in fact were medium-sized (51-250 employees), with 17 being small (11-50 employees), the majority (57%) being micro-enterprises (employing 10 or less workers) and roughly one quarter employing no one (see Fig. 1).

Figure 1: Size of business by number of employees



One third of businesses had been operating for ten years or more whilst another third had been in business for less than 2 years.

¹ The definition stated in the survey was “A social enterprise is a business driven by a social and/or environmental purpose. They are trading organisations where the main income streams are revenues from goods and services provided, not just grants or donations.”

In terms of turnover, roughly one quarter fell into each of the different annual turnover ranges (see Fig. 2).

Figure 2: Size of business by annual turnover

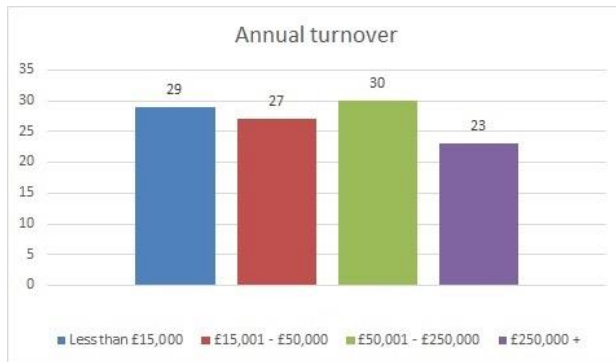


Figure 3 shows the geographical coverage of businesses responding to the questionnaire and a postcode breakdown is given in Table 1.

Figure 3: The geographical coverage of respondents



Table 1: Postcode breakdown of respondents

	Area covered	No.	% of total
CA postcodes	N. Cumbria	34	31
LA postcodes	N. Lancs and S. Cumbria	31	28
PR postcodes	Preston area	9	8
BB postcodes	Blackburn area	8	7
WN postcodes	Wigan area	8	7
L postcodes	Liverpool area	6	6
Other postcodes (Bd, BI, CW, Fy, M, OL, SK, SY)	Bradford, Bury, Cheshire, Fylde, Manchester, Oldham, Shrewsbury, Stockport	13	12
Total		109	100

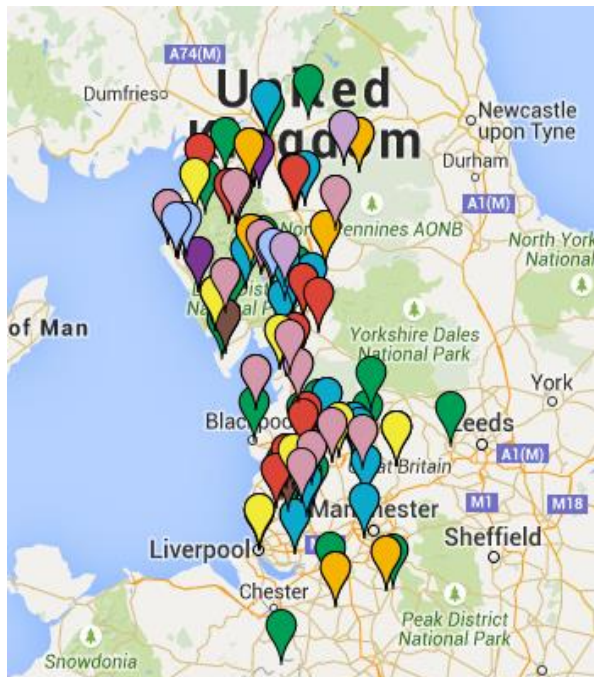
The businesses can be categorised by sector (Table 2) as follows.

Table 2: Respondents by sector

Arts and media	14
Business Support	7
Health	19
Housing	3
Manufacturing	4
Other	36
Retail	8
Tourism	2
Transport	2
Youth Services	14
Total	109

One can also see the geographical spread of respondents by sector in Fig.4.

Figure 4: Map of respondents by sector



Key:

- Arts, Technology and Media
- Business Support
- Health and Well being
- Housing
- Manufacturing
- Retail
- Tourism
- Transport
- Youth Services
- Other

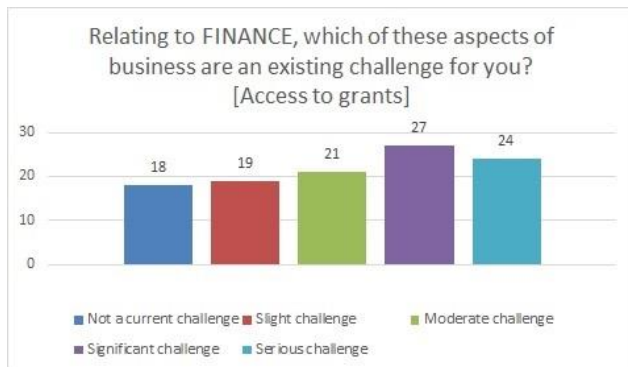
3. Current Business Challenges

3.1) Financial

i) Access to grants

From Figure 5, we can see that just under a half of all businesses felt that their access to grants posed a significant or serious challenge for their business.

Figure 5: Access to grants as a challenge for businesses



However, micro businesses found it to be no more of a relative challenge than did larger businesses as the proportions of businesses saying that it was a moderate, significant or serious challenge were almost the same as the proportions in Figure 1.

Table 3: Correlation table of enterprise size and difficulty of accessing grants

Business size (no. of employees)	Moderate challenge	Significant challenge	Serious challenge	Total	% of total
Just the owner	3	8	6	17	24
1-10	13	13	12	38	53
11-50	3	5	6	14	19
51-250	2	1		3	4
Total	21	27	24	72	100

ii) Access to loans

Access to loans was not seen as a challenge for the vast majority (72%) of businesses. However, of the 11 businesses that did see it as a significant or serious challenge, 9 of them were predictably micro enterprises.

3.2) Staffing

The most serious staffing challenge for social enterprises was found to be in getting Marketing staff. 30% of all businesses found this to be a serious or significant challenge. The respective figures for getting Sales staff and Finance staff were 25.5% and 22%, respectively. Recruitment of both Management and IT staff posed significant or serious challenges for about 15.5% of businesses. On the other hand, less than 2% of businesses had any serious difficulty in getting unskilled/manual labour.

There does not appear to be any significant correlation between size of firm and difficulty in recruitment of different types of personnel except in the case of Finance staff. With the latter, 96% of those enterprises saying that recruitment of Finance staff was a significant or serious problem were microenterprises (see Table 4). One suspects that microenterprises have few if any spare resources available to employ a person in charge of finance, a person who is not directly contributing to the output or sales of the firm. Also, a finance person looking for a job may fear more for the stability of their employment if they were to join a microenterprise.

Table 4: Correlation table of enterprise size and difficulty of recruiting Finance staff

Business size	Serious challenge	Significant challenge	Grand Total	% of total
Just the owner	4	3	7	29
1-10	7	9	16	67
11-50		1	1	4
Grand Total	11	13	24	100

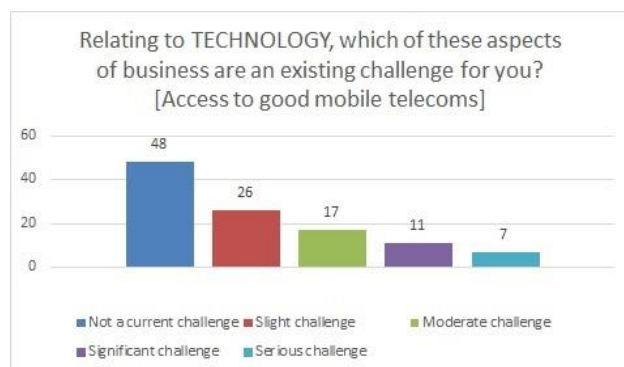
3.3) Training

The majority of firms did not have a problem with training provision, that is, access to online learning materials and access to local training facilities or providers. Surprisingly, for those firms that did find access to local training facilities challenging, there was found to be no correlation with postcode area.

3.4) Technology

When asked about access to broadband internet, good mobile telecommunications and access to hardware and equipment, around half of all businesses stated that these did not pose a challenge for them. However, 32% of businesses did cite good mobile telecommunications as a moderate/significant or serious challenge (see Figure 6) and 14 of these 35 respondents were in Cumbria/North Lancs postcodes.

Figure 6: Access to good mobile telecommunications as a challenge for businesses



3.5) Access to Business Support

Various forms of support were addressed in the questionnaire: Mentoring, Financial services, Legal services, Recruitment services, Marketing, IT support services and General.

For most respondents, finding support was not an issue for them. However, Marketing support for businesses was considered to be a significant or serious challenge for 20% of the businesses (see Figure 7). Although IT support was not a challenge at all for one half of businesses, it did pose a moderate challenge for 26% of businesses (see Figure 8).

Figure 7: The degree to which Access to Marketing Support is considered to be a problem

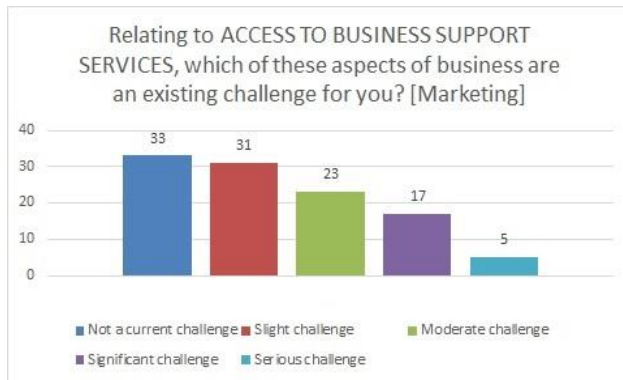
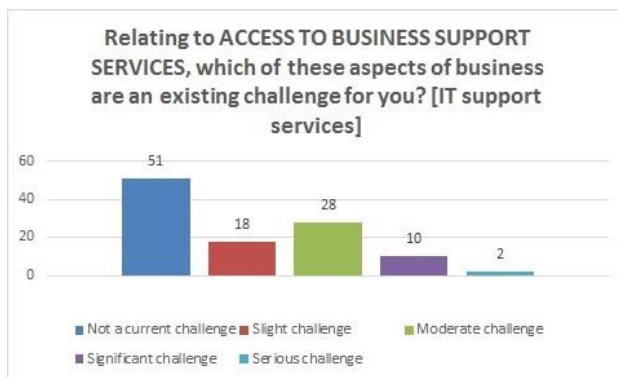


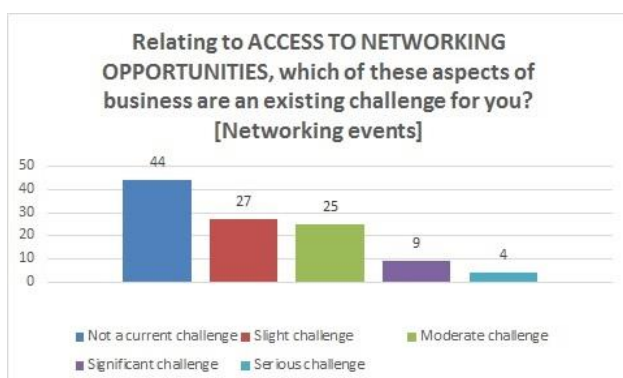
Figure 8: The degree to which Access to IT support is considered to be a problem



3.6) Access to Networking Opportunities

Questions were asked about the difficulty of finding peer support; going to networking events; and access to trade or industry bodies. The majority of respondents (65-71%) either replied that it was not a current challenge for them or only a slight challenge. Of the three types of networking opportunities, slightly more enterprises (35%) thought that access to networking events posed more than a slight challenge to them (see Figure 9) compared to the other two types but, once again, there was no correlation with postcode.

Figure 9: Access to networking events as a challenge for businesses



3.7) Marketing and Sales

Of all the aspects of their business, marketing and sales was declared to be the most problematic. A majority (53-65%) of businesses regarded the following aspects as either a moderate/significant or serious challenge: Website/ online presence including social media; achieving growth in turnover; sustaining profit margins; achieving economies of scale; and resilience to potential market downturns.

Notably, almost one third of all businesses said that sustaining profit margins was currently a significant challenge for them (see Figure 10). Surprisingly, there was little correlation between this and business size (see Table 5).

Figure 10: Sustaining profit margins as a challenge for businesses

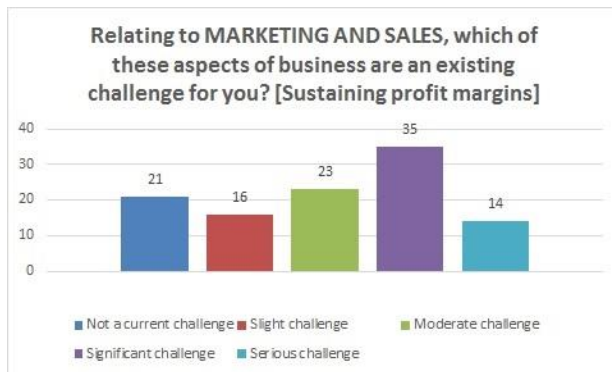


Table 5: Correlation table of enterprise size and difficulty in sustaining profit margins

Business size	Serious challenge	Significant challenge	Moderate challenge	Grand Total	% of total
Just the owner	6	8	2	16	22
1-10	6	20	15	41	57
11-50	2	4	6	12	17
51-250		3		3	4
Grand Total	14	35	23	72	100

Businesses' resilience to potential market downturns was therefore also a challenge for 80% of respondents (see Figure 11). Businesses in the sectors: Business Support; and Retail were relatively more affected by this problem. However, there was a slight positive correlation between business size and the challenge to be resilient (see Table 6).

Figure 11: Resilience to potential market downturns as a challenge for businesses

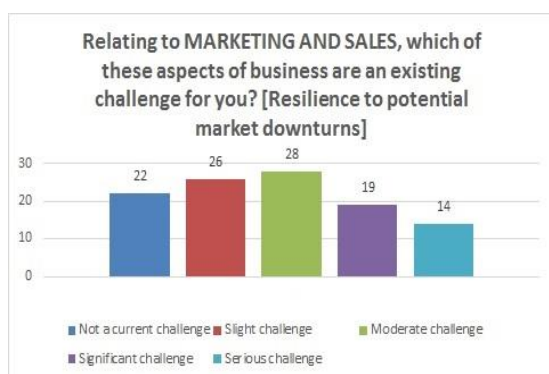


Table 6: Correlation table of enterprise size and their view of their own resilience to market downturns

Business size	Serious challenge	Significant challenge	Moderate challenge	Grand Total	% of total
Just the owner	4	3	4	11	18
1-10	8	13	15	36	59
11-50	2	3	7	12	20
51-250			2	2	3
Grand Total	14	35	23	61	100

3.8) Other challenges

Businesses were asked about a range of other challenges that they might be facing: Governance; Measuring impact/social return on investment; Access to business premises; HR policies and procedures; Business planning; and Understanding local government policies. With regards to Governance; Access to business premises; and HR policies and procedures, these did not present a problem to the majority of enterprises.

On the other hand, enterprises did find it a challenge to measure their impact or social return on investment with 52% saying that it was a slight or moderate challenge and 14.5% saying that it posed a significant challenge. Similar figures were obtained for “Understanding local government policies.”

Business planning was a challenge for most businesses (39% slight, 24% moderate).

When asked about any other types of challenge that they were facing, the following were recurring themes with several enterprises:

- “getting people involved in the running of it”
- “increasing competition for dwindling funding pot”
- “in depth mentoring support”.

4. Preferred types of business support

The penultimate question in the survey asked about their preferred way to access business support, that is, was it by way of one-to-one advice or training; group advice or training; peer advice; on-line materials; telephone advice or internet forums? Most (35%) enterprises felt that one-to-one advice and training was preferable.

5. Conclusion

This study of 109 enterprises in North West England, predominantly located in Cumbria and Lancashire, 98 of whom defined themselves as being a social enterprise, has revealed that there is a wide cross section of enterprises in terms of the sectors they inhabit and the social needs for which they cater.

Most are small or micro enterprises with an annual turnover of less than £50,000. The most important challenges which more than half of businesses said that they faced included:

- access to grants
- recruiting IT/technical, marketing, sales and finance staff
- access to good mobile telecommunications
- access to marketing and to IT support
- access to networking events and peer support

Their most serious challenges were, in general, achieving growth in turnover, sustaining profit margins, being able to achieve economies of scale, being resilient to market downturns and being able to measure their impact or social return on capital. There were found to be few geographical or sectoral differences in the responses received. Hence, one may posit that social enterprises in North West England have more in common with each other than differences in terms of the challenges they face and the support that is required.

APPENDIX

Enterprise Survey

Social enterprise support needs in rural areas

This survey has been designed to gather information on business challenges that social entrepreneurs who are operating in rural settings face and to better understand the existing support services which are being accessed. Your contribution to this research is highly valued.

The results generated will support the development of an online tool kit and provide a valuable resource which can be accessed by existing and new social enterprises.

1. Based on the definition below, do you consider your business to be a social enterprise?

‘A social enterprise is a business driven by a social and/or environmental purpose. They are trading organisations where the main income streams are revenues from goods and services provided, not just grants or donations.’

Yes No

2. What is the postcode of your business or proposed business? _____

3. How long have you been trading?	
Pre-start up	
Less than 12 months	
1 - 2 years	
2 - 5 years	
5 - 10 years	
10 + years	

4. Which of these best describes your business status?	
Sole trader	
Partnership	
Ltd Company	
Charity	
Community Interest Company	
Other (<i>please write</i>)	

5. Please indicate the annual turnover of your business	
Under £15,000	
£15,001 - £50,000	
£50,001 - £250,000	
£250,001+	

6. How many people do you employ?	
No employees	
1-10	
11-50	
51-250	
250 +	

7. Please briefly describe the nature of your business:

Understanding your current business challenges

Below is a list of different items related to running a business. Please indicate for each how much of a challenge each item is for you. If any are not relevant, please mark 'not a current challenge'.

8. Relating to FINANCE, which of these aspects of business are an existing challenge for you?					
	Not a current challenge	Slight challenge	Moderate challenge	Significant challenge	Serious challenge
Access to loans					
Access to grants					
Access to investment					
9. Relating to STAFF, which of these aspects of business are an existing challenge for you?					
Management					
IT/Technical					
Marketing					
Sales					
Finance					
Unskilled					
Operational staff					
Other(s)					
10. Relating to any aspect of TRAINING, which of these aspects of business are an existing challenge for you?					
Access to online learning materials					
Access to local training facilities					
Access to local training providers					

11. Relating to TECHNOLOGY, which of these aspects of business are an existing challenge for you?

	Not a current challenge	Slight challenge	Moderate challenge	Significant challenge	Serious challenge
Access to broadband internet					
Access to good mobile telecoms					
Access to hardware/equipment					

12. Relating to ACCESS TO BUSINESS SUPPORT SERVICES, which of these aspects of business are an existing challenge for you?

General					
Mentoring support					
Financial services					
Legal services					
Recruitment services					
Marketing					
IT support services					

13. Relating to ACCESS TO NETWORKING OPPORTUNITIES, which of these aspects of business are an existing challenge for you?

Peer support					
Networking events					
Trade/industry bodies					

14. Relating to MARKETING AND SALES, which of these aspects of business are an existing challenge for you?					
	Not a challenge	Slight challenge	Moderate challenge	Significant challenge	Serious challenge
Responding to bidding/ tendering opps					
Website / online presence, incl social media					
Achieving growth in turnover					
Sustaining profit margins					
Achieving economies of scale					
Resilience to potential market downturns					
15. Which of these OTHER aspects of business are existing challenges for you?					
Governance					
Measuring impact/ social return on investment					
Access to business premises					
HR policies and procedures					
Business planning					
Understanding local government policies					

16. Are there any other challenges your business is currently facing not covered so far?

Please provide as much detail as possible.

17. In tackling any of the challenges you have identified above, where have you accessed support?

What services have you accessed, how have you/ do you plan to tackle these challenges?

18. When accessing business support, please indicate your preferences in how you like to access this.

	Not preferable	Slightly preferable	Moderately preferable	Mostly preferable	Highly preferable
One-to-one advice/training					
Group advice / training					
Peer advice / support					
On-line materials/resources					
Telephone advice					
Internet forums / chat					

19. The next stage of our project is to produce case studies about social entrepreneurs and social enterprises who have been successful in tackling particular business challenges. So that other social enterprises may benefit from this experience, would you be interested in having a case study created about you/ your business?

Yes

If yes, please provide your name, business, email address and phone number

No

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Thank you for completing this survey. We sincerely appreciate your contribution to this research. If you would like further information, please contact Amie Godward – amie.godward@cumbria.ac.uk – 01228 888 859



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