

Summary Report
February 2007

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1. Introduction

The Office of the Third Sector (OTS), Cabinet Office and the nine English RDAs commissioned Rocket Science UK to undertake a mapping study of regional approaches to business support for social enterprise. This Summary Report highlights some of the approaches and practice across the 9 English Regions¹.

1.1 Defining Social Enterprise

Social Enterprise is **first and foremost a business model** and social enterprises therefore require accessible and relevant business support. In its social enterprise strategy² the Government defined social enterprise as:

a business with primarily social objectives, whose surpluses are principally reinvested for that purpose in the business or the community, rather than being driven by the need to maximise profit for shareholders and owners.

Unlike voluntary and community organisations, **social enterprises have trading as a significant part of their activities** and unlike other businesses the **profits achieved are reinvested** in the business or community in pursuit of social objectives.

1.2 Social Enterprises and Business Support

Social enterprises are diverse (for example a public sector service externalisation compared with a small local community enterprise) and so **require different developmental approaches as well as differing levels and type of support**³. There is increasing recognition of the need to **disaggregate the broad field of social enterprise in order to identify and meet support needs**.

As a result a support infrastructure has developed that mainly comprises specialist organisations offering a range of services and funded in a variety of ways (often through regeneration budgets such as the Single Regeneration Budget or EU Objective 2 funding). **The organic, and often separate, way in which this support has evolved has resulted in a variability of coverage, quality, access and connection with mainstream business support.**

Addressing these issues is the focus of regional and national policy, primarily through **improving mainstream business support (particularly through the Business Link service) to ensure it is accessible and able to meet the needs of social enterprises.**

In addition the UK Government is focused on overhauling publicly funded business support services in England for all small to medium sized enterprises to ensure they are more efficient, rationalised and customer focused. The Government's

¹ The research for this report was undertaken between July and November 2006 and reflects the state of play at this time. We recognise that many of the activities and issues identified in this report have been further developed since then.

² *Social Enterprise: A Strategy for Success* DTI (2002)

³ *Useful Practice Guide on Social Enterprise* Business Links University (2005)

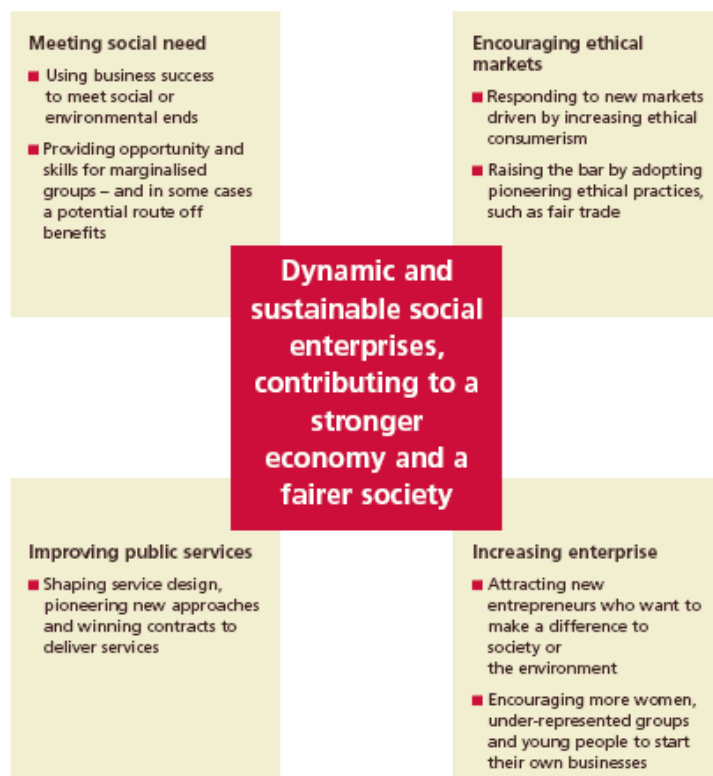
aim, in response to discussions with the RDAs, is to reduce the number of separate business support schemes from more than 3,000 to around 100 by 2010⁴.

This is coupled with a move towards the **Business Link Information, Diagnostic and Brokerage (IDB) model** so that Business Link no longer delivers direct support but will instead respond to enquiries, provide basic information, assess support needs, and based on this, refer to appropriate support. The principle which underpins the IDB is there will be "many forms of support but a single service"⁵.

To deliver this RDAs are expected to work with public sector funders of support services to ensure that support is co-ordinated with, and reinforces the Business Link brand and network and does not compete with it⁶.

1.3 Key policy drivers

Social enterprise has received growing attention by national government over recent years. It is increasingly seen as a key sector in the delivery of a range of public policies with a unique ability to provide high quality, cost-effective services and products whilst contributing to the social, environmental and economic needs of communities⁷.



Building on the publication of the Government's social enterprise strategy, **Social Enterprise: A strategy for success** in 2002, the Cabinet Office has published the **2006 Social Enterprise Action Plan**⁸. The Action Plan reiterates the Government's commitment to social enterprise, the ongoing development of its approach to supporting the sector and the ways in which government can provide an enabling environment for social enterprises.

⁴ *Budget 2006* (March 2006) HM Treasury Regional Press Notice

⁵ *Integrating the business support infrastructure for SMEs: a national framework for business support* (2000) Small Business Service

⁶ *Op cit*

⁷ *Social Enterprise: A strategy for success* (2002) DTI

⁸ *Social Enterprise Action Plan, Scaling New Heights* (November 2006) Office of the Third Sector, Cabinet Office

As part of improving the advice and support available to social enterprises **the Action Plan sets out a series of Government actions and additional funding:**

- Additional funding from April 2007 to the RDAs to improve Business Link's capacity to broker business support for social enterprises.
- Improvements to the information and guidance available to social enterprises via the national business link website.
- Capacitybuilders will fully integrate support for social enterprise infrastructure into its new strategic plan.
- OTS will work with partners to identify national, regional, sub-regional, local and sectoral social enterprise networks and take steps to address gaps in provision.
- A review to understand the specific skills needs of social enterprises and whether these are being met by mainstream business education and training networks and organisations.

The Action Plan also **sets out what RDAs will do by 2008** to ensure that they can report increased satisfaction with business support in their regions. This includes:

- Implementation of good practice across RDAs.
- Implement, market and monitor the supply of appropriate business support accessible to social enterprises.
- Ensure that Business Link is aware of specialist business support available for social enterprise in their region.
- Supporting skills development by including social enterprises in regional skills development networks.

2. Supporting Social Enterprise

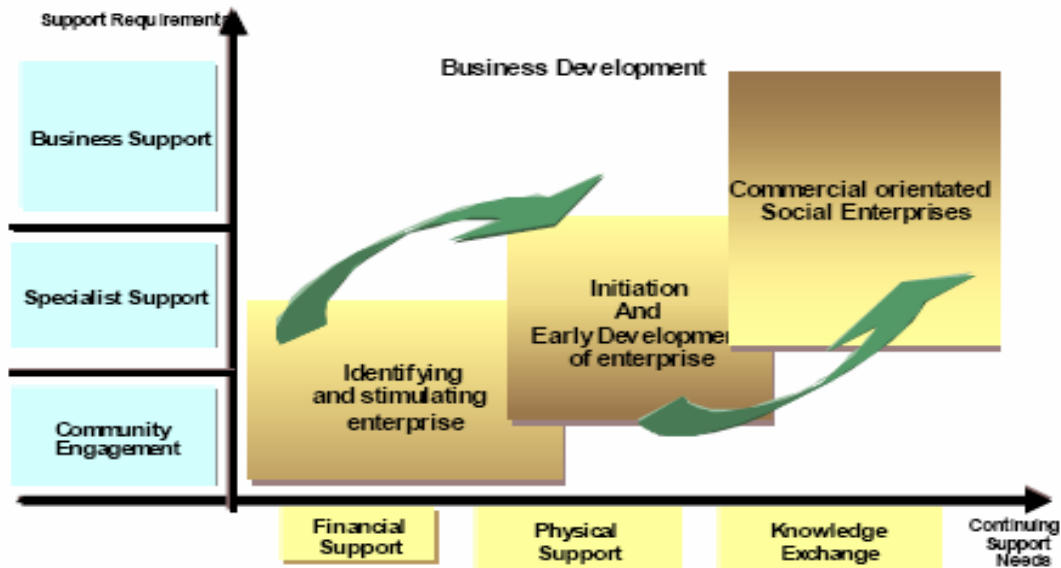
2.1 What do social enterprises need?

The needs of social enterprises can be disaggregated into:

- needs that are the same as those of mainstream businesses;
- those that are specific to social enterprise; and,
- support needs at different stages of development and maturity.

Reviewing the needs of social enterprises at different stages of their development and suggests that, **as a social enterprise matures and starts to operate as a business, its needs become increasingly similar to those of a 'mainstream' enterprise⁹.**

⁹ *Business Support Needs of Social Economy Enterprises* (2003) ESYS Consulting Ltd for Welsh Assembly Government



The likely support needs at each stage of development include:

1. Initial ideas – frequently develop from a local need where outreach, community development and capacity building are key.
2. Voluntary activity – While some voluntary and community activities have enterprise potential, for many this will not be the appropriate route for development.
3. Emerging social enterprise – as the enterprise takes shape there are frequently very specific legal and funding issues that require specialist support.
4. Expanding business – issues may arise in reconciling social aims and growth requiring some specialist support, in addition there will also be common issues such as IT, marketing etc.
5. Mature businesses – established social enterprises will need advice and support on issues also faced by the 'mainstream' business community.

2.2 What support is available?

Across the UK a **complex, fragmented infrastructure** has emerged with support delivered by a broad collection of organisations including:

- Specialist social enterprise, voluntary and community sector support organisations. Many serve particular geographic or client groups and offer a diverse range of services;
- Sector and organisational specialist organisations;
- Mainstream business support;
- Colleges, further/higher education bodies and training organisations;
- Public sector bodies;
- Commercial support e.g. solicitors, accountants and consultants.

The fragmented nature of the support infrastructure has led to issues of **inconsistency of coverage and quality, lack of sustainability and, in some cases, inadequate business expertise.**

The issues highlighted by the evidence that need to be addressed in reconciling specialist and mainstream provision and developing the role of the mainstream infrastructure in relation to social enterprise include:

- The **need to understand (particularly on the part of Business Link) how to segment the sector** (for example distinguishing between new social enterprises, trading voluntary organisations, public sector conversions etc.) and thereby offer appropriate types and levels of support.
- The need for support providers to be able to **work with groups and not just sole entrepreneurs.**
- The need for **greater understanding from Business Link of the market a social enterprise is seeking to operate in** (seen as important in avoiding the view from social enterprises that Business Links do not understand them and therefore cannot help).

These issues were also highlighted in the recently completed social enterprise IDB pilot carried out in the East Midlands¹⁰.

Our review highlighted that it is **too early to tell exactly how social enterprise will fit into the Business Link IDB service** and highlight a number of issues that still need to be resolved:

- Ensuring links between Business Links and specialist infrastructure to enable effective brokerage and cross-referrals.
- Ensuring that the diagnostic tools used by the Business Link Service respond effectively to the needs and context of social enterprises (the social enterprise IDB pilot in the East Midlands provides valuable insights into how this can be achieved).
- Provision of adequate levels of specialist support which meet a high quality standard to which business advisers can confidently broker social enterprises.
- How social enterprise support specialists would be paid for providing support.

3. Emerging Practice in the Regions

Across the 9 English Regions a variety of approaches to supporting social enterprises are beginning to emerge. These are underpinned by the implementation of the national agenda of improving business support, growing the social enterprise sector and rationalising the support infrastructure. A core element of this is to link the generic business support infrastructure and the specialist social enterprise support infrastructure.

3.1 Social enterprise strategy or plan

All regions except the North West¹¹ have some form of regional social enterprise plan which links to other strategic plans such as the RDA's Corporate Plan and the

¹⁰ *Social Enterprise Information, Diagnostic and Brokerage Service (IDB) Pilot – Final Report (2006)* The Guild for SEEM and East Midlands Development Agency

¹¹ In the North West each sub-region has a social enterprise action plan and the RDA is involved in supporting these.

Regional Economic Strategy (RES). Most of the regional action plans have been developed by regional social enterprise partnerships with the support of the RDA. Within these strategies and plans social enterprise tends to fall within the 'enterprise' sections of RDAs as opposed to regeneration or social inclusion¹².

3.2 Social enterprise support: Region or sub-region led

Most RDA approaches involve some degree of regional and sub-regional co-ordination with delivery mostly carried out on a sub-regional basis. The sub-regional approach has tended to be accompanied by greater variation of approach (and stage of development) within the region.

3.3 Building the capacity of the mainstream

A key action in order to meet the business support needs of social enterprises is to build the capacity of the mainstream provision, in particular the Business Link Service, to respond effectively to social enterprises. While this is an area that will develop as the transition of Business Link Service to the RDAs progresses, some initial approaches can be identified:

- Specialist training for Business Link Advisers
- Business Advisers Network (BAN)
- Development of specialists or 'champions' in each sub-region
- Sub-regional integration
- Unified management of specialist and mainstream support

3.4 Social Enterprise Targets

All of the RDAs make reference to supporting social enterprises in their Corporate Plans and in the Regional Economic Strategies. Some have also developed more specific targets around increasing the number of start-up social enterprises, and increasing the number tendering social public sector contracts. Since 2003 current Business Link Operators have been required to include in their business plans, details of how they will support start-up and established social enterprises.

3.5 Funding

In addition to funding the IDB service, all of the RDAs, to varying degrees, plan to focus funding on start up support as well as support for a small number of priority companies and sectors. In relation to existing funding for specialist social enterprise support provision this is funded by a mixture of 'special funds' e.g. national government and EU programmes, local authorities, and RDA area regeneration programmes.

3.6 Quality standards

The RDAs have either already incorporated quality standards – Customer First and SFEDI – into their criteria for allocating funding and contracts, or are in the process of doing so. Pilots have been undertaken in two regions to customise the SFEDI standard for social enterprise advisers. The intention is to roll out these pilots across the other regions.

3.7 The Customer Journey

All of the RDAs have set out 'customer journey' outlining the route an enterprise can expect to take through the regional business support structure and the type and level of support that will be available to specific clients. All of the RDAs plan to

¹² 'Opening Time' by K Gopal in *Social Enterprise* issue 50, June 2006

work with specialist agencies, including those providing support to social enterprises and to develop a '**no wrong door**' approach whereby a business will find the appropriate support regardless of how it enters the support infrastructure.

3.8 Market segmentation

The various approaches being developed by the RDAs involve some kind of segmentation of the enterprises to which varying degrees of business support is offered. These approaches whilst still in development are likely to include:

- High volume, accessible business support, typically dealing with standard requests.
- Higher level of service – Account Management – provided to those businesses that offer greater potential return on investment.
- Strategic Account Management, the highest level of service, provided to those businesses considered strategic to the region.
- Specialist support for businesses with more specialist needs for example skills or ICT, or may be sector specific. This service will operate at all levels of brokerage described above.

Piloting a specialist IDB service for social enterprises (East Midlands)

Social Enterprise East Midlands (SEEM), with emda and Business Link Leicestershire recently piloted a specialist IDB service for social enterprises across the East Midlands¹³. The aim of the pilot was to investigate how IDB services can best meet the needs of social enterprises and whether any specialist approaches need to be incorporated. Through the pilot social enterprises approaching Business Link Operators, SEEM and specialist Business Link advisers were offered a tailored information and diagnostic service and referral onwards to appropriate business support.

The pilot found that the diagnostic process was most valuable to social enterprises that were already trading and less so for those at pre-start up or start-up stage.

The pilot study concluded that the IDB model could work for social enterprises providing:

- appropriate diagnostic tools are used;
- the business advisers have the right skills and knowledge; and
- the necessary support is available to broker new and developing businesses to.

4. Business Support & Social Enterprise: Lessons from practice

Based on the practice outlined previous and the wider body of evidence from across the UK, a number of lessons about how business support for social enterprises can be improved and mainstream and specialist provision linked are beginning to emerge:

¹³ *Social Enterprise Information, Diagnostic and Brokerage Service (IDB) Pilot – Final Report (2006)* The Guild for SEEM and emda

4.1 A coherent infrastructure of business support that is effective for, and accessible to, social enterprises

The approaches to supporting social enterprises are all founded on the need for the mainstream business support model to be available to, and used by, social enterprises. There is an acknowledgement that some specialist support will still be required but this should be fully connected with the mainstream IDB service.

Key to this is an understanding of the routes through which social enterprises access the business support infrastructure. The success of attempts to co-ordinate the support infrastructure relies upon a **clear understanding of respective roles and boundaries**¹⁴.

4.2 Mainstream business support that is sensitive to social enterprise context and motivation

While social enterprises have around 80-90% of their support needs in common with mainstream businesses, the evidence highlights the importance of mainstream support providers having an understanding of the different context in which those needs are experienced¹⁵; of the motives and aims of social enterprise; and, of the concept of the double or triple bottom line.¹⁶

4.3 Proactive, specialist support for pre-start social enterprises

Promoting and sustaining social enterprise activity requires **proactive interventions at the individual and community level** including capacity building and encouraging and supporting potential social entrepreneurs.

This type of support is likely to be needed before the stage at which enterprises would begin to access mainstream business support and is likely to be undertaken by specialist voluntary, community or social enterprise agencies. However **there should be links between these and mainstream business support services to enable social enterprises to be referred on to mainstream support at the appropriate stage.**

4.4 Segmentation of social enterprise

The social enterprise sector encompasses a diverse range of organisations which have different needs depending on their size, type and stage of development. **The capacity of the business support infrastructure to disaggregate the sector is vital to providing effective support.** This is closely linked to the need for support providers to work together and adopt an intelligent approach.

4.5 Finance for social enterprises

There is an associated issue of financial support for social enterprises. This includes **the role of business support providers in assisting social enterprises to understand and use financial products to full advantage.**

¹⁴ *Review of Support Services to the Voluntary Sector* (2006) Scottish Executive/Rocket Science

¹⁵ *Evaluation of the Support for Enterprising Communities Pilot Project* (2005) Middlesex University for DfES

¹⁶ Social Enterprise Coalition UK www.socialenterprise.org.uk

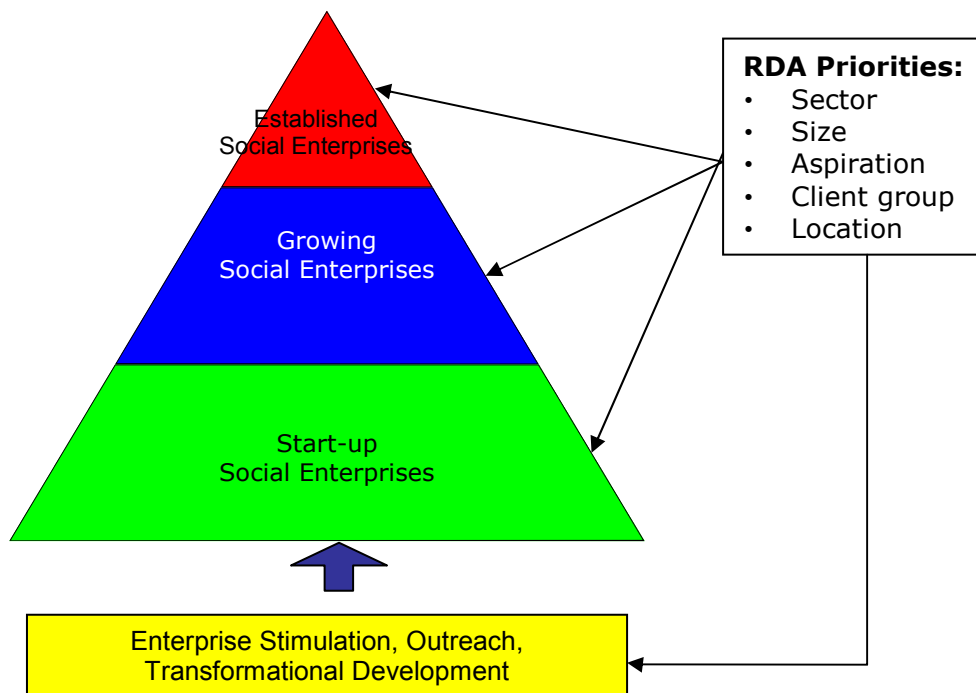
5. Final Reflections

The success of the social enterprise agenda is reliant upon social enterprises not just meeting needs, but doing this whilst thriving in sustainable markets and successfully generating income through trading. It is essential therefore that social enterprises, and in particular those with growth potential, receive high quality business support, appropriate to their stage of development. Coupled with this is the need for social enterprises, like other forms of business, to have access to suitable financial instruments that support their growth.

In light of the evidence gathered in this review, there are a number of key issues that OTS, along with the RDAs, may wish to consider. These are intended to assist in the delivery of the social enterprise and business support agendas and relate to:

- Core issues relating to the mechanisms by which support is delivered in each region;
- Factors that provide an enabling context in which support can function effectively.

We have considered these within the framework of the different stages of development of social enterprises.



5.1 Core issues relating to the mechanisms by which support is delivered

- A key issue is to have **clarity** within each region about which agencies are providing what support at each stage of development. Closely linked to the

need for clarity is the question of how providers of support connect with one another.

- Fundamental to effective support is achieving **consistency** of service within and across regions; and, ensuring high standards of quality. The initial work on quality frameworks should be built upon with common elements agreed across the RDAs and their regions.
- There is also a question about the extent to which social enterprises are empowered to **choose** between support offerings. This is closely linked to the way in which support is funded and specifically whether funding is directed via the support provider or the support recipient. An element of choice may benefit social enterprises as well as contributing to the development of the overall support market. Consideration should also be given to enabling social enterprises to access specialist support on a cross-regional basis.
- Taking forward the development of business support for social enterprise should focus on **building on what works**. Although the regions differ from one another, many of the issues encountered in establishing effective business support for social enterprises are similar and where successful approaches have been established these could generally be replicated. This would be supported by sharing intelligence and establishing an active learning network.

5.2 Factors that provide an enabling context for effective support

- The provision of business support, particularly through the mainstream IDB service, relies on **effective engagement with the social enterprise sector**. This is a crucial area for the OTS and RDAs to continue to focus on and to share learning in relation to.
- A key and imminent issue is the perceived reduction in the **funding available for specialist support services**, particularly in the context of the upcoming end of current EU funding, the Single Regeneration Budget and Equal. It may be expedient for OTS and the RDAs to respond proactively to these concerns.
- With the growing emphasis on social enterprises generating a high proportion of their income through trading, the need to improve access to **public procurement** is also taking on increasing significance. Linked to this is the need for social enterprises to have access to appropriate financial products. This may require greater inter-connections within RDAs, including between those responsible for social enterprise support and those involved in financial investing.
- RDAs should consider a **focus on specific markets**, e.g. recycling, social care and leisure services, in which the role of social enterprise should be promoted. Linked to this is the need to consider how large, successful social enterprises can be supported to expand across regions in the way 'mainstream' businesses do.
- While the RDAs individually have responsibility for supporting social enterprise in their respective regions, this needs to be accompanied by an **awareness of the 'big picture'**. There is a need for OTS to be continually scanning the horizon for upcoming issues that will affect social enterprises sector as well as for patterns of change in the sector itself.

6. Next Steps: Tools and Techniques

While this study provides an overview of what is currently happening, focused progress across the regions will rely upon: benchmarking social enterprises to assess their development needs; continual monitoring of progress; and an active shared development programme for the RDAs. This could be achieved through:

- The development of a **scorecard tool** that would allow social enterprises to assess their stage of development against a **benchmark** of outstanding practice. This would provide an effective way for social enterprises to identify their development needs and in turn for RDAs to gain a regional picture of what support is needed.
- The scorecard tool would enable the assessment of business support and the needs of social enterprises to be repeated and thus measure **progress over time**, provide an indication of the efficacy of support and inform the continuing development of business support.
- The establishment of a **managed active learning network** would go beyond the exchange of information and enable the RDAs to utilise intelligence as part of a shared development programme. The managed learning network would entail a focused programme of activity to develop skills and infrastructure over the short to medium term.