

Mapping the Social Business Sector in Wales

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wavehill

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ymchwil cymdeithasol ac economaidd

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Ni fydd oedi os byddwch yn gohebu â ni yn Gymraeg.

Contents/Figures/Tables

Executive Summary

1 Introduction

- 1.1 Definition
- 1.2 Methodological Approach
- 1.3 Policy Background

2 A Profile of the Sector

- 2.1 Type of Social Business
- 2.2 Operational Sectors
- 2.3 Legal Status

3 Governance of Social Businesses

- 3.1 Objectives of Participant Organisations
- 3.2 Senior Management Teams

4 Scale and Scope of Social Businesses

- 4.1 Location
- 4.2 Age
- 4.3 Size of Social Businesses
- 4.4 Trading Patterns of Social Businesses
- 4.5 Employment and Volunteering in the Sector
- 4.6 Measurement of Social Impact

5 Social Business Performance

- 5.1 Business Capabilities
- 5.2 Performance
- 5.3 Promotional Activity

6 Looking to the Future

- 6.1 Expectations and Optimism
- 6.2 Barriers to Growth and Funding
- 6.3 Enablers
- 6.4 Securing Financial Support

7 Summary of Findings

Annex 1: Partner Organisations

Annex 2: Phase 1 Survey

Annex 3: Follow-up Survey

03	Figures	
11	Figure 2.1: Which, if any, of the following terms would you use to describe your organisation? (Respondents could provide more than one answer)	15
11	Figure 2.2: Respondent social businesses by Business Wales sector	16
13	Figure 2.3: Please outline your organisation's legal status	17
15	Figure 3.1: Main social or environmental objectives as identified by organisations	18
15	Figure 3.2: Main social or environmental objectives as identified by organisations (2014 vs. 2016)	19
16	Figure 3.3: Proportion of an organisation's directors or leadership team by age bracket (2014 vs. 2016)	20
17	Figure 4.1: Proportion of all identified social businesses by local authority area compared to stock of all businesses	23
18	Figure 4.2: Social business as a proportion of total business stock by local authority area	24
18	Figure 4.3: Location of social businesses against areas of deprivation – all of Wales	25
20	Figure 4.4: Location of social businesses against areas of deprivation – south/south east Wales	25
22	Figure 4.5: What year did your organisation start trading?	26
22	Figure 4.6: Percentage of social businesses by turnover size band – comparisons of 2016 and 2014 surveys	27
26	Figure 4.7: Percentage of matched social businesses by turnover size band – comparisons of matched businesses – 2014–2016	28
27	Figure 4.8: Percentage of turnover earned through trade	30
30	Figure 4.9: What do you do with any surplus/profit that you generate? (Tick all that apply)	30
31	Figure 4.10: Including yourself, if applicable, approximately how many paid staff are currently employed in your organisation as a whole in Wales?	31
38	Figure 4.11: Proportion of volunteers by size band	32

Contents/Figures/Tables

Figure 4.12: Comparison (2014 and 2016 survey responses) of the number of volunteers per social business amongst matched business respondents	33	Figure 5.4: What new products and services have you developed? (Open response, coded)	44
Figure 4.13: Over the course of the last 12 months, has your organisation employed any of the following?	34	Figure 5.5: Please explain how you have attracted new customers or clients	44
Figure 4.14: The number of local authority areas that respondent businesses operate across	35	Figure 5.6: Please tell us what geographical areas you have expanded into	45
Figure 4.15: The number of local authorities that respondent businesses operate across – matched respondents from the 2014 and 2016 surveys	35	Figure 5.7: Are you registered on the Sell2Wales website by company size (turnover)?	45
Figure 4.16: What is the main source of income that your organisation receives? (Tick all that apply)	36	Figure 5.8: Are you on Twitter or Facebook?	46
Figure 4.17: What is the main source of income that your organisation receives? (Tick all that apply)	37	Figure 6.1: Turnover expectations for the next two to three years	48
Figure 4.18: What main tool or method does organisation use to measure your social impact?	38	Figure 6.2: Self-reported barriers to sustainability or growth for social businesses	50
Figure 5.1: On a scale where 1 is rated as very poor and 5 is very strong, how capable would you say your business is at the following?	41	Figure 6.3: Self-reported barriers to sustainability or growth for social businesses – matched respondents from the 2014 and 2016 surveys	51
Figure 5.2: In the last 12 months, has your organisation...?	42	Figure 6.4: Where did you apply for finance?	54
Figure 5.3: In the last 12 months, has your organisation...? – matched respondents from the 2014 and 2016 surveys	43	Tables	
		Table 1.1: Organisation definitions	11
		Table 4.1: The entire social business sector in Wales split by turnover bands	29
		Table 6.1: Barrier patterns when comparing size/income source of social businesses	52

Executive Summary

Overview of findings

Social businesses in Wales form a dynamic, growing sector. This research estimates that the sector is worth £2.37 billion to the Welsh economy, supports approximately 40,800 jobs, and offers opportunities to volunteer to approximately 48,000 – 58,000 people. The sector supports growth, jobs, and access to training and employment.

Social businesses are often found in areas of social deprivation, supporting communities, offering jobs and training and often providing services that the public and private sectors would struggle to maintain. They make an important contribution to the drive to fight poverty in Wales.

In 2016, social businesses were diversifying, becoming less reliant on grants, more innovative and more likely to trade directly with other businesses and the general public. Social businesses are working across a wide range of sectors, supplying goods and services as well as making an important contribution to the cohesion of the communities within which they are based.

Social businesses are often formed as a result of issues identified at a grassroots level by a local community. They plug gaps in provision and, in some cases, grow

through innovative delivery and defining services in direct response to their community's needs. In the current environment, which sees uncertainty regarding the effects of Brexit and potential massive investment in large-scale infrastructure projects via City Deals, social businesses offer a 'ground-up', community-led approach to economic and community development, and (crucially) are owned and controlled by the communities they support.

£2.37 bn

Research estimates that the sector is worth £2.37 billion to the Welsh economy

40,800

Approximately 40,800 jobs are supported

58,000

Between 48,000 – 58,000 opportunities are available to volunteers

Executive Summary

continued

Approach

This report describes the social business sector¹ in Wales following a survey of almost half of the businesses operating in the sector. The research provides an update on previous research undertaken on the sector in 2014.

The social business sector in Wales was mapped through the provision of contact lists from various organisations serving/supporting businesses operating in the sector. Following the collation and de-duplication of the data, a total of 1,698 organisations were identified as operating in the social business sector in Wales, a 16% increase on the number identified in 2014.

A telephone survey was conducted and attempts were made to contact all businesses listed. The phased survey explored an organisation's background and then, where consent was given, took the form of a follow-up survey which explored business capabilities and recent performance as well as future perspectives on performance and barriers.

The survey took place between September and December 2016. A total of 810 organisations responded to the initial phase, representing 48% of the sector. Of these, 715 (88%) agreed to participate in the follow-up survey.

The survey took place between September and December 2016. A total of 810 organisations responded to the initial phase, representing 48% of the sector.

1,698

The number of businesses operating in Wales in the social business sector was 1,698

¹ "Social business" is an umbrella term that refers to a variety of organisation types, including co-operatives/mutuals, social enterprises, and employee-owned businesses.



Executive Summary

continued

Key findings

Scale and Scope of Social Businesses

- + Using turnover data from respondent businesses, the entire sector is worth an estimated £2.37 billion to the Welsh economy, a significant increase on 2014 estimations.
- + The sector supports 40,800 paid jobs and 48,000 – 58,000 volunteers.
- + The typical size of a social business (in turnover) has increased. Growth in the scale of social businesses in Wales has led to a closing of the gap (in terms of size profile) to social businesses throughout the UK.
- + In comparison with the 2014 figures, trade with the general public has leaped (57% vs. 41%) with corresponding declines in trade with the public and private sectors.
- + Social businesses tend to be far younger than private sector businesses.
- + Social businesses are often located in areas of deprivation, with clusters of social businesses found (for example) in Merthyr Tydfil and along the Heads of the Valleys, in Llanelli and in Swansea.

Background of Social Businesses

- + Almost two thirds (65%) of respondents self-identified as social enterprises, whilst 46% self-identified as charities.
- + Social businesses most frequently operate in financial and professional services, retail, creative services, tourism and care service sectors.
- + Seventy-two per cent of social businesses described their main social or environmental objectives as seeking to improve a particular community, whilst almost half seek to improve health and well-being.

Social businesses are often located in areas of deprivation.

£2.37 bn

The entire sector is worth an estimated £2.37 billion to the Welsh economy

57%

In comparison with the 2014 figures, trade with the general public has leaped to 57% vs. 41%

65%

Almost two thirds (65%) of respondents self-identified as social enterprises

Performance of Social Businesses

- + Eighty-four per cent of respondents attracted new customers or clients in the last 12 months, whilst 24% attracted investment to expand during the same period.
- + New products or services were most frequently developed in education/training, leisure/culture or support services. These are all areas to which local authorities/other public sector bodies are typically looking to outsource.
- + When asked about their perceived business capabilities, social businesses reported being most capable of financial management and people management, whilst they are least capable of accessing external finance and marketing.
- + The lack of/poor access to finance/funding was most commonly referred to as a barrier to sustainability/growth; however, the proportion referring to it as a barrier has fallen when compared to 2014. The proportion of social businesses identifying time pressures as a growth constraint on their business has doubled when compared to the 2014 survey.

Looking to the future

- + Sixty-nine per cent of social businesses expect turnover to increase over the next two to three years.
- + The lack of/poor access to funding was the most commonly identified constraint on business growth. Over half of respondents identified additional barriers, particularly insufficient staffing/volunteers, the impact of Brexit, and public sector austerity measures.
- + Social businesses identified the need for support with grant applications, marketing and finance to help grow and sustain their businesses.

The lack of/poor access to finance/funding was most commonly referred to as a barrier to sustainability/growth.

84%

Eighty-four per cent of respondents attracted new customers or clients in the last 12 months

24%

Twenty-four per cent of respondents attracted investment to expand during the last 12 months

69%

Sixty-nine per cent of social businesses expect turnover to increase over the next two to three years

Executive Summary

continued

Recent trends

The proportion of businesses earning more of their income through trade continues to grow. Across the survey, 50% of respondent businesses described earning at least 50% of their income through trade. Amongst those businesses who responded to both the 2014 and 2016 surveys there has been an increase in the proportion earning over half of their income from trade (from 57% in 2014 to 66% in 2016). Conversely, the proportion of respondent businesses describing being hindered by the inability to secure appropriate finance has fallen, with a third of respondent businesses describing poor access to funding as a barrier to sustainability/growth of their organisation.

Eighty-four per cent of respondent businesses have attracted new customers or clients in the last 12 months, whilst 24% have attracted investment to expand during the same period. When businesses who responded to both the 2014 and 2016 surveys are compared, there is a large jump in the proportion of the same businesses stating that they had attracted new customers or clients (from 61% to 87%).

Social businesses are becoming very successful in growing the markets that they serve.

Where external investment had been sought, it was most commonly in relation to developmental projects for new schemes, indicating confidence and expansion within the sector. Confidence in the sector is, again, evident where respondent businesses were asked about their expectations of turnover for the next 2-3 years. More than two thirds (69%) expected turnover to increase during that period, whilst just 6% of respondents expected turnover to decrease.

Where external investment had been sought, it was most commonly in relation to developmental projects for new schemes, indicating confidence and expansion within the sector.

50%

Across the survey, 50% of respondent businesses described earning at least 50% of their income through trade

66%

There has been an increase in the proportion earning over half of their income from trade from 57% in 2014 to 66% in 2016

6%

Only 6% of respondents expected turnover to decrease in the next 2-3 years



Executive Summary

continued

Conclusions

Expectations

Businesses are seeking to grow through accessing new markets (geographical), serving new customers, and through the development of new products or services. Education/training provision, leisure/culture activity and generic support services were identified as areas in which social businesses were looking to develop new products/services. These are all areas from which the public sector is typically looking to withdraw in response to austerity measures, and suggest that social businesses are actively positioning themselves to respond to these opportunities.

An expanding sector is not without its headaches, however, with the proportion of respondent businesses identifying time pressures as a growth constraint on their business having doubled when compared to the 2014 survey, whilst a further 39 respondents cited staffing/volunteering resources as a constraint on their business.

Similarly, there is a concern about the trading environment for social businesses, with the issues arising from Brexit and, in particular, its impact on European funding alongside public sector cuts identified as likely constraints on social businesses going forward.

Collectively, therefore, there is clear evidence of a growing, increasingly confident and entrepreneurial social business sector that is built upon strengthening foundations. The challenges emerging are primarily those synonymous with a growing sector, particularly in relation to resource (staffing/volunteer) constraints. Interestingly, however, the nature of support desired is largely familiar, with an emphasis on support in applying for finance and on support in relation to marketing and promotional activities for social businesses.

The report suggests that the sector has experienced real growth in the two years since the last in-depth research was carried out. It offers a snapshot of a sector that is dynamic and responsive and is constantly looking to evolve and offer new products and services. The increase in turnover, jobs and volunteer opportunities supported by the sector will have an impact on local economies, community cohesion, and individual people's potential to develop themselves through paid employment, work experience, and training. The social benefits of these businesses have tangible effects which are having a positive impact on communities throughout Wales.

The social benefits of these businesses have tangible effects which are having a positive impact on communities throughout Wales.

1 | Introduction

This report describes the social business sector in Wales and, in doing so, provides an update on previous research undertaken on the sector in 2014. The research that underpins this report is far more comprehensive than previous research, with around half of all businesses identified as operating in the sector having been interviewed. The report provides detailed insight into the performance of the sector, alongside the issues and opportunities faced by social businesses.

This first chapter provides a brief background to the research and the approach taken in conducting the research.

1.1 | Definition

“Social businesses” is an umbrella term that refers to a variety of organisation types, including co-operatives/mutuals, social enterprises and employee-owned businesses. A detailed description of what each of these terms means is set out in Table 1.1 below:

1.2 | Methodological Approach

1.2.1 | Need for the Research

Extensive research on the social business sector is crucial to developing an understanding of what is happening “on the ground” in the sector and, in response, helps shape the nature of support that the sector requires to facilitate its growth and sustainable development. The rapid evolution of the sector and the markets it serves necessitates the capture of up-to-date information on how the sector is performing, the challenges it faces, and what helps and what hinders businesses operating within the sector, to ensure that any policy response is reflective of identified needs.

1.2.2 | Identifying Organisations in the Social Business Sector

Businesses operating in the social business sector are not typically associated with a specific industrial sector. Consequently, identifying businesses that may operate in the sector through published information is challenging and resource-intensive.

Table 1.1: Organisation definitions

Organisation type	Description
Co-operatives	A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.
Social Enterprises	<p>A social enterprise is a business with primarily social objectives and 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.</p> <p>They have three key characteristics:</p> <ul style="list-style-type: none"> + They have a social, community or ethical purpose. + They operate using a commercial business model. + They have a legal form appropriate to ‘not-for-personal-profit’ status and social ownership.
Employee-Owned Businesses	<p>The Employee Ownership Association describes employee-owned businesses as businesses that are totally or significantly owned by their employees.</p> <p>Employee ownership can take one of three forms:</p> <ul style="list-style-type: none"> + Direct employee ownership – using one or more tax-advantaged share plans, employees become registered individual shareholders of a majority of the shares in their business. + Indirect employee ownership – shares are held collectively on behalf of employees, normally through an employee trust. + Combined direct and indirect ownership – a combination of individual and collective share ownership.

1 | Introduction

continued

An alternative approach to utilising published datasets (as is traditionally the case when undertaking a business survey) is therefore necessary. The Wales Co-operative Centre (WCC) provided Wavehill with the directory of contacts from the 2014 research, whilst a series of key partners across Wales who regularly engage and support social businesses also provided further contact details of social businesses². The contact lists were combined, with any duplicate businesses being removed. The final list has acted as a population from which to survey. The numbers of organisations identified through the research are summarised below.

- + 2,140 organisations identified as being within the social business sector in Wales
- + 442 organisations removed, as cleansing of data identified them as duplicates or where businesses were found to have ceased operating or where no details of the business could be found (despite more than 10 telephone calls, emails and web searches for the organisation).

Ultimately, this left 1,698 organisations identified as operating in the social business sector in Wales. This is 16% higher than the number identified in 2014 (when a similar approach to identification took place) and whilst this may, in part, be due to expansion within the sector, it is also likely to be the result of adopting a more thorough approach to the identification of the organisations.

1.2.3 | The Survey

There were essentially two strands to the telephone survey which involved a census-based approach to the survey (where an attempt was made to contact all identified social businesses). The initial strand focused on the profile of the organisation, its size, constitution, sector, and geographical area of operation. On completion of the initial survey, respondents were asked whether they would be willing to answer further questions. Where a willingness was expressed to continue with the survey, the second strand was completed with the respondent and explored topics such as self-perception of business capabilities, recent performance, perceptions of collaboration, and future perspectives on performance and barriers.

The survey took place between September and December 2016. A very high rate of response was achieved and a total of 810 organisations responded to the initial strand 1 survey, representing 48% of the sector. Of these, 715 (88%) agreed to participate in the follow-up survey.

Ultimately, this left 1,698 organisations identified as operating in the social business sector in Wales.

² A list of key partners contributing to the identification of the social business population is presented in annex 1.

1.2.4 | Comparing 2014 and 2016 Survey Findings

Throughout the report, comparisons are made to responses to the 2014 survey. In 2014, the survey tool was very similar to that used in 2016, with many questions worded the same in both surveys. In 2014, initial responses were gathered through an online survey; however, a telephone survey was used to boost the sample size and for conducting the follow-up survey (with a census approach to sampling adopted). In 2014, 344 respondents completed the strand 1 survey, whilst 305 completed the follow-up survey. The 2016 survey therefore provides a significant jump in the number of responses and a corresponding increase in the robustness of the data (due to the volume of responses secured).

The initial reliance on online approaches to engagement in 2014 is one discrepancy in the approach when compared to the 2016 survey. This may have influenced the nature of social businesses who were willing or able to respond to the survey in 2014 when compared to 2016. Furthermore, the 2016 survey involved more extensive engagement techniques than did the 2014 survey, including, for instance, contacting organisations outside of core office hours. This may have influenced the types of respondent organisations that were engaged in the survey (enabling the engagement of organisations that operated part-time, e.g. in the evening).

Aside from the small discrepancies, the similarities in methodology, sampling and survey questions mean that the evidence base can be usefully compared between the two surveys to track trends and identify emerging and fading issues. To strengthen the robustness of these comparisons, any trends in response have been tested further by matching social businesses who responded to both the 2014 and 2016 surveys to provide a direct comparison of response trends to specific questions.

1.2.5 | Building an Evidence Base

The overwhelming majority of social businesses responding to the survey (85%) agreed with their organisation's contact information and business activity being included in the Business Wales Directory, an online directory of all businesses (including social businesses) in Wales. Their placement in the directory will likely offer additional supply chain and promotional opportunities to the sector.

1.3 | Policy Background

There is continued recognition of the critical role that social businesses play in delivering services within Wales, with their importance expressed in a host of key policies. In June 2015, for example, the then-Minister for Finance and Government Business announced the **Wales Procurement Policy Statement**, which includes several principles of particular relevance to social businesses.

Principle Three sets out that value-for-money considerations should include benefits to society, the economy and the environment. It requires the Welsh public sector to identify areas of expenditure *"which can be reserved for suppliers with a workforce of 30% or more disadvantaged workers"*, and requires the public sector to *"identify areas of expenditure which can be reserved for suppliers with a social ethos e.g. Co-operatives and Mutuals at first tender."*

Principle Four requires social, economic and environmental benefits to be an *"integral consideration"* in procurement. This can include providing recruitment and training opportunities for disadvantaged people. Social businesses are well placed to benefit from this principle, as many already deliver in these areas.

1 | Introduction

continued

The recent **Programme for Government**³ cements this approach to procurement while expressing the aim that procurement should bring economic, social and community benefits to Wales. This is also reflected in recent legislation⁴. The **Well-being of Future Generations (Wales) Act (2015)** embeds in decision making a requirement to consider the positive social and environmental impacts of different ways of doing business.

More recently, an Action Plan for **"Alternative delivery models in public service delivery"** was published in March 2016 to provide a framework for local decisions to be made on alternative delivery models (ADMs) in specific service areas and underpinned by the well-being principle set out in the Well-being of Future Generations (Wales) Act (2015). It recognises the benefit of enabling collaboration between local government, the local community and third sector organisations in making decisions about whether services should be delivered differently, e.g. through social businesses.

The Action Plan follows the **Social Services and Well-being (Wales) Act (2014)**, which provided greater opportunities for social businesses in the provision of social services, including *"the promotion by local authorities of social enterprises, co-operatives, user led services and the third sector in the provision in their areas of care and support and support for carers."* It enshrines the process of rolling out new models of delivery across Wales and encourages communities to find collective solutions to service delivery.

EU Funding and Policy

Support for social businesses to respond to the opportunities presented through policy development is offered by a host of sources, including via EU funding, most prominently delivered by the Wales Co-operative Centre under its 'Social Business Wales' operation as part of the wider Welsh Government and EU-funded Business Wales service.

More widely, social businesses are regularly involved as third party providers in the delivery of activity (including employability) schemes funded via EU monies. Consequently, following the referendum in which the decision was made to leave the EU, on 29th March 2017 the UK triggered Article 50, confirming that the UK will officially leave the EU (with two years allotted for negotiations regarding the EU exit). Leaving the EU does not necessarily mean an end to the structural funding that Wales has enjoyed as part of the EU. In October 2016, the Chancellor guaranteed continued funding after the UK has left the EU for all projects which meet UK priorities and value-for-money criteria, and which secured EU funding before the exit. In keeping with the devolution settlement, it will be for the Welsh Government (WG) to determine how EU funds are spent in Wales, in line with its priorities, whilst the UK remains within the EU. However, whether Wales will continue to benefit from similar levels of funding to those which it has gained via structural funds following the UK's exit from the EU remains to be seen.

In October 2016, the Chancellor guaranteed continued funding after the UK has left the EU for all projects which meet UK priorities and value-for-money criteria, and which secured EU funding before the exit.

³ Taking Wales Forward 2016-2021, Welsh Government.

⁴ For example, the Well-being of Future Generations (Wales) Act (2015), the Social Services and Well-being (Wales) Act (2014), and the Wales Procurement Policy Statement.

2 | A Profile of the Sector

Key findings

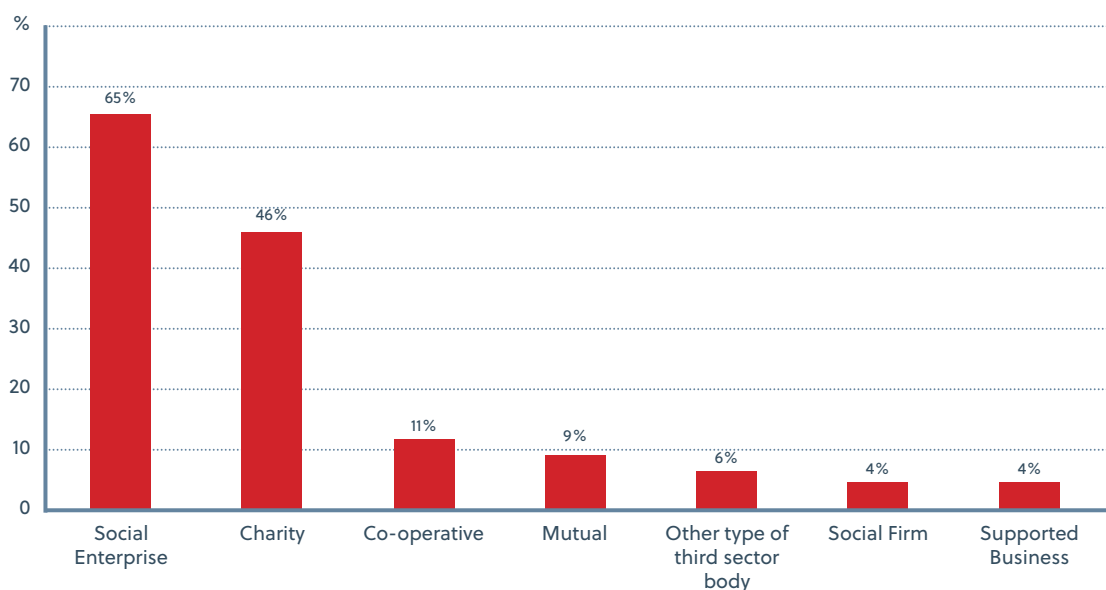
- + Almost two-thirds (65%) of respondent businesses self-identified as social enterprises, whilst 46% self-identified as charities
- + Financial and professional services, retail, creative services, tourism, and care services were the most commonly identified sectors within which social businesses operate

2.1 | Type of Social Business

Respondent businesses were asked to outline which of a series of terms they would use to describe their organisation. The range of terms offered to respondent organisations reflect those contained within the third sector self-selection criteria on the Sell2Wales website. Figure 2.1 below illustrates that two thirds (65%) of respondents self-identified their organisation as a social enterprise, whilst almost half (46%) self-identified their organisation as a charity. Just 4% described their organisation as a "social firm"⁵, whilst a similar proportion described themselves as a "supported business"⁶.

A further 6% of respondents (47/810) described their organisation as an "other type of third sector body", which included 10 community interest companies and eight Registered Social Landlords/Housing Associations.

Figure 2.1: Which, if any, of the following terms would you use to describe your organisation? (Respondents could provide more than one answer)



N = 810

⁵ A social firm is where 25% of your workforce are disabled or disadvantaged and where 50% of your income is made through commercial activity

⁶ A supported business is one whose main aim is the social and professional integration of disabled or disadvantaged persons, where at least 30% of the employees are disabled or disadvantaged workers. The definition of supported businesses has changed in the Public Contracts Regulations 2015, from an organisation where at least 50% of the employees are disabled to an organisation where at least 30% of the employees are disabled or disadvantaged. The recent change in definition is likely to be an influential factor in why so few organisations identify themselves as such.

2 | A Profile of the Sector

continued

2.2 | Operational Sectors

Respondents were then asked to describe what the main activity of their business was and, specifically, *what goods or services do you provide?* The responses have been analysed and categorised against a series of sectors identified by Business Wales in their directory in Figure 2.2 below. It should be noted that businesses could be assigned to more than one sector, which a significant proportion did, reflecting the diverse portfolio nature of organisations operating within the sector.

The distribution of responses shows a high proportion of organisations where some of their main activities/services were difficult to categorise in the Business Wales sectors and, therefore, have been included in miscellaneous. Other popular sectors included the *financial and professional services, retail and creative services* sectors.

Figure 2.2: Respondent social businesses by Business Wales sector



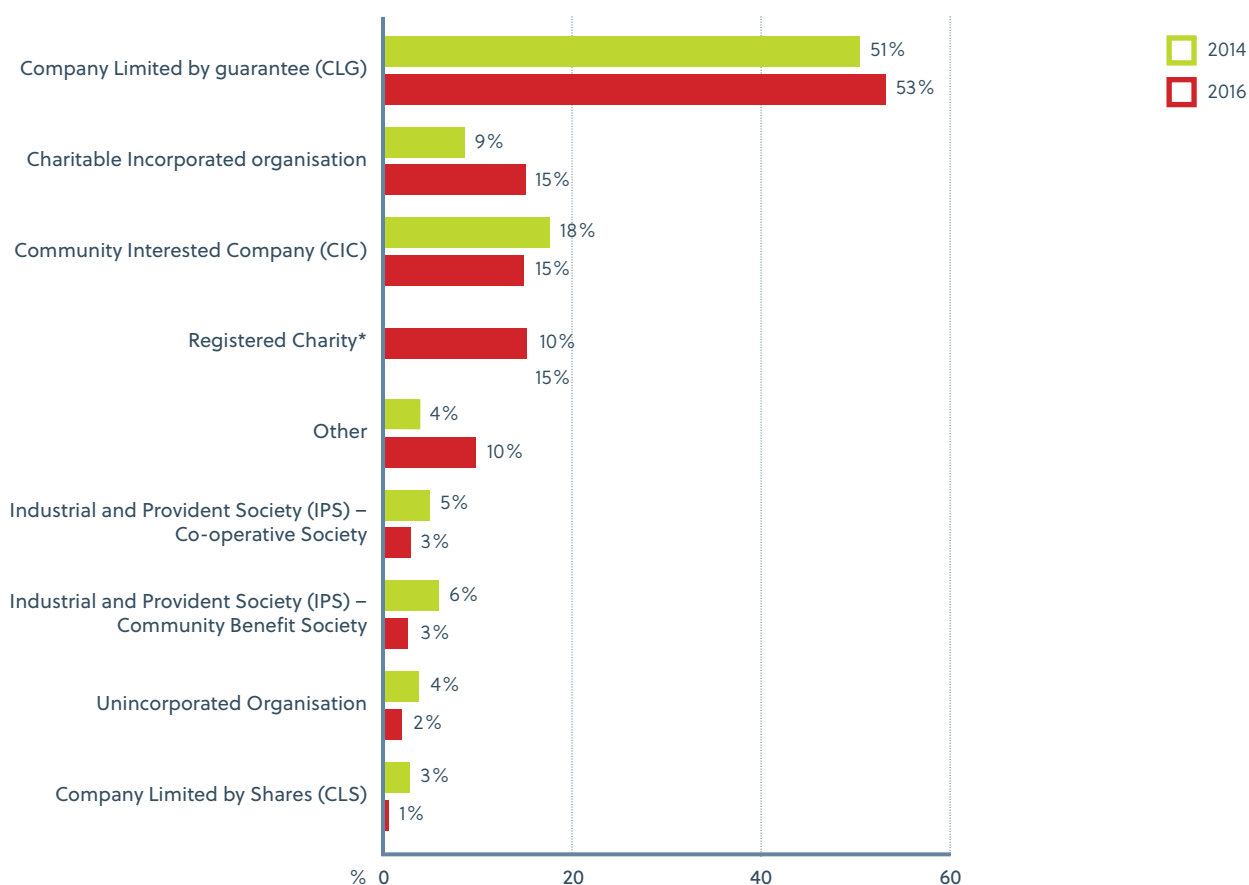
N = 734

2.3 | Legal Status

Respondents were then asked about their organisation's legal status. Figure 2.3 below illustrates that most respondents worked for a company limited by guarantee, whilst 15% operated as charities and a similar proportion operated as Community Interest Companies. The chart also compares the responses to those received in 2014, in which there is a tangible (although statistically insignificant) increase in the proportion describing their business as a Charitable Incorporated Organisation, but generally there is a high degree of consistency in the distribution of responses when the two surveys are compared, suggesting that the nature of respondent businesses to both surveys was broadly similar.

The survey results also suggest that 47% of organisations have members, with a median membership count of 100⁷ (the mean average was 893 members, owing to a small number of very large member organisations skewing the data). Eighty-six per cent of membership organisations elected members to their management board.

Figure 2.3: Please outline your organisation's legal status



Base: All respondents were able to outline their organisation's legal status. N = 777, 2016 and 323, 2014.

*"Registered Charity" was not included as an option in the 2014 survey.

⁷A small number of very large organisations skewed the mean number of members to 893; for this reason, the median figure has been presented.

3 | Governance of Social Businesses

Key findings

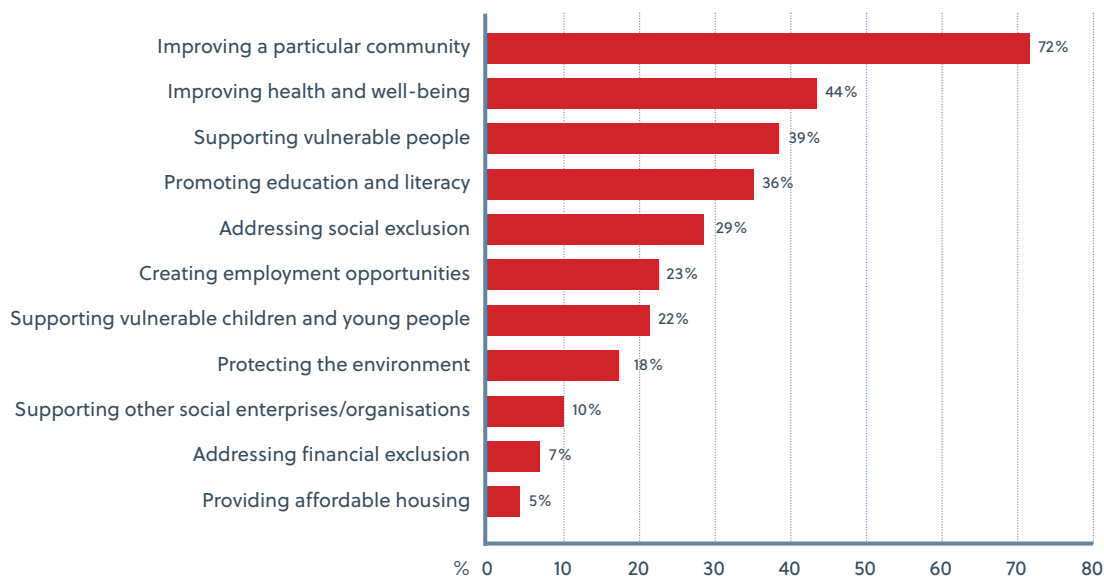
- + **Seventy-two per cent of social businesses seek to improve a particular community, whilst almost half seek to improve health and well-being**
- + **There has been a large increase in the proportion of social businesses citing *improve a particular community* as one of their organisation's objectives; conversely, there has been a large fall in the proportion of social businesses describing *creating employment opportunities* as one of their organisation's objectives**
- + **Over a quarter (27%) of representatives in senior management teams are over the age of 65**
- + **Thirty-two per cent of senior management teams are majority-led by women, which is significantly higher than across mainstream businesses in which, for example, 24% of SMEs (in Wales) are majority-led by women (in the UK, just 21% of SMEs are majority-led by women)**

3.1 | Objectives of Participant Organisations

The clear majority of respondent organisations (94%, 733/781) confirm that their organisation has a clear social or environmental mission that is set out in their governing documents. When asked to expand upon these objectives, the most popular response (71%) related to *improving a particular community* (either geographically defined or united by a common characteristic, e.g. religious orientation, ethnicity, age group).

Figure 3.2 opposite provides a direct comparison of those social business respondents who were engaged in both the 2014 and the 2016 survey to enable a direct comparison of responses to be made. The chart illustrates a large increase in the proportion of respondent organisations describing their objectives as supporting a specific community.

Figure 3.1: Main social or environmental objectives as identified by organisations

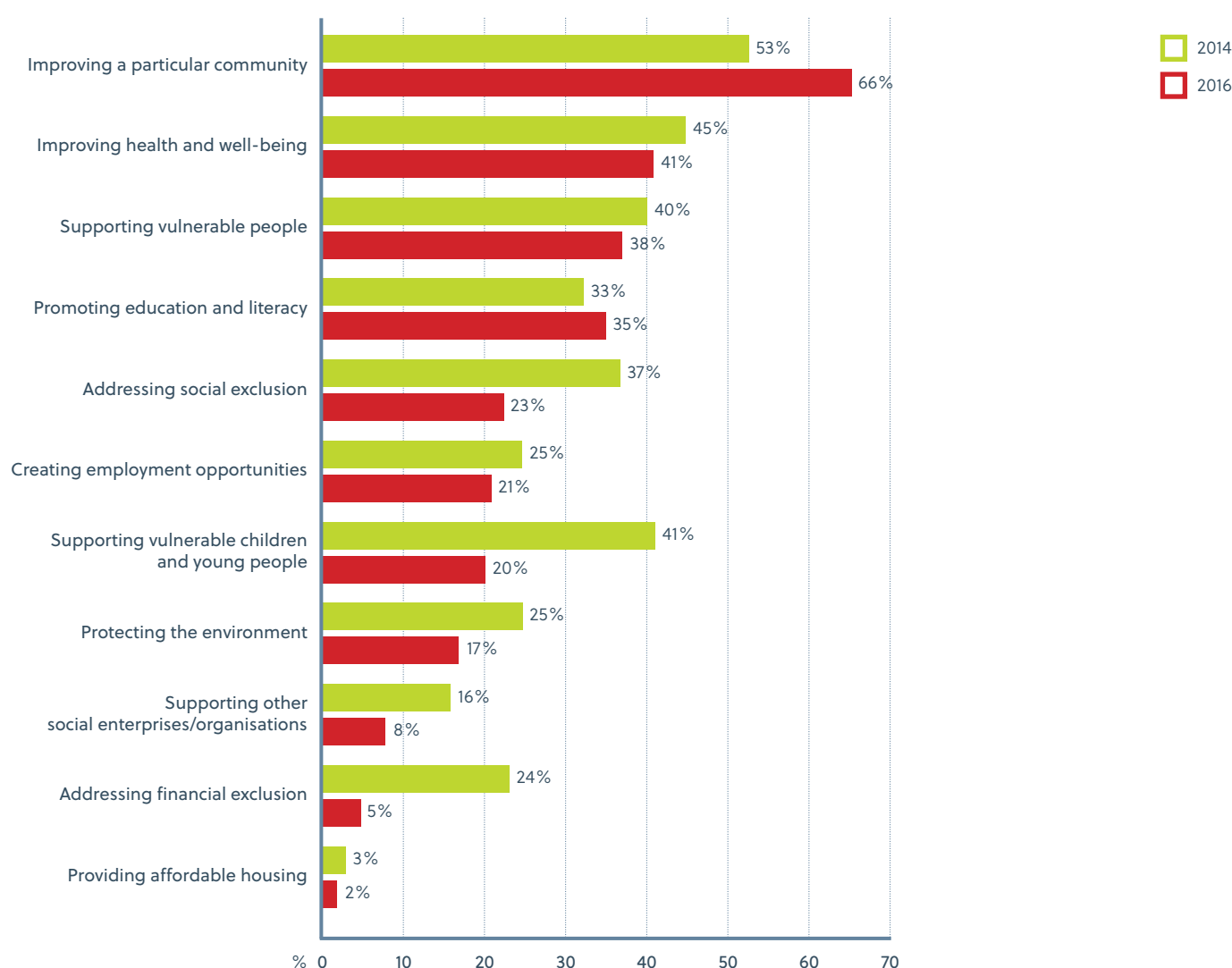


Base: All respondent organisations who reported the existence of social or environmental objectives formally stated in their governing documents (N = 733, 2016).

The other area of change is the significant fall (from 41% to 20%) in the proportion of respondent organisations describing their objectives as relating to *creating employment opportunities*. This may reflect a shift in government policy, including continued welfare reform, a strengthening economy (and a falling unemployment rate), and the hiatus between European Structural Funds programmes (with momentum for the current round of European Social Fund Programmes picking up in the latter half of 2016).

Further areas which illustrate a substantial shift concern the proportion of respondent organisations describing one of their objectives as being to *support other social businesses/organisations* and the proportion describing their objectives as relating to *addressing social exclusion*.

Figure 3.2: Main social or environmental objectives as identified by organisations (2014 vs. 2016)



Base: All respondent organisations who reported the existence of social or environmental objectives formally stated in their governing documents and who were surveyed in both 2014 and 2016. N = 206 (2014) and 202 (2016).

3 | Governance of Social Businesses

continued

3.2 | Senior Management Teams

3.2.1 | Gender

Respondent businesses were asked about the demographic of their organisation’s directors or leadership team. Fifty-five per cent of representatives in senior management teams are male, which is slightly higher than in 2014 (when the proportion stood at 52%).

Furthermore, 32% of senior management teams are majority-led by women, which is (again) slightly down on findings from the 2014 survey (35%); however, these fluctuations are small enough to be down to a sample error.

The proportion of women-led businesses remains significantly higher than across mainstream businesses in which, for example, 24% of SMEs in Wales are majority-led by women (across the UK, just 21% of SMEs are majority-led by women)⁸.

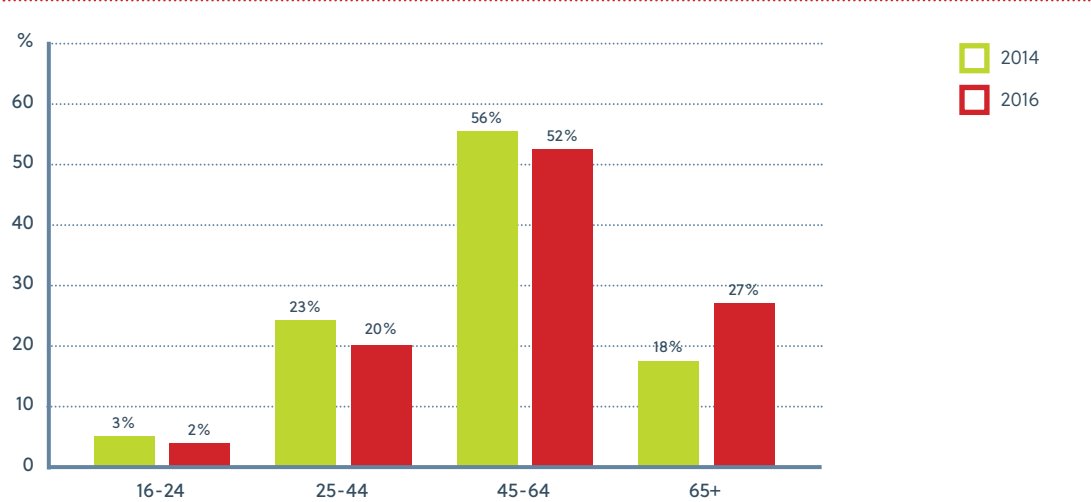
3.2.2 | Ethnicity

Ninety-six per cent of representatives in senior management teams were described by respondent businesses as White British (or Welsh, English and Scottish). The remaining 4% were described as White Other, Asian or Asian British, or Black or Black British. This is very similar to the profile of business owners/directors across Wales (with 95% of directors and owner managers in Welsh SMEs described as being White British, Welsh, English or Scottish)⁹.

3.2.3 | Age Profile

The age profile of leadership is presented below alongside comparisons to the 2014 responses. Senior management¹⁰ within organisations is most commonly made up of individuals aged between 45 and 64 (as they were in 2014); however, there has been a large increase in the proportion of the workforce aged over 65 (from 18% in 2014 to 27% this year). This age profile, combined with evidence of a growing sector, suggests that a high replacement demand for senior management representatives will be imminent as those over the age of 65 enter retirement.

Figure 3.3: Proportion of an organisation’s directors or leadership team by age bracket (2014 vs. 2016)




Base: All respondents who could respond (N = 693, 2016 and 275, 2014).

⁸ Small Business Survey, BIS (2015) – Published June 2016

⁹ Ibid.

¹⁰ Respondents were asked the following: “Could you please tell me how many of your organisation’s directors or leadership team, including trustees and non-executive directors, fall into the following categories?”



This age profile, combined with evidence of a growing sector, suggests that a high replacement demand for senior management representatives will be imminent as those over the age of 65 enter retirement.

4 | Scale and Scope of Social Businesses

Key findings

- + Using turnover data from respondent businesses, it is possible to estimate that the entire sector is worth **£2.37 billion** to the Welsh economy, a significant increase on 2014 estimations
- + It is estimated that the sector supports **40,800 paid jobs** and **48,000–58,000 volunteers**
- + The typical size of a social business has increased when 2014 and 2016 data are compared, with the size profile of social businesses in Wales closing the gap on social businesses throughout the UK
- + In comparison with the 2014 figures, trade with the general public has leaped (57% vs. 41%), with corresponding declines in the extent to which social businesses serve the public and private sectors
- + Social businesses tend to be far younger than private sector businesses
- + Detailed mapping identifies that social businesses often locate in areas of deprivation, with clusters of social businesses along the Heads of the Valleys and in Swansea and Carmarthen
- + Almost two thirds (63%) of respondents operate across just one local authority area
- + Thirty-nine per cent of social businesses do not measure their social impact

This section explores the scale of organisations operating in the social business sector in terms of the size and their geographical scale of operation.

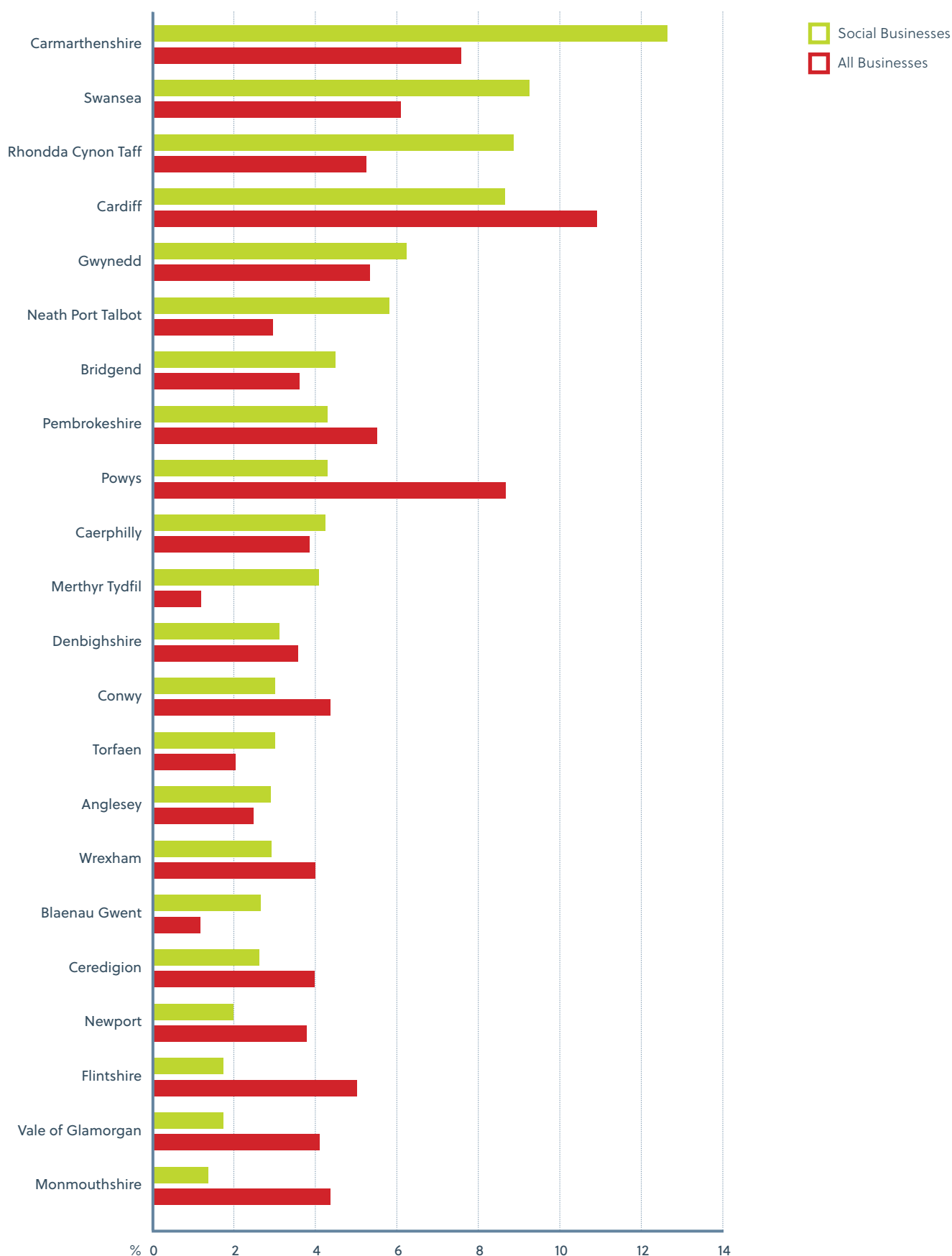
4.1 | Location

4.1.1 | Where Are Social Businesses Located?

Figure 4.1 below shows in which local authority the identified social businesses are located. It presents these as a proportion of total businesses for the sector and compares these with the proportional breakdown by local authority for all businesses, regardless of sector. It is evident that Carmarthenshire has a higher concentration of social businesses than expected (with 12.6% of all Welsh social businesses based in Carmarthenshire compared to 7.6% of all businesses), as do RCT (8.9% compared to 5.3%), and Merthyr Tydfil (where 4.1% of all social businesses are located compared to just 1.2% of all businesses). Whilst there are likely to be multiple factors influencing the location (a very comprehensive database of social businesses was obtained for certain areas, for example, as part of the mapping process), the chart shows a tendency for those local authority areas synonymous with higher levels of deprivation to have a higher concentration of social businesses, whilst those areas outside of these areas tend to convey a lower concentration of social businesses (Flintshire has 1.7% of Wales' social businesses yet 5% of Wales' entire business stock, and Powys (4.3% and 8.75%) and Monmouthshire exhibit similar trends: 1.4% and 4.4% respectively).

The chart shows a tendency for those local authority areas synonymous with higher levels of deprivation to have a higher concentration of social businesses.

Figure 4.1: Proportion of all identified social businesses by local authority area compared to stock of all businesses



Base: All social businesses identified through the mapping exercise. N = 1,698.

4 | Scale and Scope of Social Businesses

continued

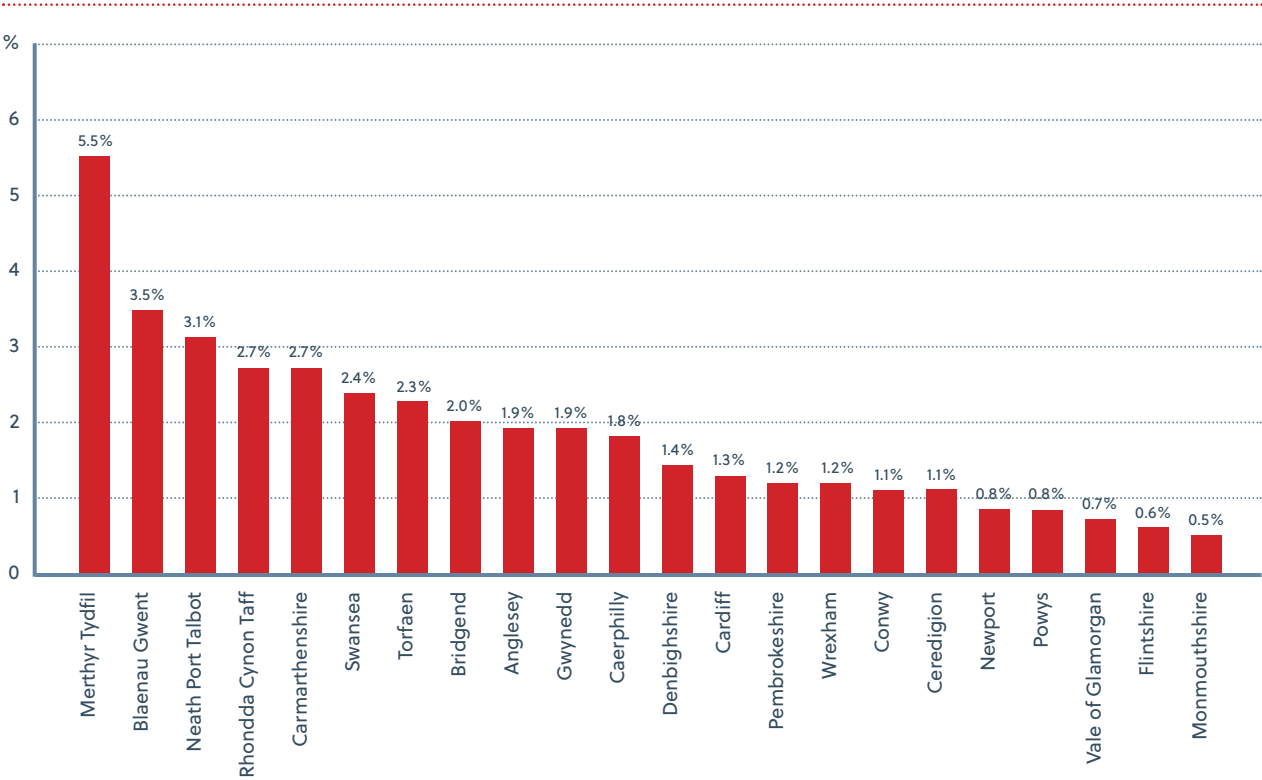
The stock of social businesses within each local authority area has then been compared to the entire business stock to provide an estimation of the proportion of social businesses (as a percentage of all businesses) in each local authority area. Figure 4.2 below presents this analysis and illustrates that, once again, the highest proportions of social businesses as a percentage of business stock are typically found in those local authorities that experience higher levels of social and economic deprivation (and in areas in West Wales and the Valleys that have also benefitted from higher levels of EU Structural Funds).

Further analysis of the location of social businesses is presented in the map below, which presents the location of businesses throughout Wales and maps them against the level of deprivation (in accordance with the Wales

Indices of Multiple Deprivation) in the location in which they are based — the darker the colour, the higher the levels of derivation within an area. The mapping is based on 85% (1,441 of the businesses identified)¹¹.

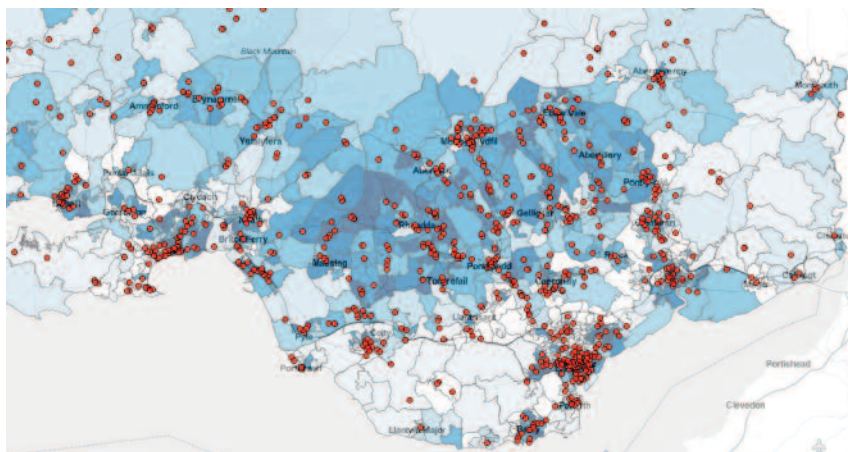
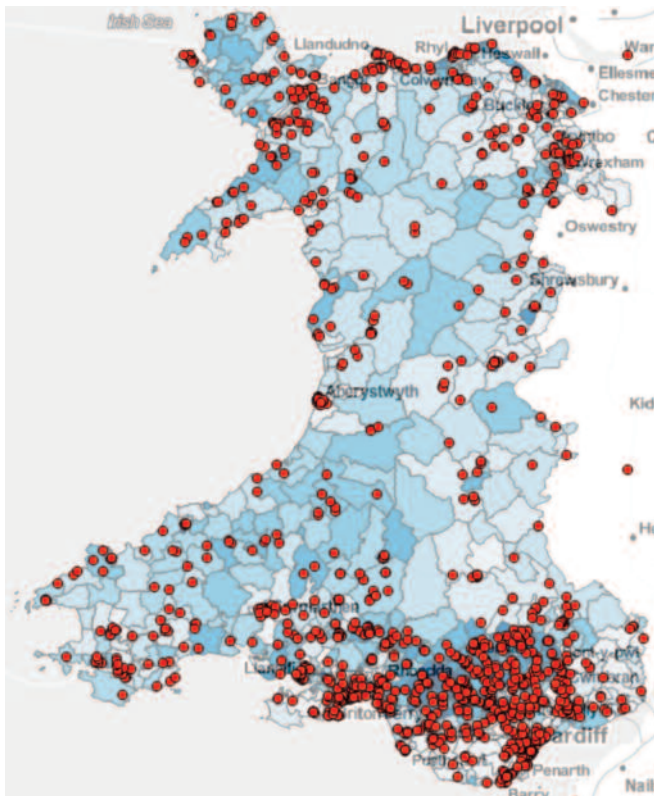
The subsequent map zooms in on south and south east Wales because there is a higher density of social businesses in these areas (reflecting the higher density of population there). The map illustrates a significant presence of social businesses along the Welsh Valleys and around the Heads of the Valleys (Tredegar, Ebbw Vale, and Merthyr Tydfil), strengthening the assertion that social businesses are more likely to be found in areas suffering from higher levels of deprivation than are mainstream businesses.

Figure 4.2: Social business as a proportion of total business stock by local authority area



Base: All social businesses identified through the mapping exercise that could be assigned to a local authority area (N = 1,601).

¹¹ Some postcodes were incomplete, incorrect or unable to match against MSOA boundaries.



4 | Scale and Scope of Social Businesses

continued

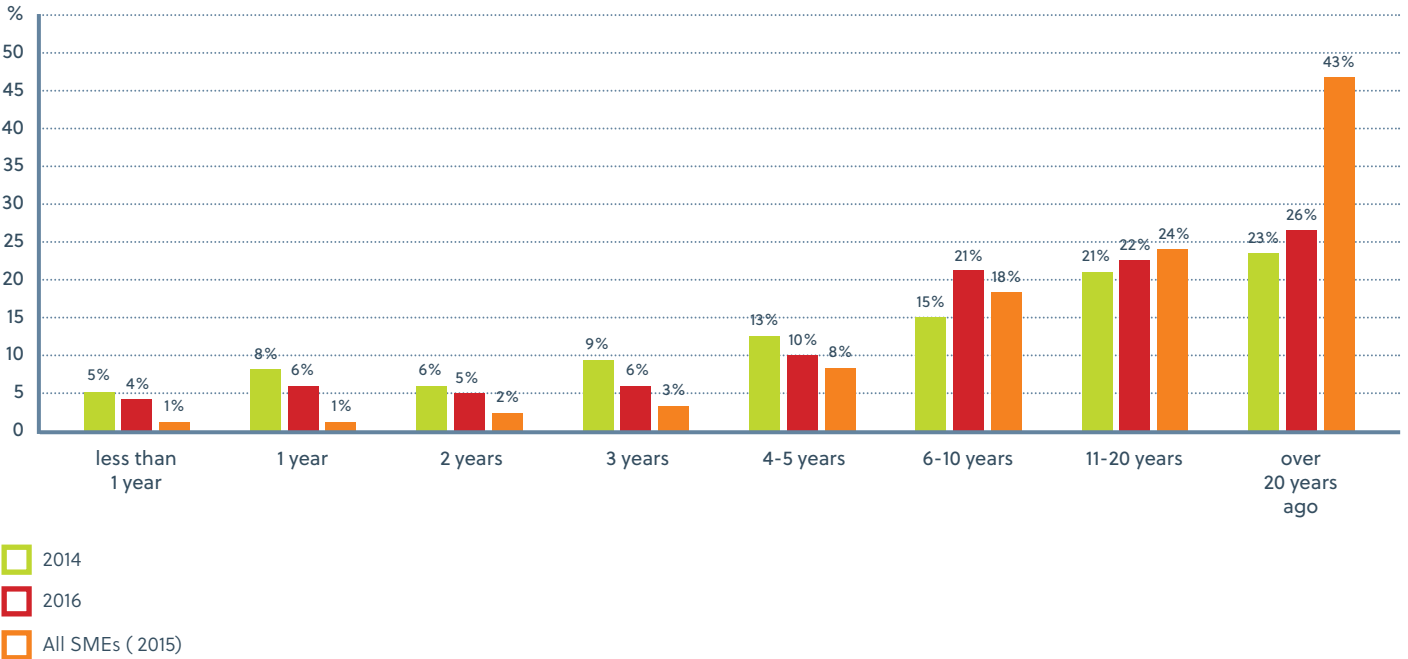
4.2 | Age

4.2.1 | How Well Established Are Organisations in the Social Business Sector?

Survey respondents were asked in what year their organisation had started trading. Figure 4.5 compares the responses to the survey conducted in 2016 to those to the 2014 survey and to those to the UK-wide small business survey (conducted in 2015). The chart illustrates that social businesses are typically far younger than private sector small and medium-sized enterprises (SMEs), with almost one third (31%) less than five years old compared to just

15% of SMEs. Comparing the responses to the 2014 survey with those to the 2016 survey suggests that the sector is beginning to mature, as in 2014, 39% of respondent organisations were less than five years old, higher than the 31% of the 2016 survey¹². Collectively, the data are comparable with Social Enterprise UK research¹³, which identifies that 6% of respondents to their survey had been operating for less than one year, whilst one quarter of respondents to their survey had been in operation for less than three years.

Figure 4.5: What year did your organisation start trading?



Base: All social businesses able to recall the year of registration (N = 297, 2014 and 801, 2016; all SMEs, 15,502¹⁴).

¹² There is no longer a specific Wales-wide operation to directly support social businesses in starting up (unlike when the 2014 survey took place). This may have influenced the reduction in start-up businesses identified.
¹³ State of Social Enterprise Survey 2015, Social Enterprise UK
¹⁴ UK-wide responses to the Small Business Survey (2015)

4.3 | Size of Social Businesses

4.3.1 | Turnover

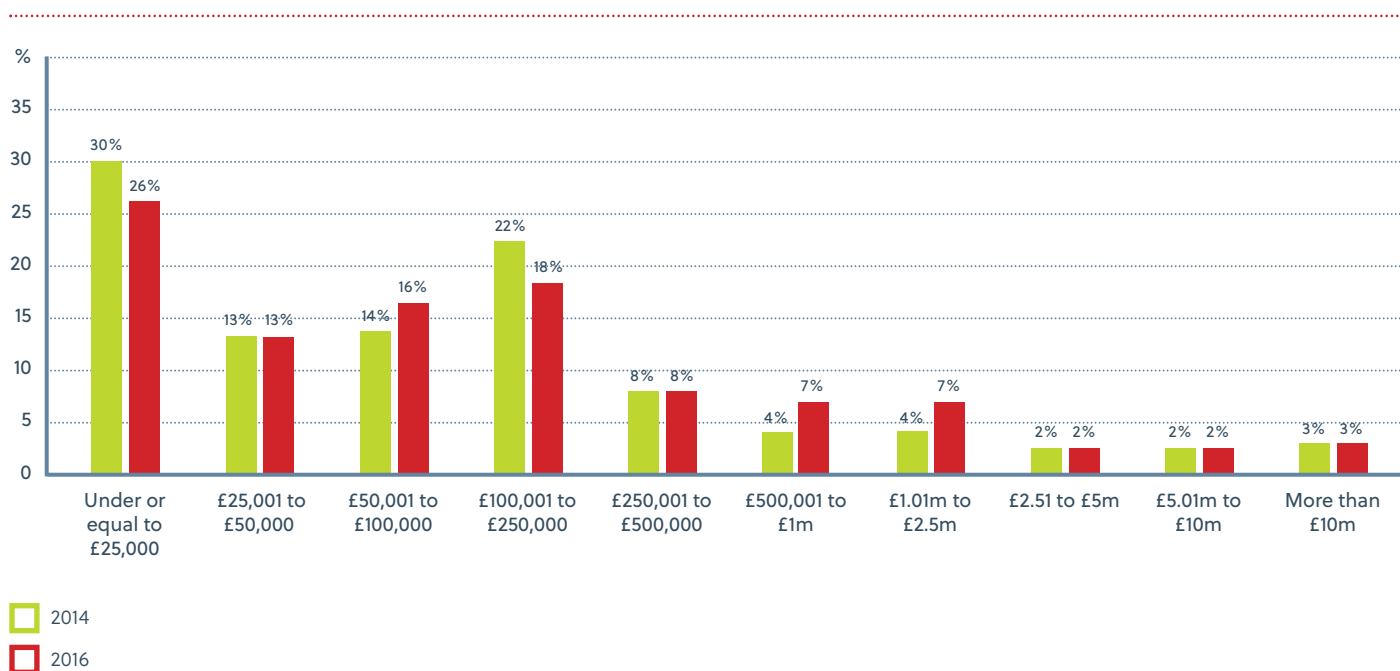
To gain an insight into the size of respondent organisations, respondents were asked to provide an estimate of their turnover in their last financial year of operation¹⁵, with a total of 729 businesses doing so.

Figure 4.6 below presents the distribution of turnover by size and compares this to the responses from the 2014 survey. The chart shows a trend towards higher turnover amongst respondent businesses, with 26% of respondents reporting turnover of less than £25,000 in 2016, a fall from

30% in the previous year. Conversely, 28% of respondents reported turnover in excess of £250,000 compared to just 21% in 2014.

The figures also suggest that social businesses in Wales are closing the gap, in terms of scale, on social businesses across the rest of the UK. In the State of Social Enterprise Report 2015¹⁶, 32% of respondents had turnover below £50,000 (compared to 39% in this survey) and 16% over £1m (compared to 14% in this survey); in both instances the gap has narrowed since the previous survey was undertaken.

Figure 4.6: Percentage of social businesses by turnover size band – comparisons of 2016 and 2014 surveys



Base: All social businesses willing/able to provide exact turnover or banded turnover data for the previous financial year. N = 729, 2016 and 317, 2014.

¹⁵ Twenty-seven respondents had not traded for a complete financial year and 71 preferred not to disclose this information.

¹⁶ State of Social Enterprise Report 2015, SEUK

4 | Scale and Scope of Social Businesses

continued

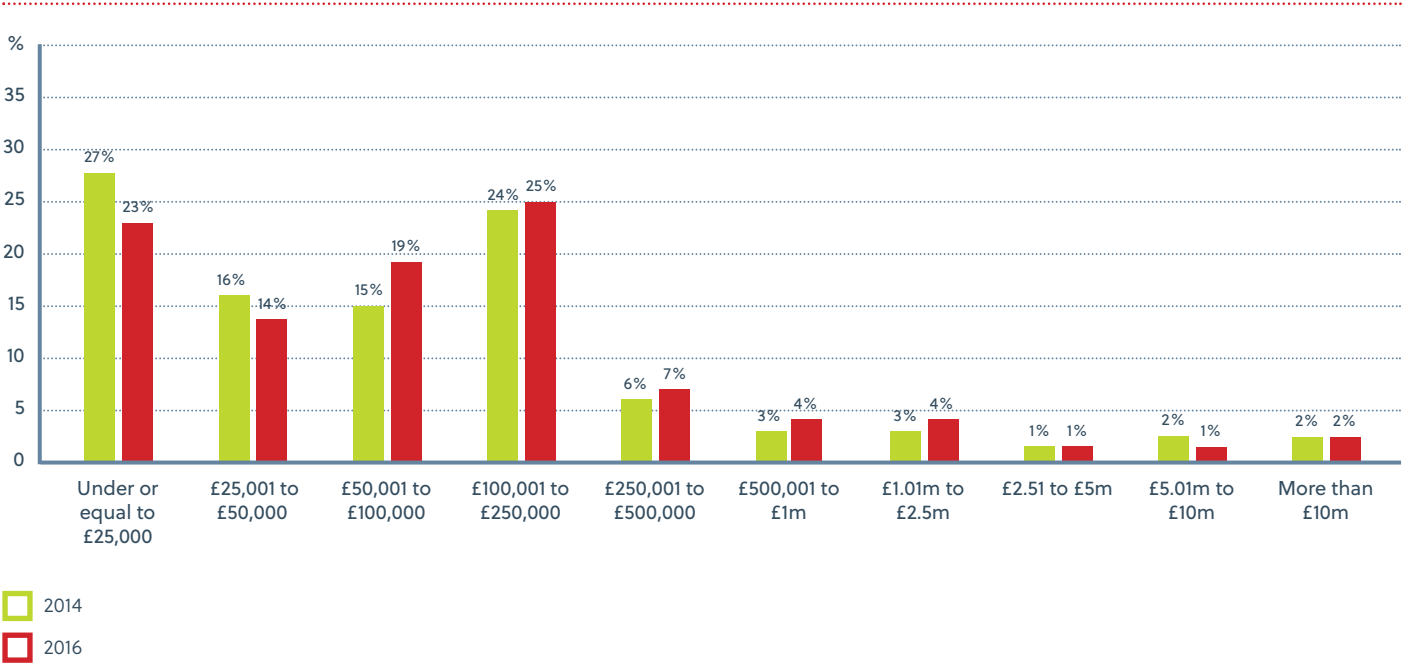
To investigate these changes further, businesses from the 2016 survey were matched, where possible, to those businesses that responded to the previous survey to provide an exact match of the organisations surveyed. Ultimately, 178 of the same businesses provided turnover figures for both surveys and the distribution of their responses is presented in Figure 4.7 below. The chart presents a similar picture to that of the survey-wide chart and illustrates clear growth in turnover amongst the respondent organisations, with the proportion with turnover of less than £50,000 falling from 43% to 37%.

The distribution of social businesses in terms of size within the sector remains highly skewed, with a very small number of organisations contributing much of the value. Table 4.1 below illustrates that less than 5% of the sector accounts for almost 80% of its monetary value.

The table below also estimates the total size of the social business sector by “scaling up” the responses to the survey to be reflective of the entire known sector (based on the assumption that the un-interviewed respondent businesses from the social business sector mirror those who have been interviewed). The analysis also includes adjustments for the addition of the water company Glas Cymru — a known “outlier” with very high turnover.

The total value of the sector, based on the estimated turnover of known and identifiable social businesses in Wales, is estimated at £2.37 billion, which is a 40% increase on estimations in 2014. The larger numbers of social businesses identified through more thorough research, combined with the evident growth in turnover amongst businesses within the sector, have led to this growth.

Figure 4.7: Percentage of matched social businesses by turnover size band – comparisons of matched businesses – 2014–2016



Base: Respondent businesses who responded to both 2014 and 2016 surveys. N = 178.

Table 4.1: The entire social business sector in Wales split by turnover bands

Turnover	No. of Social Businesses	% of Social Businesses	Value	% of All Value
Under £25,000	472	27.3%	£4,851,144	0.3%
£25,001 to £50,000	211	12.2%	£7,859,248	0.4%
£50,001 to £100,000	256	14.8%	£18,639,545	0.9%
£100,001 to £250,000	313	18.1%	£52,825,716	3.4%
£250,001 to £500,000	145	8.4%	£53,912,087	2.5%
£501,000 to £1m	109	6.3%	£79,432,859	2.5%
£1.01m to £2.5m	116	6.7%	£196,194,611	6.2%
£2.51m to £5m	28	1.6%	£108,192,181	5.1%
£5.01m to £10m	24	1.4%	£171,430,453	10.3%
>£10m	55	3.2%	£1,680,926,584	68.4%
Total	1,730	100%	£2,374,264,428	100%

Base: 729 respondents who were willing to provide an estimate.

The total value of the sector, based on the estimated turnover of known and identifiable social businesses in Wales, is estimated at £2.37 billion, which is a 40% increase on estimations in 2014.

4 | Scale and Scope of Social Businesses

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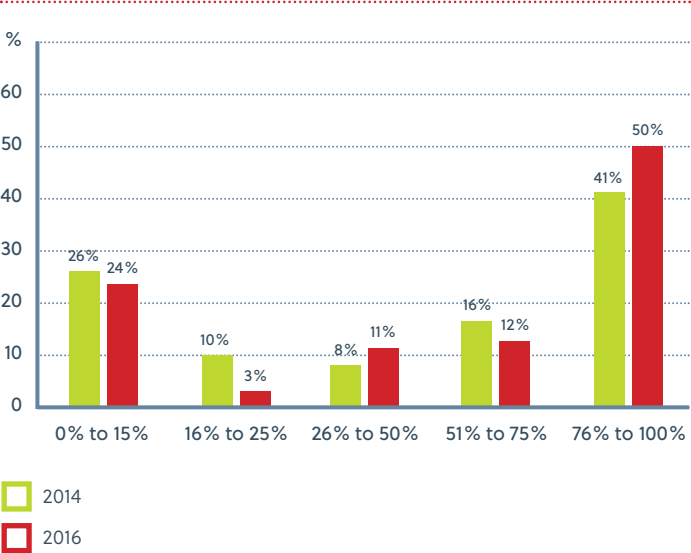
4.4 | Trading Patterns of Social Businesses

4.4.1 | Sources of Income

It was found that half of respondent businesses earned over three quarters of their turnover from trade, a significant increase from 2014 (41%); for another 12%, trade accounted for over half of turnover. These organisations are considered *established* social businesses, with the following 11%, earning between 25% and 50%, considered *emerging*¹⁷. Just over one-quarter (27%) received no more than 25% of their turnover from trading activities; however, this is a significant fall from the previous survey, where 36% of respondent businesses earned less than 25% from their trading activities.

It was possible to match 206 respondent businesses from the 2014 and 2016 questions to enable a direct comparison

Figure 4.8: Percentage of turnover earned through trade



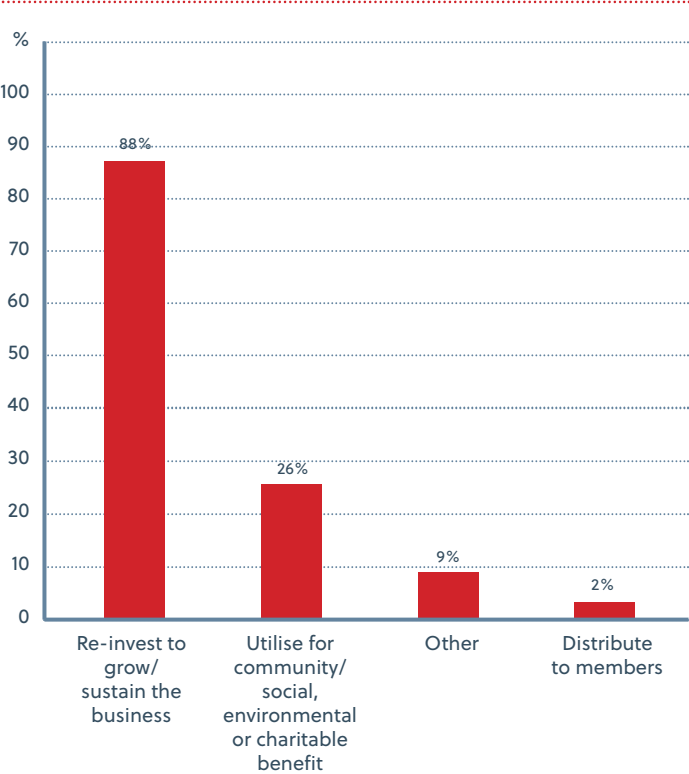
Base: All respondents (N = 827, 2016 and 337, 2014).

of income from trade. The data confirm the trends evident from all respondents, with the proportion earning at least 51% of income through trade rising from 57% in 2014 to 66% in 2016. Conversely, the proportion earning less than 25% of income through trade has fallen from 34% in 2014 to 23% amongst the directly matched businesses in 2016. Collectively, these figures provide a comprehensive evidence base of a strengthening, more commercially orientated and growing sector.

4.4.2 | Destination of Surplus

Figure 4.9 below presents the destination of any surplus or profits generated, and illustrates that the vast majority of respondents reinvest at least a portion of their surplus in their business.

Figure 4.9: What do you do with any surplus/profit that you generate?



Base: All respondents (N = 827).

4.5 | Employment and Volunteering in the Sector

Respondents were asked to estimate the number of full-time and part-time employees employed in their Wales-based organisation (as some were employed by organisations operating across multiple countries).

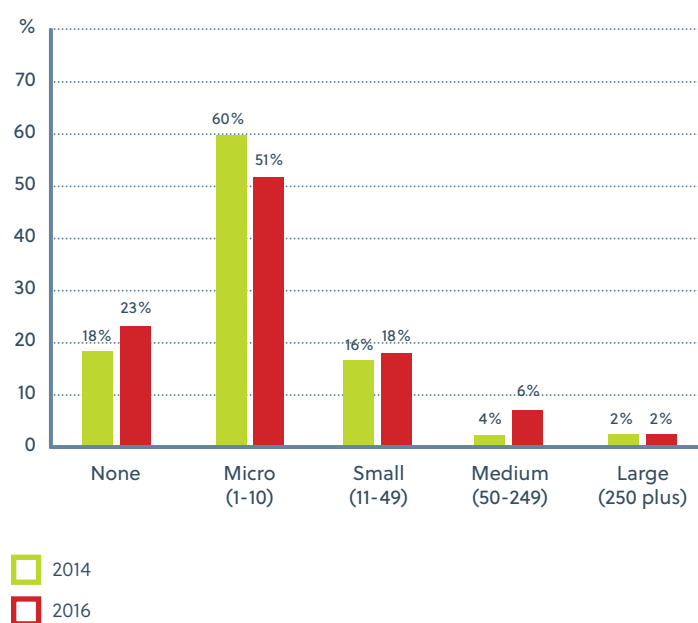
Figure 4.10 below combines the number of part-time and full-time employees for each organisation and maps it against the responses obtained from the 2014 survey. The analysis shows a mixed picture with an increase in the proportion of respondents who have no paid staff but also an increase in the proportion of respondent businesses considered of a small or medium size (employing between 11 and 249 employees). It should be noted that there was a slight difference in the specific question asked of respondents between the two surveys, with 2016 specifically referring to their organisation in Wales, whilst

the 2014 survey didn't explicitly refer to their Wales-based operations only — this may be a factor in the slight reduction evident.

The responses equate to a mean average of 22 employees per organisation (although this is heavily skewed to larger businesses), as the median (mid-point) average is four employees per organisation. When these figures are used to calculate total employment in the sector across Wales it equates to **an estimated 40,800 people employed in the social business sector in Wales**, a 7% increase on employment in the sector in 2014.

To gain further insight into patterns of employment growth, respondent businesses were asked how many staff they employed a year ago, and then their expectations of employment in 12 months' time. On average, respondent businesses expected a 5.3% increase in employment during that 24-month period.

Figure 4.10: Including yourself, if applicable, approximately how many paid staff are currently employed in your organisation as a whole in Wales?



Base: All respondents who felt able to estimate the number of Wales-based employees. N = 797, 2016 and 282, 2014.

4 | Scale and Scope of Social Businesses

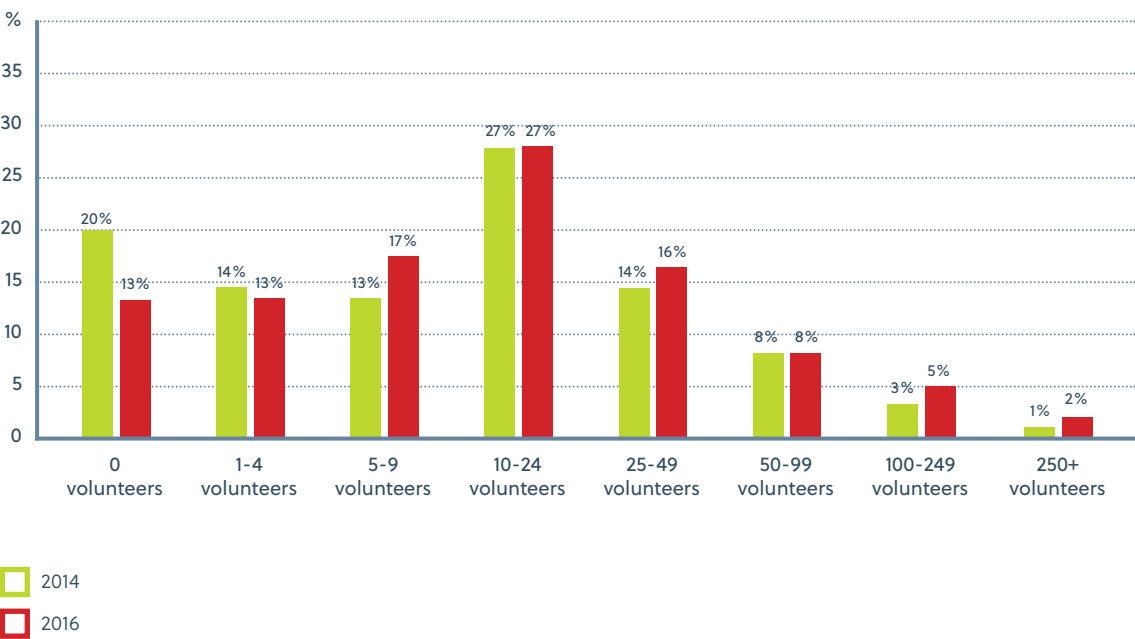
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Businesses were then asked what proportion of their workforce is made up of people who are disadvantaged in the labour market. (However, respondent businesses may not have been fully aware of the definition of disadvantaged.)¹⁸ Sixty-two per cent of respondents (414/668) did not employ (or were not aware of employing) anyone that they perceived to be disadvantaged. Of those who did, 83% of respondents (211/254) estimated that they made up less than 10% of the total workforce.

4.5.1 | Volunteers

Similar to 2014, there is a large base of social businesses that have no employees (39% had no full-time employees in both studies). The sector is, however, a rich source of opportunity for volunteers. Eighty-seven per cent of organisations use volunteers to some extent (an increase from 80% in 2014), with an average (mean) of 33.7 volunteers per organisation (a significant increase from 26 in 2014), although the figure for a 'typical' social business (the median) is 12.

Figure 4.11: Proportion of volunteers by size band



Base: All respondents able to provide an estimate of volunteers in their organisation. N = 819, 2016 and 334, 2014.

¹⁸ Respondents were provided with examples of the disadvantaged — “those who are long term unemployed, ex-offenders, people with disabilities etc.”. EU definitions of the disadvantaged are broader, describing a person as disadvantaged who: has not been in regular paid employment for the previous 6 months, or has not attained an upper secondary educational/vocational qualification, or is over 50, or lives as a single adult with one or more dependants, or who works in a profession where there is a gender imbalance and belongs to the underrepresented group or is a member of an ethnic minority, and requires linguistic, vocational or work experience to enhance prospects of stable employment. See: Community Benefits: Delivering Maximum Value for the Welsh Pound – 2014, Welsh Government.

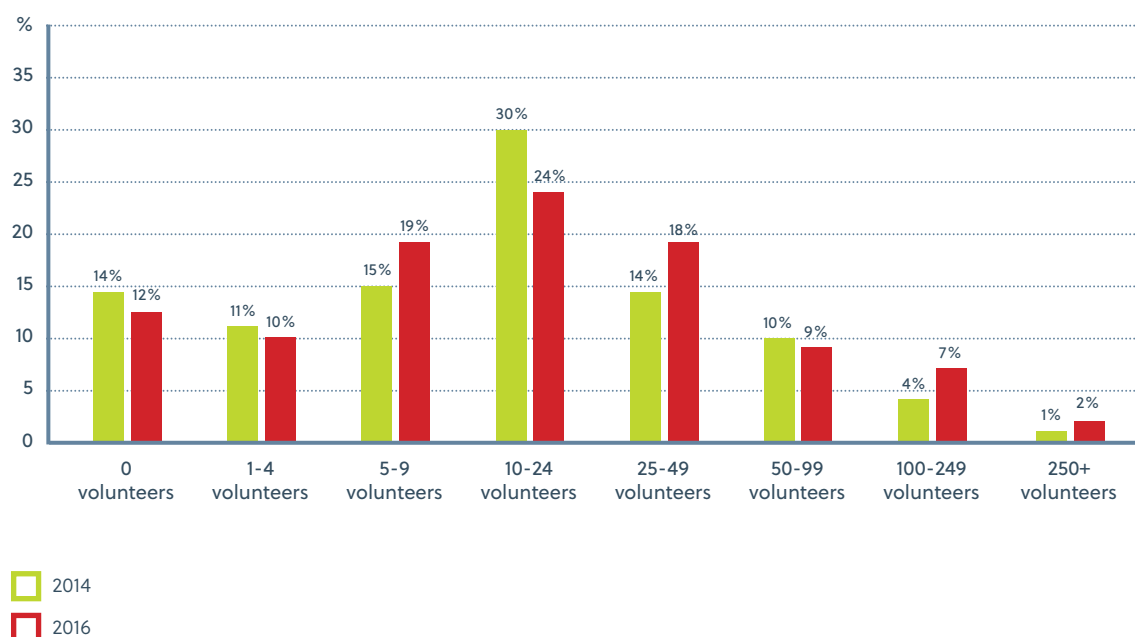
Further matched analysis has been undertaken to compare the exact same respondents to the 2016 survey with those who responded to the 2014 survey. Ultimately, through this process, 188 respondent businesses were identified in which there were meaningful responses to these questions for both 2014 and 2016. Collectively, these 188 businesses reported having 5,885 volunteer opportunities in 2014, but are now reporting 6,347 volunteer opportunities (an increase of almost 10%). Figure 4.12 below maps this distribution and illustrates that the proportion of matched respondents with at least 25 volunteers has risen from 29% in 2014 to 36% in 2016.

Based on the prevalence of volunteering across respondent organisations, it is estimated that **there are a total of 57,200 volunteer opportunities in the social business sector in Wales**. This is an increase of 49% on the figures obtained in 2014. Primarily, this would appear to

relate not only to the significant increase in the number of volunteers reported by respondent businesses, but also to the identification of more businesses within the sector. However, the application of a purely telephone-based approach to the survey may have led to the engagement of a greater proportion of volunteer-orientated organisations than were identified in the previous survey.

To offset any influence that adjustment in the approach has had, the increase in volunteering across matched respondent social businesses has been applied to the entire dataset to provide an alternative estimate of volunteering opportunities. **Using this approach, it is estimated that there are 48,500 volunteering opportunities in the social business sector.** It is reasonable to assume that the actual figure for volunteering opportunities lies somewhere between the two figures.

Figure 4.12: Comparison (2014 and 2016 survey responses) of the number of volunteers per social business amongst matched business respondents



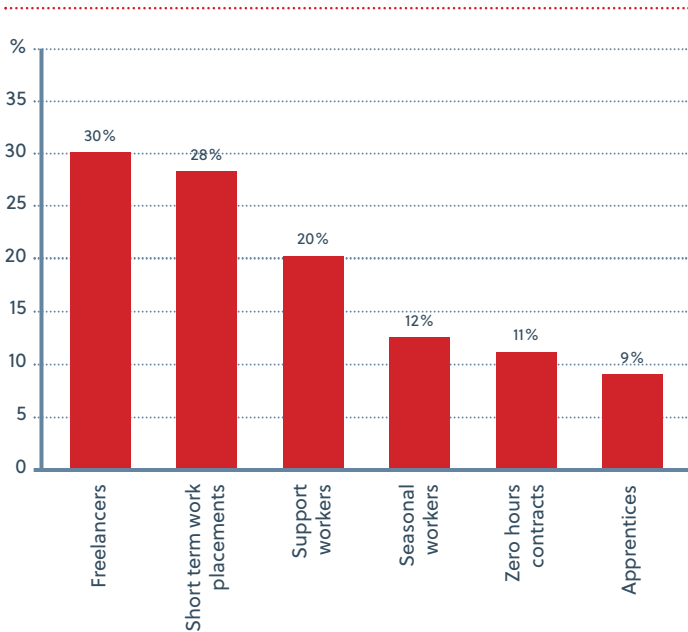
Base: All respondent businesses who responded to both surveys and felt able to estimate their organisation's volunteer numbers in both surveys. N = 188.

4 | Scale and Scope of Social Businesses

continued

With regard to other forms of employment in social businesses, just short of one-third of social businesses hire freelancers (30%), closely followed by short-term work placements (28%).

Figure 4.13: Over the course of the last 12 months, has your organisation employed any of the following



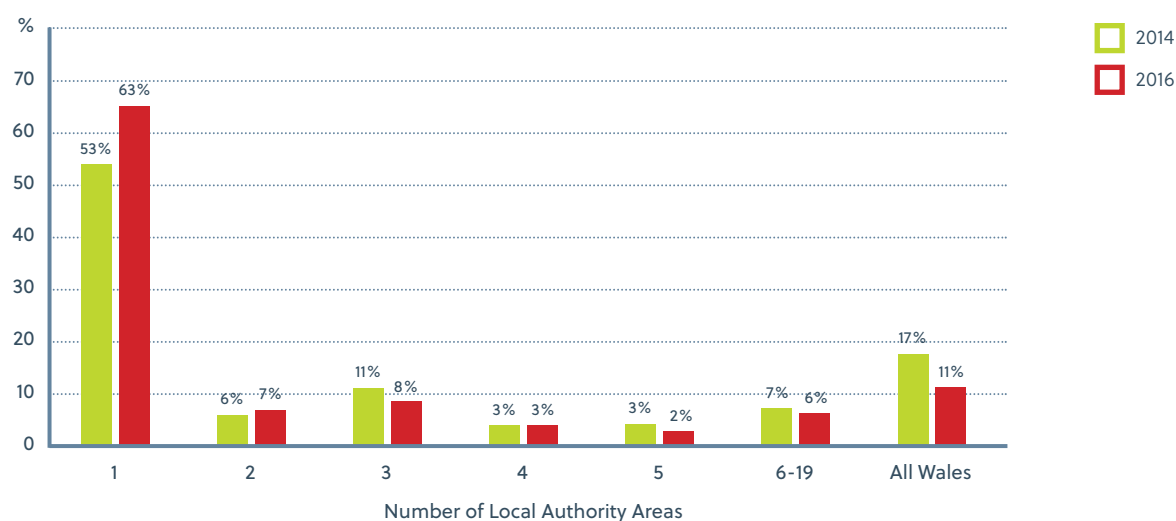
Base: All respondent businesses. N = 833.

4.5.2 | How Large a Geographical Market Are Social Businesses Looking to Serve?

Respondents were asked across how many local authorities in Wales their organisation delivers services/products. The data have been compared with responses in 2014 and illustrate an increase in the proportion of respondent organisations that operate across just one local authority, whilst there has been a fall in the proportion of respondent organisations operating throughout Wales. This perhaps supports the hypothesis that social businesses are largely driven by need in a given area (particularly as almost three quarters of respondents described their organisation's role as serving a specific community — see Figure 3.1 in Section 3), rather than responding to opportunities regardless of geographical location.

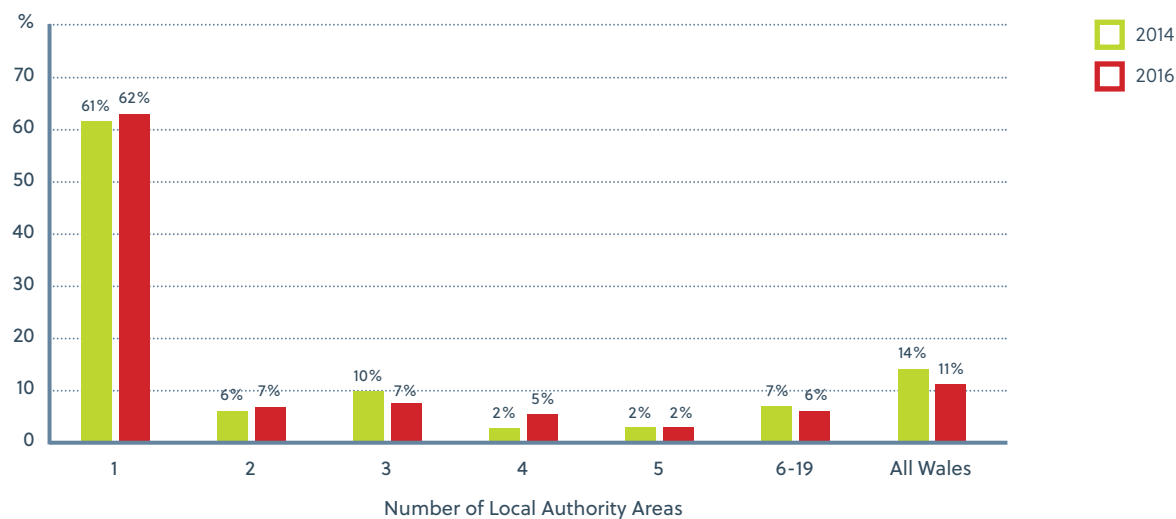
When only those businesses who responded to both the 2014 and 2016 surveys are analysed (direct matches), the data present a slightly different picture. It illustrates a slight increase in respondent organisations operating in only one local authority area and a reduction in the proportion who operate throughout Wales. Collectively, this provides further evidence of social businesses targeting specific communities.

Figure 4.14: The number of local authority areas that respondent businesses operate across



Base: All respondents able to provide details about their geographical areas of trading. N = 809, 2016 and 341, 2014.

Figure 4.15: The number of local authorities that respondent businesses operate across – matched respondents from the 2014 and 2016 surveys



Base: All respondents able to provide details about their geographical areas of trading. N = 282, 2016 and 282, 2014.

4 | Scale and Scope of Social Businesses

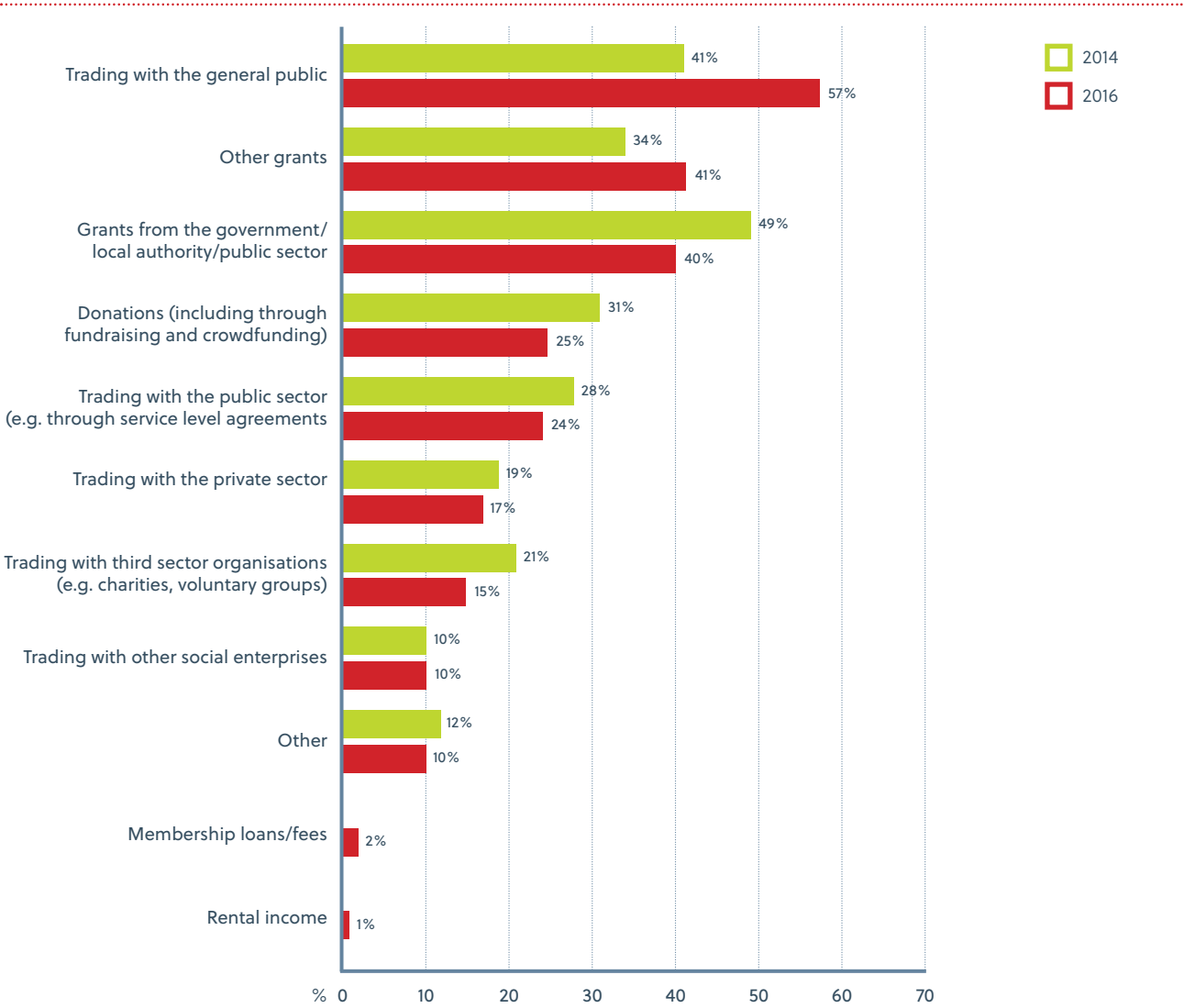
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4.5.3 | Customers

The most common customers of social businesses are the general public (57%, 462/810 of organisations), followed by the public sector (24%, 188/810) and the private sector (17%, 135/810). Just 15% (122/810) trade with the third sector, and 10% (67/810) trade with other social businesses. In comparison with the 2014 figures, trade with the general public has leaped (57% vs. 41%), with corresponding declines in the extent to which social businesses serve the public and private sectors.

Forty per cent (316/810) of organisations stated that government and public sector grants were a main source of income for their organisation, whilst 41% referred to “other” grants as a main source of their organisation’s income. The proportion of social businesses stating that their main source of income is that of grants received from the public sector has fallen by a statistically significant margin (from 49% to 40%) and is likely to be a reflection on the impact of public austerity measures.

Figure 4.16: What is the main source of income that your organisation receives? (Tick all that apply)

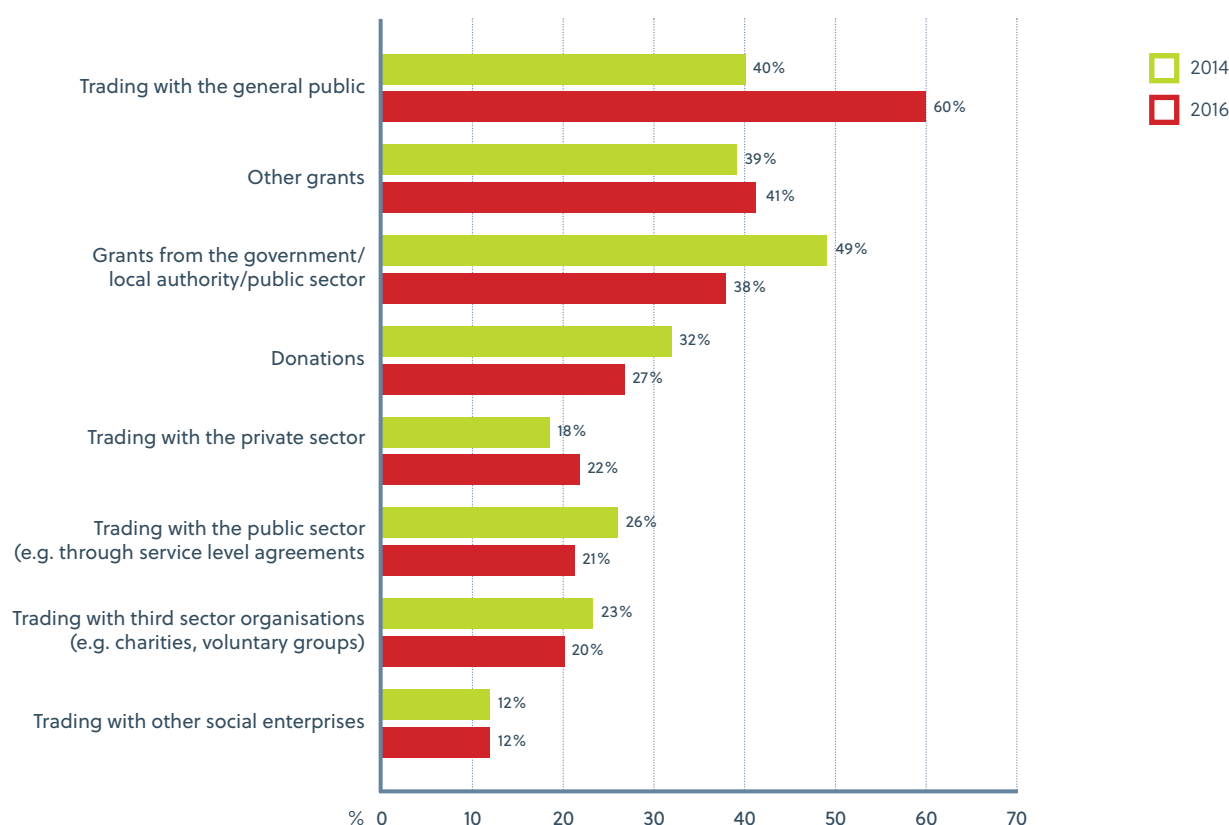


Base: All 2016 respondents (N = 810); 2014 survey (N = 337).
Note: Two new categories — *Membership Loans/Fees* and *Rental Income* — have been included in the 2016 research through coding of ‘other’ replies.

Twenty-four per cent of organisations received a substantial body of their income through donations (24%).

To explore these findings in more depth, analysis of matched respondents was undertaken. The patterns displayed above are replicated when comparing the same respondents from 2014 to those from 2016, illustrating a clear shift in the focus of the sector over the last two years.

Figure 4.17: What is the main source of income that your organisation receives?
(Tick all that apply)



Base: All respondents able to respond to the question ("other" and "don't know" excluded). N = 206, 2016 and 206, 2014.

4 | Scale and Scope of Social Businesses

continued

4.6 | Measurement of Social Impact

Respondents were asked about social impact and their approach to its measurement. Surprisingly, 39% of respondents stated that they do not currently measure their social impact, which appears a substantial increase on 2014 (when just 8% stated that they are not measuring their social impact). Consequently, detailed analysis has been undertaken to understand what is influencing this movement by matching respondent organisations to the previous survey in 2014 with respondents to the 2016 survey.

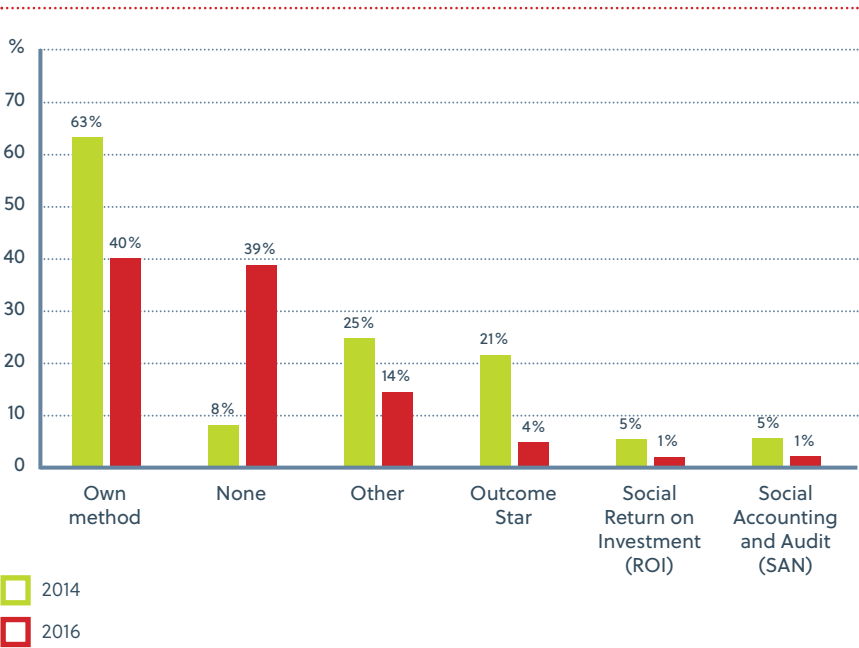
Ultimately, it was possible to match 80 respondents from both surveys and it is evident from matching these responses that in 2014, respondents were more actively seeking to provide examples of how performance measurement was taking place within their organisation. However, in the majority of instances this would be insufficient for informing the measurement of an organisation’s social impact (responses included, for example, “the number of people who use our services” and “the number of members we have”). This accounts for the significant falls evident in Figure 4.18 below when


comparing the proportion of respondent businesses who use their “own method” or stated “other”.

In 2016, the responses typically show a clearer understanding of what is required for measuring social impact, which is directly linked to a higher proportion stating that they don’t measure social impact. Amongst the matched data, across all 80 responses there is only one respondent organisation that has shifted from applying social return on investment in 2014 to applying no measure of social impact in 2016. Therefore, whilst the chart below suggests a significant shift, in reality it would appear that the proportion of respondent businesses that are not utilising approaches to measuring their social impact has remained relatively static.

When further analysis of the use of social impact is undertaken by business size it is evident that the measurement of social impact is more prominent amongst larger businesses (with 76% of respondents in organisations with turnover in excess of £0.5 million measuring their social impact and 61% of organisations with turnover of less than £100,000 measuring their impact).

Figure 4.18: What main tool or method does your organisation use to measure your social impact?





In 2016, the responses typically show a clearer understanding of what is required for measuring social impact, which is directly linked to a higher proportion stating that they don't measure social impact.

5 | Social Business Performance

Key findings

- + **Eighty-four per cent of respondent businesses have attracted new customers or clients in the last 12 months, whilst 24% have attracted investment to expand during the same period**
- + **Where businesses developed new products or services these most commonly related to education/training, leisure/culture or support services – these are all areas from which local authorities/other public sector bodies are typically looking to withdraw**
- + **Respondent businesses typically perceive that their organisation is most capable of financial management and people management, whilst they are least capable of accessing external finance and marketing**
- + **The lack of/poor access to finance/funding was most commonly referred to as a barrier to sustainability/growth for respondent social businesses; however, the proportion referring to it as a barrier has fallen when compared to 2014**
- + **The proportion of respondent businesses identifying time pressures as a growth constraint on their business has doubled when compared to the 2014 survey (from 12% to 24%)**
- + **Only 6% had been hindered in their application for finance in the last 12 months, down from 20% in 2014**
- + **Financial support (where it had been sought) had most commonly been accessed for development projects — for new schemes**

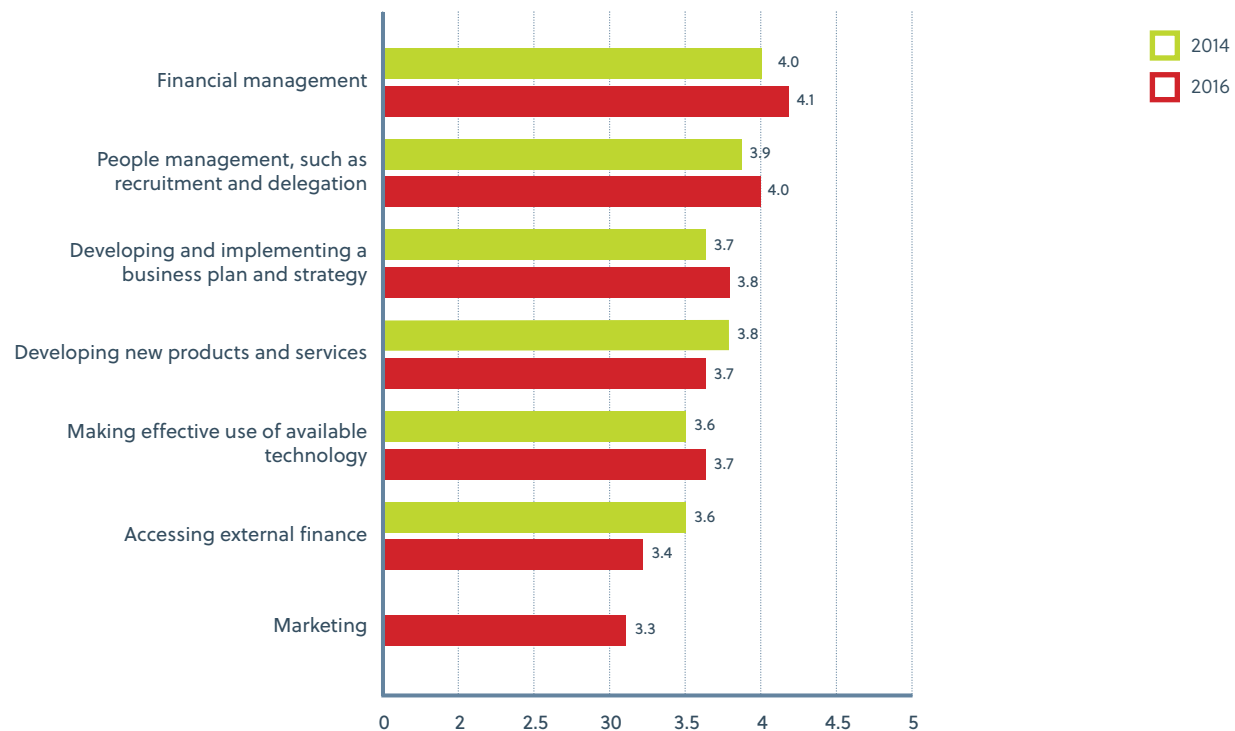
5.1 | Business Capabilities

The second strand of the social business survey explored, in some depth, perception amongst respondents of the capabilities of their organisation.

Respondents were asked to rate, on a five-point scale, their level of capability regarding six key competencies (Figure 5.1). The highest average scores were in financial management (4.1) and people management (3.9), while the lowest were in accessing external finance (3.4) and marketing (3.3). The ratings are similar to those supplied by respondents in the 2014 survey.

Further analysis was undertaken by organisation size and whilst there are slight trends of improving scores as businesses grow, they typically represent an average increase of 0.2–0.4 per indicator (when comparing businesses with less than £500,000 turnover with those with turnover in excess of £1m), thereby suggesting that self-perception of business capability is relatively consistent regardless of size.

Figure 5.1: On a scale where 1 is rated as very poor and 5 is very strong, how capable would you say your business is at the following?



Base: All respondents who answered the follow-up survey (N = 715).

N.B. The marketing response was a new option in 2016 and, therefore, no comparative data are available.

5 | Social Business Performance

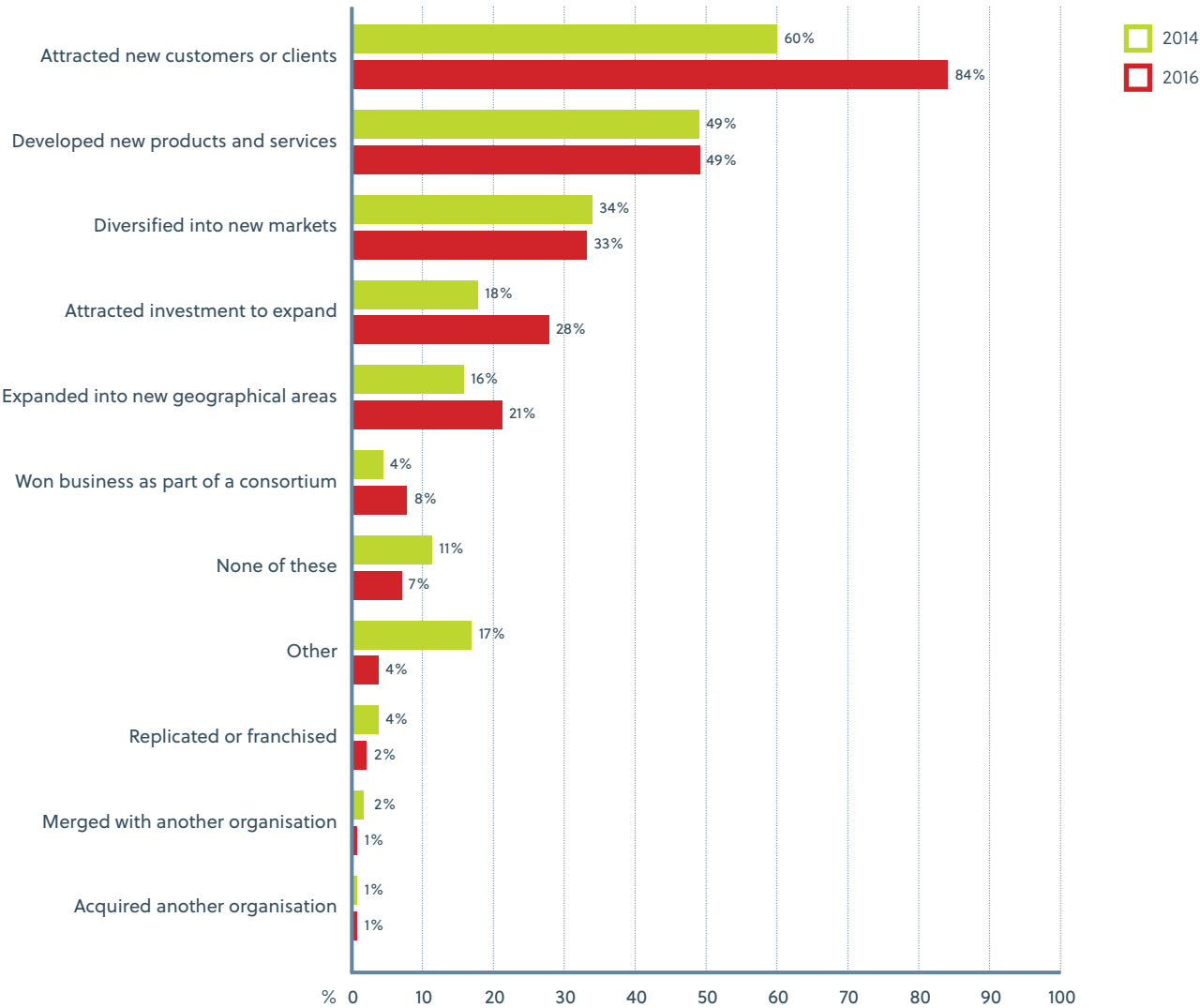
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5.2 | Performance

The respondents were asked about how their organisation had performed last year, and whether there had been any particular indicators of development (Figure 5.2). In response, 84% of organisations reported that they had attracted new customers or clients, a statistically significant increase of 24 percentage points since the 2014 research. Comparable proportions had developed new products and services (both samples at 49%) and diversified into new

markets (33% in 2016 vs. 34% in 2014). The proportion of respondents reporting having attracted investment to expand in the previous year has leapt 10 percentage points since 2014. There has been a similar increase of enterprises expanding into new geographical areas. Taken together, the results indicate a buoyant sector growing at a healthy rate.

Figure 5.2: In the last 12 months, has your organisation...?

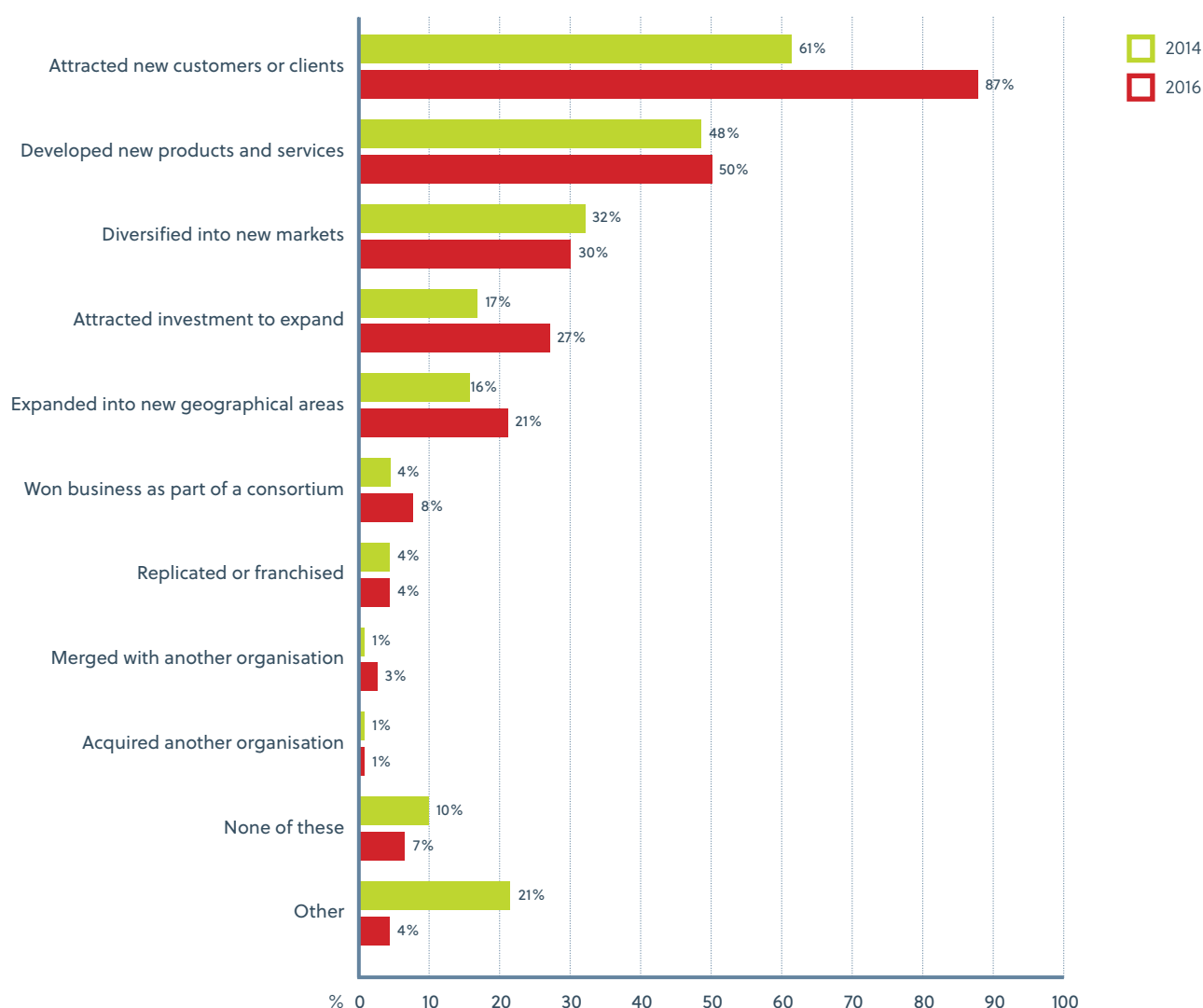


Base: All respondents who answered the follow-up survey in 2016 (N = 715) compared with 2014 (N = 242). 'Other' responses included partnership working (n = 9), works in development (n = 4), restructuring or changing company status (n = 3), and installation of new equipment/change in services (n = 3).

The subsequent chart (Figure 5.3 below) presents matched respondents from both the 2014 and 2016 survey and illustrates very similar patterns to those outlined above, with a significant, striking jump in the proportion of respondent organisations describing that they had attracted new customers or clients over the last 12 months, thereby providing further evidence of strong performance across the sector.

Enterprises that diversified into new markets in the past year were asked to cite examples of these. Responses were extremely varied, with the largest proportion (19%) having expanded operations to incorporate new client groups in the past year.

Figure 5.3: In the last 12 months, has your organisation...? – matched respondents from the 2014 and 2016 surveys



Base: All respondents who answered both the 2014 follow-up survey and the 2016 follow-up survey. N = 160, 2016 and N = 160, 2014.

5 | Social Business Performance

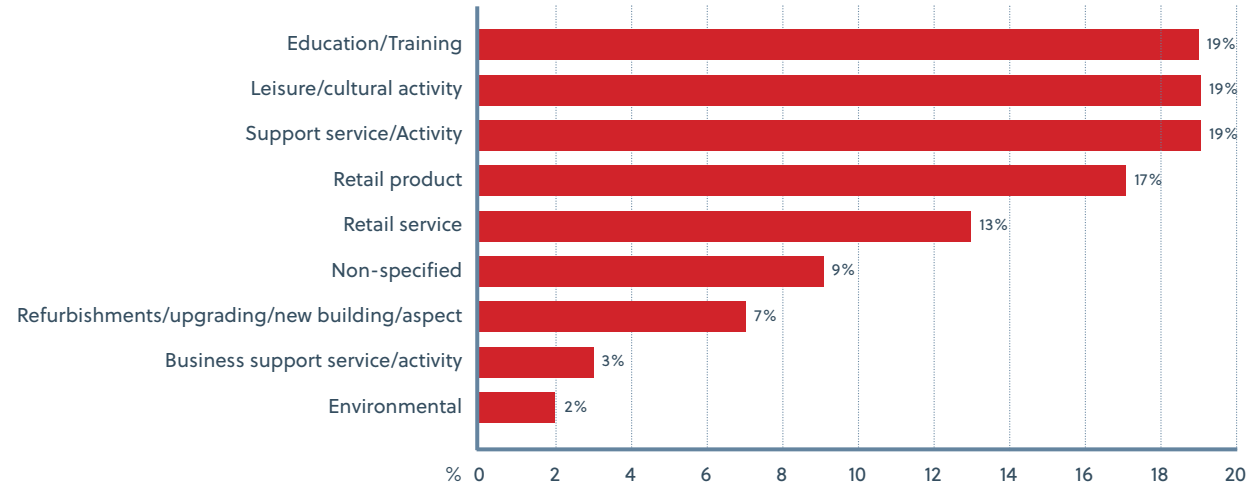
continued

On a similar basis, where respondents described developing new products or services they were asked to expand upon these points slightly. The responses have been categorised and are presented in Figure 5.4 below. The most commonly cited elements (education/training provision, leisure/culture activity and support services) are all elements that may have been developed in response to public sector austerity measures, with associated

increasing evidence of local authorities and other public sector bodies looking to withdraw from delivering.

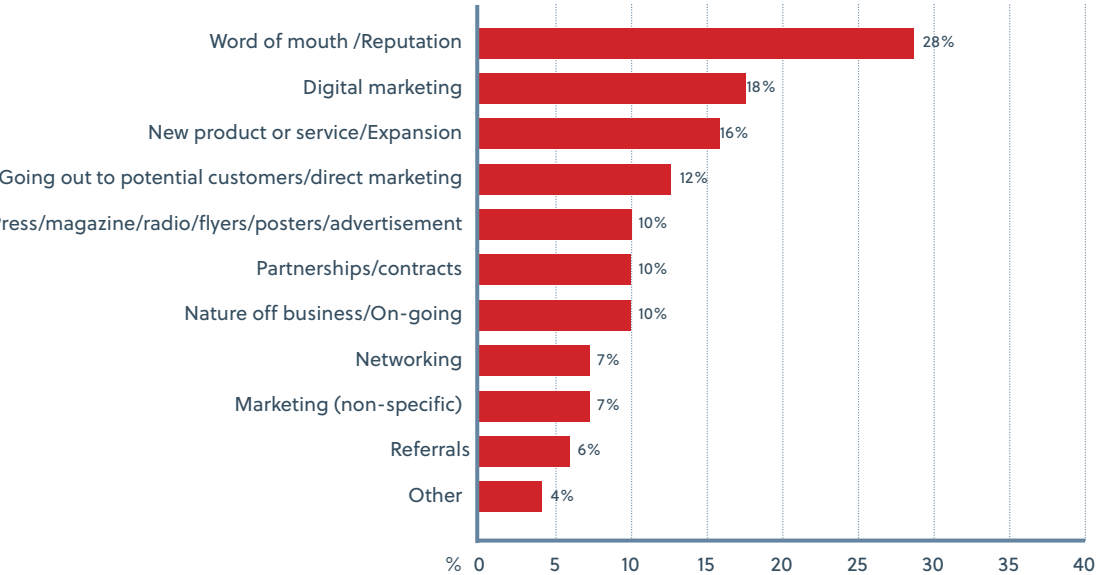
Responding social businesses who reported having attracted new customers or clients in the past year were asked how they had achieved this. Figure 5.5 below illustrates the importance of word of mouth/reputation, whilst marketing, particularly digital marketing, has also played a prominent role in facilitating this expansion.

Figure 5.4: What new products and services have you developed? (Open response, coded)



ase: All respondents who reported the development of new products and services. N = 347.

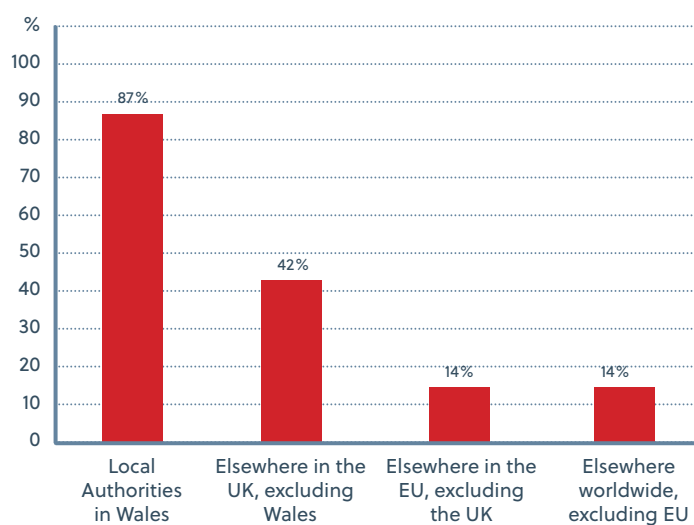
Figure 5.5: Please explain how you have attracted new customers or clients



5.2.1 | Areas of Expansion

Where respondents described expanding into new geographical markets (21%, 150/714) they were asked where these markets were located. Figure 5.6 below shows the distribution of the geographical areas into which organisations have expanded, and illustrates that whilst the majority of expansion has been within Wales, almost half (42%) have expanded into the home nations and one in seven has expanded their organisation overseas.

Figure 5.6: Please tell us what geographical areas you have expanded into

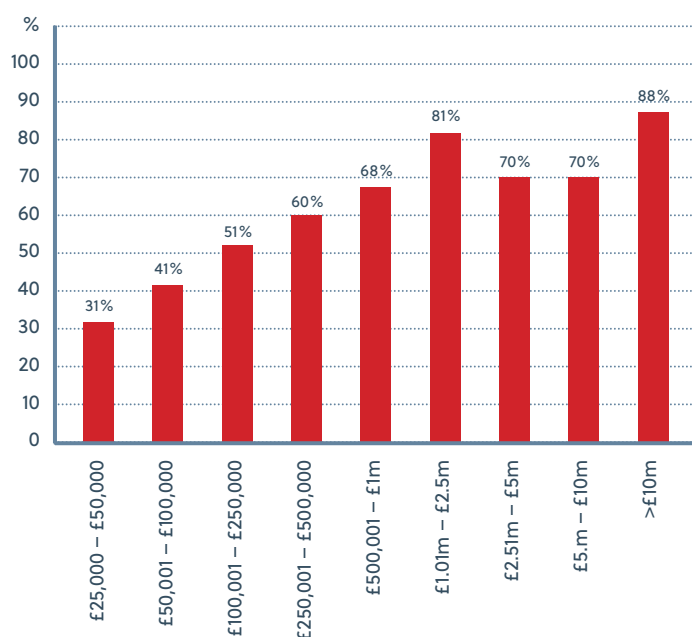


Base: 150 respondents who had expanded into new geographical areas.

5.2.2 | Securing Contracts

The survey results show that 41% of social businesses in Wales who were able to respond stated that their organisation was registered on the Sell2Wales website (10% of respondents were unsure whether they are registered), which is a very similar rate of response to that of the 2014 survey. Figure 5.7 below compares the proportion of respondents registered on Sell2Wales by business size (turnover). The chart highlights the clear relationship between business size and propensity to register for Sell2Wales.

Figure 5.7: Are you registered on the Sell2Wales website by company size (turnover)?



Base: All respondents who provided turnover details and knew whether they were registered on Sell2Wales. N = 748.

5 | Social Business Performance

continued

5.2.3 | Joint Bidding

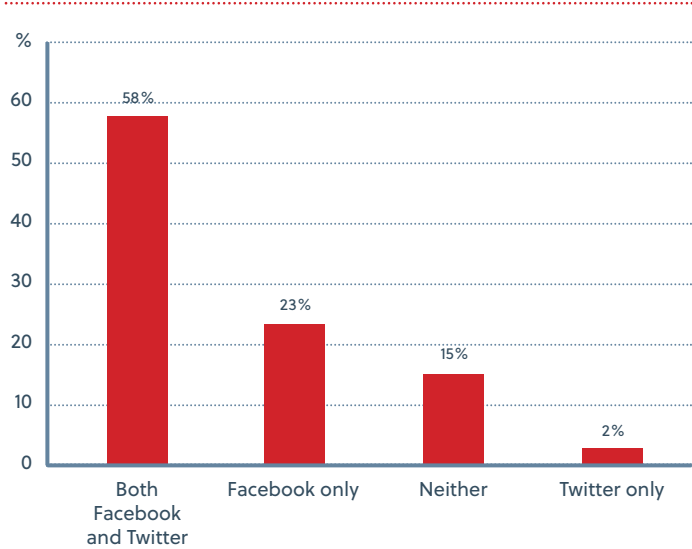
Nineteen per cent (143/726) of social businesses have entered into joint-bidding arrangements with other organisations to tender for public sector work (a decrease from 40% in 2014), although only 3% report that they do so regularly. Of the organisations who entered into joint-bidding arrangements at least once, the most common types of organisations with which social businesses partner are co-operatives or employee-owned businesses (48%, 69/143) or other third sector businesses (43%, 61/143).

5.3 | Promotional Activity


Most organisations actively promote their status as social businesses in the marketing of their services either to a great extent (45%) or to some extent (32%) (collectively a proportion that mirrors responses to the 2014 survey), suggesting that those who recognise themselves as social businesses are proud of the brand and continue to perceive that it resonates with the markets they serve.

As for promotion over social media, over half of social businesses are active on both Facebook and Twitter (58%). Nearly a quarter (23%) use Facebook alone, whilst 15% of respondents use neither.

Figure 5.8: Are you on Twitter or Facebook?



Base: 804 respondents.



Most organisations actively promote their status as social businesses in the marketing of their services either to a great extent (45%) or to some extent (32%).

6 | Looking to the Future

Key findings

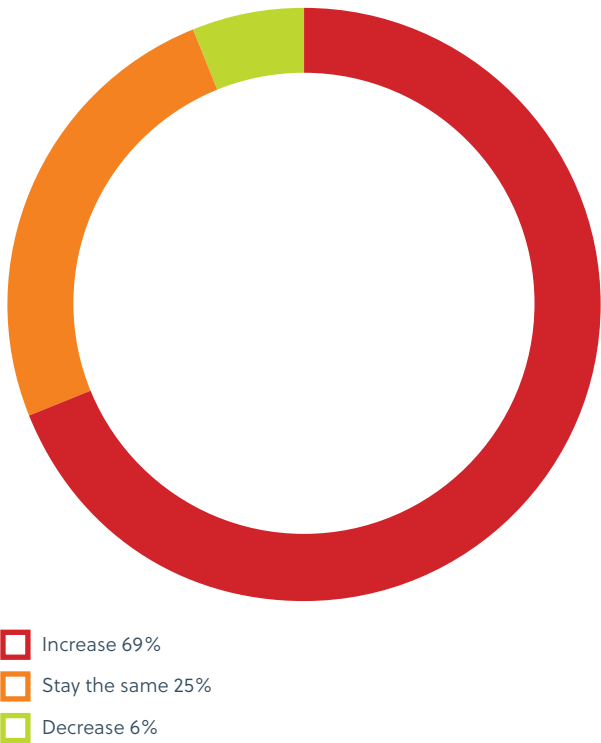
- + Sixty-nine per cent of respondent businesses expect turnover to increase over the next two to three years, while 6% expect it to decrease — these proportions mirror the responses to the 2014 survey
- + The lack of/poor access to funding was the most commonly identified constraint on business growth; over half of respondents identified barriers other than those offered in the survey, which most commonly related to insufficient staffing/volunteers, the impact of Brexit, and public sector austerity measures
- + When asked what support they required to help sustain/grow their business the most common responses related to support with grant applications, marketing and finance
- + Financial support was most commonly sought for development projects (amongst 53% of business respondents who had sought financial support)

6.1 | Expectations and Optimism

The majority of our sample of social businesses are positive about their immediate future, with 69% expecting turnover to increase in the next two to three years, and only 6% anticipating that it will decrease. Interestingly, this is an identical breakdown of responses in the previous 2014 survey and suggests the perception of buoyancy in the sector in the forthcoming years. The most common means of achieving this growth was given as attracting new customers or clients (46% of respondents) and developing new products and/or services (31%). Less common are plans to attract investment to expand (15%) and diversify into new markets (12%).

Just 3% of those respondent businesses who earn over 50% of their turnover through trade expect turnover to decrease over the next two to three years, compared to 10% of respondent businesses who secure less than 50% of their turnover through trade.

Figure 6.1: Turnover expectations for the next two to three years



6.2 | Barriers to Growth and Funding

Respondents were asked “*what are the three most significant barriers to your organisation’s sustainability and/or growth?*”. Figure 6.2 (see next page) presents the distribution of the responses received and compares these to the responses from the 2014 survey. The responses show that other barriers that were not included in the list presented were most commonly identified by respondent businesses (further exploration of these can be found on the following pages). Financial barriers were cited by one third of respondents. Whilst this clearly remains a barrier, the proportion describing as such has fallen significantly from 44% of respondents. Conversely, the proportion citing time pressures as a barrier to their growth has doubled from 12% in 2014 to 24% in 2016. This appears to reinforce the confidence that social businesses have in their business capabilities (see Figure 5.1 in the previous section).

To test the accuracy of these trends, comparisons of respondent businesses matched from both surveys have been undertaken (see Figure 6.3). The data illustrate similar patterns to the responses to the wider survey with tangible falls in finance/funding (from 43% to 37%) but increases in time pressures (9% to 18%), the lack of marketing expertise (8% to 17%) and, as a reversal of the trend above, an increase in the proportion citing the economic climate/recession as a barrier (19% to 25%).

The proportion citing time pressures as a barrier to their growth has doubled from 12% in 2014 to 24% in 2016

6 | Looking to the Future

continued

Figure 6.2: Self-reported barriers to sustainability or growth for social businesses

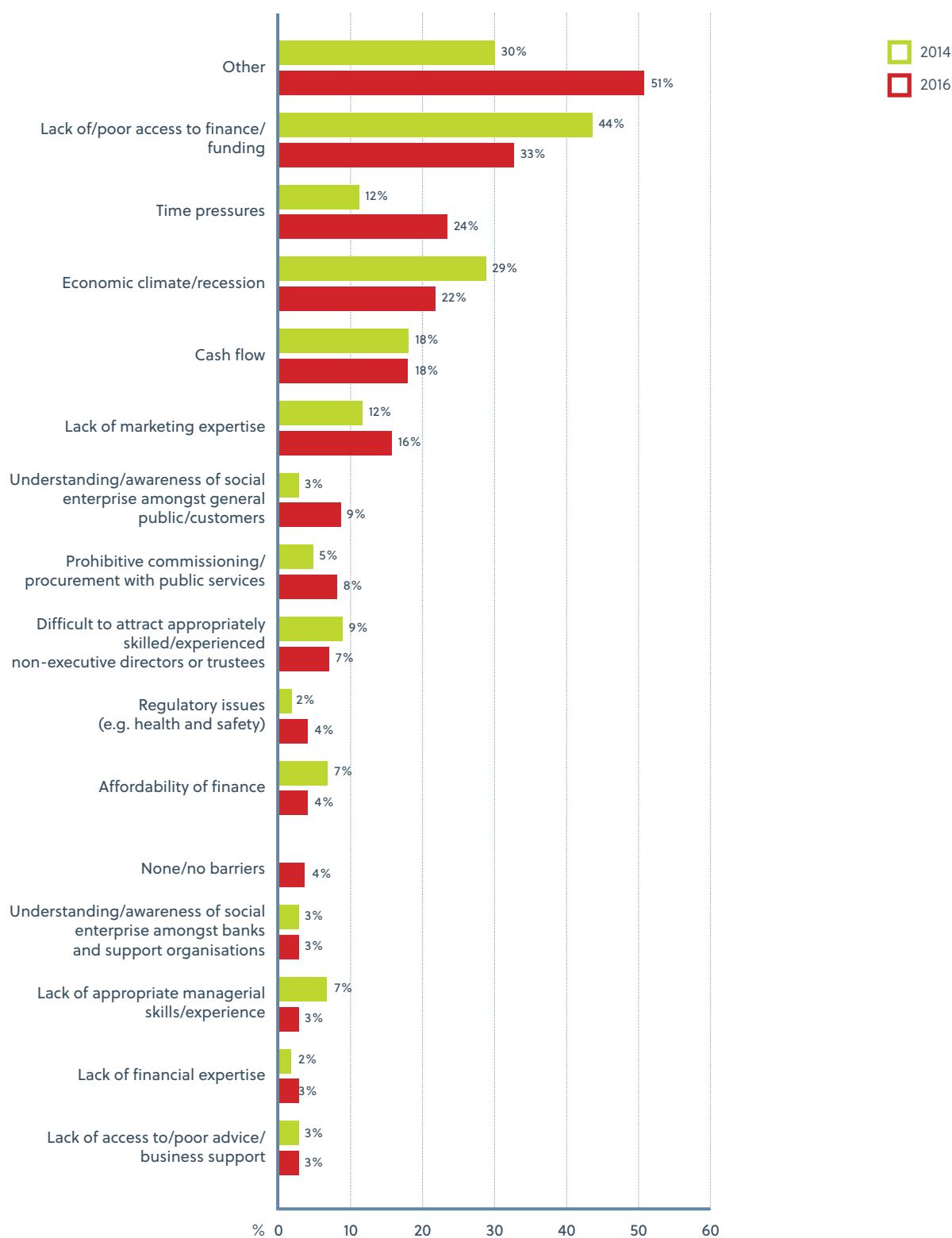
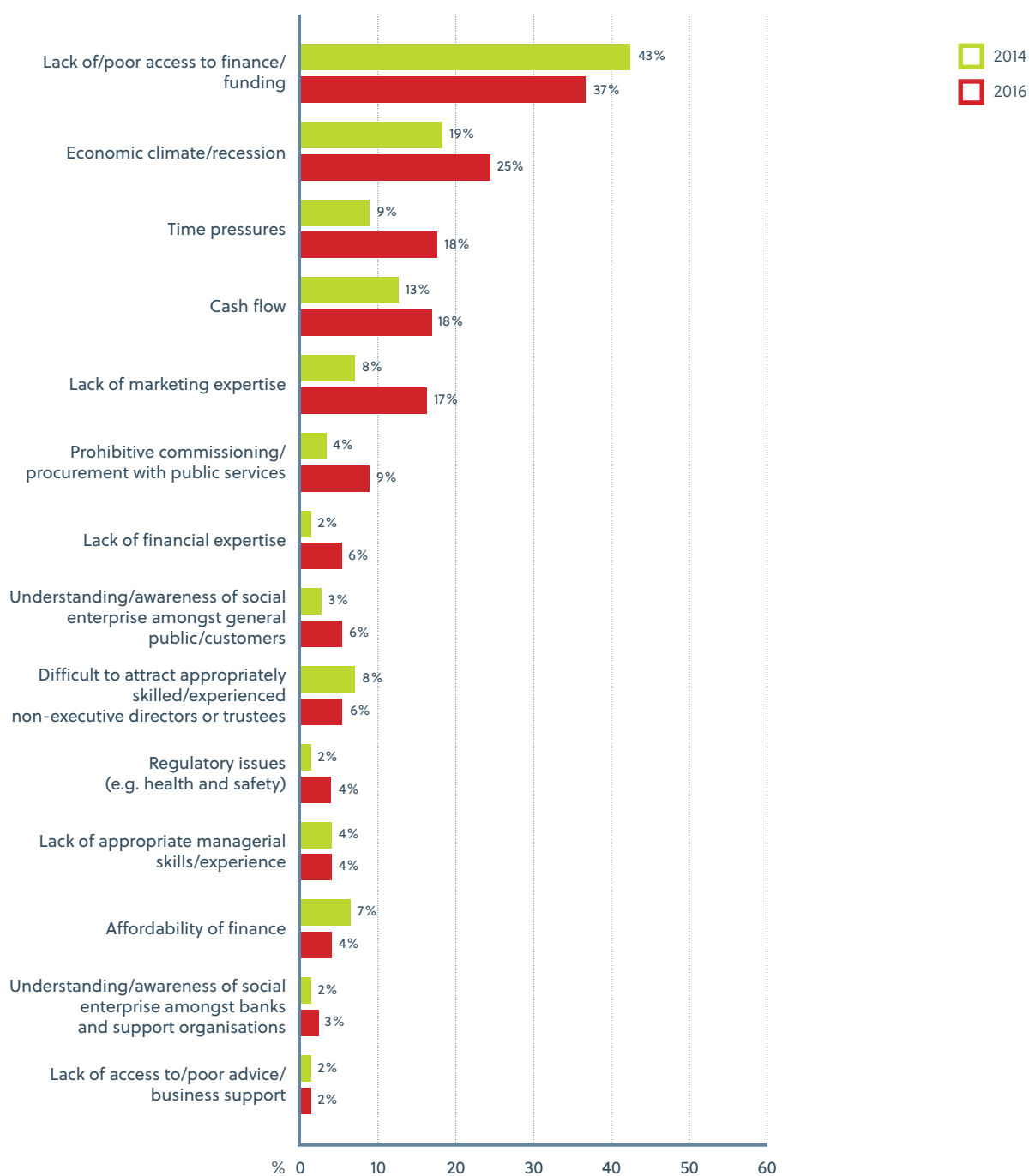


Figure 6.3: Self-reported barriers to sustainability or growth for social businesses – matched respondents from the 2014 and 2016 surveys



6 | Looking to the Future

continued

The likelihood of barriers amongst respondent businesses was compared with business size (turnover) and the proportion of income that a social business obtains through trade to see if any patterns emerged amongst the sector. The patterns identified are presented in the table below.

Furthermore, the nature of barriers described in the “other” category has been analysed and identifies several common themes:

- + Forty-three respondents (12% of those who described an “other” barrier) raised concerns regarding government policy, specifically the likely impact arising from “Brexit”

- + Thirty-nine respondents (11% of “other” barriers) outlined how insufficient staffing and volunteer capacity/resources and the associated inability to recruit appropriately skilled staff to their organisation acted as a constraint on the sustainability and growth of their organisation
- + Thirty-four respondents (9% of “other” barriers) referred to public sector cuts as a key barrier to the growth of their business.

Table 6.1: Barrier patterns when comparing size/income source of social businesses

Barrier	Proportion of Social Businesses with T/O <£0.5m	Proportion of Social Businesses with T/O >£0.5m
Lack of marketing expertise	17 %	6 %
Prohibitive commissioning/ procurement with public services	4 %	17 %
Cash flow	19 %	7 %
Barrier	Proportion of Social Businesses with <50 % of Income through Trade	Proportion of Social Businesses with >50 % of Income through Trade
Lack of/poor access to finance/ funding	44 %	25 %

Forty-three respondents (12% of those who described an “other” barrier) raised concerns regarding government policy, specifically the likely impact arising from “Brexit”

6.3 | Enablers

Respondents were asked in an open-answer question about the support they felt would best address the barriers to the sustainability or growth they identified.

Twenty-five per cent of respondents felt that meeting funders or, alternatively, receiving support in their funding applications would assist them in better understanding the requirements for securing funding.

Meeting Funders/Grant Application Support

"I would like more support for funding. I would like us to have more information about grant availability and application process. Some practical support to help us gain more income."

"Opportunities to meet funders is the main support we need. Support with the grant application process."

Twenty-one per cent of respondents referred to the need for support with marketing.

Marketing Support

"Specialist support in marketing and mentoring. Promotion of our events."

"Special training in marketing would be really helpful, as we lost the person who did our marketing due to lack of funding."

A further 20% of respondents referred to the need for financial support to address the barriers that they have encountered.

Finance

"Revenue funding to hire a treasurer/management staff to help us create budgets and future plans."

"The availability of core funding which was on a mid-to long-term basis. This embraces the other two barriers. If you have funding you can secure personnel."

Finally, 23% of respondents were more generic in their requests, asking for any type of support/assistance, whilst approximately 13% of respondents couldn't think of any support that would help overcome the barriers that they currently encounter.

25%

Twenty-five per cent of respondents felt that meeting funders or, alternatively, receiving support in their funding applications would assist them

21%

Twenty-one per cent of respondents referred to the need for support with marketing

23%

23% of respondents were more generic in their requests, asking for any type of support/assistance

6 | Looking to the Future

continued

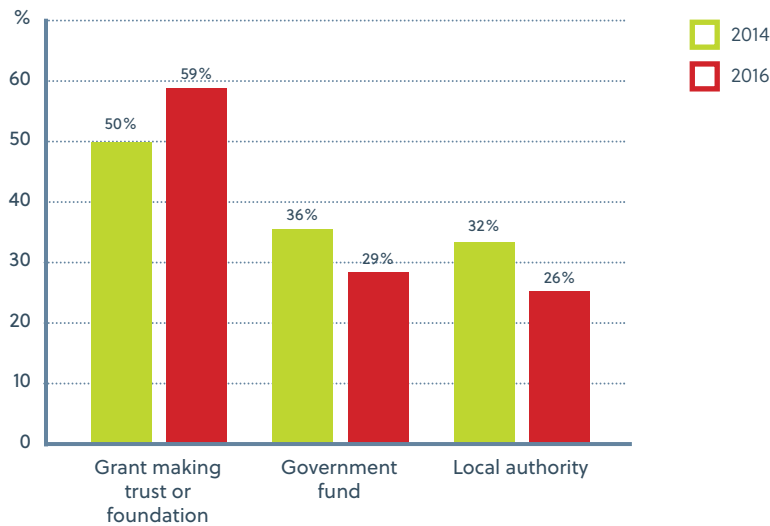
6.4 | Securing Financial Support

Sixty-one per cent of social businesses in our sample had applied for new sources of finance for their organisations in the past 12 months, a decrease from 66% in 2014. Grants were overwhelmingly the most popular form of funds applied for (90%), over loans (8%, an increase from 4% in 2014). Typically, applications were made to a grant-making trust or foundation (59% of applications), government funds (29%) or a local authority (26%). Interestingly, while applications for grants have increased since 2014 (59% vs. 50%), applications to government and local authorities show comparative decreases (see Figure 6.4 below). This is likely to be in response to the reduction in the availability of public sector funding.

Financial support was most commonly sought for developmental projects or new schemes (53%), a likely reflection on the structure and entrepreneurialism in the sector currently, whilst just over a quarter (27%) sought working capital to cover cash flow, followed by property purchasing and refurbishment (25%) and acquisition of equipment and/or vehicles (20%).

Of the organisations that did not apply for finance in the last 12 months, 60% (an increase from 56% in 2014) report that this decision was made because they did not require it. Of note, only 6% said that they were hindered in applying for appropriate finance due to the lack of knowledge of where to find it, compared with one fifth (20%) in 2014.

Figure 6.4: Where did you apply for finance?)



Base: Respondents who had applied for new sources of finance for their organisations in the past 12 months (N = 436) compared with 2014 figures (N = 163).



Financial support was most commonly sought for developmental projects or new schemes (53%), a likely reflection on the structure and entrepreneurialism in the sector currently.

7 | Summary of Findings

Size and Location of Social Businesses

The collation and verification of data on social businesses in Wales has identified 16% more businesses in the sector than previously, with current estimates suggesting that 1,698 businesses are operating in the sector.

Whilst these figures may, in part, be a reflection of organic growth of the sector (through business start-ups), it is also (given the age of businesses surveyed) likely that an increase may be a result of a more thorough identification and verification research exercise.

The mapping of the identified social businesses shows that these organisations are often found in areas of deprivation, including along the Valleys and around the Heads of the Valleys (particularly in and around Merthyr Tydfil), in addition to Swansea and Llanelli. Furthermore, social businesses most commonly describe their objective as supporting their local community and tend not to operate over too large a geography. Collectively, this shows a tendency for social businesses to establish themselves in locations in which they can respond to an identified need.

Scale of the Sector

Respondents to the survey have tended to be larger, employ more people, and benefit from a higher level of volunteering than those to previous surveys which collectively have led to large increases in estimations of the scale of the sector. The social business sector in Wales is estimated to:

- + Employ an estimated 40,800 people in paid jobs
- + Provide between 48,000 and 58,000 volunteer opportunities
- + Generate income/sales of around £2.37bn annually in the Welsh economy.

Throughout the survey there are indications of a growing and maturing social business sector. The proportion of businesses earning more of their income through trade continues to grow. Across the entire survey, 50% of respondent businesses described earning at least 50% of their income through trade. Amongst those businesses who responded to both the 2014 and 2016 surveys there has been an increase in the proportion earning over half of their income from trade (from 57% in 2014 to 66% in 2016). Conversely, the proportion of respondent businesses describing being hindered by the inability to secure appropriate finance has fallen, with a third of respondent businesses describing poor access to funding as a barrier to sustainability/growth of their organisation.

16%

The collation and verification of social businesses in Wales has identified 16% more businesses in the sector than previously

40,800

Employ an estimated 40,800 people in paid jobs

£2.37bn

Generate income/sales of around £2.37bn annually in the Welsh economy

Recent Trends and Expectations

Eighty-four per cent of respondent businesses have attracted new customers or clients in the last 12 months, whilst 24% have attracted investment to expand during the same period. When businesses who responded to both the 2014 and 2016 surveys are compared, there is a large jump in the proportion of the same businesses stating that they had attracted new customers or clients (from 61% to 87%). Collectively, this evidence illustrates that social businesses are being very successful in growing the markets that they serve.

Where external investment had been sought, it was most commonly in relation to developmental projects for new schemes, again indicating confidence and expansion within the sector. Confidence in the sector is, again, evident where respondent businesses were asked about their expectations of turnover for the next 2–3 years. More than two thirds (69%) expected turnover to increase during that period, whilst just 6% of respondents expected turnover to decrease.

Businesses are seeking to grow through accessing new markets (geographical), serving new customers, and through the development of new products or services. Interestingly, education/training provision, leisure/culture activity and generic support services were identified as the areas in which social businesses were looking to develop new products/services. These are all areas from which the public sector is typically looking to withdraw in response to austerity measures, and suggest that social businesses are actively positioning themselves to respond to these opportunities.

An expanding sector is not without its headaches, however, with the proportion of respondent businesses identifying time pressures as a growth constraint on their business having doubled when compared to the 2014 survey, whilst a further 39 respondents cited staffing/volunteering resources as a constraint on their business.

Similarly, there is a concern about the trading environment for social businesses, with the issues arising from Brexit and, in particular, its impact on European funding alongside public sector cuts identified as likely constraints on social businesses going forward.

Despite evidence of a growing, maturing sector, the evidence identified an apparent fall in the proportion of social businesses seeking to measure their social impact. The data show that 39% of respondent businesses do not measure their social impact, which is far higher than the proportion in 2014 (8%). Further analysis of these responses may help to identify the influential factors behind this change.

Collectively, therefore, there is clear evidence of a growing, increasingly confident and entrepreneurial social business sector that is built upon strengthening foundations. The challenges emerging are primarily those synonymous with a growing sector, particularly in relation to resource (staffing/volunteer) constraints. Interestingly, however, the nature of support desired is largely familiar, with an emphasis on support in applying for finance and on support in relation to marketing and promotional activities for social businesses.

24%

24% have attracted investment to expand during the last 12 months

69%

Sixty-nine per cent of social businesses expect turnover to increase over the next two to three years

39%

The data show that 39% of respondent businesses do not measure their social impact

Annex 1: Partner Organisations

The following organisations were extremely helpful in assisting with the mapping exercise by providing lists of social businesses from their respective client lists/databases.

- + Bangor Business School, Bangor University
- + Blaenau Gwent County Borough Council
- + Carmarthenshire County Council
- + Ceredigion County Council
- + Development Trusts Association Wales
- + Gwynedd Community Enterprises Forum
- + Merthyr Tydfil County Borough Council
- + WCVA
- + Wrexham County Borough Council

Annex 2: Phase 1 Survey

Social Businesses in Wales Survey

Section 1 – Contact information

Contact Information – please can you confirm if the details below are correct and amend if necessary

- Trading name of your Social Business
- Business postal address of your Social Business
- Business postcode of your Social Business
- Business location of your Social Business
- Business phone number of your Social Business
- Business email address of your Social Business
- Business website of your Social Business

S1. Can I check what your role is within the organisation?

- Owner
- Managing Director / CEO
- Partner Finance Director / Manager
- HR Director / Manager
- Other director
- Departmental Manager
- Other manager
- Administrator / Secretary
- Non-executive Director / Trustee
- Other, please specify

Section 2 – Organisation overview

Social business is a term used to describe businesses operating within the social economy, which could include employee-owned businesses, co-operatives or social enterprises, amongst others. Social businesses are defined as “businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or community, rather than being driven by the need to maximise profit for shareholders and owners”. Does this describe your organisation? Is your organisation independent, i.e. not a wholly owned subsidiary or trading arm of another organisation, i.e. a co-operative, or an employee-owned business?

[A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. Employee-owned businesses are totally or significantly owned by their employees, through either direct share ownership, a trust, or a combination thereof.]

Q1. Can I just check whether you perceive your organisation to be a Social Business? (Please tick only one)

- Yes
- No

Q2. Which, if any, of the following terms would you use to describe your organisation? (Please tick all that apply)

- Social Enterprise (a business with primarily social objectives and whose surpluses are reinvested for that purpose in the business or in the community, rather than being driven by the need to deliver profit to shareholders and owners).
- Mutual (an organisation owned by, and run for the benefit of, their current and future members).
- Social Firm (where 25% of your workforce are disabled or disadvantaged and where 50% of your income is made through commercial activity).

Annex 2: Phase 1 Survey

continued

- Charity ("a charitable organisation that raises income mainly through grants and fundraising activities").
- Supported business or Supported Employment Programme whose main aim is the social and professional integration of disabled or disadvantaged persons, where at least 30% of the employees are disabled or disadvantaged workers.
- Co-operative (an association of people united to meet common economic and social needs through a jointly owned enterprise. A co-operative is organised by and for its members, who come together to provide a shared service from which they all benefit).
- Other type of third sector body, please specify

Q2a. Please enter where applicable:

- Company / CIC Number
- Charity Number
- Society Number

Q3. Please outline your organisation's legal status. [Prompt using answers below if required]

Q3a. Please code below:

- Company Limited by Guarantee (CLG)
- Company Limited by Shares (CLS)
- Industrial and Provident Society (IPS) – Co-operative Society
- Industrial and Provident Society (IPS) – Community Benefit Society
- Community Interest Company (CIC)
- Sole proprietorship
- Partnership
- Other, please specify

Q4. Could you confirm if your organisation is also:

(Please tick all that apply)

- Part of a chain of social businesses
- The trading arm of a charity [Go to 4a]
- A subsidiary of a private sector organisation [Go to 4a]
- A trading arm of a public sector organisation [Go to 4a]
- None of the above
- Don't know

Q4a. Please state who your parent organisation is.

Section 3 – Social and environmental aims

Q5. Does your organisation have a clear social or environmental mission that is set out in its governing documents? (Please tick only one)

- Yes
- No
- Don't know

Q6. What are your organisation's main social and/or environmental objectives?

Q6a. Please code below:

- Improving a particular community
- Creating employment opportunities
- Supporting vulnerable people
- Improving health and well-being
- Promoting education and literacy
- Addressing social exclusion
- Protecting the environment
- Addressing financial exclusion
- Supporting vulnerable children and young people
- Providing affordable housing
- Supporting other social enterprises/organisations
- Don't know

Section 4 – Trading-related information

Q7. What year did your organisation start trading?
(Please note that this also includes primary purpose trading, service level agreements, etc.)

Q8. What is the main business activity of your organisation? What goods or services do you provide?
(Please ensure that you have a clear and accurate description to enable us to identify in which sector they operate)

Q9. What are the main sources of income that your organisation receives? (Please tick all that apply)

- Trading with the public sector (e.g. through service level agreements)
- Trading with the private sector
- Trading with third sector organisations (e.g. charities, voluntary groups)
- Trading with other social enterprises
- Trading with the general public
- Grants from the government/local authority/public sector
- Other grants
- Donations
- Don't know
- Other, please specify

Q10. Approximately how much of your organisation's total income is generated from trading activities, i.e. any activity that generates an income, including service level agreements, primary purpose trading, etc.? (Please tick only one)

- 0% to 15%
- 16% to 25%
- 26% to 50%
- 51% to 75%
- 76% to 100%
- Don't know

Q11. What do you do with any surplus/profit that you generate? (Please tick all that apply)

- Reinvest to grow/sustain the business
- Utilise for community, social, environmental or charitable benefit
- Distribute to members
- Move to a trust on behalf of the employees
- Other, please specify

Q12. In which areas of Wales does your organisation operate? (Please tick all that apply)

- All of Wales
- Bridgend
- Blaenau Gwent
- Caerphilly
- Cardiff
- Carmarthenshire
- Ceredigion
- Conwy
- Denbighshire
- Flintshire
- Gwynedd
- Isle of Anglesey
- Merthyr Tydfil
- Monmouthshire
- Neath Port Talbot
- Newport
- Pembrokeshire
- Powys
- Swansea
- Torfaen
- Rhondda Cynon Taf
- Vale of Glamorgan
- Wrexham

Annex 2: Phase 1 Survey

continued

Q13a. Does your organisation have any offices outside of Wales?

- Yes
- No

Q14. Does your organisation trade in other areas of the UK? (Please tick only one)

- Yes
- No
- Don't know

Q15. Does your organisation export overseas? (Please tick only one)

- Yes
- No
- Don't know

Q16. Please could you confirm your organisation's approximate turnover/total income in the last financial year by ticking one of the bands below, or by writing the approximate number in the box below: (Please tick only one)

- Under £25,000
- £25,001 to £50,000
- £50,001 to £100,000
- £100,001 to £250,000
- £250,001 to £500,000
- £501,000 to £1m
- £1.01m to £2.5m
- £2.51m to £5m
- £5.01m to £10m
- More than £10m
- Not traded for a complete financial year
- Made a loss
- Rather not say

Q17. Turnover/total income

Q17a. Approximately what % of your turnover is from your Wales-based offices?

Q18. Does your organisation operate on a membership basis? (Please tick only one)

- Yes
- No
- Don't know

Q18a. How many members do you have?

Q18b. Does your organisation elect members to your management board? (Please tick only one)

- Yes
- No
- Don't know

Section 5 – Staff/volunteers

Q19. Including yourself, if applicable, approximately how many paid staff are currently employed in your organisation as a whole in Wales?

- Full-time
- Part-time

Q20. How many volunteers does your organisation currently have in Wales?

Q21. Over the course of the last 12 months, has your organisation employed any of the following?

	Yes	No
Support workers		
Short-term work placements		
Apprentices		
Freelancers		
Seasonal workers		
Zero-hour contracts		
Other, please describe nature of role		

Q22. Approximately how many of your paid workforce live within 10 miles of your office location?

Q23. Approximately what proportion of your paid workforce is made up of people who are disadvantaged in the labour market (e.g. long-term unemployed, ex-offenders, people with disabilities, etc.)?

Q24. Approximately how many people did you employ (in paid employment) in your Wales-based offices 12 months ago?

Q25. How many people do you expect to employ (in paid employment) in your Wales-based offices in the next 12 months?

Annex 2: Phase 1 Survey

continued

Section 6 – Final few questions

Q26. Are you registered on Sell2Wales? (Please tick only one)

- Yes
- No
- Don't know

Q27. Are you on Twitter or Facebook?

- Yes, on both – please record your Twitter handle below
- Yes, on Twitter only – please record your Twitter handle below
- Yes, on Facebook only
- No, not on either
- Don't know
- Please record your Twitter handle here:

Q28. Are you registered for VAT? (Please tick only one)

- Yes
- No
- Don't know

Q29. We would like to include your organisation's contact information and business activity in an online directory of social businesses in Wales, which will be held by the Wales Co-operative Centre. Is this okay? (This will include only your organisation's name, telephone number, email address and website address)

- Yes
- No

Q30. Would you also be happy for the information that you have just provided to be passed on to Business Wales to populate their new online business directory?

- Yes
- No

Q31. In the future, the Wales Co-operative Centre would like to contact your organisation with information about training, events and other activities. Is this okay?

- Yes
- No

Q32. We have a few more additional questions that we would like to ask. Would you be happy to speak to me for a little bit longer – it will only take 5 to 10 minutes? Or would you be happy for me to call you back at a more convenient time?

- Yes, I am happy to answer a few more questions now – go to link for in-depth survey
- Yes, I am happy to answer more questions at a more convenient time – arrange callback
- I do not want to be contacted in the future for a telephone interview

Annex 3: Follow-up Survey

Social Businesses in Wales Survey – Follow-up interview

Q1. I'd like to ask about the range of tasks that you need to carry out when running a business, and for you to tell me how capable you think your organisation is of doing them. Therefore, including any external expertise that you might use, on a scale of 1 to 5, where 1 is rated as very poor and 5 as very strong, how capable would you say your business is of...?

	1	2	3	4	5
People management, such as recruitment and delegation					
Developing and implementing a business plan and strategy					
Developing new products and services					
Making effective use of available technology					
Accessing external finance					
Financial management					
Marketing					

Q2. Thinking about the last 12 months, has your organisation...?

- Diversified into new markets
- Expanded into new geographical areas
- Developed new products and services
- Replicated or franchised
- Attracted new customers or clients
- Attracted investment to expand
- Acquired another organisation
- Merged with another organisation
- Won business as part of a consortium
- None of these
- Other, please specify

Q2a. Other, please specify and explain how/what.

Q2b. Please describe any new markets into which you have diversified.

Annex 3: Follow-up Survey

continued

Q2c. Please tell us the geographical areas into which you have expanded:

	Yes	No
Local authorities in Wales		
Elsewhere in the UK, excluding Wales		
Elsewhere in the EU, excluding the UK		
Elsewhere worldwide, excluding the EU		

Q2d. Please tell us what new products and services you have developed.

Q2e. Please explain more about this (replicated or franchised).

Q2f. Please explain more about this (how you have attracted new customers or clients/from where).

Q2g. Please explain more about this (attracted new investment from where).

Q2h. Please explain more about this (acquired another organisation).

Q2i. Please explain more about this, who/why (merged with another organisation).

Q2j. Please explain more about this (won business as part of a consortium). With whom did you partner, and why?

Q3. Thinking about the next 2–3 years, do you think your turnover will increase, decrease or stay the same...?

- Increase
- Decrease
- Stay the same

Q4. How does your organisation plan on achieving this increase...?

- Diversifying into new markets
- Expanding into new geographical areas
- Developing new products and/or services
- Replicating or franchising
- Attracting new customers or clients
- Attracting investment to expand
- Acquiring another organisation
- Merging with another organisation
- Winning business as part of a consortium
- None of these
- Other, please specify

Q5. Has your organisation applied for new sources of finance for your organisation in the past 12 months?

- Yes
- No
- Don't know

Q6. For which form of finance did you apply?

- Grant
- Loan
- Overdraft
- Mortgage
- Equity
- Leasing/HP
- Crowdfunding
- Don't know
- Other, please specify

Q7. Where did you apply for this finance?

- Bank
- Social bank
- Building society
- Credit union
- Specialist social investment organisation
- Government fund
- Local authority
- Venture capitalist
- Grant-making trust or foundation
- Peer-to-peer/crowdfunding website or organisation
- Friends and/or family
- Community Development Finance Institution (CDFI)
- Don't know
- Other

Q8. For what are you using this finance or capital?

- Working capital (e.g. to cover cash flow)
- Development capital (e.g. to develop new services or plans)
- Equipment/vehicle acquisition
- Property purchase/refurbishment
- To finance payment by results contracts
- Don't know
- Other

Q9. Why has your organisation decided not to apply for new sources of finance or capital in the past 12 months?

- No finance required
- Cost of finance
- Knowing where to find appropriate finance
- Confidence and skills to take on investment finance
- Restrictions of legal form
- Thought you would be rejected
- No security
- Willingness of board or trustees to take on the risk
- Economic conditions
- Don't know
- Other, please specify

Q10. To what extent does your organisation promote your social business status in marketing its goods/services?

- To a great extent
- To some extent
- Not very much
- Not at all
- Not applicable
- Don't know

Q11. What main tool or method does your organisation use to measure your social impact?

- None
- Social Return on Investment (SROI)
- Social Accounting and Audit (SAN)
- Outcomes Star
- Local Impact Measurement Tool
- Social Impact Tracker
- Your Value
- Self Smart
- Lamplight
- Rickter Scale
- Ecco
- Questant Process
- Own method, please specify
- Don't know
- Other, please specify

Q12. To what extent has your organisation entered into joint-bidding arrangements, i.e. as a consortium or partnership to tender for public sector work?

- Regularly enter into joint-bidding arrangements
- Have occasionally entered into joint-bidding arrangements
- Have entered into joint-bidding arrangements once
- Have never entered into joint-bidding arrangements – go to Q15
- Don't tender for public sector work – go to Q15
- Don't know

Q13. If you have entered into joint-bidding arrangements, with whom are these arrangements?

- Other social businesses (such as social enterprises, mutuals, co-operatives or employee-owned businesses)
- Other third sector organisations
- Private sector organisations
- A combination of the above – describe
- Other, please specify

Q14. When entering into joint-bidding arrangements, how many partner organisations are typically involved?

- More than 5, including your organisation
- 3–5, including your organisation
- 2, including your organisation
- It varies from contract to contract

Annex 3: Follow-up Survey

continued

Q15. What are the three most significant barriers to your organisation’s sustainability and/or growth currently?

- Lack of/poor access to finance/funding
- Affordability of finance
- Cash flow
- Lack of appropriate managerial skills/experience
- Difficult to attract appropriately skilled/experienced non-executive directors or trustees
- Time pressures
- Prohibitive commissioning/procurement with public services
- Lack of access to/poor advice/business support
- Understanding/awareness of social enterprise amongst banks and support organisations
- Understanding/awareness of social enterprise amongst general public/customers
- Regulatory issues (e.g. health and safety)
- Lack of financial expertise
- Lack of marketing expertise
- Economic climate/recession
- None/no barriers

Q16. What support would best address the barriers to sustainability or growth that you identified? (Open answer, prompt if required, i.e. training, mentoring, opportunities to meet funders, specialist support in marketing, finance, etc.)

Q17. Finally, could you please tell me how many of your organisation’s directors or leadership team, including trustees and non-executive directors, fall into the following categories?

Male	
Female	
White British	
White other	
Asian or Asian British	
Black or Black British	
Mixed	
Chinese	
Other	
16–24	
25–44	
45–64	
65+	

