

Briefing Paper 35

The regional geography of social enterprise in the UK: a review of recent surveys

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Introduction

One of the paradoxes of social research is that in certain spheres, despite a vast outpouring of literature, key questions remain unanswered. This would seem to be the situation in the field of social enterprise research, particularly in relation to the question: what is the geography of social enterprise in the UK? In recent years, the pace of research on social enterprise has increased considerably; yet despite some notable contributions from geographers to the field (e.g. Amin et al., 2002), the geographical dimensions of social enterprise remain something of a mystery (Muñoz, 2009).

Such a state of affairs to some degree reflects a lack of interest in the quantitative distribution of social enterprises, but it is also an outcome of a lack of reliable data on the spatial distribution of the hybrid institutions that constitute the social economy. In the case of the question posed above about the geographies of social enterprise, data availability and quality have been major obstacles to progress, and this paper highlights some of the limitations of the existing national-scale quantitative data on social enterprises.

Why look for a geography of social enterprise?

Empirical research has suggested that, whilst key individuals may be the driving force behind the establishment and growth of social

enterprises, these firms are rarely the product of the lone actions of a single 'heroic' individual (Seanor and Meaton, 2007; Amin, 2009) and networks and infrastructural support are commonly asserted to be vital to social enterprise dynamism (Phillips, 2006; Sharir and Lerner, 2006; Thompson and Doherty, 2006; Hynes, 2009). For instance, in their influential review of the social enterprise literature, Peattie and Morley (2006) remark that:

'...informal (usually local) networks are often an important success factor for SEs, particularly in terms of starting up, acquiring resources, accessing advice, and recruiting employees and volunteers' (p.28).

Amin and colleagues suggest that social enterprises are a 'creature of social context' (p.121), which is why they vary so much from place to place. This, they argue, means that there is no simple lesson about social enterprise that can be transferred from one place to another.

Nevertheless, Amin *et al.* (2002) identify six attributes which they suggest dispose particular local contexts well for social economy activity. These include: 'the presence of **voiced minority cultures** expressing non-mainstream values and needs' (p. 121) (e.g. environmentalists, women's groups, ethnic minority interest groups, New Age groups, religious and other ethical organizations); **associational presence**,

including local welfare intermediaries (sometimes social enterprises or other third sector organisations) who act as advocates for, and supporters of, local social enterprises; the *role of the local authority* in encouraging and supporting the social economy; *a culture favourably disposed towards political agonism*, which is open to minority interests and doing things in different ways (see also Mouffe, 2000); *connectivity*, or network resources both within the locale and beyond it; and finally, the *extent and nature of socio-economic deprivation*. Each of these factors is place-specific, and as such their research points to the likelihood of significant variations in the distribution and nature of social enterprises over space.

The social enterprise population

Before we explore the regional variations in social enterprise activity it is worth noting that there is some controversy regarding the size of the total population of social enterprises in the UK. In 2006 the figure of 55,000 social enterprises was put forward by the government (OTS, 2006) and has since been widely repeated by policy makers, the media and umbrella organisations such as the Social Enterprise Coalition. This estimate was subsequently revised upwards to 62,000, and this figure has achieved similar widespread acceptance. This is in spite of the fact that these figures far exceed the estimate of 15,000 produced by the IFF Research (2005) survey of CLG and IPS social enterprises.

A more recent report by Delta/IFF Research (2010) suggests that there are still more social enterprises in the UK. This research was based on a survey of 2,121 founders of 'for-profit, growth-orientated mainstream businesses' (p. 2), and identified that 9.9% of these were running what they termed 'pure hidden social enterprises'. These organisations '*had making a difference as a primary trigger, reinvested their surpluses, did not pay a dividend to shareholders and had sales which were more than 25% of revenue*' (p. 5). On this basis they estimated that there are 109,371 such social

enterprises amongst the UK's growth-oriented entrepreneurial businesses, suggesting that the overall population (they excluded charitable businesses, for example) is much higher.

Clearly, there is a lack of agreement about the total number of social enterprises in the UK: this is partly because of issues in relation to the quality and availability of data, but also results from variation in the definitions and assumptions used in different studies. In exploring the regional level data about social enterprise, it is therefore important that definitional differences are made transparent.

Existing regional data

Research into CLG and IPS social enterprises conducted for the Small Business Service in 2004 (IFF Research, 2005) identified 3,446 of the 14,301 organisations surveyed as social enterprises, on the basis that they: provided products or services in return for payment; generated at least 25% of their funding from trading (i.e. in direct exchange of goods and services); had a social or environmental goal as their primary objective; and principally re-invested any profit or surplus towards that goal. The regional estimates derived from this survey were put forward as indicative only, but suggest that CLG and IPS social enterprises were concentrated in London, with Wales and the East Midlands having the smallest shares of total social enterprises. When these estimated social enterprise populations are compared with the number of businesses in each region, London, the South West, the North East and Northern Ireland emerge as having larger shares of social enterprises than would be expected given their share of the total business population for the UK.

Some 48% of the TSOs in the National Survey of Third Sector Organisations (NSTSO) (see OTS, 2009) recognised themselves as social enterprises according to the widely promulgated DTI (2002) criteria. This amounted to 23,668 organisations, although only 2,201 of these were classified as social enterprises according to the narrow definition employed in

the same study. This demonstrates the potential for differing public, practitioner, researcher and policy-maker perspectives on what social enterprise actually is, and underlines the difficulty involved in defining and measuring social enterprise. Focusing on the self-defined social enterprises from the NSTSO, the South West, London and the North East regions emerged as having the largest number of social enterprises per 1000 population. Lower numbers of social enterprises relative to population were found in the North West, East Midlands and East regions. However, it is important to note that these differences are not always statistically significant, and as such should be taken as indicative only.

The annual report of the Regulator of Community Interest Companies (CICs) (BERR, 2009) also represents a useful and statistically valid source of data on social enterprise activity. Although the numbers are as yet relatively small (2469 CICs in England) and represent only a very small sub-set of all social enterprises, the data are reliable since they represent the total population of registered CICs. London has the greatest number of CICs, and the South East and the South West also figure prominently. Conversely, the areas with the fewest CICs are Yorkshire and Humberside, East Midlands, Scotland, Wales and Northern Ireland. When the data are standardised by population however, the North East has the greatest number of CICs per 1000 population, followed by London and then the South West region. The North East also emerges as having a large share of social enterprises relative to its share of total businesses.

The Global Entrepreneurship Monitor (GEM) UK project (Harding, 2006) concludes that social enterprise activity does *not* vary significantly at the regional level. This project was part of an international longitudinal study of entrepreneurial activity: in the UK a sample of over 27,000 adults aged between 18 and 64 were asked about their involvement in both mainstream and social entrepreneurial activity (SEA). What makes this study interesting from the point of our review is the fact that the

sample size was sufficient to provide statistically valid data at the UK regional level. However, given the broad and open nature of the questions asked of respondents it is difficult to assess how reliable its conclusions about social enterprise are.

This GEM data (*ibid.*) also suggest that rural areas have a higher rate of SEA than urban areas, a counter-intuitive result that is likely to reflect the amalgamation of many different types of areas within these broad categories, as well as the very different types of organisation that are included within the category 'social, voluntary and community service, activity or enterprise'. When the data are grouped into five cohorts according to deprivation levels, SEA is again, counter-intuitively, slightly higher in more affluent areas but the differences are insignificant. However, it does appear that 'baby' and 'established' social enterprises are more prevalent in the top fifth most deprived areas of the country.

Conclusions

It is tempting to conclude that the only thing we can say with absolute confidence about the regional level geography of social enterprise in the UK is that we lack sufficiently reliable data to make any confident claims about it! Irrespective of the definitions used, it is difficult to get accurate sampling frames from which to take a completely representative sample. Furthermore, when self-definitions are involved, the ambiguity surrounding the meaning of the term social enterprise is likely to result in respondents interpreting questions in different ways. Nevertheless, this review has shown that we are not completely in the dark on the geographical dimensions of social enterprise and some preliminary conclusions can be made with a reasonable degree of confidence.

First, as might be expected, London has a disproportionate share of social enterprise activity. This is likely to reflect the distribution of the national headquarters of many social enterprises, plus the fact that, as the capital city, London is a dynamic and innovative

environment. Thus it would seem to possess in abundance all of the six factors identified by Amin *et al.* (2002) as conducive to social economy activity.

Secondly, even though the regional differences are relatively small, and there are questions over the reliability of some of the data, there are some consistent patterns across the data sources. In particular there is a high level of social enterprise activity in the South West, and the North East also emerges as an area of relatively high social enterprise activity when the data are standardised by population. Conversely, the East Midlands and Yorkshire and Humberside emerge as areas with relatively small amounts of social enterprise activity.

Following on from this observation, we speculate that there are two countervailing forces at work in the field of the social economy that may be prominent in differing regions, thus cancelling each other out in terms of the overall incidence of social enterprise. On the one hand, we suggest that there is social enterprise as an innovative response to new social challenges that is flourishing in those parts of the nation that typically score highly in terms of general entrepreneurial activity (i.e. London, the South East and to a lesser extent the South West). On the other hand, there is social enterprise as a response to pressing social needs that is very much prompted and supported by public authorities and EU funding in the more deprived regions of the nation (i.e. predominantly northern regions). Validating these speculations will of course need further research.

Thirdly, then, we can conclude that, compared with business activity as a whole, social enterprises are fairly evenly distributed amongst the UK regions. This is a somewhat

surprising finding, given that many have asserted that local capacity-building is crucial to the development of social enterprises and the RDAs are principally responsible for providing support through the Business Link scheme. However, it is worth noting that similar levels of regional numbers of social enterprises may nevertheless hide differences in their character and activity. For example, the IFF Research (2005) survey found significant statistical differences between the sectoral specialisations of social enterprises and in the concentration of social enterprises in the most deprived areas according to the Index of Multiple Deprivation. Of course, this partly reflects the location of multiple deprivation itself, but it also suggests that social enterprise may mean quite different things in different regions.

This leads us to our final conclusion, namely that if social enterprise activity *does* display significant geographical differences, the available evidence currently suggests that these are most likely to be found below the regional level, for example between or within cities (say between inner cities and suburban areas).

If social enterprises are to become key players in public service delivery, geographical research will have an important part to play in ascertaining whether concerns raised about spatial mismatches between needs and provision in relation to voluntary organisations and other forms of third sector activity (e.g. Bryson *et al.*, 2002; Fyfe and Milligan, 2003) are also relevant to social enterprise. If geographical trends in social enterprise activity can be more reliably documented, this will better equip us to identify those factors that contribute to the current government's objective to 'create the conditions that enable social enterprises to thrive' (OTS, 2006, p. 3).

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