BSSEC ChangeUp Research

Stage 1 Research

The Support Needs of Existing, New-Start and Emerging Social Enterprises and Trading Voluntary & Community Organisations in Birmingham & Solihull

FINAL REPORT

Produced by i'SE
May 2006

EXECUTIVE SUMMARY

This study was commissioned by BSSEC and funded by ChangeUP. The Stage 1 research, was carried out, by i'SE, between February and May 2006 to examine the demand-side of support for Social Enterprises & trading VCOs in order to understand:

- Whether clients can access support they need
- Whether support needs are changing as a consequence of wider sectoral change
- What is needed but isn't funded
- Any particular issues affecting BME and women's enterprise

The study approach was a questionnaire and web-based survey, one-to-one and telephone interviews and a focus group. The study used a sample of 50 respondents from a cohort of 70. Significant efforts were made to ensure a stratified sample however the support needs of new start groups are not well represented in this sample as they are quite hard to reach.

FINDINGS

Social Enterprises & trading VCOs are undergoing rapid change from development models based largely on grant-support and/or patronage to survival in the marketplace. Organisations are struggling to do this while:

- Balancing the books
- Earning and diversifying income
- Retaining clear sense of mission & purpose

There is some fragmentation along sectoral lines (environmental, social care etc.) – but this also potentially positive, with cluster development, peer-to-peer support emerging.

Opinion is divided on whether the sector change is fuelling a demand for **new** support needs or simply **sharpening long-existing ones.**

Support Providers

Although around half the sample reported accessing support this seems to reflect "brand awareness" rather than any particular satisfaction with provision. Most cited:

- Local authorities
- Chamber/Business Links
- BVSC

In the examples cited, fairly “passive” or low level support predominated e.g. briefing sessions, breakfast clubs and support from LAs primarily with “compliance” (especially co-financing, ERDF, LA contracts).
Particular attention was paid, in the survey, to Local Development Agency provision – feedback suggests that:

- There is a low awareness of what’s on offer – provision is poorly understood & poorly accessed
- General perception that LDAs are under-resourced & poorly equipped to meet more complex needs – the model “…isn’t working and isn’t relevant to our needs”

Overall there is a failure to meet immediate support needs as they arise – especially during periods of critical change and a failure to develop **contextualised** support as opposed to general and generic support. There is a need for ‘Just in time’ rather than inflexible ‘programme-driven’ support – support that is:

- Contextual
- Customised
- Reflects individual circumstances

Based on this sample it is possible to categorise unmet need in TWO ways:

- Access to specialist expertise
- Business support & strategic support

Three clear priority areas were identified in **access to specialist expertise**:

1. **Finance and funding** more complex business models are developing with no obvious source of support reflecting these, consequently the financing of capital, revenue & working capital is increasingly complex and the current focus on social borrowing is poorly understood and intimidating, doesn’t meet the current, risk averse, need of the sector.

2. **Marketing** the sector has had some success with network-based “social marketing”, individual “projects” are sometimes well-marketed, but the sector, has not developed a culture of wider proactive marketing reflecting “brands”, values, quality and social benefits of sector. Mainstream support for business marketing is dominated by “selling” rather than sector values with resources to fund support a major issue, consequently the sector is lagging behind businesses – perhaps compounded by there being no industry-standard practice in VCS/SE marketing.

3. **HR** is a critical need – 65% of West Midlands' industrial tribunal cases in 2004 were from the VCS. Growth and bigger staff teams can dilute a sense of shared values and create friction and loss of direction/mission. Existing HR models based on conflict resolution don’t always reflect sector decision-making or management styles or values. There is a high need for

customized, “Just in Time”, support, coupled with resources for purchasing support.

Three clear priority areas emerged in **business support & strategic support:**

1. Procurement and contracting; over 40% identified this as key need with two different kinds of support required:

    - One-to-one development support focused on procurement-readiness building skills, expertise, understanding in tendering & contract acquisition

    - Wider strategic development of marketplace for third sector goods/services, including marketplace research/analysis

2. Leadership and management emerged as a key issue from the focus group; effective leadership becomes critical with growth/expansion (staffing and staff turnover). Whilst individual entrepreneurship is vital – especially in the early stages it is not necessarily enough in itself to meet longer-term pressures. The study found that support must be practice-driven, contextual, appropriate for the sector and its values and reflect the reality of the sector.

3. Legal structures and legal advice might be assumed to be well-understood in the sector – but legal advice and guidance on legal structures emerged as a key issue with complexities arising from increased trading, contracting coupled with limitation of charitable models and raised awareness of CICs creating both interest and anxiety. The survey found that increasingly complex business models are creating concern and confusion about whether the right legal structure has been adopted or continues to be appropriate

BME enterprise
The survey identified a low level but general anxiety that mainstream providers of support cannot meet specific needs of BME-led organizations. However the follow-up discussion neither clarified what these specific needs might be, nor the principal shortcomings of mainstream providers

Women’s enterprise
WM has lowest percentage of women starting new SEs, this relative scarcity of women in SE should be a key concern of the sector. The only additional differentiating finding was that the collaborative and facilitative management/leadership models become harder to maintain in the more business-driven the environment; hence a higher demand for leadership support.

-Ends-

1.0 PURPOSE OF STUDY

The purpose of this West Midlands ChangeUP-funded Stage 1 research for BSSEC is to examine and report on the demand side of provision – i.e. social enterprises' and trading VCOs' expressed support needs, development priorities and any other issues relating directly to social enterprise development. The research covers the following key issues:

- Are service-users/clients getting the support/development services they need:
  - Are development needs being met?
  - Are development needs changing?
  - Are there specific development needs not being catered for?

- Changing or emerging business development needs which are not currently resourced, such as broader VCS business development.

- BME and women's social enterprise support provision.

- Development and support issues that may be impeding the growth of specific trade sectors.

- Good practice in the provision of support and development – techniques, models etc.

It will also capture and highlight any other critical issues not covered above that might emerge during the course of the research.

1.1 The Change-up Context

Change Up is the Government's national framework for investing in a strong voluntary and community sector and is underpinned by £80 million Home Office investment. The West Midlands region has had access to £5.4 million with an additional £0.5 million provided by DEFRA. The Change Up funding has been awarded to support sub-regional and local plans that will benefit grassroots organisations. The focus of the investment has been to catalyse infrastructure modernisation, extend the quality and reach of the sector and address issues of sustainability. The framework has been designed to foster new ways of working, new skills development, collaborations and to support new ways of utilising resources. Within this context workforce development, training and capacity building are essential building blocks and as such have been seen as a priority within the West Midlands.

A number of Hubs have emerged from the national work of Change Up and they are all of importance to this research.

Financing the Voluntary & Community Sector Hub:
www.nacvs.org.uk/resources/cbis/financehub.shtm

Governance Hub: www.governancehub.org.uk

ICT Hub: www.ictconsortium.org.uk

Performance Improvement Hub: www.performance-improvement.org.uk.

Volunteering Hub: www.volunteering.org.uk/changeup

Workforce Development Hub: www.ukworkforcehub.org.uk/default.asp

Each of the Hubs has brought together key players to provide strategic leadership and act as gateways and beacons of good practice on key areas, reaching directly to frontline organisations to develop advanced thinking and good practice.

2.0 METHODOLOGY

The approach to the study focussed on 3 key elements:

1. Identifying a robust and representative sample
2. Developing a tool for data collection
3. Surveying, recording and analysing a sample of not less than 50 Social Enterprises and trading VCOs

The survey took 4 forms:

- One-to-one discussions with representatives of the SEs and VCOs
- Telephone surveys of sample members (using the template designed for One to One interviews
- Online form completion (offered as an option for organisations operating outside normal business hours)
- Focus group meeting for more detailed analysis of key unmet needs.

The approach to the interviews and/or questionnaires was to seek to understand

- Social enterprises' support needs at each stage of development (including whether pre-start business support needs were met successfully).
- The extent to which those organisations seeking support are able to access it.
- The appropriateness of the support available – i.e. is it meeting need?
- Any existing or emerging support needs that are not currently being met. E.g. are new priorities emerging; do trading VCOs or those seeking to trade have definably different support needs that are currently not being met?

The scale of this project was substantial, particularly the requirement to develop an appropriate and stratified sample. For this reason the study adopted a number of approaches that included desk research and desk based analysis, One to One interviews, questionnaires and focus groups with existing, new start and emerging social enterprises and trading VCOs and presentations to key stakeholders.

Building on the i'SE survey tool for procurement i'SE constructed an interview schedule, telephone/face-to-face discussion template and an online tool for information-gathering from the sample of trading organisations. Following an initial small trial of the survey tool it was extended and revised to incorporate more open-ended and free form questions.

The design of an appropriate, representative and balanced sample was based on the demographics in the sector in Birmingham and Solihull; using the data sets developed for BSSEC by Business Link and Birmingham Chamber (BCIS) as well as the organisations on the I'SE database of over 700 organisations. In order to obtain this sample i'SE worked with the commissioning group at BSSEC to create a stratified sample of the Social Enterprises and trading VCOs.

The project team sought to identify key emerging needs, particularly in sectors that are currently under-supported, such as care and personal services, and with BME and women-led enterprises. This stage of the process required direct, face-to-face, contact with organisations (particularly managers). I'SE believed that a two phase approach, starting with initial data collection and "scene setting" through at least 3 sector and segment-based focus groups, followed by more detailed analysis through at least 10 detailed One to One interviews and up to 50 telephone interviews/discussions, would give the level of detail necessary for the Stage 2 analysis to be completed. In practice the approach was reversed, with initial data being collected from online forms and telephone surveys, followed up with focus groups and a more detailed interview with a sample of 12 organisations.

Free-form responses from the initial cohort of 31, highlighted a number of support services/needs not covered by the original survey. Following discussion with the management group, i'SE undertook a further telephone survey of the sample to elicit additional detail on these skills and knowledge needs (particularly around leadership and HR). The focus group further tested these key areas.

2.1 Study Timescale

The study was commissioned in December 2005 and commenced in January 2006.

Initial survey findings, of a sample of 31 telephone and online contacts, were identified in March, accompanied by an interim report to the management group outlining emerging issues.

Prior to the focus group aspect of the study in April the 2nd draft report was discussed with the steering group. This process created a context for the detailed analysis of the final 14 surveyed organisations and the focus group. The final stage of the research was completed in mid April.

2.2 The Sample

An initial sample of 70 organisations was identified in consultation with officers from the management group and data supplied by BSSEC/Birmingham Chamber. 2 organisations were identified as non-trading prior to the survey. 68 organisations were contacted through an initial introductory letter and subsequently contacted (or attempted to contact) by phone. In addition 3 organisations were contacted in person at a Local Development Agency event, held in Birmingham in February 2006. In order to obtain the sample of 50, 71 organisations were eventually contacted. The profile of the sample was skewed in order to identify the specific and general unmet needs of BME and women led organisations. The final sample contained 14 BME and BME led organisations and 17 women's or women led organisations.

Of the original sample 17 Organisations did not respond, despite several attempts. Additionally 1 organisation went out of business during research process and 3 organisations could not be accessed due to contact / communication difficulties.

The profile of the sample was as follows:

Type of Organisation	**Responses (Numbers)**
Sole Trader	
Limited Company (shares)	**3**
Limited Company (Guarantee)	**27**
Registered Charity	**31**
Community Interest Company	**1**
Voluntary Organisation	**8**
Community Development Trust Industrial & Provident Society Establishing CIC, Links to SiS Housing Association Housing	**1 (each of)**
Organisation externalising from NHS or Local Government	**2 (each of)**
Leadership of organisation	**Responses (Numbers)**
Male	**33**
Female	**17**
BME	**14**
Size of Organisation	**Responses (Numbers)**
Small <6	**25**
Medium 6-25	**19**
Large >25	**6**
Service Sector	**Responses (Numbers)**
Education & Training	**32**
Social Care & Health	**10**
Recreational & Cultural	**23**
Retail	**4**
Hospitality & Leisure	**4**
Agriculture & Fishing	
Printing & Publishing	**3**
Recycling	**4**
Business Services	**8**
Engineering	**1**
Catering	**1**
Construction	**3**
Gardening / Horticulture	**4**
IT or Internet	**5**
Other Services represented	Environmental Campaigning & Information, Development Trust-neighbourhood regeneration, Disability Services, Social Housing, Youth, Child care **(2)**, Community Consultation Environmental Services, Provision for Adult Dyslexics in Development of

	Personal & Work Strategies, Employment Advice **(3)** Welfare & Benefits Advice, Support for a Target Community Interpreting & Translation, Employment Support, Social Inclusion Practice, Advice & Counselling, Social Development. Radio Broadcasting, Social Development & Educational Programmes for young people, work experience programme, Transport, Carpentry. Braille Production **(2)**, Sign Making, Braille signs

3.0 FINDINGS

For ease of reference we have summarised the research findings under each of the original research objectives.

3.1 Are service-users/clients getting the support/development services they need?

(a) Are development needs being met?

In terms of satisfaction with the quality of service received 44% said “yes”. All respondents identified at least one support organisation from which they could receive development support. Similarly all respondents had used at least one support organisation in the last two years. However, the more detailed response – both from the survey, the follow-up interviews and focus group – was that the support sector is failing to address the “immediate” needs of sector and in particular the emerging challenges for the sector. The data on unmet need in appendix 1 show that 40% of respondents identified at least 3 significant areas of perceived unmet need.

More than half of the respondents indicate that both the training and support responses are too general and insufficiently contextualised for their needs. A similar number felt that support from mainstream organisations was generally poor for the sector as a whole. This is further compounded by the perception that the sector is segmenting into thematic or geographic clusters that are not being adequately responded to by either training or business support. One common response was, "I need support from people who understand the pressures of working in a small, complex organisation with multiple bottom lines and a board of trustees who are struggling to understand the direction of travel of the organisation."

Much of what the study has identified on specific need and unmet need has come from the challenge of the “immediate”: the need for responses at the time, place and in the preferred manner of learning of the organisation or manager. 40% of the respondents referred to the inappropriateness of previous programmes they had attended, that had ill prepared them for organisational change.

The challenge, for the supply side, is to deliver ‘Just in Time’ support (in a range of forms) rather than programmed “off the shelf” training and support, which may have been developed many months previously (and often developed to meet a range of needs for groups, rather than specific organisational needs). This view was particularly strong for financial and funding support where the provision was felt to be too SME focussed, rather than recognising the particular needs of the SE sector, particularly those organisations emerging from the VCO sector.

The traditional training courses and development support programmes need to be re-considered in the light of issues facing the sector where personalised solutions to professional development, will support the sustainability of the sector. Generic training for leadership, for example, was felt to be insufficient without the addition of coaching or mentoring from successful CEOs in the sector.

The impact of two key challenges that are affecting the sector is causing organisations to struggle to access help, advice, support and coaching (and in some instances training) on a customised/just-in-time basis that also reflects the immediate challenges of their businesses. The challenges are highlighted particularly by central Government’s desire to see public agencies choose more community, voluntary and social enterprise organisations as their service deliverers. The challenges cut across specific training and support issues:

(1) The Social Enterprise sector is going through substantial and rapid change as it moves from being project based, driven by funding from external providers over which it had little control and struggling to balance the double and often triple “bottom lines” inherent in social enterprise - to being a part of the mainstream business community of the UK. This is not the first time that this change has taken place but, whereas in previous times the change has resulted in organisations losing the original mission, this time the leaders of social enterprises are endeavouring to build the business around their social mission.

(2) The sector is fragmenting, developing into sub-sectors that transcend standard definitions of “Social Economy” and “VCO”. At the same time these sub-sectors are becoming stronger through the establishment of sector or geographic clusters that are built around delivering real services that meet the needs of communities. One visible consequence of this is that respondents from the housing and social care sectors did not view themselves as part of the SE sector and have made their own arrangements for support (within their sub-sector). This second challenge is perhaps the hardest to manage effectively, from the perspective of both development support for the organisations and support for the clusters. The situation must be r in the light of the external pressures

Support Providers

Local authorities

In the original telephone and e-mail survey 38% of the respondents identified the local authority as having provided support for the organisation. This appears a high figure however subsequent questioning of the sample identified that the support accessed is predominantly in the form of guidance or briefing sessions on contract management and compliance. The role of the local authority as a finance provider of ESF etc has resulted in this high response rate.

Chamber of Commerce

11 organisations identified the Chamber of Commerce as a support agency and 19 organisations said they had accessed the Chamber, a confusing finding in itself. As the figure was higher than that for Business Links we further interrogated the sample in order to understand the role of Chambers of Commerce in development support.

The research suggests that access to support from the Chambers appears to be somewhat passive (rather than active/structured interventions) including attendance at breakfast briefings, meet the buyer events etc. Analysis of the number of the 20% of respondents who indicated that they use the Chamber regularly suggest that

- 1 is a current member
- 2 had been members
- The remainder are not and had not been members.

Local Development Agencies (LDAs)

Support from the Local Development Agency network appears to be poorly accessed (or poorly understood).

Most respondents see BVSC as a key support / resource because of their history in the voluntary sector. The low response (and recognition) in relation to the LDA network may be related to the fact that some respondents saw the agencies they named as established voluntary or community organisations rather than LDAs, or the service being a subset of the BVSC service.

The stage 2 focus group felt that there was potential for LDAs to use their community knowledge and contacts to identify with users / clients possible social enterprise opportunities within their local area and engage with specialist support as appropriate.

St Paul’s and the Mu’ath Trust were the most frequently named and recognised organisations in a LDA context (in follow-up discussions).

(b) Are development needs changing?

The sector is changing and with it the articulated need for development support are inevitably changing. As identified previously, there are particular problems for organisations, such as trading VCOs and Social Enterprises, who must embrace elements of commercial, public and Community and Voluntary Sector. For many of those interviewed, the concept of “trading” was poorly understood. Most organisations surveyed, particularly VCOs, have entered into trading, unwillingly, to overcome loss of grants. Few feel they are social enterprises. This suggests that the current distinctions between VCOs and Social Enterprises are blurring and the John Pearce model – of trading vs. non-trading organisations – still has some way to go before the wider sector recognises the dichotomy.

The sector has grown to deliver services or products into the market. The focus of recruitment, particularly amongst smaller organisations, has been on personnel to deliver the front-line service. This has resulted in a weakness in the professional skills capacity of organisations and the sector as a whole.

As one interviewee commented:

"Trustees are suspicious of the overheads required to retain professional level functions".
(Church based trading VCO)

Therefore the sector tends not to have specialists and has to rely on the existing skills and knowledge of volunteers. Volunteers are increasingly using the sector as a pathway to future employment and therefore there is often significant turnover of staff.

Another said:

"In one year we surveyed the staff who had been on a training course, we could only find 40% of them 1 year after the training"
(VCO with training function)

This sets a particular challenge for development training and support.

Whilst the evidence for changing need, from the survey, is clear, the analysis of the focus group suggests that although respondents recognised that the sector was undergoing change there was a strong feeling that many of the development needs that are currently significant for the sector have always been significant. Responses from the focus group suggest that current development needs have existed for some time but have been sharpened by trading and increased levels of service delivery. As social enterprises and trading VCOs are moving more centrally into service delivery, the development needs for effective marketing, leadership and professional-standard human resource management have become more visible.

Other specific comments from respondents included:

"Our practice, in HR, was based on a sense that all staff shared the same common values; we were a group of friends as well as a team of workers. When the organisation hit a crisis our HR practice could not respond effectively and minor disruption became a major dispute."
(Large social enterprise)

"The Voluntary Sector doesn't have a marketing culture. Although the sector has historically marketed itself successfully, through social networking and the delivery of an effective service or product, the need has rarely arisen for

direct marketing. One key issue is knowing "who" to market to and recognising that we may not be marketing to "like minded" organisations."
(Campaigning and trading VCO)

"The role of leadership in an organisation comes to the forefront at the time of rapid change. Poor leadership is often exacerbated by organisations growing without structure/process/skills".
(Large social enterprise)

"The leadership role can also be counter-cultural (to) organisations that are managed by boards of trustees."
(Small Employment VCO)

The above comments suggest that, in addition to development support in specific areas of expertise – such as HR and marketing – organisations are also experiencing an additional problem as they grow, become more complex and recruit staff, who may not necessarily share (or be conversant) with the original values of the organisation.

(c) Are there specific development needs not being catered for?

The survey indicates that there are several key areas of unmet need in the sector, but these can more accurately be characterised as specialist expertise, rather than what we normally think of as long-term business development support. The identified unmet needs cluster around three key themes:

1. Finance and Funding
2. Marketing and publicity.
3. Human resource management

In each case between 38 and 70 per cent of respondents identified these as skill sets or areas of expertise in which they are lacking and in which external support is either non-existent or difficult to identify.

Finance and funding

The new environment for SEs and trading VCOs is characterised by complexity in funding and financing of capital, revenue and working capital. As trading VCOs and, to some extent, Social Enterprise organisations, have developed through a grant mechanism (or EU funded bidding) the skills and knowledge of Social Business Financing are little understood.

Trustees and boards of VCOs and Social Enterprises, as a consequence of the "Limited by Guarantee" status have developed a strong aversion to loan finance; banks have historically been suspicious of the sector and therefore cautious in their lending; hence the emergence of loan guarantors and re-investment organisations. However current changes and challenges in the sector are not translating into demand for existing social loan products is coinciding with a downturn in loan activity.

"We have not made a single loan to the Social Enterprise sector in the last 18 months; the demand is not there"
(Loan Guarantor)

Marketing

There has always been a requirement for effective marketing of social enterprises and voluntary and community organisations. The sector has had a successful track record in social marketing; marketing through networks and contacts within the extended sector. However this sector has not particularly recognised the value of its organisational or sector brand in marketing terms. The consequence of this is that individual programmes for organisations are often well known and well publicised but the host organisation and its services are much less well known.

Specific comments from respondents included:

"The Voluntary Sector doesn't have a marketing culture. Although the sector has historically marketed itself successfully, through social networking and the delivery of an effective service or product, the need has rarely arisen for direct marketing."
(Venue based SE)

"How do we find the resource for marketing versus how do we survive if people don't know us or what we do?"
(Campaigning VCO)

The supply of high-quality marketing development support is extremely limited. Expertise in brand management, with an awareness of the specific nature of the social economy sector, is almost non-existent. As the sector moves towards greater delivery of service and traded activity this weakness, in the supply of service, will create an imbalance between the sector and its capability; and the "awareness" of the sector by the market.

"We have limited marketing time/resources and have to piggyback the marketing activity on other services / products."
(Training SE)

A further concern is that the sector has little understanding of what it is trying to market. The strength the sector is the added value it offers, beyond simple service delivery. This is where the marketing development support from the supply side, predominantly from the mainstream commercial sector, has little understanding.

Specific comments from respondents included:

"One of the problems, as we emerge into a more businesslike culture, is that the marketing skills of the sector will not be at industry standard. This, coupled with the views of boards of trustees that marketing is just cost, has created an unmet training and skills need."
(Education and training SE)

"One key issue is knowing who to market to and recognising that we may not be marketing to "like minded" organisations."
(Environmental SE)

"We have to recognise that our identity is our best marketing tool: we have to learn to value "us" and not just brand our products and services"
(Venue based SE)

"The Chamber/Business Link-based model of marketing support, based on business coach, is too focussed on selling and not on the brand and values."
(Campaigning trading VCO)

Human Resources

The culture of the sector is broadly people-friendly, with a focus on providing services for the community and employing people from within that community. The human resource culture, and the legal framework that underpins it, is derived from an assumption of conflict resolution from a perspective of [class] divide.

When human resource issues arise in the sector the available mechanisms to deal with it do not fit the management, leadership and decision-making processes of the sector. The sector, experiencing the changes and challenges outlined earlier, tends to experience HR issues; therefore the sector needs professional support at such times. In 2004 the VCO sector represented 65% of the cases taken to industrial tribunal in the West Midlands

The survey findings indicate that the general training needs in the sector are, mostly, met. The core requirement is for all staff to understand their roles and responsibilities within an organisation.

"There is no one expert (in our organisation) therefore there needs to be a grounding for all"
(Large trading VCO)

The sector does not have specialists and has to rely on the existing skills and knowledge of volunteers; the evidence from the focus group is that the unmet need is for specialist support at times of critical change, rather than general business support. Understanding the principles of HR can sometimes be a long way from the immediate needs of an organisation in crisis. Training and support needs to be just in time – just in time, coaching and associated professional support (whether access to people or online resources), and in the style the sector needs.

Specific comments from respondents included:

"Errors in HR policy or application impact on morale and can make or break organisation."
(Large SE)

“Management committees not able to engage fully where issues of management and HR apply”
(Campaigning VCO)

3.2 Changing or emerging business development needs which are not currently resourced, such as broader VCS business development

The survey suggests that, in addition, there are a range of development needs that are emerging as a consequence of the challenges to the sector outlined earlier. The identified emerging development needs cluster around three key themes:

1. Procurement and contracting
2. Leadership and management
3. Legal Structure.

Procurement and Contracting

The role of procurement in the sustainability of the sector has been driven by UK Government policy since 1999. The thrust of the DTI Social Enterprise Strategy in 2002 was that the delivery of public services would be a major driver in the sector. There appears, from the responses to the survey, to be little understanding of the sector by procurers, particularly those whose remit is to engage with SE's & VCO's.

The evidence from the survey, with over 40% identifying this issue as a major unmet need, is that the sector needs support with procurement readiness. From the data (see appendix 2) this goes beyond awareness raising, the need is for support for the establishment and maintenance of collaborative trading networks. Such networks also need support and resources in such areas as techniques and tools for successful pre-tendering and tendering.

Two different types of support are required:

- One-to-one development support focussed on procurement readiness, building the skills, understanding and expertise of enterprises in tendering and contract acquisition

- Wider strategic development focussed on building the market for third sector goods and services.

Evidence from desk research on clustering and partnership building suggests that longer-term support will be needed, coupled with research and market analysis support. Such support services can be difficult to develop because of the wide range and type of organisations in the sector.

The survey findings confirm the needs identified in the marketing section. The sector requires support to improve its marketing expertise, especially as this relates to capturing, describing evidencing and promoting the additional social benefits of what they do.

Leadership

The survey had not identified leadership as a significant unmet need however the focus group explored the role of leadership as an identifiable issue of development support for them. They identified that the growth of the sector, particularly the social enterprise sector, has been characterised by individual Entrepreneurship; supported, to varying degrees, by boards of trustees. In the early stages of growth of social enterprises individual enterprise can be sufficient to overcome deficits in management and leadership skills however, as the enterprise grows, both in staffing and turnover, the role of leadership becomes more significant. Furthermore the role of the leader comes to the forefront at a time of rapid change; such as the sector is going through currently.

One of the key observations of the focus group is that the leadership role can also be counter-cultural to organisations that are managed by boards of trustees. The trustees have the role of “directing” the organisation and often do not differentiate this from the necessary “executive” role of leading the organisation in the “direction” chosen or indicated. The focus group felt that boards habitually viewed the executive role as operational management rather than dynamic leadership. This suggests that the unmet need is for coaching or mentorship support, rather than theory led training. The concern of the focus group is that the differences between the sector and the mainstream SMEs renders mainstream business coaching broadly irrelevant to the sector.

Specific comments from respondents included:

“Whilst the principles of leadership can be taught, the process and application of leadership in a particular context must be learned, ideally with one to-one support, coaching and mentoring.”
(Venue based SE)

“The sector is not interested in theory led leadership models that don’t reflect the reality of sector.”
(Campaigning trading VCO)

“The SE and Trading VCO culture is so different that we need something unique; but we shouldn’t ignore the theory.”
(Environmental SE)

Legal Structure

Over 40% of respondents, in the telephone and online survey, identified a need for general business support in choosing and changing legal structure. As legal structures are well understood by the support sector this appears, intuitively, to be a surprising “unmet” need. The sample was re-surveyed in order to clarify the apparent finding.

The issue appears to have arisen because of the significant change that the sector is undergoing, particularly the move from charitable intent (if not actual charitable status) to trading status underpinning the charitable activities.

One factor potentially creating a higher level of identified unmet need is the publicity that has surrounded the establishment of Community Interest Company (CIC) status. Respondents were unclear whether this was going to become a necessary change, for all charitable organisations intending to trade. Events, subsequent to the original survey, could have clarified the position and a similar survey contacted in May would not have had the high level of concern identified in February 2006.

The issue was further discussed during the focus group in order to understand the particular unmet needs. The focus group feel that much of the general business support and training, needed for organisations to chose a legal structure, is already present; there is not a particular problem with "off the shelf training" about basic legal structures. The group identified that the increased complexity brought about by rapid change from a patronage model to a business model and from a single charitable body to an organisation with single or multiple trading arms, is developing confusion about the implications of particular legal structures. The development support is specific and linked to the management of change in organisations.

Specific comments from respondents included:

“Advice on legal structures has been complete minefield; particularly new CIC.” (Training and Advice SE)

“We eventually paid a fortune to (a) solicitor to sort out our Memorandum and Articles of Association as we had moved so far from our original model of service delivery.”
(Training SE)

In addition to core legal structure there is a significant crossover issue in relation to legal issues underpinning procurement. As organisations are driven to collaborate in order to win contracts the nature of contracting arrangements between organisations requires considerable support. Initially awareness raising and support is needed to ensure that organisations are aware of the impact of moving from delivering a single supplier service (or servicing the needs of their community) to having a complex web of suppliers, distributors and partners in delivering a large-scale public service contract. There is limited understanding of these complex issues within the sector, or among the development support organisations.

3.3 BME and women’s social enterprise support provision

The only significant difference in unmet need for women-led organisations, identified through the telephone and e-mail survey, was a higher level of interest in leadership and advanced management support. This finding coincides with the analysis of the Work Foundation that organisations, which are led by women, tend to have facilitative and networking approaches to leadership that may be less effective at times of significant change. The Work Foundation also identified that, whilst women lead organisations very effectively, they do not necessarily recognise their leadership capabilities; talking instead of teamworking and collaboration to achieve objectives.

The key issue, from the survey, relating to BME led organisations, was the view that there was a lack of appropriate BME led support organisations. Further questioning of the BME sample identified that the issue was not one of specific unmet need, but rather a sense of “lack of understanding” of the particular needs of BME led organisations by mainstream business support suppliers.

Appendix 2 additionally outlines some of the nationally research identifying unmet needs for Women and BME Social Enterprises

3.4 Development and support issues that may be impeding the growth of specific trade sectors

One of the positive features to emerge, from the survey and focus groups, was that some of the sectors and sub sectors are collaborating to address unmet support needs. New growth sectors such as environmental, social care and social housing have started to establish their own support mechanisms, either through clustering and partnership working or having lead organisations who deliver training and support to members of the sector. The longer-term issue will be the sustainability of these services, without public support (see Capacity to Support).

The less optimistic perspective comes from the education and training sector, that has been subject to massive funding and policy changes driven by national reviews of Learning and Skills Councils; here to support infrastructure is starting to collapse and the sector feels that it faces an unsure future.

New and emerging markets, such as the personal services sector (delivering support services to cash-rich, time-poor city centre residents), were not well reflected in the survey sample of 50 organisations; it is therefore difficult to comment on the availability of development support for such sectors. What is clear from the previous development work of i’SE, under the EQUAL BASEC initiative, is that clustering and partnership working will be central to effective service delivery in this sector. There is little identifiable support for such models of working, from the existing development support agencies, particularly provision supported by public funding.

3.5 Good practice in the provision of support and development – techniques, models etc.

Capacity to support others

After Social Enterprises and trading VCOs have developed sustainable models of working and built up levels of management capacity there may be an opportunity to train, support and mentor other similar organisations. While much of the knowledge required to address skills and knowledge needs exists in the sector, the key issue is how to unlock it without diverting experienced CEOs from the work of their organisation. One issue compounding the provision of peer-to-peer support is a history, in Birmingham, of "free" training that may have distorted the market. The availability, throughout the 1990s, of such free generic training and business support, may have discouraged the development collaborative models of development support.

The individual CEOs and Managers involved have the skills and knowledge to run organisations, however if peer-to-peer support is to be effective it would require both investment and development.

As practising CEOs often do not have the training and support skills there needs to be investment in training, coaching and support skills. One mechanism to strengthen and enable this process, identified in the focus group would be to invest in making training and support templates available. This could be coupled with the continued development of practical tool-kits of resources, through national specialist agencies, development hubs and local agencies with particular expertise.

"One approach to enabling support from within the network may be to raise awareness / guidance as to relevance/importance of networks / fora. Email Alerts would be useful – when training, procurement opportunities come up. (in the style of the BSSEC secretariat; but only members receive it)."
(Environmental SE)

3.6 Other issues identified from the research

Type of Support Need

One of the key questions sought to understand the nature of support process (desired) as a means to identifying unmet need. This set of questions revealed that full day (or longer) training and support sessions, whilst still of relevance to 26% of the sector respondents, were no longer the preferred method of delivery. The high positive score in the survey for online support (26%) and mentorship and coaching (34%) – especially as these are not currently the dominant delivery mechanisms – suggests a change in priority for users (reflecting relative time poverty, or perhaps a better valuing of learner time).

Paying for support

A second change, reflected in the survey was an increased willingness to pay for a useful service. This offers the basis for the development of new models of support, perhaps reflecting the split evidenced in this survey of free development support and paid-for specialist support. One inevitable finding, with potential implications for the future of the delivery infrastructure, was the range of caveats to any request for payment. There is a genuine issue of ability to pay for provision of support. In the context of “marginal cost” contracting for services, particularly in the Education and Training sector, there is no capacity to create the surpluses necessary to fund the consequences of structural change. The relatively poor understanding of “full cost recovery”, by public funding and contracting agencies and the environment of competition for contracts in the sector, the future for development support, without new models of public funding, is bleak.

4.0 CONCLUSIONS

Much of the perceived unmet need in the sector derives from the increased complexity brought about by rapid change from a patronage model to a business model and from a single charitable body to an organisation and with perhaps multiple trading arms.

Pressures in the sector are definitely changing the nature of demand, as well as sharpening existing demand – but on balance provision is not changing accordingly.

Support providers are struggling to survive rather than stepping-up provision or investigating new delivery models.

Support is needed in 2 forms:

- Development or business support, longer term and linked to the development of the Social enterprises and trading VCOs
- Specialist support to address immediate needs emerging from critical change in the sector

There is willingness, even enthusiasm, to adopt new models of support such as peer-to-peer support and cluster based support, but the funding, development and delivery of such models remain unknown.

Appropriateness of support is absolutely key. Support must be:

1. Timely
2. Flexible rather than programme-driven
3. Customised development solutions not pre-packaged training
4. Reflective of individual circumstances
5. Practical
6. Responding to critical change/pressure
7. Reflecting change in the sector

Much of the knowledge required to address skills and knowledge needs exists in the sector. The key issue is how to unlock it without diverting experienced CEOs from the work of their organisation. If there is to be a new model of support there will need to be solutions found to:

- How it is provided and by whom
- How it is invested in and supported/encouraged
- How to avoid it becoming a burden to those providing it and distracting them from their own business

Womens Social Enterprise

The West Midlands has the lowest percentage of women setting up Social Enterprises. This sets a particular challenge for support and training services to build this essential sector for future sustainability.

New Growth Sector Support

The challenge to the business support sector is not only to respond to current unmet needs but also to recognise the demands of the new and emerging sectors in which Social Enterprises and trading VCOs will be operating. Development support must recognise this change and develop services to meet the needs of new groupings of organisations

4.1 Recommendations

The challenge for the training and support sector, as outlined in the conclusions, is to deliver 'Just in Time' support (in a range of forms) rather than programmed "off the shelf" training and support.

To address the overall need for support and reflecting the existing skills and knowledge, there is an opportunity to establish a sectoral or cluster based support mechanism, of experts both from within the sector and external specialists. This could be funded through a "trust" or "Hospital Saturday Fund" type mechanism. The scope for such a mechanism is clear but the approach to achieving a successful model is less obvious. This study recommends analysis of the approach and financial model that, for example, the "Benenden Health Trust" offers for Healthcare support.

There is a huge gap in financial awareness in the sector and a timely opportunity to align finance with increasing trading. This suggests an identifiable opportunity to establish a neutral brokerage for financing, linked to awareness campaigns (but not linked to specific funding mechanisms)

To strengthen the marketing of the sector, in addition to marketing individual organisations, there could be a universal branding developed for SEs selling goods/services. This could be something easily recognisable by the buying public, in the style of the "fair-trade" logo, "this [product or service] you are buying actively supports businesses with a social mission or purpose"

The low start-up of women and BME led social enterprises is a particular challenge for the West Midlands and particularly Birmingham and Solihull. The opportunity exists to develop targeted support mechanisms and specialist funding/financial vehicles to enable the growth of this crucial element of the sector. This is particularly an issue for the current support planning period as many of the trading VCOs emerging in the social care and advice sector are led by Women and BME members.

APPENDIX

Appendix 1

Data from the survey (of 50 respondents) included:

Existing Support	
Is your organisation aware of any existing support agencies for your region?	**Responses**
Yes	**36**
No	**7**
If yes which ones	iSE **(12)** BVSC **(10)** Co-Enterprise **(8),** Business Link **(10),** Chamber of Commerce/Birmingham Chamber **(10)** WMEN **(3),** Local Authority **(4)** LSC **(2),** **1 each of:** MOST (IT), DA, BC, DTA, Connexions, Local Development Agencies, ESF, B'ham vol orgs, Rathbone, Pelcome, 2c, Age concern, Citizens Advice Bureau, Rethink, Local Authority, PDC, St Paul's Development, DTA West Midlands,

Accessing Support

Does your organisation already access any of these support agencies	
Yes	**30**
No	**9**
If yes which ones	
Business Links	**21**
Chambers of Commerce	**19**
Local Authority	**19**
i'SE/PDC	**9**
Bank Manager	**7**
Citizens Advice Bureau	**5**
Co-enterprise	**4**
BVSC	**3**
Enterprise Agencies	**2**
Solicitor	**2**
Small Business Support Service (SBS)	**1**
Parent Company	**0**
E-Start Programme	**0**
Other **(1 each of)**	Enta, North Area Development Agency, DTA West Midlands, LSC, ART, WMEN, Chamber of Commerce, BME, Early Learning Partnership, FSB, AWM, National Youth Assoc, CBC, BCUDA, Business in Community
How would you rate the support you have received?	
Good	**22**
Average	**8**
Poor	**1**
Type of delivery required in providing support.	
Half-day Training Sessions	**27**
Full-day Training Sessions	**14**
Series of days	**3**
Online support	**13**
Mentorship/Coaching	**17**
Information Packs	**8**
Other (Please specify)	One to one advice, One to One sessions, Consortia Working Group (Self Help), In-house training, short practical implementation (as employee) 1-3 months, on site training
If training & support opportunities were available to you would you be prepared to pay for them	
Yes	**30**, dependent on cost, could not afford to pay for anything at the moment, would expect to pay for ongoing support (small amount), small fee only, small charge, if affordable, dependant on cost (3), if funding can be found, value for money, if money available, Depending on training budget.
No	**12,** People expect free services from us thus restricting resources available for training, Cannot afford to pay.

Unmet Needs Summary

Training & support needs	Responses (Numbers)
Business Planning	**20**
Marketing	**35**
Policies & Procedures	**21**
Legal Structures	**20**
IT	**23**
Service delivery	**11**
Procurement Readiness	**24**
Clustering & Partnership Working	**21**
Forming Consortia Bids	**19**
Finding & Engaging with Customers	**16**
Negotiating Contracts	**23**
Internet Strategy / E-Commerce	**13**
Financial Monitoring Systems	**13**
Customer Relations	**14**
The Tendering & Evaluation Process	**19**
Quality Assurance	**22**
Generating New Business	**25**
Completing Tenders	**21**
Financial Support Opportunities (Grants / Loans etc)	**25**
Recruitment	**9**
Personnel Procedures	**11**
Appraisal & Review	**6**
Supportive Workplace	**3**
Other training needs identified below	
High Level Management Support	
Starting a Social enterprise - what we need to do?	
Strategic Planning with large purchasing partners (customers)	
Practical Workshops	
In-house training linked to staff meetings	
Environmental Management Systems	
Management Committee's / Board Structure	
Strategic Planning	
Future Business Planning	
Workforce Development	
Governance Board member Recruitment	
Specialist – Psychology of clients	
Benchmarking – Business Model	
Local Government Structure	
New DDA	
Practical Workshops	
In-house training linked to staff meetings • Management Committees / Board Structure/ Board Recruitment / Governance. • Strategic Planning / Future Planning • Workforce Development / Mentoring / Professional Development support / High level Management support • Managing change / Delivering Change / Change as a result of legislation / Alignment of required outcomes with activities • Equal Opps / Managing Diversity / The "New" DDA laws. • Benchmarking. • Implications / Opportunities for SEs and trading VCOs from Local Government Devolution	

Appendix 2

Women and Social Enterprise – the national picture

For the UK as a whole, women are more likely than men to be involved with a socially orientated start-up 5.8% of women compared to 4.9% of men. (Global Entrepreneurship Monitor Focus on Social Entrepreneurs, GEM 2004).

In four of the UK regions women are more likely than men to be setting up a socially orientated venture or activity – the East Midlands, London, the North East and the South East. (Global Entrepreneurship Monitor, GEM 2004). The West Midlands, in contrast, has the lowest percentage of women setting up Social Enterprises. This sets a particular challenge for support and training services to build this essential sector for future sustainability.

Women run a third of the enterprises registered with the Social Enterprise Coalition (SEC). The marriage of what have traditionally been thought of as 'female' attributes, empathy, networking, collaboration, with the so-called 'male' values of the business world is clearing the way for many women and individuals from black and minority ethnic backgrounds to showcase their entrepreneurialism, according to Claire Dove, Chief Executive of Liverpool's Blackburne House, which runs training and business set-ups for women and is an SEC member.

"Because social enterprise is less male-dominated and its holistic ethos is totally different from business, women and people from BME communities are more likely to get involved," says Dove.

Black and Minority Ethnic Women

The predominant source of start-up finance for many ethnic groups is friends and family. The figures are 'other Asian' 53.4%, Pakistani 93%, Black African 52.6% and Black Other 52.9%. The predominant source of finance for White people is bank overdraft (29.3%) as it is for Black Caribbean people (38.8%) (Global Entrepreneurship Monitor, GEM, Jan 2004).

Total Entrepreneurial Activity (TEA) for white females is 3.6% and is two and a half times higher amongst women from mixed backgrounds (10.2%), for Bangladeshi women it is (10.9%), Other Asians (10.3%) and Black Caribbeans (10.5%). The most entrepreneurial female grouping is that of 'other Black' at (29.9%) of all women. (Global Entrepreneurship Monitor, GEM, Jan 2004).

Black women are most likely to feel that ethnicity has strong impact on business (80%), compared to Chinese women (46%) and Asian women (46%). (Ethnic Minority Business Conference 2005).

25% of ethnic minority owned businesses report a lack of self-confidence with finance, which is above the average level (16%). (Dr Stuart Fraser, Finance for Small and Medium-Sized Enterprises, 2005).