Mapping the Social Business Sector in Wales

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Executive Summary

Introduction

Social businesses are becoming increasingly important in policy circles. They are seen as a means of rebalancing economic thinking by shifting away from the emphasis on profit maximisation towards benefiting the communities they reside within. Social businesses are a key component of Welsh Government’s ambition of creating ‘inclusive growth’ which considers both the size and performance of an economy coupled with the distribution of its benefits.

This report presents the findings of the Social Business Sector in Wales – 2018 Census as the definitive account of social business activity in Wales. It follows similar exercises undertaken in 2016 and 2014 with the aim of providing an up-to-date outline of the state of the sector; including its size, composition and contribution to the Welsh economy and how it has changed in the last two years.
Key Findings

Composition of the Sector

• The research has identified 2,022 social businesses in Wales. This is 324 additional businesses (19%) to that identified in 2016

• There is an estimated 55,000 people employed in the sector, representing 36% more than the 40,800 identified in 2016

• The total value of the sector is estimated at £3.18 billion, which is a 34% increase on estimations in 2016 (partly due to the methodological approach)

• 11% of social businesses have been established in the last two years

• There is an increasing maturity within the sector with 28% established for more than 20 years, up from 26% in 2016 and 23% in 2014

• Geographic data reveals a concentration of social businesses in the most deprived areas

• Start-up activity appears to be primarily situated in more prosperous areas

• 15% of social businesses can be classified as a ‘supported business’

• There is a high level of gender diversity in businesses’ leadership teams, with 92% of businesses surveyed having at least one woman in their management team as opposed to 89% across the rest of the UK

• Members of leadership teams in Wales are typically older than elsewhere in the UK, with 27% aged over 65 compared to 11% across the UK

• Social businesses operate in a multitude of sectors and primarily include arts / entertainment / recreation, health and care, education, and Community Centre / Social Space / Youth Club services. Most of which contribute to the Foundational Economy within Welsh communities.

• Despite only accounting for 6% of all businesses, the ‘property’ sector group (which includes Registered Social Landlords) accounts for 52% of the turnover generated by the sector (excluding turnover data for Glas Cymru).
Business and Trading Performance

- Matched data demonstrates there has been growth in employment over the last two years (by 0.5 on average, per business) along with a slightly more significant growth in turnover
- There is a clear trend towards businesses generating more and more of their income from trade (the % reporting >75% generated through trade increased from 41% in 2014 to 56% in 2018)
- Businesses are reporting a greater diversity of income sources than previously, suggesting a broadening of businesses’ trading activity
- Trading with the general public has cemented itself as the primary source of income over the last four years, where public sector grants were the primary source in 2014
- There is growing trading activity with markets outside of Wales with an increase in the proportion reporting that they trade in other areas of the UK and export
- 73% promote their social business status while marketing
- 85% have a corporate social media account (primarily Facebook followed by Twitter)
- The main business strengths are in financial and people management, while businesses feel least proficient in accessing procurement opportunities, accessing finance opportunities and marketing
- Access to external finance continues to be important with 60% attempting to do so in 2018 and with a clear preference for grants over loans
- Grant making trusts are becoming an increasingly prevalent source of finance while there is a continued trend away from applying to Local Authorities, potentially reflecting the reduction in the availability of public sector funding
- The vast majority of businesses continue to attract new customers and most are developing new products/services, illustrating the innovative nature of the sector.

Social Value and Impacts

- Improving a particular community remains the primary objective for social businesses, although slightly fewer report this than when surveyed in 2016
- More businesses report that their mission is to support vulnerable people and improving health and well-being
- Far fewer businesses operate to create employment opportunities when compared to 2014, reflecting the buoyancy of the current labour market
- 86% social businesses provide volunteering opportunities (up from 83% in 2016 and 78% in 2014), however the average number of volunteer opportunities provided per business is down on previous years, again perhaps reflecting the buoyancy of the labour market. However, there are still an estimated 58,000 volunteers within the social business sector in Wales.
- There are clear synergies between businesses’ social objectives and the well-being goals in the Well-Being of Future Generations Act
- The vast majority of businesses reinvest their profits into their business, with around a quarter investing it in their community or social/environmental objective(s)
- 76% of social businesses pay the Living Wage to all their staff
- 57% of respondents’ workforce live within 10 miles of their offices
- 17% of new staff were unemployed immediately before taking up the post
- 28% employ people on short-term work placements, while the practice of using freelancers has increased (up to 37% from 30% in 2016)
Challenges, Prospects and Support Needs

- Obtaining finance was again cited as the main barrier, primarily due to the lack of grant funding available, followed by a lack of capacity to apply for finance and a lack of awareness regarding where to access finance.
- More broadly, a lack of resource was the second most commonly identified barrier, and this is up from previous surveys. The average number of people employed has grown only marginally over the last two years, outpaced by the growth in turnover, leading to businesses becoming more stretched.
- The economic climate remains a significant issue along with cash flow issue.
- Only 5% perceive public procurement to be one of their four main barriers, however further questioning reveals that only half believe they have a good understanding of the process and only 42% believe they possess good tendering expertise.
- Separately, Brexit was identified as having impacted or expected to impact 50% of businesses with 94% of those reporting this to be a negative impact.
- The main concerns related to the loss of EU funding, with many businesses stating that some of their activities are funded this way and there was uncertainty regarding whether anything would replace these funds.
- The aging profile of leadership teams within the sector is likely to present a further challenge to businesses with many citing succession issues.
- The main skills gaps were found to be in marketing (particularly digital) followed by business management and strategy (e.g. governance and business development) along with finance/accounting.
- Some of the main support needs identified include specialist financial advice, funding, marketing advice and mentoring.
- Business confidence is high despite these challenges, with most expecting turnover and profit to increase through a continuation of attracting new customers and innovation.
Conclusion

The social business sector is increasingly important to Wales, offering jobs in geographical areas where need is highest and in sectors that act as the foundation to Welsh communities and economies. Confidence is high within the sector with the vast majority of social businesses expecting to experience growth over the coming two to three years despite facing unique external challenges.

Challenges identified within this research do have the potential to pose a risk to the continued growth and sustainability of the sector. Measures to address the issues around ageing leadership, access to suitable funding options and capacity issues will need to be designed and implemented in order to secure the long-term health of the sector.

The research demonstrates that the social business sector is a varied and innovative sector, which offers enhanced economic, environmental and social value to our country and as such makes an important contribution to Wales’ efforts to achieve its goals for future generations. These findings should inform the emerging strategy that is currently being developed for the sector to enable it to capitalise on opportunities and minimise barriers. It is a sector that, with support that targets start-ups, growth and sustainability, can continue to grow and make a positive contribution as we navigate through the impact of the Brexit process.
1. Introduction

1.1 Aims of the Research

The Wales Cooperative Centre (hereby referred to as the Centre), as the leading body in Wales supporting social businesses, commissioned Wavehill via its Welsh Government and ERDF funded operation Social Business Wales, to undertake the latest biennial census of the social business sector in Wales. This research, which commenced in autumn 2018, follows similar exercises undertaken in 2016 and 2014 with the aim of providing an up-to-date outline of the state of the sector; including its size, composition and contribution to the Welsh economy and how it has changed in the last two years.

The research is also designed to provide an outline of current sector performance, challenges and support needs, as a basis for informing the development of policy and future support activity by the Centre and other organisations. Findings are intended to help the Centre, Welsh Government and other bodies gain the appropriate insight and understanding of what the next steps are for this growing movement at a critical time in its development.

This report presents the findings of the Social Business Sector in Wales – 2018 Census as the definitive account of social business activity in Wales. It is important to note that the research focusses on social businesses that are headquartered in Wales rather than all social businesses operating in the country.

1.2 Structure of the Report

The report is organised as follows:

- **Chapter 2** provides the background and context to the research, including defining the sector and detailing the policy context

- **Chapter 3** describes the research methodology

- **Chapters 4** to 7 presents the research findings including;
  - Chapter 4 outlines the composition of the sector
  - Chapter 5 provides an assessment of trading patterns and business performance
  - Chapter 6 analyses the social value and impacts generated by businesses
  - Chapter 7 discusses the challenges and support needs reported by businesses along with their prospects for growth

- **Chapter 8** concludes the report with the headline findings on sector-wide contribution to the Welsh economy, along with the main challenges and opportunities within the sector.
2. Background and Policy Context

2.1 Definition

‘Social businesses’ is an umbrella term that describes organisations operating within the social economy, which could include social enterprises, co-operatives, mutuals and employee owned businesses. A detailed description of what each of these terms means is set out in Table 2.1 below:

<table>
<thead>
<tr>
<th>Organisation type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mutual / Co-operative</td>
<td>A mutual / co-operative is an organisation owned by, and run for, the benefit of their current and future members.</td>
</tr>
</tbody>
</table>
| Social Enterprise                  | 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. They have three key characteristics:  
  • 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          | The Employee Ownership Association describes employee-owned businesses as businesses that are totally or significantly owned by their employees. Employee ownership can take one of three forms:  
  • Direct employee ownership – using one or more tax-advantaged share plans, employees become registered as individual shareholders owning 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 |
2.2 The Concept

Although social businesses have existed in one shape or another for hundreds of years, the concept has only relatively recently gained traction by policymakers. Increasingly, social businesses are seen as a means to rebalance economic thinking by shifting away from the emphasis on profit maximisation towards using businesses as a means of delivering public good and benefitting the communities they reside within.

2.2.1 The role of social businesses in developing an inclusive economy

The Social Enterprise Strategy for Wales (2005) outlined a vision of ‘dynamic and sustainable social enterprises strengthening an inclusive and growing economy’ and social businesses, by now, are seen as a key mechanism towards developing an ‘inclusive economy.’ The Creating an inclusive economy in Wales report published by the Centre in collaboration with the Bevan Foundation in 2018 addresses the concept of an inclusive economy. Essentially, it argues that the inclusive economy and inclusive growth concept are about two key elements, the size and performance of an economy coupled with the distribution of its benefits.

In terms of what an inclusive Welsh economy would look like, the report argues that two of the four characteristics involves an economy composed of ‘inclusive businesses’ and with ‘decent work for all.’ Inclusive businesses share similar characteristics to social businesses with a diversity of entrepreneurs, they are embedded in their communities and are responsible by being committed to improving their area through their actions.

The report goes on to outline six steps to develop an inclusive economy and one of which involves growing the social business sector. The report argues that developing the sector can boost inclusion in three broad ways:

1. Social businesses help to diversify and build the resilience of local economies and crucially they help to retain money and wealth
2. Social businesses help to create jobs within communities, typically strengthening the skills of their workers and often creating opportunities for people who would otherwise find it difficult to secure work
3. Social businesses have been found to contribute to wider economic and institutional change, for example demonstrating responsible business practice particularly in respect of employee pay and conditions.

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2 Wales Co-operative Centre, ‘Creating an inclusive economy in Wales,’ April 2018
3 Other related steps include: Step 1 – Developing the Foundational Economy, Step 4 - Establishing a fresh and more strategic approach to procurement, Step 5 – Connecting people to jobs and Step 6 - Including citizens’ voices in new regional economic structures
2.2.2 Contribution towards the foundational economy

The term ‘foundational economy’ was first coined by a group of researchers at the Centre for Research on Socio-Cultural Change in 2013 which defined it in the following way:

“*What we will call the foundational economy is that part of the economy that creates and distributes goods and services consumed by all (regardless of income and status) because they support everyday life.*”

Since then, the term has been increasingly used in discussions around the Welsh economy and, according to the Institute of Welsh Affairs, ‘is clearly a concept that has significant currency in both academic and policy circles in Wales, as exemplified by the debate held on this very topic in the Senedd in March 2017.’

Essentially, the concept refers to the part of the economy that remains after activities are stripped away leaving just the bare bones of an economy. Although it is difficult to have a clear definition along sector lines, it is often said to include the following:

- Utilities
- Retail
- Transport networks and services
- Telecommunications
- Health, education and welfare / social care.

As we will discuss later in the report, social businesses typically deliver these core services and are therefore an important contributor towards the foundational economy.

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1 Institute of Welsh Affairs, ‘What is the ‘foundational economy?’; February 11, 2019
2.3 Developing the Sector in Wales

2.3.1 Policy development

Wales has followed a similar trajectory to many other European countries with the original Social Enterprise Strategy for Wales published in 2005. The central thrust of the strategy was to create a ‘thriving social enterprise sector in Wales’ by encouraging the development of new social enterprises and providing integrated support for the sector.

Since then the policy context has evolved considerably along with the ambition for the sector. The 2009 Social Enterprise Action Plan identified ‘accelerating the number, scale and the impact of social enterprises in Wales...’ as a key priority and sought to make social enterprise more visible, supporting an increasing pace of growth via support of all kinds and reducing barriers related to procurement, assets and finance. The current core Welsh Government strategy paper Prosperity for All (2017) and its accompanying economic action plan puts inclusive growth front and centre. The Plan talks about achieving growth, not for growth’s sake, but for a purpose which is to improve wealth and well-being and reducing inequalities through a fairer distribution of the benefits of economic growth. As discussed above, social businesses are a key component of delivering that ambition.

Social businesses have an important role to play in the ambition to create ‘better jobs, closer to home’ which is a key pillar of Welsh Government’s policy framework Taking Wales Forward. The campaign for ‘better jobs, closer to home’ was initiated by the Wales Trades Union Congress in 2015 as a means to utilise public procurement (including reserved contracts) to create jobs in areas of high employment need. It was one of the central priorities identified by the then First Minister when forming the Welsh Government in 2016 and social businesses are seen as the main vehicle to deliver it. Indeed, there have been four subsequent pilot projects to test the concept, each one delivered through a new or existing social business.

The Wales Co-operative and Mutuals Commission Report (2013) is perhaps the most contemporary paper to set out a strategy for the sector. The report concludes that the conventional approaches to economic growth are not sufficient and that social businesses, such as co-operatives and mutuals, ‘offer significant economic, social and environmental benefits compared with ordinary businesses. Their development must be central to transforming Wales’ economic fortunes... Wales needs a step-change in the number, performance and impact of co-operatives, mutuals and other socially-owned businesses if the economy is to be transformed.

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3 Welsh Government, ‘Prosperity for All: economic action plan,’ 2017
2.3.2 Support for social businesses

Against the backdrop of this policy development, a number of steps have been taken to actively support and attempt to grow the sector. This has included funding and business development support provided by the Centre along with other support agencies and legislative changes in procurement regulations\(^1\) which have created conditions that could be favourable to the sector.

**Business development support**

As a further demonstration of the increasing value placed on social businesses in Wales, a flagship £11m programme was launched in July 2015. The Social Business Wales service, delivered by the Wales Co-operative Centre, was established to deliver specialist support to social businesses with growth ambitions.

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\(^1\) These regulations include Regulations 20 and 77 of ‘The Public Contracts Regulations 2015’, the ‘Social Services and Well-being (Wales) Act 2014’ and the ‘Well-being of Future Generations (Wales) Act 2015’
Procurement

In addition to growing the social business sector, one of the other steps identified in the Creating an Inclusive Economy in Wales report concerned making the most of procurement. The report states that procurement, and especially public procurement, can play a key role in increasing economic inclusion by securing maximum value from expenditure through both voluntary and contractual ‘community benefits’ (these could include creation of apprenticeships, development of links with local suppliers, or support for local environmental schemes).

There have been important policy developments in Wales in this area recently which could prove to be significant in the development of the social business sector. In June 2015 the then-Minister for Finance and Government Business announced the Wales Procurement Policy Statement, which includes several principles of particular relevance to social businesses (it is worth noting this is the latest statement but is likely to be updated by the Welsh Government).

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.

Finally, Principle Five ensures that public sector contract opportunities are open to all suppliers by prohibiting smaller, local suppliers from being excluded.

The Social Services and Well-being (Wales) Act 2014 provides greater opportunities for social businesses in the provision of social services. Part 2, Section 16 of the Act requires: ‘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 for service delivery.

Around the same time, the Well-being of Future Generations (Wales) Act (WBFGA) was announced in 2015 and represents a key piece of legislation that will have a significant impact on the sector. It creates a legal obligation for public bodies to improve the social, cultural, environmental and economic well-being of the areas that they serve. It is underpinned by the sustainable development principle and the ‘five ways of working’ along with ‘seven well-being goals.’ Any organisations delivering work for these public bodies must show that they work in accordance with these principles and goals. This creates a favourable environment for social businesses as there is a clear, natural fit between the social purpose of businesses within the sector and the purpose of this Act.
2.3.3 Establishing the value of the sector

Before looking to help the sector grow and develop, policymakers must first understand what the sector looks like. Accordingly, the type of census activity undertaken for this report has been commonplace throughout Europe for a number of years. The first mapping exercise in Wales was commissioned in 2008 in order to baseline social enterprise activity across the country by developing an understanding of the size, scope, nature, health and role of social enterprises in Wales. Further mapping exercises have been undertaken in 2014, 2016 and most recently in 2018 (presented in this report) to capture additional insights and track the development of the sector. Similar mapping exercises have occurred across Europe over the last decade. Closer to home, there have been several exercises conducted at a UK and Scottish level, including State of Social Enterprise reports produced by Social Enterprise UK (SEUK) in 2011, 2013, 2015 and 2017 and the Social Enterprise in Scotland Census produced in 2015 and 2017. These exercises form an important part of the strategies towards promoting the social business sector in various authorities throughout Europe.
3 Methodology

The study followed a broadly similar approach to the previous exercise conducted in 2016, entailing an initial data gathering exercise to establish the size of the sector and to collate contact information, before conducting a two-pronged survey exercise. However, there were some notable differences to the methodology, as will be discussed below.

3.1 Data Gathering
3.1.1 Outline of the process

In identifying the size of the sector, Wavehill were initially provided with a list of 1,698 active organisations identified in the 2016 mapping exercise. These were combined with more than 20 additional datasets containing social businesses which were received from the Centre and from various partners and online directories. This resulted in the compilation of 3,462 records from the first stage of the data gathering exercise. All records were subsequently reviewed through an initial data matching and de-deduplication process, resulting in 2,449 organisations from the original list and new contacts (Step 2). 427 of these organisations were discarded from the final list during the surveying (Step 3) and database development (Step 4), either as no longer trading, ineligible (e.g. by being headquartered outside of Wales), further duplicates, or not operating as a social business. This four-step process resulted in the final identification of 2,022 social businesses in Wales.

Figure 3.1: Data collection process
3.1.2 Changes to the process

At the beginning of the last three mapping exercises in Wales (from 2014 to 2018) Wavehill has worked closely with the Wales Co-operative Centre to identify potential sources of social business contacts. Whilst the process has drawn from similar sources in each year, some additional sources of information have been identified as the process has evolved. It should be noted that the Community Interest Company (CIC) Register on Companies House was used for the first time in 2018 and this contributed 280 new contacts by Step 2 of the process outlined above. This is an important consideration when comparing the relative size of the sector as identified in this study with previous exercises.
3.2 Survey

3.2.1 Outline of the process

Having established a contact list through the data gathering exercise, a two-stage telephone survey was then undertaken. The first survey included a short set of questions (see Annex 1) focussing on establishing the scale and scope of the respondent organisations to inform the assessment of the scale of the sector (e.g. employees, turnover, type of organisation etc.). All business were contacted up to five times until an outcome was reached (e.g. completing the survey, opting out, not contactable etc.) with 7,490 calls made in total. This resulted in 699 unique survey responses which equates to 35% of the identified sector and gives a confidence level of 95% (+/- 3%).

Upon completion of the initial survey each respondent was asked whether they would be willing to complete a follow-up set of questions which covered areas such as further trading information, business performance and capabilities, social purpose, and challenges, prospects and support needs (see Annex 2). Sixty-five per cent (456 respondents) proceeded to complete the follow-up survey, resulting in another high confidence level of 95% (+/- 4%).

3.2.2 Changes to the process

Before initiating the surveying work, Wavehill and the Centre undertook a thorough review of the survey questions used during the 2016 mapping exercise in order to identify areas for improvement. As a general principle, we retained as many of the questions as possible in order to secure comparability and thus allowing for an analysis of how the sector has changed and progressed since 2016. However, there were some minor refinements in order to build on the learning gained from the 2016 exercise to create an enhanced survey. For example, the wording on the turnover question was adjusted and resulted in getting precise turnover estimates from 60% of respondents (with 40% providing banding estimates) which is up from 30% providing this precise data in 2016. These changes served to increase the robustness of the data and survey findings.

Additionally, several new questions were added to reflect current themes and capture insights on areas of particular interest to the Centre. For example, with the increasing importance of public procurement (as outlined in the previous Chapter), further questions were asked to explore perceptions of those opportunities amongst social businesses. Further, new questions were asked to test some of the themes emerging from previous exercises (e.g. difficulties in accessing finance) and views on current topics such as the potential challenges caused by Brexit. The Centre were also interested in understanding more about the social value generated by these businesses e.g. through paying the living wage, employing those who are furthest away from the labour market etc. and new questions were added to gain insights covering those themes.
3.3 Analysis

All survey data was subsequently analysed with top-line findings presented in the remainder of this report. In addition, these data are contextualised throughout the report through benchmarking against previous exercises, with the general business population in Wales, and with the social business sector in other parts of the UK.

3.3.1 Trend analysis

Wherever possible, the report presents trend analysis in order to demonstrate how the sector has changed since these exercises have been conducted. The state of the sector in 2018 is compared against findings from the 2016 and 2014 survey on two levels, we first compare the overall samples in each year and secondly a panel approach by comparing a matched sample (i.e. the exact same businesses who completed the survey in 2014, 2016 and 2018). The panel approach used 120 businesses who had completed the survey in each year, it increases the robustness of the analysis by ensuring that the trends analysed are based on actual (real) changes over time, complementing the broader comparison which is based on ‘statistical artefacts’ (i.e. estimations based on probabilities through the non-matched samples).

3.3.2 Benchmarking

Additional data were reviewed to aid the benchmarking of findings, including generic business surveys such as the Small Business Survey (SBS) and Inter-Departmental Business Register (IDBR), along with the latest survey conducted by SEUK and the latest Social Enterprise in Scotland Census (both of which were conducted in 2017). Where appropriate, these data have been compared against feedback from Welsh social businesses in order to identify the relative size, scope, and health of the sector in Wales.
4 Composition of the Sector

This section describes the makeup of the social business sector in Wales, including the size of the sector, where these businesses are typically based, how well-established they are, how they are governed, the type of sectors operated in and other characteristics.

Section summary

- The research has identified 2,022 social businesses in Wales. This is 324 additional businesses (19%) to that identified in 2016
- There is an estimated 55,000 people employed in the sector, representing 36% more than the 40,800 identified in 2016
- The total value of the sector is estimated at £3.18 billion, which is a 34% increase on estimations in 2016 (partly due to the methodological approach)
- 11% of social businesses have been established in the last two years and the data suggests an increase in social business start-up activity
- There is also an increasing maturity within the sector with 28% established for more than 20 years, up from 26% in 2016 and 23% in 2014
- Geographic data reveals a concentration of social businesses in the most deprived areas
- Start-up activity, however, appears to be primarily situated in more prosperous areas
- 15% of social businesses can be classified as a ‘supported business’
- Fewer social businesses are operating on a membership basis when compared to 2016 (36% in 2018 vs 47% in 2016)
- There is a high level of gender diversity in businesses’ leadership teams, with 92% of businesses surveyed having at least one woman in their management team as opposed to 89% across the rest of the UK
- Members of leadership teams in Wales are typically older than elsewhere in the UK, with 27% aged over 65 compared to 11% across the UK
- Social businesses operate in a multitude of sectors and primarily include arts / entertainment / recreation, health and care, education, and Community Centre / Social Space / Youth Club services. Most of which contribute to the Foundational Economy within Welsh communities
- Despite only accounting for 6% of all businesses, the ‘property’ sector group (which includes Registered Social Landlords) accounts for 52% of the turnover generated by the sector (excluding turnover data for Glas Cymru).
4.1 Size of the Sector

As described in the previous section, this study has identified 2,022 social businesses in Wales, which is 19% more (or an additional 324 businesses) to that identified in 2016. It should not be assumed that these figures represent actual growth in the sector, as this may partly reflect the identification of businesses that existed in 2016 but were not captured at the time. As explained in section 3.1.2, many businesses were identified from the CIC Register which was not reviewed in 2016. Nevertheless, the data does suggest substantial growth in the sector and a continuation of the growth trajectory from the 2014 exercise, where only 1,470 social businesses had been identified. Since 2014, the number of social businesses identified within Wales has increased by 38%, suggesting that this is a growing movement with the political and economic support for the movement bearing fruit.

Figure 4.1: Number of social businesses identified in Wales

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1,470</td>
</tr>
<tr>
<td>2016</td>
<td>1,698</td>
</tr>
<tr>
<td>2018</td>
<td>2,022</td>
</tr>
</tbody>
</table>

Source: Wavehill analysis from the collation of datasets shared by various partners and online directories

The data suggests that social businesses makeup an increasing proportion of the overall business stock in Wales. In 2014, social businesses accounted for 1.6% of all businesses, by 2016 this had increased to 1.7% and in 2018 stands at 2%.¹

4.2 Age

Data on the age of social businesses provides further indication of growth within the sector, with 11% registered within the last two years at the time of being surveyed. Furthermore, 32% of organisations had been established in the last five years, in comparison to 29% reporting the same in 2016, suggesting an increasing growth in social start-ups. By way of comparison, according to the 2017 Small Business Survey, only 12% of employer SMEs and 8% of non-employer SMEs in Wales were less than five years old. This shows high levels of start-ups and entrepreneurial activity within the sector.

Paradoxically, the data also shows that there is an increasing maturity within the sector, with 28% established for more than 20 years, up from 26% in 2016 and 23% in 2014. Unsurprisingly, and despite this increasing maturity, the sector has a long way to go before catching up with the maturity of the business community as a whole, where 46% of employer SMEs and 44% non-employer SMEs had been established for more than 20 years in Wales (as reported in 2017).

It is clear from this data that both high levels of entrepreneurship remain whilst a maturing of the sector continues.

¹ These percentages are calculated by dividing the social business figures in each year with the total number of enterprises reported in Wales by the IDBR (90,205 in 2014, 99,860 in 2016 and 103,530 in 2018).
Figure 4.2: Age of social businesses

- More than 20 years
- 11 to 20 years
- 6 to 10 years
- 4 to 5 years
- 3 years
- 2 years
- 1 year
- Less than a year

Base: All survey respondents (n=697)

4.3 Geographic Coverage

Figure 4.3 shows that the highest concentration of social businesses by local authorities (LAs) typically follow the same pattern as the highest proportion of businesses in general. LAs such as Cardiff, Carmarthenshire, Rhondda Cynon Taf (RCT) and Swansea have both the most social businesses and most businesses in general.

However, the chart also shows certain areas that contain an over-representation of social businesses which typically include the less prosperous LAs in Wales such as Merthyr Tydfil, RCT, Neath Port Talbot (NPT), and Carmarthenshire. Areas such as Powys, Monmouthshire, Flintshire and the Vale of Glamorgan have a significant under-representation of social businesses.
Figure 4.3: Percentage of all social businesses in Wales and all business stock in Wales by Local Authority

<table>
<thead>
<tr>
<th>Local Authority</th>
<th>Social businesses</th>
<th>All businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cardiff</td>
<td></td>
<td>12%</td>
</tr>
<tr>
<td>Carmarthenshire</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rhondda Cynon Taf</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Swansea</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gwynedd</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pembrokeshire</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Powys</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Caerphilly</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bridgend</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Neath Port Talbot</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conwy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ceredigion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Denbighshire</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Merthyr Tydfil</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flintshire</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wrexham</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Isle of Anglesey</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Newport</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Torfaen</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Blaenau Gwent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vale of Glamorgan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monmouthshire</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Base: All identified social businesses (n=2,022) and all business stock (103,530) in Wales

Figure 4.4 shows the percentage of social businesses in each LA as a proportion of all business stock and reconfirms the correlation between social businesses and the more deprived LAs. For example, whilst throughout the whole of Wales social businesses account for 2% of the business stock, in Merthyr Tydfil the sector accounts for 5.2% of all businesses.
The data also demonstrates the increasing prominence of social businesses within the Welsh business community, with the proportion of all businesses increasing from 1.7% in 2016 to 2% in 2018. The prevalence of social businesses has grown in most LAs and particularly in those starting from a lower base in 2016. For example, in Flintshire the contribution of social businesses to the overall business stock has more than doubled (from 0.6% in 2016 to 1.3% in 2018). Similarly, some of the other LAs starting from a lower base have seen significant increases in social business prevalence, including in Powys (0.8% to 1.3%), Conwy (1.1% to 1.7%), Ceredigion (1.1% to 1.8%), Denbighshire (1.4% to 2%), Cardiff (1.3% to 2%), and Pembrokeshire (1.2% to 2.2%). Meanwhile, on the other side of the scale, the prevalence of social businesses in Merthyr Tydfil has seen a slight decrease accounting for 5.2% of business stock in 2018 compared to 5.5% in 2016. This suggests that the growth in the sector over the last two years is largely attributed to the less traditional areas for social businesses who are catching up. Indeed, Table 4.1 suggests that the main LAs for social business start-ups in the past two years include Cardiff, Powys and Flintshire.
It should be noted however that there are many varied reasons for growth/decline in particular LAs, not least the work of particular support services. In Flintshire, for example, there has been a particularly proactive social enterprise development officer which may account for some of the growth. Conversely, the lower level of social businesses identified in Carmarthenshire, Neath Port Talbot and Swansea may reflect the end of the Collaborative Communities project in 2015 which promoted new start-ups in each of these areas.

**Table 4.1: All social businesses per Local Authority in 2016 and 2018**

<table>
<thead>
<tr>
<th>Local Authority</th>
<th>2016</th>
<th>2018</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cardiff</td>
<td>138</td>
<td>228</td>
<td>90</td>
</tr>
<tr>
<td>Pembrokeshire</td>
<td>69</td>
<td>121</td>
<td>52</td>
</tr>
<tr>
<td>Powys</td>
<td>69</td>
<td>110</td>
<td>41</td>
</tr>
<tr>
<td>Flintshire</td>
<td>28</td>
<td>65</td>
<td>37</td>
</tr>
<tr>
<td>Caerphilly</td>
<td>68</td>
<td>99</td>
<td>31</td>
</tr>
<tr>
<td>Ceredigion</td>
<td>42</td>
<td>71</td>
<td>29</td>
</tr>
<tr>
<td>Conwy</td>
<td>48</td>
<td>76</td>
<td>28</td>
</tr>
<tr>
<td>Gwynedd</td>
<td>100</td>
<td>127</td>
<td>27</td>
</tr>
<tr>
<td>Denbighshire</td>
<td>50</td>
<td>71</td>
<td>21</td>
</tr>
<tr>
<td>Rhondda Cynon Taf</td>
<td>142</td>
<td>162</td>
<td>20</td>
</tr>
<tr>
<td>Newport</td>
<td>32</td>
<td>51</td>
<td>19</td>
</tr>
<tr>
<td>Wrexham</td>
<td>47</td>
<td>62</td>
<td>15</td>
</tr>
<tr>
<td>Vale of Glamorgan</td>
<td>28</td>
<td>41</td>
<td>13</td>
</tr>
<tr>
<td>Bridgend</td>
<td>72</td>
<td>83</td>
<td>11</td>
</tr>
<tr>
<td>Anglesey</td>
<td>47</td>
<td>56</td>
<td>9</td>
</tr>
<tr>
<td>Monmouthshire</td>
<td>22</td>
<td>29</td>
<td>7</td>
</tr>
<tr>
<td>Torfaen</td>
<td>48</td>
<td>51</td>
<td>3</td>
</tr>
<tr>
<td>Blaenau Gwent</td>
<td>42</td>
<td>45</td>
<td>3</td>
</tr>
<tr>
<td>Merthyr Tydfil</td>
<td>66</td>
<td>67</td>
<td>1</td>
</tr>
<tr>
<td>Swansea</td>
<td>148</td>
<td>135</td>
<td>-13</td>
</tr>
<tr>
<td>Neath Port Talbot</td>
<td>93</td>
<td>79</td>
<td>-14</td>
</tr>
<tr>
<td>Carmarthenshire</td>
<td>202</td>
<td>174</td>
<td>-28</td>
</tr>
<tr>
<td><strong>Total identified</strong></td>
<td><strong>1601</strong></td>
<td><strong>2003</strong></td>
<td><strong>402</strong></td>
</tr>
</tbody>
</table>

Base: All identified social businesses with Local Authority indicated (n=1,601)
Table 4.1 does not provide a definitive assessment of start-ups as differences since 2016 is equally affected by dissolutions. Therefore, as a further test we extrapolate the location of start-ups (i.e. established in last two years) surveyed and compare to the overall survey data, see Figure 4.5 below. This confirms a pattern whereby the greater increase in start-up activity has emanated in the areas of Wales which are less renowned for social business activity. For example, 15% of start-ups are located in Cardiff compared to just 12% of all businesses surveyed and start-ups are similarly over-represented in Flintshire, Gwynedd, Ceredigion and the Vale of Glamorgan.

**Figure 4.5: Location of start-up social businesses against all social businesses surveyed**

[Bar chart showing the location of start-up social businesses against all social businesses surveyed in various regions of Wales.]

Base: All survey respondents (n=699) and all respondents established in the last two years (n=74)
The precise location of social businesses and areas of highest concentration are shown in Figure 4.6 overleaf, which 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 lighter the colour, the higher the levels of deprivation within an area. The mapping is based on 56% (1,123) of the businesses identified. This data is also presented in tabular form in Table 4.2.

Additionally, separated zoomed in maps are shown overleaf illustrating the distribution of social businesses in greater details. These are focussed on the three city deals / regional economies in Wales, namely:

- Capital City Region – Cardiff, RCT, Merthyr Tydfil, Blaenau Gwent, Caerphilly, Monmouthshire, Torfaen, Newport, Vale of Glamorgan, Bridgend
- Swansea Bay City Region – Swansea, NPT, Carmarthenshire and Pembrokeshire
- North Wales Economic Ambition Region – Anglesey, Gwynedd, Conwy, Denbighshire, Flintshire and Wrexham.

Figure 4.6: Location of social businesses against areas of deprivation – All Wales Map

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1 Some postcodes were incomplete, incorrect or unable to match against MSOA boundaries.
Figure 4.7: Location of social businesses – Capital City Region (red coloured area in Figure 4.6)

Figure 4.8: Location of social businesses – Swansea Bay City Region (purple coloured area in Figure 4.6)
Figure 4.9: Location of social businesses – North Wales Economic Ambition region (green coloured area in Figure 4.6)

Table 4.2: Location of social businesses by WIMD Quintile

<table>
<thead>
<tr>
<th>WIMD Quintile (1=most deprived, 5=least deprived)</th>
<th>No. of social businesses</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>241</td>
<td>21%</td>
</tr>
<tr>
<td>2</td>
<td>282</td>
<td>25%</td>
</tr>
<tr>
<td>3</td>
<td>269</td>
<td>24%</td>
</tr>
<tr>
<td>4</td>
<td>212</td>
<td>19%</td>
</tr>
<tr>
<td>5</td>
<td>119</td>
<td>11%</td>
</tr>
</tbody>
</table>

Base: All identified social businesses with matched postcodes (n=1,123)

These data provide further evidence that the greatest concentration of social businesses is found in the relatively deprived communities, 47% businesses are located in the 40% most deprived areas in Wales (as per WIMD data) and 71% are located in the top 60%. This follows a similar trend found in the 2017 SEUK survey which reported ‘the more deprived the area, the more likely it is that a social enterprise will be working there.’ However, the survey also found that this trend is decreasing which ‘seems to be powered by the wave of start-ups which are slightly less likely to be based in the most deprived areas.’ This is consistent with what we find in Wales, as reported above, where the growth in social businesses over the last two years is primarily in more affluent areas.

1 ‘SEUK, THE FUTURE OF BUSINESS – State of Social Enterprise Survey,’ 2017
4.4 Organisation Type

4.4.1. Overview

Respondents were asked to describe their business from a list of different types of social business, as described in sub-section 2.1.

**Figure 4.10: Type of social business**

![Bar chart showing the distribution of different types of social business in 2018 and 2016.](image-url)

- **Social Enterprise**: The most common type, with respondents in 2018 indicating a higher percentage compared to 2016.
- **Charity**: A significant portion, with a decrease from 2016 to 2018.
- **Mutual / Co-operative**: A smaller percentage, with a slight increase from 2016 to 2018.
- **Supported business**: A very small percentage, showing a slight increase.
- **Social Firm**: The smallest category, with a decrease from 2016 to 2018.
- **Other type of third sector body**: A very small percentage, showing a slight increase.

*Base: All survey respondents (n=699)*
4.4.2 Supported business status

Supported businesses are organisations 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. As mentioned earlier in the report, policy developments in procurement introduced ‘reserved contracts’ where Procurement Bodies are expected to identify areas of expenditure which can be reserved for supported businesses. As such, the Centre is interested in understanding how many organisations can be classified as a supported business and believe the figure may be higher than reported in previous mapping exercises.

Figure 4.10 shows that, when initially asked, only a very small minority (5%) describe their organisation as a supported business, similar to the levels reported in 2016 (4%). However, this was tested through further questioning in the follow-up survey, as it is thought that the definition of a supported business is more wide-ranging than the sector realises and thus there may be more businesses who fit the criteria than they realise. For example, there is a very broad definition of disadvantaged workers, including those who have not been in regular paid employment for the previous 6 months, or are between 15 and 24 years of age, or are over 50 years of age (see Annex 3 for a full definition of a supported business).

To be classified as a supported business, organisations must be able to demonstrate three things:

A. That at least 30% of their employees are disabled or disadvantaged
B. That their main aim is the social and professional integration of disabled or disadvantaged persons
C. That Point B is set out in their constitutional documents, e.g. in their memorandum and articles, charitable objects, membership agreement etc.

These three points were tested at various stages of the survey and the results are shown in the funnel presented in Figure 4.11 below. It shows that half of respondents meet Point A of the criteria, 22% meet Points A and B, and 15% meet all three Points and can therefore be described as a supported business. In other words, when respondents are provided with the full definition of supported business status, there is a three-fold increase in the proportion of businesses ascribing to supported business status (from 5% to 15%). The increase from 4% in 2016 to 15% classified as a supported business in 2018 is due to the heightened understanding of the term and the way the questions were posed in the 2018 research. It does not necessarily reflect a growth in supported businesses.

This data also shows that there is scope to increase the proportion operating as a supported business further, and thereby creating reserved contract opportunities for more businesses, as 50% already have the workforce to meet the eligibility criteria and by adjusting their social objectives and constitutional documents the other two criteria could be met.
4.5. Legal Status and Governance

4.5.1 Organisational Structure

The legal status of social businesses largely resembles that reported in previous mapping exercises with three main categories; around half operate as a Company Limited by guarantee (CLG) followed by under a third operating as a Charitable Incorporated Organisation (CIO) / registered charity and a fifth as a Community Interest Company (CIC). Whilst the main groups reported in the latest SEUK report and Scottish Census are also CLGs, there appears to be a greater sway towards this organisational structure in Wales, with 53% falling into this group compared to 44% in Scotland and just 39% across the UK. Social enterprises across the UK more typically operate as a CLS (16%) and IPS (9%), both of which are substantially higher than in Wales.
The data also reveal that 6% of social businesses in Wales are part of a chain of social businesses (up from 4% in 2016) and 5% are a trading arm of a charity (down from 6%). This again suggests some movement within the sector from charity entities towards further business orientation.

Finally, the survey also found that fewer social businesses are operating on a membership basis with 36% reported in 2018, down from 47% in 2016. Of those businesses who do operate on a membership basis, 88% elect members to their management board (86% reported in 2016). On average (median), these organisations reported that they have 50 members with voting rights.¹

### 4.5.2 Composition of Senior Management Team

The survey asked respondents to provide information on the demographic makeup of their leadership team including their gender, ethnicity and age. As noted previously in the report, social businesses are perceived to be more inclusive than your typical business, which should be reflected in the composition of their leadership team.

The leadership of social businesses in Wales (on average) consists of seven people, which is a similar level to that reported in Scotland and across the UK.

**Gender**

The survey data confirms a high level of gender diversity in social businesses leadership teams, with 92% of businesses surveyed including at least one woman and 91% including at least one man in their leadership teams. In relation to all representatives in senior management teams reported in this survey, 53% were men and 47% women.

By comparison, there is a well-documented lack of diversity in leadership teams within the private sector as a whole. For example, data published in 2018 by the Hampton-Alexander Review revealed that, as of June 2018, women made up only 24.5% of board positions on the FTSE 350.²

Additionally, these figures represent a better level of diversity than across the UK, where it was reported by SEUK that, in 2017, 89% of UK social enterprises include women in their leadership teams and 41% of all representatives are women.

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¹ A small number of very large organisations skewed the mean number of members to 315; for this reason, the median figure has been presented.
² UK Government Press Release, ‘FTSE 350 urged to step up to meet 2020 women on boards targets,’ 27 June 2018
**Ethnicity**

Nine per cent of social businesses have a leader from a Black Asian or Minority Ethnic (BAME) background.

In relation to the ethnic composition of all leadership representatives, 92% were described by respondent businesses as ‘White British’ (or Welsh, English or Scottish), 6% as ‘White Other’ and just 2% as ‘BAME.’ The 8% described as being other than White British is up from 4% in 2016, suggesting an increasing diversity in relation to ethnicity.

These figures are not dissimilar to the ethnic composition of Wales as a whole, where the 2011 Census revealed that 93% are ‘White British’ and 2% are described as ‘Other White’.

However, the Census also reveals that 4% fall into other ethnic groups (including Mixed, Asian/Asian British, Black/African/Caribbean/Black British and Other) whereas only 2% of representatives in Welsh social business senior management teams are described as such.

These findings suggest that the sector has a little way to go to truly reflect the face of Wales in terms of ethnicity (where only 2% fall into BAME groups compared to 4% of the Welsh population).

**Age Profile**

Results from the 2018 Survey confirms a trend identified in the 2016 exercise where it was evident that Welsh social businesses have an older leadership profile. It was revealed in 2014 that 18% of leaders are aged over 65 and this had increased to 27% in 2016, remaining at the same level in 2018. By comparison, only 11% of leaders in UK social enterprises fall within this older age group. In Scotland, 3% of leaders are under 25 years old compared to 1% in Wales.

Clearly, the ageing profile of leadership teams within Welsh social businesses represents a risk to the future health of the sector and the sustainability of businesses within it.

***Figure 4.13: Age groups of Senior Leadership Team***

<table>
<thead>
<tr>
<th>Year</th>
<th>16 to 24</th>
<th>25 to 44</th>
<th>45 to 64</th>
<th>65 or above</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEUK (2017)</td>
<td>1%</td>
<td>27%</td>
<td>62%</td>
<td>11%</td>
</tr>
<tr>
<td>Welsh Social Businesses (2014)</td>
<td>3%</td>
<td>23%</td>
<td>56%</td>
<td>18%</td>
</tr>
<tr>
<td>Welsh Social Businesses (2016)</td>
<td>2%</td>
<td>20%</td>
<td>52%</td>
<td>27%</td>
</tr>
<tr>
<td>Welsh Social Businesses (2018)</td>
<td>1%</td>
<td>19%</td>
<td>52%</td>
<td>27%</td>
</tr>
</tbody>
</table>

Base: All respondents to follow-up survey (n=455)
4.6 Operational Sectors

Social businesses operate in a multitude of sectors, from housing associations to community halls and cafes. We asked respondents to describe the main business activity of their organisation along with the goods/services provided. Their responses were subsequently back-coded into the Broad Industry Groups (BIGs) used by the Office for National Statistics for their sector analysis.

There are 18 BIGs in total and Figure 4.14 shows the main groups that describe the operational sectors social businesses operate within. They include all BIGs where at least 2% of social businesses match their description, with the remaining social businesses amalgamated into an ‘Other’ group. One of the main groups that did not fit neatly into the BIG classifications involved Community Hall and Youth Club type services, and a separate category was therefore created for those.

The most commonly identified sectors include arts / entertainment / recreation, health and care, education and Community Centre / Social Space / Youth Club services. Taken together, these four sectors account for 65% of all businesses. Examples of businesses operating within the former includes sports clubs, leisure centres, museums and galleries and heritage sites. Many of those within Health & Care deliver social carer services such as day care services for the elderly and adults with learning disabilities, childcare services, family support services, mental health services etc. In education, these include skill providers, back into work schemes and various educational programmes and schemes ranging from the Welsh language to conservation. It is interesting to note that of the seven main operational sectors outlined below, it could be argued that six (i.e. all apart from arts/entertainment/recreation) are active in supporting the foundational economy, demonstrating the important role social businesses have in forming the foundational economy in Wales.

**Figure 4.14: Broad Industry Group classification**

Base: All survey respondents (n=699)
4.7 Size of Businesses

4.7.1 Employment

Social businesses come in all different sizes, from small community cafes to housing associations and the likes of Dwr Cymru who have thousands of employees and generate millions in turnover, and this is reflected in Figure 4.15. As the charts show, a quarter of social businesses have no employees and 71% can be described as a microenterprise (i.e. less than 10 employees). On the other hand, there are far more large companies in the sector than within the overall business stock – 6% of social businesses are medium-sized (i.e. 50 to 249) and 2% are large businesses (250+), compared to 1% and 0.6% respectively in the general business stock. The data also reveals that the size of social businesses is broadly comparable in Wales and across the UK, although there are far more businesses with no employees in Wales (25% vs 15%) and fewer large businesses (2.1% vs 3%).

The responses equate to a mean average of 27 employees per organisation. On that basis, there is an estimated 55,000 people employed in the social business sector in Wales, representing 36% more than the 40,800 identified in 2016.

**Figure 4.15: Social business employment in Wales compared to UK and all business stock**

<table>
<thead>
<tr>
<th>Base: All survey respondents (n=699)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Welsh Social Businesses (2018)</td>
</tr>
<tr>
<td>Welsh Business Stock (2018)</td>
</tr>
<tr>
<td>SEUK (2017)</td>
</tr>
</tbody>
</table>

- None: 25% (2.1%)
- Micro: 46% (3%)
- Small: 21% (23%)
- Medium: 6% (6%)
- Large: 0.6% (1%)
4.7.2 Turnover

Turnover data against shows the similarity between the size of social businesses in Wales in comparison to social enterprises elsewhere in the UK. Whilst there are slightly more businesses in the lowest turnover banding in Wales compared to the UK (39% vs 31%), a similar proportion record turnover of more than £5 million (5%) compared to the UK, and slightly higher than that found in Scotland (4%).

Figure 4.16: Social business turnover in Wales compared to UK and Scotland

<table>
<thead>
<tr>
<th></th>
<th>£0 to £50,000</th>
<th>£50,001 to £100,000</th>
<th>£100,001 to £250,000</th>
<th>£250,001 to £1m</th>
<th>£1.01m to £5m</th>
<th>Over £5m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Welsh social businesses (2018)</td>
<td>39%</td>
<td>13%</td>
<td>18%</td>
<td>17%</td>
<td>8%</td>
<td>5%</td>
</tr>
<tr>
<td>SEUK (2017)</td>
<td>31%</td>
<td>15%</td>
<td>19%</td>
<td>21%</td>
<td>9%</td>
<td>5%</td>
</tr>
<tr>
<td>Scottish Census (2017)</td>
<td>43%</td>
<td>14%</td>
<td>16%</td>
<td>15%</td>
<td>8%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Base: All respondents who were able to provide turnover data (n=621)

Table 4.3 below shows the total estimated value generated by the social business sector in Wales, based on turnover data. As we found in the 2016 exercise, the data again shows how the total value generated by the sector is heavily skewed towards a small number of organisations. Despite only accounting for 3% of all businesses in the sector, businesses who generate more than £10m contribute 65% of the total sector value. Conversely, those who generate less than £500k represent 81% of businesses in the sector but contribute just 7% of the total sector value.

The table below 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 and the Principality Building Society (both of which are known ‘outliers’ 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 £3.18 billion, which is a 34% increase on estimations in 2016. It should be noted however that whilst turnover for Glas Cymru was added in the 2016 calculations, the same is not true for the Principality financial contribution. Nevertheless, even when excluding the Principality, the calculations show total value of £3.04 billion which is 28% higher than found in 2016.
Table 4.3: The entire social business sector in Wales split by turnover bands

<table>
<thead>
<tr>
<th>Turnover Banding</th>
<th>% of Social Businesses</th>
<th>Value</th>
<th>% of All Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under £25,000</td>
<td>29%</td>
<td>£8,903,386.83</td>
<td>0.3%</td>
</tr>
<tr>
<td>£25,001 to £50,000</td>
<td>10%</td>
<td>£10,680,492.92</td>
<td>0.3%</td>
</tr>
<tr>
<td>£50,001 to £100,000</td>
<td>13%</td>
<td>£27,612,416.56</td>
<td>0.9%</td>
</tr>
<tr>
<td>£100,001 to £250,000</td>
<td>18%</td>
<td>£84,487,715.09</td>
<td>2.7%</td>
</tr>
<tr>
<td>£250,001 to £500,000</td>
<td>11%</td>
<td>£105,055,347.15</td>
<td>3.3%</td>
</tr>
<tr>
<td>£501,000 to £1m</td>
<td>6%</td>
<td>£130,529,288.65</td>
<td>4.1%</td>
</tr>
<tr>
<td>£1.01m to £2.5m</td>
<td>6%</td>
<td>£264,678,851.66</td>
<td>8.3%</td>
</tr>
<tr>
<td>£2.51m to £5m</td>
<td>1%</td>
<td>£164,476,076.33</td>
<td>5.2%</td>
</tr>
<tr>
<td>£5.01m to £10m</td>
<td>2%</td>
<td>£323,850,005.39</td>
<td>10.2%</td>
</tr>
<tr>
<td>More than £10m</td>
<td>3%</td>
<td>£2,059,489,940.36</td>
<td>64.8%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>£3,179,763,520.93</strong></td>
<td></td>
</tr>
</tbody>
</table>

Wavehill Analysis: estimates on sector-wide data grossed up from survey data

Crucially, as stated in the Introduction, these estimates along with others presented in this research are focussed on Welsh domiciled social businesses. They do not account for the contribution made by social businesses operating in Wales but headquartered elsewhere. The contribution made by all social business activity in Wales is therefore even greater than shown here. The most notable examples of contributions made by non-Welsh domiciled social businesses include:

- The Co-operative Group who have an estimated 122 food stores and 50 funeral homes in Wales
- John Lewis & Partners with a large outlet store in Cardiff along with eight Waitrose stores in Wales
- The Freedom Leisure Centre Trust with 27 centres throughout Wales
- Arup Group with its large presence in Cardiff Bay
- Mott McDonald presence in Colwyn Bay and Cardiff
- Stride Treglown Architects’ base in Cardiff.

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1 Data for the Co-operative group are not broken down by country. These figures were estimated by applying the Welsh population share (ca. 5%) to the total number of Co-operative food stores (2,582) and funeral homes (1,049) across the UK (source: Co-op Annual Report, 2018).
4.7.3 Size of operational sectors

It is interesting to consider the size of the various operational sectors, not just in terms of the number of businesses (as outlined in section 4.6 above), but also in terms of their contribution towards the turnover generated and number employed by the sector. This provides a more rounded insight into the importance of the various operational sectors to the social business sector in Wales.

Figure 4.17 and Figure 4.18 shows the contribution of all operational sectors that represent at least 5% of social businesses. The data shows there is little correlation between the incidence of social businesses within these sectors and their respective size in terms of turnover and employment.

Despite accounting for the largest group of businesses (22%), respondents in the arts/entertainment/recreation sectors accounted for a much lower proportion of overall employment (7.2%) and turnover (6%). Similarly, the community centres and youth clubs etc. account for 10% of all businesses but only a tenth of that in relation to employment and turnover.

Conversely, Figure 4.17 shows that despite only accounting for 6% of all businesses, the group in property contributes a staggering 52% of all income generated by survey respondents. This demonstrates the importance of Registered Social Landlords (RSLs), who largely make up this group, as employers within the sector.

Employment within the social business sector in Wales is also largely attributed to a small number of sectors (see Figure 4.18). This data is indicative of the larger employers found in the health and care and property sectors which together account for 58% of all employment within the social business sector despite making up just 25% of businesses. The health and care sector includes some of the larger charities in Wales who campaign on issues such as mental health, along with social care providers (e.g. care homes) who are characterised by a higher employee per turnover ratio, while RSLs are also typically large organisations.

It is worth noting that the six sectors below who can arguably be said to fall within the foundational economy (i.e. all apart from arts/entertainment/recreation) contribute 71% of all employment within the social business sector.
Figure 4.18: Percentage of businesses against percentage of employment at social businesses within main operational sectors

Base: All survey respondents (n=699)
5 Business and Trading Performance

This section examines the trading patterns of social businesses, the customers they serve as well as their trading and business performance.

### Section summary

- Matched data demonstrates there has been growth in employment over the last two years (by 0.5 on average, per business) along with a slightly more significant growth in turnover
- There is a clear trend towards businesses generating more and more of their income from trade (the % reporting >75% generated through trade increased from 41% in 2014 to 56% in 2018)
- Businesses are reporting a greater diversity of income sources than previously, suggesting a broadening of businesses’ trading activity
- Trading with the general public has cemented itself as the primary source of income over the last four years, where public sector grants were the primary source in 2014
- There is growing trading activity with markets outside of Wales with an increase in the proportion reporting that they trade in other areas of the UK and export
- 73% promote their social business status while marketing and 85% have a corporate social media account (primarily Facebook followed by Twitter)
- The main business strengths are in financial and people management, while businesses feel least proficient in accessing procurement opportunities, accessing finance opportunities and marketing
- Access to external finance continues to be important with 60% attempting to do so in 2018 and with a clear preference for grants over loans
- Grant making trusts are becoming an increasingly prevalent source of finance while there is a continued trend away from applying to LAs, potentially reflecting the reduction in the availability of public sector funding
- The vast majority of businesses continue to attract new customers and most are developing new products/services, illustrating the innovative nature of the sector.

#### 5.1 Business Growth

We firstly consider the growth made by social businesses over the last two years in terms of employment and turnover.

##### 5.1.1 Employment

Figure 5.1 illustrates that the composition of the sector in relation to the size of businesses has stayed relatively consistent throughout the last three mapping exercises. There is, however, some suggestion of a trend towards larger businesses with 5% employing more than a 100 employees in 2018, compared to 4% in 2016 and 2014. Additionally, the mean average employee numbers have increased to 27, from 22 in 2016 (although this is heavily skewed to larger businesses – the median average is four employees, the same as in 2016).
Figure 5.1: Social business employment bandings in 2014, 2016 and 2018 (overall sample)

Figure 5.2 shows the size of a group of the same businesses interviewed in 2014, 2016 and 2018, demonstrating the real changes in employment as reported in three surveys over four years. The data shows only a very modest level of growth, with 2% employing more than 250 in 2018 compared to 1% in 2016 and 2014. Additionally, the proportion of microenterprises had decreased from 78% to 75% from 2016 to 2018. The mean average employment within these businesses had increased from 16.1 in 2014 to 16.6 in 2018. Once again, it’s important to note that these demonstrate real increases in employment as the data is based on a matched sample rather than the statistical artefacts generated by surveying different samples.
In addition to asking social businesses for their employee numbers at the time of interview, we also asked how many they employed 12 months previously. Thirty per cent reported more employees now than 12 months ago, almost twice more than the proportion (17%) reporting their employment had reduced, the remaining 53% reported it had stayed the same. On average, this equates to each social business employing 0.8 more employees now than 12 months ago.

### 5.1.2 Turnover

Turnover data has been stable over the last three surveys although there does appear to be a trend towards slightly larger businesses. While 57% reported they turned over less than £100k in 2014, this had decreased to 55% in 2016 and 52% in 2018. Conversely, the proportion reporting more than £5 million turnover had increased from 4% to 5% since 2016. Additionally, average income (mean) had increased from £1.4m to £1.5m and median income increased from £75k to £85k during the past two years.
Figure 5.3: Social business turnover bandings in 2014, 2016 and 2018 (overall sample)

Base: All survey respondents who were able to provide turnover data (n=621)

The matched sample data provides further confirmation of business growth, with fewer businesses reporting they recorded less than £100k turnover (from 64% in 2014 to 58% in 2016 and 53% in 2018) whilst 8% recorded more than £1 million in 2018, up from 6% in 2016 and 2014.
5.2 Trading Patterns

The key difference between a social business and a traditional charity is that social businesses will earn at least some of their income through trade. The survey asked respondents for the percentage of their income that is earned through trade and the results show a wide spectrum of organisations, from the more charitable models where less than 15% is earned through trade, to the more commercially-oriented organisations where the vast majority of income (75%+) is earned through trade.

The first mapping exercise conducted in Wales in 2009 developed three categories for social enterprises:\(^1\)

- Embryonic social enterprises – organisations that generate 15% to 25% of their income from trading
- Emerging social enterprises – organisations that generate 25% to 50% of their income through trading
- Established social enterprises – organisations that generate more than 50% of their income through trading.

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\(^1\) Welsh Government, ‘Mapping social enterprise activity in Wales: Understanding in order to Influence,’ October 2009
Figure 5.5 reveals a clear trend within the sector towards more sustainable and established social business models whereby organisations are generating increasing levels of income through trade. The proportion generating more than 75% through trade increased from 41% in 2014 to 56% in 2018 and the proportion who can be described as established social businesses (as per the definition above) has increased from 56% in 2014 to 62% in 2016 and 67% in 2018, demonstrating the increasing maturity within the sector.

**Figure 5.5: Percentage of income generated from trading activities 2014, 2016 and 2018 (overall sample)**

<table>
<thead>
<tr>
<th>Year</th>
<th>0 to 15%</th>
<th>16% to 25%</th>
<th>26% to 50%</th>
<th>51% to 75%</th>
<th>76% to 100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>26%</td>
<td>10%</td>
<td>8%</td>
<td>16%</td>
<td>41%</td>
</tr>
<tr>
<td>2016</td>
<td>24%</td>
<td>11%</td>
<td>12%</td>
<td></td>
<td>50%</td>
</tr>
<tr>
<td>2018</td>
<td>18%</td>
<td>5%</td>
<td>9%</td>
<td>11%</td>
<td>56%</td>
</tr>
</tbody>
</table>

Base: All respondents in follow-up survey excluding ‘Don’t know’ (n=453)

The matched sample also reveals a clear movement from businesses surveyed in 2014 towards becoming more established social businesses. The proportion reporting they generated less than 15% of income from trading decreased from 25% in 2014 to 12% in 2018, while the proportion that can be described as established social businesses (i.e. generated at least 50% from trade) increased from 62% to 72%.

**Figure 5.6: Percentage of income generated from trading activities 2014, 2016 and 2018 (matched sample)**

<table>
<thead>
<tr>
<th>Year</th>
<th>0 to 15%</th>
<th>16% to 25%</th>
<th>26% to 50%</th>
<th>51% to 75%</th>
<th>76% to 100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>25%</td>
<td>5%</td>
<td>8%</td>
<td>21%</td>
<td>41%</td>
</tr>
<tr>
<td>2016</td>
<td>20%</td>
<td>5%</td>
<td>14%</td>
<td></td>
<td>58%</td>
</tr>
<tr>
<td>2018</td>
<td>12%</td>
<td>13%</td>
<td>20%</td>
<td></td>
<td>53%</td>
</tr>
</tbody>
</table>

Base: Matched sample (n=76)

These data are strikingly similar to the trading patterns identified across the UK. The SEUK survey sample only included businesses who generate at least 25% of their income from trading activities. If we exclude those who generate less than 25% from the Welsh sample, the trading patterns are almost identical in Wales and across the UK (see Table 5.1 below).
### Table 5.1: Percentage of income generated from trading activities in Wales compared to UK

<table>
<thead>
<tr>
<th>% of income from trade</th>
<th>Wales 2018</th>
<th>SEUK 2017</th>
<th>Wales 2018 (excluding 0 to 25%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 i 25%</td>
<td>24%</td>
<td>N/a</td>
<td>N/a</td>
</tr>
<tr>
<td>26 i 50%</td>
<td>9%</td>
<td>12%</td>
<td>12%</td>
</tr>
<tr>
<td>51% i 75%</td>
<td>11%</td>
<td>13%</td>
<td>14%</td>
</tr>
<tr>
<td>76% i 100%</td>
<td>56%</td>
<td>74%</td>
<td>74%</td>
</tr>
</tbody>
</table>

Base: All respondents in follow-up survey excluding ‘Don’t know’ (n=453)

### 5.2.1 Source of income

There are some clear changes in the manner in which social businesses generate their income, as illustrated in Figure 5.7 below. Businesses are reporting a greater diversity of income sources than previously, suggesting a broadening of businesses’ trading activity.

Trading with the general public remains the most important income source for businesses and it has become increasingly important since 2014, from 41% citing it as an income source to 63% in 2018. This trading route has cemented itself as the primary source of income over the last four years, where public sector grants were the primary source in 2014. The main increases in the way businesses make their money since 2016, however, are through trading with the public and third sectors (up 17%) and with the private sector (up 12%). These findings are indicative of the increased trading activity and growing maturity of the sector, with more businesses generating more of their income through trade with a greater range of customers.

Importantly, Figure 5.8 shows results from the matched sample and confirms that businesses are indeed generating income from a growing number of sources.

### Figure 5.7: Sources of income in 2014, 2016 and 2018 (overall sample)

Base: All respondents in follow-up survey (n=456)
The findings also show a continued reliance on grants, which were the second and third most commonly cited income sources, along with donations (fifth most common). Indeed, far more social businesses in Wales depend on grants and donations for their income than UK-wide counterparts, as shown in Figure 5.9 below. Figure 5.10 shows proportion of income generated by trading activities by businesses citing these various sources of income. It shows a clear correlation between businesses who rely on grants/donations and a dependence on non-trading activity for their income. Between 25%-29% of those who receive grants/donations reported that less than 15% of their income is derived from trading activity, compared to 18% across the sample as a whole. This indicates that whilst the 2018 data paints a healthy picture of development within the sector in Wales, there remains an underlying vulnerability.

Additionally, the comparison with SEUK findings also show that, whilst trading with public, third and private sector organisations along with other social businesses is increasing in Wales, it still lags substantially behind the UK.
Figure 5.9: Sources of income in Wales and across the UK

Trading with the general public
Grants from the government / local authority / public sector
Other grants
Trading with the public sector
Donations
Trading with third sector organisations
Trading with the private sector
Trading with other social businesses

Welsh social businesses
SEUK (2017)

Base: All respondents in follow-up survey (n=456)
Figure 5.10: Percentage of income generated from trading activities by income source (2018)

Trading with the private sector
- 62% 14% 11% 7% 7% 5%

Trading with the general public
- 62% 12% 11% 10%

Trading with other social businesses
- 60% 14% 15% 7%

Trading with third sector organisations
- 58% 15% 11% 11%

Trading with the public sector
- 57% 13% 11% 7% 12%

Grants from the government / local authority / public sector
- 40% 14% 12% 9% 25%

Other grants
- 37% 15% 14% 9% 26%

Donations
- 36% 15% 13% 7% 29%

Base: All respondents in follow-up survey (n=456)

5.2.2 Geographic markets

Respondents were asked how many local authorities in Wales their organisation delivers services/products to, in order to identify the extent of the geographic market served. The data suggests that there has been little change in the geographic reach of social businesses since 2014, with most (59%) operating in just the one local authority, while 15% operate in almost all LAs in Wales. This reflects the variance of the size of businesses within the sector microenterprises, which account for the largest proportion, are more likely to operate in just the one area, while medium / large sized businesses (a substantial minority) are more likely to operate across the country.
Data from the matched sample shows little movement in the geographic reach of businesses surveyed since 2014, although it does confirm the trend shown above, where businesses served a wider audience in 2014 before dropping in 2016 and spreading again in the last two years. This variability may reflect the nature of contracts secured, which would explain the volatility in the number of LAs operated in from 2014 through to 2018.
The survey data does, however, indicate an increase in trading activity with markets outside of Wales. Sixteen per cent reported that they trade in other areas of the UK, up from 13% in 2016. The proportion reporting they export, meanwhile, has doubled from 4% to 8% since 2016, although it still falls below the UK average of 13% (SEUK 2017).
5.3 Promotional Activity

Whilst most organisations promote their social business status, only 37% reported they did this to a great extent. Additionally, whilst 73% promote this status at least to some extent, this is slightly down on the 77% reporting the same in 2016.

Only 56% of organisations meeting the supported business criteria reported that they promote their supported business status. This is likely due to many being unaware that they meet the criteria and thus can promote their business in that way.

Given the increasing emphasis on social businesses in the political landscape, and particularly the increasing opportunities for supported businesses, respondents who don’t promote their organisations as such represent a missed opportunity.

Figure 5.13: To what extent does your organisation promote your social business and/or supported business (if applicable) status in marketing its good/services?

<table>
<thead>
<tr>
<th></th>
<th>Social businesses</th>
<th>Supported businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>To a great extent</td>
<td>37%</td>
<td>27%</td>
</tr>
<tr>
<td>To some extent</td>
<td>36%</td>
<td>29%</td>
</tr>
<tr>
<td>Not very much</td>
<td>21%</td>
<td>24%</td>
</tr>
<tr>
<td>Not at all</td>
<td>6%</td>
<td>16%</td>
</tr>
<tr>
<td>Don't know</td>
<td>0.5%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Base: All respondents in follow-up survey responding to the question (n=414); All supported businesses in follow-up survey (n=62)

Social media has become an important marketing tool for all businesses in recent years, including social businesses. As such, the last two surveys have explored the use of social media within the sector and the results reveal that 85% have a social media account, which is the exact same proportion as reported in 2016. Facebook is the main medium of choice followed by Twitter, again with almost identical usage of these platforms in 2016 and 2018. The 2018 survey tested other social media platforms for the first time and revealed only small proportions of respondents use these.
5.4 Business Capabilities

5.4.1 Overview of capabilities

Survey respondents were asked to rate their own business capabilities over a range of different business practices using a scale of 1 to 5 (where 1 is rated as very poor and 5 as very strong). The mean score provided for each of these areas is shown in the chart below and reveals that self-reported business capabilities are generally consistent with previous years. There were also some new business practices asked this year which, clearly, cannot be compared with previous surveys.
**Figure 5.15: Including any external expertise 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 at:**

<table>
<thead>
<tr>
<th>Category</th>
<th>2018</th>
<th>2016</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial management (n=449)</td>
<td>4.2</td>
<td>4.1</td>
<td>4.0</td>
</tr>
<tr>
<td>People management, such as recruitment &amp; delegation (n=444)</td>
<td>3.9</td>
<td>4.0</td>
<td>3.9</td>
</tr>
<tr>
<td>Sustainable development as defined by WBFGA (n=428)</td>
<td>3.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Developing new products &amp; services (n=445)</td>
<td>3.8</td>
<td>3.7</td>
<td>3.8</td>
</tr>
<tr>
<td>Developing &amp; implementing a business plan and strategy (n=445)</td>
<td>3.8</td>
<td>3.8</td>
<td>3.7</td>
</tr>
<tr>
<td>Making effective use of available technology (n=450)</td>
<td>3.7</td>
<td>3.7</td>
<td>3.6</td>
</tr>
<tr>
<td>Accessing external grants (n=418)</td>
<td>3.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketing (n=442)</td>
<td>3.3</td>
<td>3.3</td>
<td></td>
</tr>
<tr>
<td>Accessing external repayable finance (n=165)</td>
<td>3.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Winning contracts / accessing procurement opportunities (n=256)</td>
<td>3.1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Base: All respondents in follow-up survey excluding those reporting ‘don’t know’ or ‘not applicable’

The data again shows that businesses have most confidence in their financial management skills and that this is an area businesses believe they are improving in year-on-year. For the first time, we asked businesses about their perceived capability in operating in accordance with the sustainable development principle as defined by the WBFGA (see section 2.3.2) and this was reported third on the list of strengths, scoring a mean average of 3.9 out of 5.

Interestingly, respondents felt least capable in accessing procurement opportunities, possibly explaining why fewer trade with public sector organisation than across the UK (see Figure 5.9). Accessing finance opportunities and marketing were also low on the list. Grant and repayable finance were divided into separate categories in order to decipher whether there are differences in the perceived proficiency in each one (previously, these were combined into a single ‘access to external finance’ category, which had a mean score of 3.4 in 2016 and 3.6 in 2014). The data shows that, while accessing grant finance received a similar score to 2016, businesses feel far less confident in accessing repayable finance. It is also worth noting that less than half of those asked this question provided a score for accessing repayable finance, with most citing it was not applicable for their business.

These perceived strengths and weaknesses are replicated by social enterprises across the UK. The results follow a similar pattern to what was reported in the SEUK 2017 report where businesses recorded being most confident in people and financial management and least confident in marketing (note that SEUK did not include procurement and access to finance in their question).
5.4.2 Accessing finance

Access to external finance continues to be just as important for the sector with 60% attempting to do so in 2018 (similar proportion to 2016). There remains a clear preference for applying for grants over loans with, again, little movement from 2016 – 92% applied for a grant (90% in 2016) and only 9% applied for a loan (8% in 2016). The proportion applying for loans had doubled from 4% to 8% from 2014 to 2016, but this trend has not continued over the last two years.

There is a clear trend over the previous three surveys in businesses applying to grant making trusts and foundations for this finance, which is once again the clear preference. There is also a clear trend away from applying to LAs, potentially reflecting the reduction in the availability of public sector funding. Applications for Government funding, however, has seen a reversal in the reduction experienced from 2014 to 2016, which may have been a result of the transition between ESF programmes.

Figure 5.16: Source of finance

Base: All respondents in follow-up survey who had attempted to access finance (n=274)
Positively, most businesses (62%) sought financial support for developmental projects or new schemes often used to facilitate growth. This is twice the proportion (31%) seeking finance for working capital (i.e. to cover existing activity by managing operating costs). The data also suggests a trend in the last two years with more businesses applying for finance for those reasons.

**Figure 5.16: Purpose of finance**

![Bar chart showing purpose of finance with different categories and percentages.]

- **Development capital (e.g. to develop new services or plans)**: 62% (53%)
- **Working capital (e.g. to cover cash flow)**: 31% (27%)
- **Property purchase / refurbishment**: 24% (25%)
- **Equipment / vehicle acquisition**: 18% (20%)
- **To finance payment by results contracts**: 2% (0.2%)
- **Other**: 15% (24%)

*Base: All respondents in follow-up survey who had attempted to access finance (n=274)*

**Joint bidding**

Few social businesses enter into joint bidding arrangements with other organisations to tender for public sector work, only 21% reported they entered such an arrangement at least once and only 6% reported they do so regularly. This does, however, represent a slight increase on 2016, where 19% reported entering such arrangements and only 3% reported doing so regularly.

Those businesses who have entered into joint bidding arrangements, typically do so with other third sector organisations and social businesses, with only 3% reporting they do so with private sector organisations. Businesses also reported that such arrangements typically involve at least three partners.
5.5 Achievements

5.5.1 Overview of achievements

Respondents were asked about a range of indicators relating to the development of their business and were asked whether they had achieved any of those listed. Figure 5.18 shows a strikingly comparable picture on business performance from 2014 through to 2018, with only a little movement in less than a handful of indicators. As with previous years, the main achievements involve attracting new customers, developing new products/services, expanding into new sectors and attracting investment. These are discussed more fully overleaf.

Figure 5.18: Thinking about the last 12 months has your organisation...

1 ‘Won business from the private sector’ and ‘Won a public sector procurement contract’ are new categories in the Survey.
5.5.2 Developing new markets

New customers

The main achievement cited by respondents was to attract new customers (cited by 73%), although this also resembled the main change from 2016 with 11% less citing this as an achievement.

Figure 5.19 shows how these businesses say they had attracted new customers, highlighting the importance of word-of-mouth and businesses reputation as a means to do so. It also finds that digital marketing has been particularly important in this expansion, with 40% citing this as a route to new customers.

**Figure 5.19: Please explain how you have attracted new customers or clients**

- Word of mouth / reputation
- Digital marketing
- Direct marketing i.e. going out to engage potential customers
- Media / Advertisements
- Networking
- Expansion in offer (e.g. new products/services)
- Partnership working
- It is the nature of the business
- Arall

Base: All respondents in follow-up survey who had attracted new customers/clients (n=327)
Areas of expansion

Thirty per cent of businesses had diversified into new markets and 22% had expanded into new areas. Moving into new geographical areas primarily involved accessing markets in new LAs in Wales, with 86% of those expanding into new areas reporting this. A further 28% had expanded into other areas elsewhere in the UK, along with 12% into new areas in the EU and 10% into new areas elsewhere in the world.

5.5.3 Attracting investment

Twenty-eight per cent attracted investment in the last year, the same as reported in 2016. Additionally, 17% reported they had won business from the private sector and a further 17% through public procurement. On the latter, 39% reported that they are on the Sell2Wales website which is marginally down on the 41% reporting this in 2016.

5.5.4 Innovation in products and services

The Small Business Survey (SBS) uses the percentage of organisations introducing either new or improved products and services as the principal indicator of innovation. In 2017 the SBS revealed that 35% of businesses across the UK had introduced these new products/services in the three years leading up to the survey. This is easily surpassed by the 51% of social businesses in Wales who have developed new products/services, suggesting that social businesses have a tendency to out-innovate other SMEs.

The type of innovations developed primarily involve services in education, training, support services and leisure. This partly reflects the nature of social businesses with high levels of skills providers, social care providers and organisations operating in arts and leisure identified in the survey (see section 4.6). However, it may also reflect a response to continued local government cutbacks and the subsequent loss of services in these communities, leading to social businesses stepping in.

Figure 5.20: Please tell us what new products and services you have developed?

Base: All respondents in follow-up survey who had developed new products/services (n=231)
6 Social Value and Impacts

Social businesses are different to both classic private sector companies and traditional charities as they strike a balance between the two, looking to trade as any other business on the one hand, but they also primarily exist to deliver on their social mission. Having discussed the business and trading performance in the previous chapter, we now turn our attention to exploring their social value and impacts.

Section summary

- Improving a particular community remains the primary objective for social businesses, although slightly fewer report this than when surveyed in 2016
- More businesses report that their mission is to support vulnerable people and improving health and well-being
- Far fewer businesses operate to create employment opportunities when compared to 2014, reflecting the buoyancy of the labour market
- There are clear synergies between businesses’ social objectives and the well-being goals in the Well-Being of Future Generations Act
- The vast majority of businesses reinvest their profits into their business with around a quarter investing it in their community or social/environmental objective
- 76% of social businesses pay the Living Wage to all their staff
- 57% of respondents’ workforce living within 10 miles of their offices
- 17% of new staff were unemployed immediately before taking up the post
- 28% employ people on short-term work placements, while the practice of using freelancers has increased (up to 37% from 30% in 2016)
- 86% provide volunteering opportunities (up from 83% in 2016 and 78% in 2014), however the average number of volunteer opportunities provided per business is down on previous years, again perhaps reflecting the buoyancy of the labour market.

6.1 Social Objectives

6.1.1 Overview of social objectives

Respondents were asked to describe their main social and/or environmental objectives, and these were then coded in order to provide a clearer picture on what these social businesses exist to deliver. The same coding framework was used as with the two previous exercises in order to track changes in the sectors social objectives. The only exception is the addition of three new codes in order to capture a fuller understanding of the businesses raison d’être. As with previous surveys, respondents were allowed to select multiple options to allow for those who are established to deliver several objectives.

Improving a particular community (either geographically defined or united by a common characteristic, e.g. religious orientation, ethnicity, age group) remains the primary objective for social businesses, although slightly fewer report this than when surveyed in 2016 (57% vs 64%). More businesses report that their mission is to support vulnerable people (46% vs 35%) and improving health and well-being (45% vs 39%), perhaps reflecting the amount of social businesses operating within health and social care. These focuses do not represent a unique trait of the Welsh social businesses sector as the exact same three categories feature as the leading objectives in the SEUK 2017 report and in the exact same order.
One of the objectives that appears to be less prominent in 2018 and less prominent than within the UK-wide sector is in creating employment opportunities. In 2014 this represented the fourth most commonly identified objective and it’s fourth on the latest SEUK list too, but it’s only the ninth most common answer here. This might be explained by the changing economic conditions where, at the time of survey, the unemployment rate in Wales had fallen to its lowest ever level.

**Figure 6.1: Main social or environmental objectives as identified by organisations**

- Improving a particular community
- Supporting vulnerable people
- Improving health and well-being
- Encourage people to participate in the arts, sports and recreation
- Promoting education and literacy
- Supporting vulnerable children and young people
- Addressing social exclusion
- Protecting the environment
- Creating employment opportunities
- Providing access to services
- Promotes and protect culture, heritage and the Welsh language
- Supporting other social enterprises / organisations
- Addressing financial exclusion
- Providing affordable housing

Base: All respondents in follow-up survey who answered the question (n=449)
6.1.2. Synergies with Well-Being of Future Generations Act

As noted in the Background and Policy Context Chapter, the Well-being of Future Generations Act (WBFGA) represents a key recent piece of legislation in Wales which will have a bearing on the opportunities created for social businesses for years to come. The purpose of the Act is to improve the social, cultural, environmental and economic well-being of Wales, through the legal obligation placed on public authorities to operate in accordance with the principle of the Act.

There is a perception that social businesses can make a great contribution towards delivering on the principle of the Act as their social purpose is always likely to align with the core ethos of the Act. As such, in this section we attempt to measure the extent to which the sector is contributing towards delivering the seven well-being goals underpinning the Act. This has been done through a matrix that links these well-being goals to the survey social objectives responses. Although this is a rather crude method of adjudging social businesses’ contribution towards the WBFGA, it does give some indication at the very least and, in particular, demonstrates the aspects (i.e. the specific goals) that social businesses make greatest contribution towards. The matrix can be seen in Annex 4 while Figure 6.2 below shows the contribution towards each goal. The analysis suggests that most social businesses’ core purpose leads to them working towards five of the seven well-being goals, including a more resilient, prosperous, equal, healthy Wales and a Wales of cohesive communities.

**Figure 6.2: Main social or environmental objectives as identified by organisations**

- A prosperous Wales
- A healthier Wales
- A resilient Wales
- A Wales of cohesive communities
- A more equal Wales
- A Wales of vibrant culture and a thriving Welsh language
- A globally responsible Wales

Base: All respondents in follow-up survey who answered the question (n=449)
6.1.3. Measuring social impacts

Most businesses use their own, tailored methods to measure their social impact, this has increased from 40% to 55% since 2018. There has also been a reduction in those reporting that they don’t measure their social impact, from 39% to 30%. This suggests that there is an increasing understanding in the importance of measuring social impact.

**Figure 6.3: Main tool or method to measure your social impact**

Base: All respondents in follow-up survey who answered the question (n=456)
Figure 6.3 also reveals a high propensity of businesses using Outcomes Star in 2014 which is often associated with the European Structural Fund Programme (ESF), suggesting that measuring impact is in part linked to contractual investment. Additionally, this data along with the social objectives (e.g. 24% who aim to support people into work) and operational sectors (e.g. 14% in education, including skills providers and back into work schemes) shown above may suggest that there is a core group of businesses reliant on EU funding.

Twenty-seven per cent of respondents also stated that they measure their impacts against the goals of the WBFGA, despite the novelty of the Act. These businesses were then asked to state how they measure against the Act and 73% reported they did it through a matrix process / showing synergy between their activities and the well-being goals, with examples shown below:

“We matrix each project against the Well-Being of Future Generations Act indicators and we measure success and outcomes based on those indicators.”

“Each project is mapped to each objective and when it comes to the conclusion and evaluation we can discuss it with partners.”

6.2. Profit Destinations

The key difference between a mainstream and a social business is that any surpluses made by the latter are principally reinvested in the business or the community, rather than being driven by the need to maximise profit for shareholders and owners. Figure 6.4 shows that 88% or respondents reinvest their profits into their business and 27% put it towards their community or social/environmental objective. These findings are almost a mirror image to that reported in 2016 indicating no change in business practice in this respect.

**Figure 6.4: What do you do with any surplus / profit that you generate?**

Base: All respondents in follow-up survey who answered the question (n=444)
6.3. Business Workforce Practices

The Creating an Inclusive Economy in Wales report argues that social businesses are key to creating a more equal and inclusive economy given that they are more akin to inclusive businesses (i.e. fair employers, offering a fair wage and conditions). In this survey these business practices were tested in order to identify whether the sector in Wales delivers these fairer practices in reality.

The survey found that 76% of social businesses pay the Living Wage\(^1\) to all staff which is higher than found in Scotland (72%) and similar to across the UK (78%). Most of those employed by businesses live locally with 57% of respondents' workforce living within 10 miles of their offices. Additionally, the data also reveals that 17% of new staff were unemployed immediately before taking up the post (as reported by businesses who have more staff now than 12 months ago).

Figure 6.5 shows that a large proportion of social businesses do employ people on short-term work placements (28%) while the practice of using freelancers has increased (up to 37% from 30% in 2016). The data also suggest an increase in the provision of insecure work where 14% employ people on zero hours’ contract (up from 11% in 2016).

\(^1\) At the time of survey, the UK rate as defined by the Living Wage Foundation was £8.75 per hour.
It is difficult to determine whether this reflects positively or negatively on social businesses as employers given the scarcity of equivalent data for traditional businesses. The SBS does not explore the question of employing freelancers or people on zero hours’ contracts at a UK or Welsh level. It does, however, report that in Scotland only 7% of SMEs offer zero hours’ contracts, which may suggest there is an above-average tendency among social businesses in Wales to do this. However, on the question of freelancers, there is one study conducted by Kalido and OnePoll\(^1\) which was based on a survey of 250 UK business owners in July 2018 and found that 64% use freelancers – double the proportion of social businesses in Wales reporting this (37%).

The data cannot be said to show conclusive evidence, one way or another, on whether social businesses are good or bad employers in comparison to traditional businesses and according to these measures. The increase use of freelancers and zero hours’ contracts, however, coupled with the increased incidence of recruiting volunteers (see below), may suggest some underlying frailty within the sector.

### 6.3.1. Volunteering

Social businesses are also known to provide opportunities for people through volunteering and Figure 6.6 shows that this is increasing. In 2018, 86% provided at least some volunteering opportunities, up from 83% in 2016 and 78% in 2014. However, although there is a greater proportion of businesses providing volunteer opportunities, these typically provide less volunteer positions per business. On average (mean), employers had 29 volunteers, down from 34 in 2017, while the figure for a ‘typical’ social business (the median) is also down from 12 in 2016 to 10 in 2018. This may reflect difficulties in recruiting volunteers resulting from the buoyancy of the labour market, with employment at a record high at the end of 2018.\(^2\)

On the basis of this data, there is an estimated 58,000 volunteers within the social business sector in Wales.

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2. UK Government Press Release, ‘Welsh employment rate hits new record high,’ 14 August 2018
Further matched analysis has been undertaken to compare the exact same respondents to the 2016 and 2014 surveys and it confirms the same pattern, where more businesses provided volunteer opportunities in 2018 (up from 87% in 2014 to 93% in 2018), but there’s also a trend for those who do have volunteers to offer less opportunities. Collectively, the sample had 3,903 volunteers in 2014 compared to 3,628 in 2016 and 2,513 in 2018.

Figure 6.7: Number of volunteers in 2014, 2016 and 2018 (matched sample)

Base: Matched Sample (n=112)
7 Challenges, Prospects and Support Needs

This section examines the main barriers identified by businesses that are preventing growth and their ability to achieve their social objectives. It also discusses the skills gaps identified within the sector and the support needed to address those, along with business confidence regarding their prospects over the coming years.

Section summary

- Obtaining finance was again cited as the main barrier, primarily due to the lack of grant funding available, followed by a lack of capacity to apply for finance and a lack of awareness regarding where to access finance
- More broadly, a lack of resource was the second most commonly identified barrier and this is up from previous surveys. The average number of people employed has grown only marginally over the last two years, outpaced by the growth in turnover, leading to businesses becoming more stretched
- The economic climate remains a significant issue along with cash flow issues
- Only 5% perceive public procurement to be one of their four main barriers, however further questioning reveals that only half believe they have a good understanding of the process and only 42% believe they possess good tendering expertise
- Separately, Brexit was identified as having impacted or expected to impact 50% of businesses with 94% of those reporting this to be a negative impact
- The main concerns related to the loss of EU funding, with many businesses stating that some of their activities are funded this way and there was uncertainty regarding whether anything would replace these funds
- The aging profile of leadership teams within the sector is likely to present a further challenge to businesses with many citing succession issues
- The main skills gaps were found to be in marketing (particularly digital) followed by business management and strategy (e.g. governance and business development) along with finance/accounting
- Some of the main support needs identified include specialist financial advice, funding, marketing advice and mentoring
- Business confidence is high despite these challenges, with most expecting turnover and profit to increase through a continuation of attracting new customers and innovation
7.1 Barriers to Growth

7.1.1 Introduction

Respondents were asked to describe the four main barriers to their organisation's sustainability and/or growth and their feedback is outlined in Figure 7.1 below. The subsequent chart (Figure 7.2) shows the comparison with previous surveys where the same categories have been used. There were, however, some changes made to the question in order to gain greater insights and this will have affected the comparability. These changes include:

- Asking respondents for their four main barriers where previously we’ve asked for three – naturally, as more options are selected, we can expect the responses to each category in the 2018 data to be higher
- One of the categories previously involved ‘Lack of / poor access to finance / funding.’ It’s been discovered in previous research that there are different perceptions in relation to grant and debt finance and these were therefore separated into two codes in the 2018 data

For the first time, we also asked respondents for the significance of these barriers when selected

7.1.2 Overview of barriers

Figures 7.1 and 7.2 reveal that the most commonly identified barriers have remained consistent over the past three surveys. Obtaining finance was again cited as the main barrier and the 2018 data reveals that access to grant finance is perceived as a far greater barrier than obtaining debt finance, with 47% selecting the former as one of four barriers compared to just 2% selecting the latter. Sixty-four per cent of businesses selecting obtaining grant funding as a barrier noted that it is a ‘very significant’ concern for their business. This is by far the greatest barrier for businesses and the proportion reporting it (47%) represents a significant increase on those reporting access to finance as a barrier in 2016 (33%). Obtaining grant funding was also reported as the main issue in the SEUK 2017 report, however almost twice as many reported it in Wales (47% vs 25%). Interestingly, across the UK a similar proportion (17%) also view obtaining debt finance as a barrier whereas in Wales just 2% reported this.

As with the previous survey, the issue of resource was identified as the second main barrier for businesses (selected by 33%) and again most of these (57%) described it as a very significant barrier. There appears to be a clear trend in the lack of capacity becoming a greater issue for businesses over the last three years, with 33% reporting it as a barrier in 2018 compared to just 24% in 2016 and 12% in 2014 (the caveat being that respondents were asked to identify more barriers in 2018). It is also evident that this is perceived as a greater issue in Wales than across the UK where it’s fifth on the list of barriers in the SEUK report and with half the proportion in Wales reporting it as a barrier (16%).

The data also confirms that the economic climate remains a significant issue with a similar proportion citing it in 2016, although it is perceived as less of an issue than reported in 2014 when the recession was more vivid in people’s minds. A similar proportion cited cash flow as a barrier and, again, most of those who did stated it was a very significant issue.

Finally, around a tenth cited a lack of marketing expertise, managerial expertise and difficulty in attracting appropriate directors / trustees as an issue. The lack of marketing expertise is seen as slightly less of an issue than reported in 2016 (11% vs 16%) while having the managerial expertise and ability to attract directors / trustees appear to have become greater concerns. It is interesting to note, however, whilst these three barriers have been selected by a tenth of respondents, those who did select them were far less likely to describe them as very significant in comparison to previous responses.
Figure 7.1: Self-reported barriers to sustainability or growth for social businesses

- Obtaining grant funding
- Time pressures / lack of staff resource
- Economic climate / recession
- Cash flow
- Lack of marketing expertise
- Lack of appropriate management skills / expertise
- Attracting appropriately skilled / experienced non-executive directors or trustees
- Regulatory issues (e.g. Health and Safety)
- Accessibility of commissioning / procurement with public services
- Understanding of social enterprise amongst general public / customers
- Affordability of finance
- Lack of financial expertise
- Lack of access to / poor advice / business support
- Obtaining debt or equity finance (Any non-grand funding)
- Understanding of social enterprise amongst banks and support organisations
- Other
- None / no barriers

Base: All respondents in follow-up survey (n=456)
Figure 7.2: Self-reported barriers to sustainability or growth for social businesses – comparison to 2014 and 2016.

Lack of / poor access to finance / funding

Time pressures / lack of staff resource

Economic climate / recession

Cash flow

Lack of marketing expertise

Lack of appropriate managerial skills / experience

Attracting appropriately skilled / experienced non-executive directors or trustees

Regulatory issues (E.g. health and safety)

Accessibility of commissioning / procurement with public services

Understanding of social enterprise amongst general public / customers

Affordability of finance

Lack of financial expertise

Lack of access to / poor advice / business support

Understanding of social enterprise amongst banks and support organisations

None / no barriers

Base: All respondents in follow-up survey (n=456)

1 Lack of / poor access to finance / funding was not asked in 2018
7.1.3 Access to finance

Access to finance has been reported as the main barrier for social businesses in each survey since the mapping exercise began. Additionally, as reported above, it’s seen as a very significant issue amongst most of those who report it. As such, we explored it further in the survey with a follow-up question asking respondents why they see it as a barrier. As revealed by Figure 7.3 below, there are a number of core aspects explaining businesses’ response.

Figure 7.3: Why do you state that accessing finance represents a challenge for your business?

- The type of finance offered is not appropriate for my business
- I don’t have the time to apply for finance
- I’m not sure where to look for finance offers
- I don’t have the expertise to apply for finance
- I’m not sure which finance offers are appropriate for my business
- Other

Base: All respondents in follow-up survey identifying access to finance as a barrier (n=218)
Firstly and primarily, many businesses (43%) don’t believe that the financial products offered meets what they are looking for. We can infer from the fact that obtaining grant finance is seen as a far greater issue than obtaining debt finance that many of these businesses would like to see a greater choice of grant offers over repayable finance. Indeed, Wavehill found in a recent review of social investment finance in Wales (conducted in 2018) that many social businesses are not looking for investment loans, either because they lack the confidence to take on the risk, or because they do not perceive their business to be a suitable organisation (e.g. if they rely on volunteers or generate limited trade), or a combination of both.

The second reason relates to the issue of resource documented above, where 34% of those citing access to finance as a barrier stating that they don’t have time to apply. It is also evident that there’s a lack of awareness among some relating to the process of accessing finance and this represents another barrier. Indeed, when businesses who have not applied for finance were asked to explain their reasons why, 26% reported they lacked the time required to apply and 18% didn’t know where to find appropriate finance.

7.1.4 Public procurement

Given that public procurement is seen by policy makers as one of the key mechanisms that can be used to support the sector, we explored this further with businesses in the survey. As shown in Figure 7.1 above, this is not seen as a major barrier by businesses with only 5% selecting it as one of their four barriers. However, this was tested further in a follow-up question with respondents asked to state the extent to which they agreed with a series of public procurement-related statements, as shown in Figure 7.4 below. The data reveals that only around half (51%) believe they have a good understanding of the process and only 42% believe they possess good tendering expertise (45% disagreed with this statement). On the broader statements, less than half (46%) agreed that there are good opportunities for social businesses through public procurement, although 53% did agree that these opportunities have been increasing in recent years. These findings suggest that most businesses are not well-placed to take advantage of the opportunities available to them through public procurement.

**Figure 7.4: Respondent perspectives on public procurement**

![Figure 7.4](image-url)
7.1.5 Brexit

Clearly, the UK’s decision to leave the EU represents a very current theme in relation to the prospects of the Welsh business community. As such, respondents were asked to state whether they thought it would have an impact on their organisation and around half (50%) reported that it had already impacted them in some way or that they expected it to do so in future. Twenty per cent of businesses indicated that there had already been an impact while an additional 30% reported that, whilst there has not been any to date, they were anticipating some form of eventual impact.

**Figure 7.5: Expectations / Impact from Brexit**

![Figure 7.5: Expectations / Impact from Brexit](image)

Base: All respondents in follow-up survey (n=456)

Respondents who indicated some form of experienced or anticipated impact (n=261) were then asked to explain what this impact is and the response was overwhelmingly negative. An analysis of the comments made reveals that 94% of comments can be described as negative, 4% as positive and 2% mixed. These were then coded and are shown in Figure 7.6 below, with codes for negative comments highlighted in red and positive in green.
Figure 7.6: Codes for comments on the impact of Brexit

Base: All respondents in follow-up survey who expect an impact from Brexit (n=261)

- Loss of EU funding
- Decrease in expendable income
- Costs on export / import
- Losing labour
- General lack of certainty
- Issues supported will get worse
- Business customers more difficult to access
- Increased domestic business
- Loss of tourism
- Reduced need for service
- Benefit from loss of value of pound
As the chart above illustrates, the main concerns (reported by 59%) related to the loss of EU funding, with many businesses stating that some of their activities are funded this way and there was uncertainty regarding whether anything would replace these funds. This data reiterates the extent to which a core group of the sector rely on EU funding. Indeed, an extrapolation of respondents who are based in the West Wales and the Valleys (i.e. the primary recipients of ESF funding) reveals that 63% of this cohort cited loss of EU funding as a concern, compared to 49% of respondents in East Wales. It was also said that a loss of EU funding could have a knock-on effect on existing domestic funds (e.g. provided by trusts) by making it a more competitive environment.

A few (8%) also referenced the increasing costs on imports and loss of labour, while 7% stated that the issues their businesses need to address will become more acute, thereby making it more difficult to deliver their social mission. On the flipside, 4% commented that this could generate more trade for them through a boost to domestic tourism, while 1% commented that changes in the value of sterling had benefitted them. Examples of these sentiments are shown below.

“Loss of European funding will make competition for grants from trusts and foundations even worse. We also risk losing a lot of highly skilled staff in the social economic sector as they will no longer be supported by European programmes.”

“People’s expendable income may decrease as a result of Brexit which means our profit will decrease, some funding we get is EU funding so from a grant perspective we will lose out on that which means we might not be able to offer the services we currently offer. We provide swimming club for over 60’s for free at the moment, we may not be able to offer that in future. It will impact on the least economically active demographic.”

“We’ve noticed an increase in the cost of goods which means the frustration is that we’ve achieved growth but it’s not particularly profitable growth because it’s been consumed by the cost of goods. Our profit is not to the same extent as it could have been or was forecast.”

“As most of our products are imported in any reduction in the value of the pound reduces our margin significantly. Brexit will also lead to economic uncertainty which sees people spending less on luxury items like fair trade.”

“Positively: Reduction in the price of solar panels because the EU have a minimum import price. Negatively: Losing the electricians and skilled EU labour which we rely on to help install our solar panels.”

“The issues we are dealing with will be impacted by Brexit, we expect modern slavery to become more hidden and different tactics to be used. This will make the issue more complicated.”

“We might gain from it, people might be worried about going abroad so will spend more money in the UK, which will help our business increase profit etc.”

### 7.1.6. Business Succession

The aging profile of leadership teams within the sector, as shown in section 4.5.2, is likely to present a further challenge to businesses. As explained earlier in the report, 27% of representatives on the boards of social businesses are aged 65+ which is much higher than the UK average (11%). Although the survey did not directly ask respondents about this issue 5% of businesses did refer to this, along with concerns relating to business succession, as an issue in open comment boxes at different points in the survey. It is likely that had we prompted this the proportion would be much greater and we would recommend doing so in the next survey. Some of the comments made are highlighted below:
“The board members of the organisation are getting older. We need more young people involved in the organisation as we need to plan for succession.”

“Succession management is one of the barriers, as the directors are approaching retirement age and we need to train the next level up to take on leadership responsibilities.”

“We are struggling to find suitably skilled trustees to join the board which is an issue as a lot of the board are over 60 years of age.”

“We have no current skill gaps. However, we are run by volunteer trustees and some of these are becoming quite elderly. We would like younger trustees to come forward with a range of skills.”

### 7.2 Skills Gaps and Support Needed

When asked for their current skills gap, around a third (32%) cited marketing and, in particular, 22% cited digital skills. This is despite the fact that only 11% reported a lack of marketing expertise as a barrier (see Figure 7.1 above) and that only 29% of those described it as a ‘very significant barrier.’

The analysis identified 174 Wales Co-operative Centre clients in the survey sample and their feedback on skills gaps was extrapolated to compare with the overall sample. The data shows that there is no significant differences within this subsample, with 33% citing marketing (compared to 32% overall) and 23% citing digital skills (21% overall).

Further, around a fifth (22%) of respondents cited gaps in business management and strategy (e.g. knowledge relating to governance and business development) along with finance/accounting (19%) and 9% cited leadership. Some of these businesses again referred to the business succession issues described above. Examples of comments are provided overleaf.
“Marketing is probably what we're weakest at and I suppose it's about trying to prioritise that when running a business, strategic planning sometimes gets left behind a bit.”

“We need to improve our marketing and IT skills, we don't yet have a website which we would like support to develop.”

“We need to develop skills around business planning, sustainability planning and change management.”

“Finding and making Grant applications is an area we are looking to improve.”

Respondents were then asked to describe what support would best address the barriers identified and the comments have again been coded and are shown in Figure 7.8 below. As an unprompted question, responses are always likely to be diverse, however the chart below shows some common strands in the type of support advocated.
Unsurprisingly, given the barriers cited, the main suggestions for support involved financial support and funding. Twenty-seven per cent of businesses would like to receive specialist financial advice, including information on the availability and suitability of different finance products. This is consistent with previous findings which found that 24% of those reporting access to finance as a barrier explained they weren’t sure where to look for finance and 17% weren’t sure which offers are appropriate for their business. Many of these comments also related to a desire to receive training in developing applications, while 7% of all respondents specifically mentioned that they would like more meet the funder-type events. Others mentioned that they would like support to develop their financial management skills more generally. Nineteen per cent of businesses reported that a greater availability of finance is needed, particularly in light of what was said to be increasing competition in recent years. Much emphasis was placed on providing more ‘suitable’ finance, with many mentioning that repayable finance is not always appropriate, particularly for start-up social businesses.

Given that the main skills gaps were reported to be in marketing, it’s unsurprising that specialist marketing support is one of the main suggestions made for support, with 15% citing this. Many of the respondents (14%) also remarked that it would be useful to be supported by a mentor e.g. to support them with their marketing strategy or with their financial planning etc.

Many respondents also advocated training courses e.g. for trustees to attend in business planning, leadership and financial management etc. Again, example of these comments are shown overleaf.

**Figure 7.8: Codes for ‘What support would best address the barriers to sustainability or growth you identified?’**

- Specialist financial advice
- Funding
- External political factors e.g. Brexit, government regulations
- Specialist marketing advice
- Mentoring
- Training - general
- Additional capacity / resource e.g. volunteers
- Meet the funders events
- Leadership and management training
- Digital skills training
- More accessible application processes
- More collaborative work
- Legal advice and / or training

Base: All respondents in follow-up survey who answered the question (n=429)
“I would like the Wales Co-op Centre to provide more training for finding suitable grants and for making successful grant applications. I would also like training in marketing and attracting more corporate customers to use the centre.”

“We need training and mentoring in terms of leadership, financial management and legal regulations. We need support with finding and making grant applications and help with the tendering process.”

“Competition for less money is greater now than it used to be so there needs to be more availability of finance. It would be a good idea to develop a formal social enterprise forum to distribute any grant money amongst social enterprises, so we'd only be competing with ourselves which makes it a lot easier to bid for the money.”

“I think the Wales Co-op centre needs to focus on mentoring with the smaller community-based organisations and offering or campaigning for suitable start up financing. Repayable loans as the only form of finance will hinder or scare off a lot of organisations from starting their social enterprises.”

“Opportunities to meet funders - I have attended these before and they’re useful as it can help to clarify what kind of support is there and how to get it and whether it’s a grant or a loan and whether you meet their criteria etc.”

“Our marketing skills need developing and training. Continued visits from a mentor to provide specialist advice about financial planning and legal requirements would also be very useful.”

“I think on the marketing front that it would be useful if somebody came in and suggested a marketing strategy because we've gone down the route of producing literature and we do use social media but I don't think we have a coherent strategy”

“Some time ago we had some support with workforce development from Business in Focus, we were given training to see what staff we had, where we need to be etc. to help us with succession planning, so something like this would be really useful now.”
7.3 Business Confidence

Respondents were asked two questions relating to their expectations for growth in the short-term. Firstly, businesses were asked how many they expect to employ in the next 12 months and the results reveal that 44% expect to employ more compared to only 16% expecting to employ less (the remaining 40% expect it to stay the same). On average, respondents expect to have 0.5 more employees next year. Were these expectations to be realised across the sector and without accounting for changes in the business stock, it would see the sector employing an additional 1,000 employees equating to 56,000 employed in the sector (a 2% increase in employment).

Respondents were even more positive when asked for their expectations relating to turnover and profit, 72% expect their turnover to increase and 67% expect their profit to increase in the next two to three. This indicates a slightly increased confidence within the sector (up from 69% expecting increased turnover in 2016) despite the threats posed by Brexit and some of the other challenges discussed above.

Figure 7.9: Expectations for turnover and profit in the next two to three years

As with previous years, the most common ways of achieving this growth was expected to be through attracting new customers or clients (62% of respondents) and developing new products and/or services (46%).
Figure 7.10: Expectations for how growth will be achieved

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

Base: All respondents in follow-up survey expecting an increase in turnover (n=313)
8 Summary of Findings

8.1. Contribution to the Welsh Economy

The story of social businesses in Wales in recent years is undoubtedly a positive one. It is a growing sector that makes an increasing contribution to the Welsh economy. An additional 324 businesses have been identified since the last study, bringing the size of the sector up to just over 2,000 businesses, representing an increase of 19% since 2016 and 38% since 2014. This, along with modest growth within existing businesses identified in 2016, means that the sector now employs an estimated 55,000 people in paid jobs (45,100 FTEs) which is 37% more than found in 2016. The sector also provides an estimated 58,000 volunteering opportunities.

It is estimated that social businesses now account for 3.8% of all employment in the Welsh economy, up from 3% in 2016 and closing the gap on the EU average of 6.5%. The value of the social businesses to the economy is estimated at around £3.18bn annually, representing an increase of 34% on that identified in 2016 (partly due to changes in the methodological approach). This is equal to around 5.1% of the Welsh economy.

8.2. Health and Scope of the Sector

There have been some interesting developments in the composition of the sector in recent years, indicating that it is in a healthy position but there are also some challenges. Positively, the survey data shows high levels of entrepreneurship activity remaining in the sector (11% registered within the last two years) whilst also showing that the sector continues to mature (28% have been established for more than 20 years compared to 23% in 2014).

8.2.1. Trade

The sector is increasingly dominated by social enterprises (as opposed to other forms of social business) with these businesses making up 77% of the survey in 2018 in comparison to 65% in 2016. In line with this development, there is a continued trend where businesses are generating increasing levels of income through trade, illustrating that, along with a maturing of the sector, it is also becoming more commercially-oriented. Additionally, there has been an increase in trading activity with markets outside of Wales, including trading in other areas of the UK (16% up from 13% in 2016) and exporting (8% up from 4%).

More broadly, businesses are generating income from a growing number of sources. Trading with the general public remains the most important income source and is becoming increasingly important having overtaken public sector grants in 2016 as the primary income source. The main increases, however, are through trading with the public and third sectors (up 17%) and with the private sector (up 12%).

With regards to public sector trade, a larger group of supported businesses has been identified which could take advantage of reserved contract opportunities. While only 5% initially identified themselves as a supported business, upon further exploration it is evident that 15% appear to meet the supported business definition.

8.2.2. The work they do

Social businesses deliver in a range of different operational sectors, including arts/entertainment/recreation (e.g. sports clubs and community cafes) and health and care providers (e.g. day care services and health awareness charities) accounting for 41% of all businesses. However, these two sectors account for just 22% of the total turnover generated by social businesses. The main value is generated by a small group of sectors. For example, the property sector includes Registered Social Landlords and represent just 6% of businesses but contributes 52% of the total value generated by social businesses (excluding the financial accounts for Dwr Cymru).
Mewn perthynas â’u nod cymdeithasol, mae busnesau yn parhau i weithio’n bennaf tuag at wella cymuned benodol, ac mae mwy o fusnesau’n nodi mai eu nod yw cefnogi pobl sy’n agored i niwed a gwella iechyd a lleisiant. Mae’r dadansoddiad yn awgrymu hefyd fod diben craidd y rhan fwyaf o fusnesau cymdeithasol yn arwain atynt yn gweithio tuag at bump o’r saith nod lleisiant yn y Ddeddf, gan gynnwys Cymru fwy cydnerth, ffyniannus, cyfartal ac iach a Chymru o gymunedau cydlynus.

8.2.3 Other characteristics

Social businesses continue to typically reside within less affluent areas (46% are based in the 40% most deprived areas). However, the data also shows that the entrepreneurial activity and new start-ups have typically taken place in more affluent areas.

An analysis of leadership teams shows positive gender diversity but also suggests the sector has a little way to go to truly reflect the face of Wales in terms of ethnicity (where only 2% fall into BAME groups compared to 4% of the Welsh population). More concerning is the confirmation within the data of an ageing profile among representatives of leadership teams in Welsh social businesses, where 27% are aged over 65 (up from 18% in 2014).

It continues to be a very diverse sector in relation to the scale of businesses, ranging from 25% who have no employees to the 13% who generate more than £1 million turnover. There are far more (proportionally) big players in the sector when compared to mainstream businesses, with 8% of social businesses employing more than 50 people compared to 1% of mainstream businesses.

The data also shows that social businesses surveyed since 2014 have experienced modest growth in relation to employment (up by an average of 0.5 to 0.8 employees) while there is greater evidence of growth in turnover (increase in mean average of £1.4m to £1.5m and median income increased from £75k to £85k). This could suggest an increase in sector productivity, although further data would be needed (e.g. profit margin) to determine this.

8.3 Challenges and Prospects

It has been a buoyant period for the sector in Wales in recent years characterised by growth, diversity, increasing maturity and commerciality. However, there are also challenges beneath the surface which could threaten to derail this progress.

There is an ageing leadership with a high proportion of board members and trustees aged 65+, with 27% falling into this category (up from 18% in 2014) compared to just 11% across the UK. Clearly, this represents a risk to businesses’ succession planning and thus the future health of the sector. Indeed, 5% of social businesses identified business succession as an issue during the survey, despite not being asked directly about it.

Social businesses also appear to be experiencing a squeeze in their resources. Turnover has increased at a faster rate than employment and the increasing propensity for using volunteers, freelancers and staff on zero-hours contracts provides further suggestion of a squeeze, as does the fact that time pressures and a lack of staff resource was identified as the second main barrier by respondents. This has been increasingly identified as a barrier since 2014, with almost a threefold increase in the proportion reporting resource as an issue over that time (33% in 2018 vs 24% in 2016 and 12% in 2014). This may suggest that, although sales are increasing, margins are possibly being eroded leading to a reluctance to take on more staff and hence the resource barriers we are seeing here.

As with previous surveys, access to finance continues to be identified as the main challenge for businesses. This survey provides some further light on the reasons for this, suggesting that it’s largely to do with businesses competing for a dwindling supply of grant finance and an unwillingness to access repayable finance. The data shows that there are more social businesses in Wales who receive grants than their UK-wide counterparts and that the proportion who use grants is increasing.
Furthermore, there appears to be a cohort of businesses relying on EU funding and are exposed by the United Kingdom’s exit from the EU. Indeed, when asked about Brexit, more than half thought that it has already had an impact on their business (or will do in future) and these impacts were overwhelmingly negative and primarily involving concerns about the loss of EU funding. This suggests an underlying vulnerability within the sector and raises questions about the resilience of some of these businesses.

Finally, the survey also identified weaknesses in procurement and marketing capabilities. Marketing and particularly digital marketing was identified as businesses’ main skills gap. Whilst there had been an increase in businesses trading with the public sector, ‘winning contracts / accessing procurement opportunities’ was perceived to be the area where businesses are least capable. Forty-five per cent of businesses believe that they do not have good tendering expertise and 31% stated that they do not have a good understanding of the procurement process and how to access opportunities.

When discussing how they could be supported in the future to address some of these issues, the main suggestions include financial advice and support (e.g. with developing applications, more meet the funder events etc.) and marketing support (including through mentors).

8.3.4 Conclusion

The social business sector is increasingly important to Wales, offering jobs in geographical areas where need is highest and in sectors that act as the foundation to Welsh communities and economies. Confidence is high within the sector with the vast majority of social businesses expecting to experience growth over the coming two to three years despite facing unique external challenges.

Challenges identified within this research do have the potential to pose a risk to the continued growth and sustainability of the sector. Measures to address the issues around ageing leadership, access to suitable funding options and capacity issues will need to be designed and implemented in order to secure the long-term health of the sector.

The research demonstrates that the social business sector is a varied and innovative sector which offers enhanced economic, environmental and social value to our country and as such makes an important contribution to Wales’ efforts to achieve its goals for future generations. These findings should inform the emerging strategy that is currently being developed for the sector to enable it to capitalise on opportunities and minimise barriers. It is a sector that, with support that targets start-ups, growth and sustainability, can continue to grow and make a positive contribution as we navigate through the impact of the Brexit process.
Annex 1: Initial Survey Questionnaire

Social Businesses in Wales Survey

Social Businesses in Wales Survey – First Questionnaire

This survey has been commissioned by the Wales Co-operative Centre and is being delivered by an independent research company called Wavehill. The purpose is to speak to as many Welsh social businesses as we can in order to get a feel for the size of the sector as well as the ambitions and challenges within the sector. The information you provide will be used to ensure that the development of policy and future support activity by the Centre and other external organisations are based on your needs. The initial survey should take no more than around ten minutes of your time.

Are you happy to continue with the interview? Please note you can end the interview at any time if you decide you do not want to continue

- Yes (1)
- No - end the survey (2)

Would you like to conduct the interview in Welsh or English? (If Welsh check availability of Welsh speaking interviewers, if none available, agree a time to call back to conduct the interview)

- English (1)
- Welsh (2)

(If Yes) Before we go on, it is important to state that the data collected will be stored securely on our (Wavehill’s) systems for six months after the project is complete (anticipated date for deletion June 2019) before being deleted. The data will not be shared with any other organisation unless we have your explicit permission to do so. Findings from the survey will be presented in a published report entitled ‘Mapping the Social Business Sector in Wales’. However, any comments that you make will be confidential and will not be attributed to you. This means it will be impossible for anyone to identify you from any published reports because information will be anonymised.
If you have any comments or would like to discuss any issue in relation to this evaluation, you can contact Ioan Teifi at Wavehill who is leading the team undertaking the study (ioan.teifi@wavehill.com | 0117 9902 811).

Please be assured that all information recorded will be treated under the strict guidelines set out in the Data Protection Act 2018. All recorded calls are kept for no longer than 12 months. Thank you for taking the time to complete this valuable survey!

Section 1 - Contact Information

Contact Information - researcher please confirm if the details on our contact database are correct and amend if necessary

- Trading name of your Social Business (1)
- Business postal address of your Social Business (2)
- Business postcode of your Social Business (3)
- Business Local Authority Area (i.e. where you pay your business rate) (4)
- Business phone number of your Social Business (5)
- Business email address of your Social Business (6)
- Business website of your Social Business (7)

Can I check what your role is within the organisation? (Open answer, prompt using options below if necessary – tick all that apply)

- Owner (1)
- Managing Director / CEO (2)
- Partner Finance Director / Manager (3)
- HR Director / Manager (4)
- Other director (5)
- Departmental Manager (6)
- Other manager (7)
- Administrator / secretary (8)
- Non-executive director / trustee (9)
- Other, please specify (10)

Display This Question:

If Can I check what your role is within the organisation? (Open answer, prompt using options below... = Other, please specify

Other
Section 2 - Organisation Overview

Q1 Can I just check whether you perceive your organisation to be a Social Business?

- Yes (1)
- No (2)
- Don't know (3)

Q2 Would you say that your business is any of the following…? (Read out - tick all that apply)

- Social Enterprise (a business with primarily social objectives 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. (1)
- Mutual / Co-operative (an organisation owned by, and run for the benefit of, their current and future members). (2)
- Charity (“A charitable organisation that raises income mainly through grants and fundraising activities”? (3)
- Supported business 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. (4)
- Other type of third sector body (e.g. social firm) (5)

Can I just check whether you perceive your organisation to be a Social Business? = No
Or Can I just check whether you perceive your organisation to be a Social Business? = Don't know

- None of the above (6)

Display This Question:

If Can I just check whether you perceive your organisation to be a Social Business? = No
Or Can I just check whether you perceive your organisation to be a Social Business? = Don't know
And If

Would you say that your business is any of the following…? (Read out - tick all that apply) = Charity (“A charitable organisation that raises income mainly through grants and fundraising activities”)
Or Would you say that your business is any of the following…? (Read out - tick all that apply) = Other type of third sector body (e.g. social firm)
Or Would you say that your business is any of the following…? (Read out - tick all that apply) = None of the above
Social Business is a term used to describe organisations operating within the social economy, which could include employee owned businesses, Co-operatives, trading charities 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”. Under this definition would you now describe your organisation as a social business?

- Yes (4)
- No (5)

Thank you for your time. This survey is now complete.

Researcher exit the survey in the browser bar and record on database.

Q3 Please outline your organisation’s legal status? (Open answer, prompt using options below if necessary - tick all that apply)

- Company Limited by guarantee (CLG) (1)
- Company Limited by Shares (CLS) (2)
- Industrial and Provident Society (IPS) - Co-operative Society (3)
- Industrial and Provident Society (IPS) - Community Benefit Society (4)
- Community Interest Company (CIC) (5)
- Sole proprietorship (6)
- Partnership (7)
- Charitable incorporated organisation (8)
- Unincorporated organisation (9)
- Don’t know (10)
- Other (11)
Q3a If other, please specify:________________________________________________________________

Q4 Could you confirm if your organisation is also (Read out all - tick all that apply)

- Part of a chain of social businesses (1)
- The trading arm of a charity (2)
- A subsidiary of a private sector organisation (3)
- A trading arm of a public sector organisation (4)
- None of the above (5)
- Don't know (6)

Q4a Please state who your parent organisation is?________________________________________________________________

Q5 Please enter where applicable:

- Company / CIC Number (1)
- Charity Number (2)
- Society Number (3)

Q6 Including yourself, if applicable, approximately how many paid staff are currently employed in your organisation as a whole in Wales? - please just write in 0 if none

- Full-time (1)
- Part-time (2)
- Don't know (3)

Q6a How many volunteers does your organisation currently have in Wales? (Note this includes Non-Executive Directors / Board Members who work with your organisation voluntarily) please just write in 0 if none

- Number of volunteers (4)
- Don't know (5)
Q7 In which areas of Wales does your organisation operate? (open answer - tick all that apply)

- All of Wales (1)
- Blaenau Gwent (2)
- Bridgend (3)
- Caerphilly (4)
- Cardiff (5)
- Carmarthenshire (6)
- Ceredigion (7)
- Conwy (8)
- Denbighshire (9)
- Flintshire (10)
- Gwynedd (11)
- Isle of Anglesey (12)
- Merthyr Tydfil (13)
- Monmouthshire (14)
- Neath Port Talbot (15)
- Newport (16)
- Pembrokeshire (17)
- Powys (18)
- Rhondda Cynon Taf (19)
- Swansea (20)
- Torfaen (21)
- Vale of Glamorgan (22)
- Wrexham (23)

Section 3 – Trading Related Information

Q8 When did your organisation start trading? (month (if possible) and year) 
*Please note this also includes primary purpose trading, service level agreements etc.*

- Month
- Year

Q9 What is the main business activity of your organisation? What goods or services do you provide?

Please ensure you have a clear and accurate description to enable us to identify in which sector they operate

Q10 Please could you confirm your organisation’s turnover/total income in the last financial year.
Please note this figure is the total for the organisation as a whole. Please note that this should include all income sources including trading, grants and donations.

- Turnover/total income: £ (4)
- Don’t know (5)

**Display This Question:**
If Please could you confirm your organisation’s turnover/total income in the last financial year. Pl... =
Don’t know

Q10a If you do not have the actual figure at hand, please provide an approximate number (Researcher Note: prompt with bandings below)

- Under £25,000 (1)
- £25,001 to £50,000 (2)
- £50,001 to £100,000 (3)
- £100,001 to £250,000 (4)
- £250,001 to £500,000 (5)
- £501,000 to £1m (6)
- £1.01m to £2.5m (7)
- £2.51m to £5m (8)
- £5.01m to £10m (9)
- More than £10m (10)
- Not traded for a complete financial year (11)
- Made a loss (12)
- Rather not say (13)
- Don' know (14)

Q10b Approximately what % of your turnover is from your Wales based offices?

- % (4)
- Don’t know (5)
- N/A (7)

**Display This Question:**
If Approximately what % of your turnover is from your Wales based offices? = Don't know
Q10c If you do not have the actual figure at hand, please provide an approximate number (Researcher Note: prompt with bandings below)

- 1 to 10% (1)
- 11 to 20% (2)
- 21 to 30% (3)
- 31 to 40% (4)
- 41 to 50% (5)
- 51 to 60% (6)
- 61% to 70% (7)
- 71% to 80% (8)
- 81% to 90% (9)
- 91% to 100% (10)
- Don't know (11)

Section 4 - Final few questions

Q11 Are you registered on Sell2Wales? (please tick one only)

- Yes (1)
- No (2)
- Don't know (3)

Q12 Do you have any corporate social media accounts?

- Yes (1)
- No (2)

Display This Question:
If Do you have any corporate social media accounts? = Yes

Q12a Can you please tell me which social media accounts are used (i.e. your business name on these accounts)? (open answer - prompt where necessary and tick all that apply)

- Facebook (1)
- Twitter (2)
- LinkedIn (3)
- Youtube (4)
- Snapchat (5)
- Pinterest (6)
- Instagram (7)
- Whatsapp (8)
- Other (9)
Q12b If other please specify:
________________________________________________________________

Q12c Can you please tell me your handle / search term for these accounts (i.e. your business name on these accounts)?
________________________________________________________________

Q13 Are you registered for VAT?
- Yes (1)
- No (2)
- Don't know (3)

There have been important changes in legislation in recent years which are designed to provide greater opportunities for social businesses. As a result, there are organisations (buyers) approaching the Wales Co-operative Centre to identify social businesses who could work with them as potential suppliers of a range of different products and services. Against this background, the Wales Co-operative Centre is looking to develop an online directory of social businesses which will be used to raise their profile and share their information with these buyers (e.g. local councils, NHS service, Welsh Government or relevant private contractors)

(This information will just include your organisation’s name, telephone number, email address, website address and a description of the goods and services you offer. You may have already received an email from the Wales Co-operative Centre regarding how the information you provide will be handled. If not, please find a full explanation of the way in which the information you provide will be handled by going on bit.ly/WCCprivacy.)

Q14 Are you happy to be included on the Wales Co-operative directory and for your information to be shared with procurement bodies?
- Yes – to be included on directory (1)
- Yes – to share information with procurement bodies (2)
- No (3)
Q14a If yes, can you please provide contact details for the most appropriate person in your organisation who has primary responsibility for responding to tender opportunities? These details will be included on the Wales Co-operative directory.

- Name (2)
- Position (3)
- Email address (4)
- Telephone (5)
- Not applicable - don't tender for contracts (6)

Q15 Would you also be happy for the information that you have provided to be passed on to Business Wales to populate their online business directory?

- Yes (1)
- No (2)

Q16 In the future, the Wales Co-operative Centre would like to contact your organisation with information about training, events and other activities that may be beneficial to your business. Is this ok?

- Yes (1)
- No (2)

Q17 In the future, the Wales Co-operative Centre may also wish to commission further research involving social businesses in Wales. Would you be happy for them to share your information with external research companies who could be commissioned to undertake this research?

- Yes (1)
- No (2)

Q18 We have a few more additional questions we would like to ask; would you be happy to speak to me for a little bit longer, it will only take 15 to 20 minutes or would you be happy for me to call you back at a more convenient time?

- Yes, happy to answer few more questions now - click next to access the follow on survey (1)
- Yes, happy to answer more questions at a more convenient time - arrange call back and exit survey in browser bar (2)
- I do not want to be contacted in the future for a telephone interview (3)
Annex 2: Follow-up Survey Questionnaire

Social Business in Wales - Follow on Interview  

Section 1 – Trading Activities

Q1 What are the main sources of income your organisation receives? (Please tick all that apply – Read out)

- Trading with the public sector (e.g. through service level agreements or contracts) (1)
- Trading with the private sector (2)
- Trading with third sector organisations (e.g. charities, voluntary groups) (3)
- Trading with other social businesses (4)
- Trading with the general public (5)
- Grants from the government/local authority / public sector (6)
- Other grants (7)
- Donations (8)
- Don’t know (9)
- Other (10)

Display This Question:

If What are the main sources of income your organisation receives? (Please tick all that apply – Read out) = Other

Q1a Other, please specify.
________________________________________________________________

Q2 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* (Open answer - please tick one only)

- 0 to 15% (1)
- 16 to 25% (2)
- 26% to 50% (3)
- 51% to 75% (4)
- 76% to 100% (5)
- Don’t know (6)

Q3 What do you do with any surplus / profit that you generate? (Open answer – code responses at 3a)
________________________________________________________________
Q3a Coding for Q3

- Re-invest to grow / sustain the business (1)
- Utilise for community, social, environmental or charitable benefit (2)
- Distribute to members (3)
- Move to a trust on behalf of the employees (4)
- Other (5)

Display This Question:
If Coding for Q3 = Other

Q3b Other, please specify below:

Q4 Does your organisation have any offices outside of Wales? (Open answer - tick one only)

- Yes (1)
- No (2)

Q5 Does your organisation trade in other areas of the UK? (Open answer - tick one only)

- Yes (1)
- No (2)
- Don’t know (3)

Q6 Does your organisation export overseas? (Open answer - tick one only)

- Yes (1)
- No (2)
- Don’t know (3)

Q7 Does your organisation operate on a membership basis? (Open answer - tick one only)

- Yes (1)
- No (2)
- Don’t know (3)

Display This Question:
If Does your organisation operate on a membership basis? (Open answer - tick one only) = Yes

Q7a Does your organisation elect members to your management board? (Please tick one only)

- Yes (1)
- No (2)
- Don’t know (3)
Q7b How many members with voting rights do you have?

- Number (7)
- Don't know (5)

Section 2 - Staff / Volunteers

Q8 Over the course of the last 12 months, has your organisation employed any of the following (Read out);

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>Don't know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support workers</td>
<td></td>
<td></td>
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<tr>
<td>Short term work placements</td>
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<tr>
<td>Apprentices</td>
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<tr>
<td>Freelancers</td>
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<tr>
<td>Seasonal workers</td>
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<tr>
<td>Zero hours’ contract workers</td>
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</tbody>
</table>

Q9 Does your organisation pay the Living Wage to all staff? The UK rate as defined by the Living Wage Foundation is £8.75 per hour. This is different to the Minimum wage (£7.38) and National Living Wage (£7.83)

- Yes (1)
- No (2)
- Don’t know (3)
- N/A (4)

Q10 Of the new employees that started within the last 12 months, how many were unemployed immediately before taking up the post

- Full-time (1)
- Part-time (2)
- Don’t know / N/A (3)

Q11 Approximately how many of your paid workforce lives within 10 miles of your Welsh office location(s)? This question can either be answered as a number figure or a percentage. please just write in 0 if none

- Number (1)
- Percentage % (2)
- Don’t know (3)
- N/A (4)
Q12

The Wales Co-Operative Centre would like to know whether your business can be classified as a ‘supported business’ as this could create opportunities in procurement for your business.

To help us understand whether your business can be described as such, can you please tell me whether at least 30% of your paid workforce is made up of people who are disabled or disadvantaged in the labour market?

This includes the following eight categories for an employee who:

- has a disability;
- or has not been in regular paid employment for the previous 6 months;
- or is between 15 and 24 years of age;
- or has not attained an upper secondary educational or vocational qualification such as an A Level/NVQ3;
- or has not obtained regular paid employment within two years after completing full-time education;
- or is over the age of 50 years;
- or lives as a single adult with one or more dependants;
- or works in a sector or profession where the gender imbalance is at least 25% higher than the average (e.g. in sectors such as manufacturing and construction; or occupations such as care, administrative/secretarial, process, plant & machine operatives);
- or is a member of an ethnic minority and who requires development of his or her linguistic, vocational training or work experience profile.

- Yes (9)
- No (12)
- Don’t know (10)

Q13 Approximately how many people did you employ (in paid employment) in your Welsh based offices 12 months ago? - please just write in 0 if none

- Full-time (1)
- Part-time (2)
- Don’t know (3)
- N/A (4)
Q14 How many people do you expect to employ (in paid employment) in your Welsh based offices in the next 12 months? - please just write in 0 if none

- Full-time (1)
- Part-time (2)
- Don’t know (3)
- N/A (4)

Section 3 – Delivering your social impact

Q15 Does your organisation have a clear social or environmental mission that is set out in its governing documents? (Please tick one only)

- Yes (1)
- No (2)
- Don’t know (3)

Q16 What are your organisation’s main social and/or environmental objectives? [Open answer, prompt using options below if necessary- tick all that apply]

Q16a Please code below:

- Improving a particular community (1)
- Creating employment opportunities (2)
- Supporting vulnerable people (3)
- Improving health and well-being (4)
- Promoting education and literacy (5)
- Addressing social exclusion (6)
- Protecting the environment (7)
- Addressing financial exclusion (8)
- Supporting vulnerable children and young people (9)
- Providing affordable housing (10)
- Supporting other social enterprises / organisations (11)
- Promotes and protect culture, heritage and the Welsh language (12)
- Encourage people to participate in the arts, sports and recreation (13)
- Providing access to services (14)
- Don’t know (15)
Q17 To be defined as a supported business, businesses are required to show that their primary aim is the social and professional integration of disabled or disadvantaged persons? Does your business meet this condition?

- Yes (1)
- No (2)
- Don't know (3)

Q17a Is the social and professional integration of disabled or disadvantaged persons set out in your constitutional documents (e.g. Memorandum, Charitable objectives, membership agreement)?

- Yes (1)
- No (2)
- Don't know (3)

Section 4 – Business Performance

Q18 I’d like to ask about the range of tasks that you need to do when running a business, and for you to tell me how capable you think your organisation is at doing them.

So, including any external expertise 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 at....
Q19 What skills gaps do you have within your organisation that you would like to address?

Q20 Thinking about the last 12 months has your organisation....? (read out – tick all that apply)

- Diversified into new sectors (1)
- Expanded into new geographical areas (2)
- Developed new products and services (3)
- Replicated or franchised (4)
- Attracted new customers or clients (5)
- Attracted investment to expand (6)
- Acquired another organisation (7)
- Merged with another organisation (8)
- Won a public sector procurement contract (9)
- Won business from the private sector (10)
- Won business as part of a consortium (11)
- None of these (12)
- Other (13)

Display This Question:
If Thinking about the last 12 months has your organisation....? (read out – tick all that apply) = Other

Q18a Other - please specify and explain how / what
Q20b Please tell us what geographical areas you have expanded into? (Read out)

<table>
<thead>
<tr>
<th>Area</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Authorities in Wales</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Elsewhere in the UK, excluding Wales</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Elsewhere in the EU, excluding the UK</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Elsewhere worldwide, excluding EU</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Q20c Please tell us what new products and services you have developed? (Open answer, prompt using options below if necessary – tick all that apply)

- Education / Training (1)
- Leisure / Culture (2)
- Support service / Activity (3)
- Retail product (4)
- Retail service (5)
- Business support service (6)
- Environmental (7)
- Other (8)

Q20d Other, please specify

Q20e Please explain more about this (replicated or franchised)
Q20f Please explain more about this (how have you attracted new customers or clients / from where) (Open answer, prompt using options below if necessary – tick all that apply)

Display This Question:
If Thinking about the last 12 months has your organisation…? (read out – tick all that apply) = Attracted new customers or clients

Q20ff Coding for Q18f

- Word of mouth / Reputation (1)
- Digital marketing (2)
- Expansion in offer (e.g. new products/services) (3)
- Direct marketing i.e. going out to engage potential customers (4)
- Media / Advertisements (5)
- Partnership working (6)
- It is the nature of the business (7)
- Networking (8)
- Other (9)

Display This Question:
If Coding for Q18f = Other

Q20fff Other, please specify

Display This Question:
If Thinking about the last 12 months has your organisation…? (read out – tick all that apply) = Attracted investment to expand

Q20g Please explain more about this (attracted new investment from where)

Display This Question:
If Thinking about the last 12 months has your organisation…? (read out – tick all that apply) = Acquired another organisation

Q20h Please explain more about this (acquired another organisation)

Display This Question:
If Thinking about the last 12 months has your organisation…? (read out – tick all that apply) = Merged with another organisation

Q20i Please explain more about this, who / why? (merged with another organisation)
Q20j Please explain more about this **(won business as part of a consortium)** - who did you partner with, and why?
Q21 Thinking about the next 2-3 years, do you think your turnover and profit will increase, decrease or stay the same?

<table>
<thead>
<tr>
<th></th>
<th>Increase</th>
<th>Decrease</th>
<th>Stay the same</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Profit</td>
<td></td>
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</tbody>
</table>

Display This Question:
If Thinking about the next 2-3 years, do you think your turnover and profit will increase, decrease... [Increase] (Count) >= 1

Q22i How does your organisation plan on achieving this increase....? (Open answer, prompt using options below if necessary – tick all that apply)

Display This Question:
If Thinking about the next 2-3 years, do you think your turnover and profit will increase, decrease... [Increase] (Count) >= 1

Q22 Coding for Q22i (tick all that apply)

- Diversifying into new markets (1)
- Expanding into new geographical areas (2)
- Developing new products and/or services (3)
- Replicating or franchising (4)
- Attracting new customers or clients (5)
- Attracting investment to expand (6)
- Acquiring another organisation (7)
- Merging with another organisation (8)
- Winning business as part of a consortium (9)
- Reducing costs (10)
- None of these (11)
- Other (12)

Display This Question:
If Coding for Q22i (tick all that apply) = Other

Q22a Other, please specify

______________________________________________________________________________
Section 5 – Accessing Finance

Q23 Has your organisation applied for new sources of finance for your organisation in the past 12 months?

• Yes (1)
• No (2)
• Don’t know (3)

Display This Question:
If Has your organisation applied for new sources of finance for your organisation in the past 12 mon... = Yes

Q24 What form of finance did you apply for? (Open answer, prompt using options below if necessary – tick all that apply)

• Grant (1)
• Loan (3)
• Overdraft (4)
• Mortgage (5)
• Equity Release (6)
• Leasing/HP (7)
• Crowdfunding (8)
• Don’t know (9)
• Other (10)

Display This Question:
If What form of finance did you apply for? (Open answer, prompt using options below if necessary –... = Other

Q24a Other, please specify.

______________________________________________________________

Display This Question:
If Has your organisation applied for new sources of finance for your organisation in the past 12 mon... = Yes
Q25 Where did you apply for this finance? (Open answer, prompt using options below if necessary – tick all that apply)

- Bank (1)
- Social Bank (2)
- Building society (3)
- Credit Union (4)
- Specialist social investment organisation (5)
- Government fund (6)
- Local authority (7)
- Venture capitalist (8)
- Grant making trust or foundation (9)
- Peer to peer/crowd funding website or organisation (10)
- Friends and/or family (11)
- Community Development Finance Institution (CDFI) (12)
- Angel Investor (13)
- Don’t know (14)
- Other (15)

Display This Question:
If Where did you apply for this finance? (Open answer, prompt using options below if necessary – tick... = Other

Q25a Other

Display This Question:
If Has your organisation applied for new sources of finance for your organisation in the past 12 mon... = Yes

Q26 What are you using this finance or capital for? (Open answer, prompt using options below if necessary – tick all that apply)

- Working capital e.g. to cover cash flow (1)
- Development capital (e.g. to develop new services or plans) (2)
- Equipment/vehicle acquisition (3)
- Property purchase/refurbishment (4)
- To finance payment by results contracts (5)
- Don’t know (6)
- Other (7)

Display This Question:
If What are you using this finance or capital for? (Open answer, prompt using options below if neces... = Other

Q26a Other
Q27 Why has your organisation decided not to apply for new sources of finance or capital in the past 12 months? (Open answer, prompt using options below if necessary – tick all that apply)

- No finance required (1)
- Cost of finance (2)
- Time required to apply for finance (13)
- Knowing where to find appropriate finance (3)
- Confidence and skills to take on investment finance (4)
- Restrictions of legal form (5)
- Thought you would be rejected (6)
- No security (7)
- Willingness of Board or Trustees to take on the risk (8)
- Economic conditions (9)
- Competition for grants (10)
- Don’t know (11)
- Other (12)

Q27a Other, please specify
____________________________________________________________________

Q28 To what extent does your organisation promote your social business and/or supported business (if applicable) status in marketing its good/services?

<table>
<thead>
<tr>
<th></th>
<th>To a great extent</th>
<th>To some extent</th>
<th>Not very much</th>
<th>Not at all</th>
<th>Not applicable</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Business</td>
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<tr>
<td>Supported Business</td>
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</tr>
</tbody>
</table>
Q29 What main tool or method does your organisation use to measure your social impact? (Read out – Select all that apply)

- Social Return on Investment (SROI) (1)
- Social Accounting and Audit (SAN) (2)
- Outcomes Star (3)
- The Local Impact Measurement Tool (4)
- Social Impact Tracker (5)
- Your Value (6)
- Self Smart (7)
- Lamplight (8)
- The Rickter Scale (9)
- Ecco (10)
- The Questant Process (11)
- Own method (12)
- Don’t know (13)
- Other (14)
- None (15)

Q29a Other, please specify.__________________________

Q30 Does your organisation measure your impacts against the goals of the Well-being of Future Generations Act?

- Yes (1)
- No (2)
- Don’t know (3)

Q30a If yes, in what way?__________________________________________________________
Q31 To what extent has your organisation entered into joint bidding arrangements i.e. as a consortium or partnership to tender for public sector work? (Tick one answer – Open answer, use prompts if required)

- Regularly enter into joint bidding arrangements (1)
- Have occasionally entered into joint bidding arrangements (2)
- Have entered into joint bidding arrangements once (3)
- Have never entered into joint bidding arrangements (4)
- Don’t tender for public sector work (5)
- Don’t know (6)

Q32 If you have entered into joint bidding arrangements, who are these arrangements with?

- Other social businesses (such as social enterprises, mutual, co-operatives or employee owned businesses) (1)
- Other third sector organisations (2)
- Private sector organisations (3)
- A combination of the above (4)

Q32a Please describe what combination this is (eg third sector organisation and private sector)

Q33 Can you describe how the consortium or partnership worked (i.e. who was the lead? Did you develop a special purpose vehicle?)
Q34 When entering into joint bidding arrangements, how many partner organisations are typically involved? (open answer, select one)

- More than 5, including your organisation (1)
- 3 to 5, including your organisation (2)
- 2, including your organisation (3)
- It varies from contract to contract (4)

Section 6 – Barriers to sustainability and/or growth

Q35 What are the four most significant barriers to your organisation’s sustainability and/or growth currently? (Open answer)

Q35a Code below

- Obtaining grant funding (1)
- Obtaining debt or equity finance (Any non-grant funding) (2)
- Affordability of finance (3)
- Cash flow (4)
- Lack of appropriate managerial skills/experience (5)
- Difficult to attract appropriately skilled / experienced non-executive directors or trustees (6)
- Time pressures/ lack of staff resource (7)
- Accessibility of commissioning / procurement with public services (8)
- Lack of access to/poor advice / business support (9)
- Understanding / awareness of social enterprise amongst banks and support organisations (10)
- Understanding / awareness of social enterprise amongst general public / customers (11)
- Regulatory issues (e.g. health and safety) (12)
- Lack of financial expertise (13)
- Lack of marketing expertise (14)
- Economic climate / recession (15)
- Other (16)
- None / no barriers (17)
Q35b Other, please specify.

Display This Question:
If Code below != None / no barriers

Q36 How significant are each of these barriers?

<table>
<thead>
<tr>
<th>Barriers</th>
<th>Very significant</th>
<th>Significant</th>
<th>Not very significant</th>
<th>Not at all significant</th>
<th>Not sure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Obtaining grant funding</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Obtaining debt or equity finance (Any non-grant funding)</td>
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<tr>
<td>Affordability of finance</td>
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<tr>
<td>Cash flow</td>
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<tr>
<td>Lack of appropriate managerial skills/experience</td>
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<tr>
<td>Difficult to attract appropriately skilled / experienced non-executive directors or trustees</td>
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<tr>
<td>Time pressures/ lack of staff resource</td>
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<tr>
<td>Accessibility of commissioning / procurement with public services</td>
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<td>Lack of access to/poor advice / business support</td>
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<td>Understanding / awareness of social enterprise amongst banks and support organisations</td>
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<tr>
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<tr>
<td>Regulatory issues (e.g. health and safety)</td>
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<tr>
<td>Lack of financial expertise</td>
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<tr>
<td>Lack of marketing expertise</td>
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<tr>
<td>Economic climate / recession</td>
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<tr>
<td>Other</td>
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<tr>
<td>None / no barriers</td>
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</table>

Display This Question:
If Code below = Obtaining grant funding
Or Code below = Obtaining debt or equity finance (Any non-grant funding)
Or Code below = Affordability of finance
Or Code below = Lack of financial expertise
Q36a Why do you state that accessing finance represents a challenge for your business? (Open answer, tick all that apply)

- The type of finance offered is not appropriate for my business (e.g. seeking grant finance but only non-grant finance offered) (1)
- I’m not sure where to look for finance offers (2)
- I’m not sure which finance offers are appropriate for my business (3)
- I don’t have the expertise to apply for finance (4)
- I don’t have the time to apply for finance (5)
- Other (6)

Q36aa Other, please specify

________________________________________________________________

Q36b What support would best address the barriers to sustainability or growth you identified? [Open answer, prompt if required i.e. training, mentoring, opportunities to meet funders, specialist support in marketing, finance etc.]

________________________________________________________________

Q37 To what extent would you agree with the following statements in relation to public procurement:

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neither agree nor disagree</th>
<th>Disagree</th>
<th>Strongly disagree</th>
<th>Don’t know</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>I/My business has a good understanding of the public procurement process and how to access those opportunities</td>
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<tr>
<td>I/My business has good tendering expertise</td>
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<tr>
<td>There are good opportunities for social businesses through public procurement</td>
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<tr>
<td>The opportunities for social businesses have been increasing over the last 2-3 years</td>
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</tbody>
</table>
Q38 Have you noticed, or do you expect any impact on your business from the UK’s decision to leave the EU? (tick all that apply)

- Yes, we have (1)
- No, we haven’t but expect to (2)
- No, we haven’t and don’t expect to (3)
- Don’t know (4)

Display This Question:

If Have you noticed, or do you expect any impact on your business from the UK’s decision to leave th... =
Yes, we have
Or Have you noticed, or do you expect any impact on your business from the UK’s decision to leave th... =
No, we haven’t but expect to

Q39 Please explain how you expect Brexit to impact your business.

_________________________________________________

Q40 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 (1)
- Female (2)
- White British (3)
- White Other (4)
- Asian or Asian British (5)
- Black or Black British (6)
- Mixed (7)
- Chinese (8)
- Other (9)
- 16 to 24 (10)
- 25 to 44 (11)
- 45 to 64 (12)
- 65 or above (13)

Q38 Would you like to add any other comments?

________________________________________________________________

The survey is now complete. Thank you for your time.
Annex 3: Eligibility criteria for Supported Business classification

To be classified as a supported business, organisations must be able to demonstrate three things:

A. That at least 30% of their employees are disabled or disadvantaged
B. That their main aim is the social and professional integration of disabled or disadvantaged persons
C. To comply with Point B, organisations must show that the goal of assisting disabled / disadvantaged people to achieve social and professional integration is set out in their constitutional documents, for instance:
   - Memorandum and articles (if a company)
   - Charitable objects (if a charity);
   - Membership agreement or similar (if a partnership or unincorporated body)

If awarded a reserved contract, bidders may be asked to provide a summary or appended plans showing what they do to assist disabled or disadvantaged people to achieve integration.

For Point A, a ‘disadvantaged worker’ means any person who:

1. has not been in regular paid employment for the previous 6 months; or
2. is between 15 and 24 years of age; or
3. has not attained an upper secondary educational or vocational qualification (International Standard Classification of Education 3) or is within two years after completing full-time education and who has not previously obtained his or her first regular paid employment; or
4. is over the age of 50 years; or
5. lives as a single adult with one or more dependants; or
6. works in a sector or profession in a Member State where the gender imbalance is at least 25 % higher than the average gender imbalance across all economic sectors in that Member State, and belongs to that underrepresented gender group; or
7. is a member of an ethnic minority within a Member State and who requires development of his or her linguistic, vocational training or work experience profile to enhance prospects of gaining access to stable employment.

Finally, a ‘disabled person’ is defined as follows:
   a.) the person has a physical or mental impairment, and
   b.) the impairment has a substantial1 and long-term2 adverse effect on a person's ability to carry out normal day-to-day activities

---

1 ‘substantial’ is more than minor or trivial, e.g. it takes much longer than it usually would to complete a daily task like getting dressed.
2 ‘long-term’ means at least 12 months, e.g. a breathing condition that develops as a result of a lung infection (see Schedule 1 to the Equality Act 2010).
### Annex 4: Mapping Matrix: Social Objectives vs WBFGA Well-Being Goals

<table>
<thead>
<tr>
<th></th>
<th>A prosperous Wales</th>
<th>A resilient Wales</th>
<th>A healthier Wales</th>
<th>A more equal Wales</th>
<th>A Wales of cohesive communities</th>
<th>A Wales of vibrant culture and thriving Welsh language</th>
<th>A globally responsible Wales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improving a particular community</td>
<td></td>
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<tr>
<td>Creating employment opportunities</td>
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Acknowledgements

We would also like to thank the many individuals who gave their time to assist in the evaluation. Several organisations played a vital role in this study by supplying the research team with information on social businesses to help us paint a picture of the sector in Wales. We would also like to thank the social businesses themselves as this evaluation would not have been possible without all of their contributions.