



Growing the Big Society

Encouraging success in social and community enterprise in deprived communities

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Institute for Public Policy Research

Challenging ideas – Changing policy

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About ippr north

ippr north, the Newcastle-based office of the Institute for Public Policy Research, produces far-reaching policy ideas, stimulating solutions that work nationally as well as locally. These are shaped from our research, which spans economic development, regeneration, public services and devolution as well as a strong democratic engagement strand which involves a wide range of audiences in political debates.

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About North West Together We Can

North West Together We Can is the empowerment partnership for the North West of England. It encourages collaborative learning, practice and research about community empowerment and engagement in the region.

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Executive summary

The third sector, particularly social enterprise, has moved into the policy mainstream in recent years. Under the Labour government social enterprises were regarded as a potential deliverer of public services and facilitators of civic activism, community capacity and cohesion. The new coalition government is continuing on this path, with the 'Big Society' emerging as an important early theme.

The Coalition's plans include giving communities more powers and rights to manage local assets and services, training a generation of community organisers, supporting philanthropy, and growing the size of the third sector. Early policy statements emphasise the role of social enterprise particularly, setting out measures to support the growth of existing social enterprises and the establishment of new ones.

The new regional strategy currently being developed for the North West also makes social enterprise a priority. North West Together We Can commissioned ippr north to identify the critical success factors for social and community enterprises and inform the wider debate. This is the summary of a report that draws together the results of case study research, a survey of social and community enterprises in the North West, a small number of interviews with support providers and local authorities, and a cross-sector workshop.

Positive findings but challenges remain

Our work finds that all in all, there are many reasons for community and social enterprises to be cheerful. The messages coming from the new government are very positive towards the third sector, and this research shows local authorities too to be increasingly aware and supportive of social and community enterprise, and a number of organisations to be doing excellent work in and with their communities.

But there are some significant challenges on the horizon. In particular:

- The implications of the public sector spending cuts
- The funding cliff edge looming in March 2011 as many grants, service agreements and contracts are due to end
- Fears that the drive for public sector efficiency will result in ever larger contracts, pushing commissioning and procurement further out of reach for more and more social and community enterprises.

Perhaps most challenging of all, this research finds that full-blown social and community enterprises are few and far between. In reality there are many more aspiring social and community enterprises – currently largely dependent on grants – than there are fully operational enterprises. It would seem there is something of a gap between the expectations of the Big Society and reality on the ground in the North West.

Critical success factors

In order to live up to the expectations of policymakers, it is crucial that the social and community enterprise sector is supported to be strong and vibrant. In considering the critical success factors for these enterprises in the North West of England, particularly those in deprived communities, ippr north asked:

- What helps make them successful?
- What impact do they have on their area?
- What support do they require?
- Where do they access support?

Most of our case study organisations' stories of success reveal common themes, such as the quality of relationships and networks, having the right people to rely on, and the need to

build a strong profile and good reputation. Most of the organisations also regarded undergoing an organisational review and securing a significant contract to be key turning points. These moments catalysed their development as enterprises, and changed their organisational mindset.

Key points identified through this research project are summarised below.

Enablers of success

A strong team: The importance of committed and enthusiastic people with the right skills – or access to others with the right skills – was highlighted repeatedly. This extended not only to staff and volunteers, but to board members and mentors too. A strong leader with a clear vision is also very important.

Networks and profile: Having strong networks with other organisations able to offer peer-to-peer support and mentoring is highly valued. So too is participating in mixed networks that offer opportunities to build profile, learn about business opportunities and form consortia.

Service provision and identifying a niche: Social and community enterprises need not only to understand the community that they serve, but also how to access markets and – where relevant – develop new markets. Evidence to demonstrate community need and gaps in services is essential, which requires good quality market research and professional marketing of the resulting service.

The value of organisational review: Most of our case studies highlighted an organisational review as a key turning point on their journey to becoming a successful enterprise, bringing greater clarity about their mission and how to achieve it. Often this involved stopping some activities and embracing a more enterprising mindset.

Barriers to success

Funding and finance: Unsurprisingly, funding recurred as a challenge for the sector, with considerable anxiety expressed about the future. The research reveals a strong preference for funding in the form of grants, with very few of the survey respondents trying to access loans or other forms of business finance.

Public sector procurement and commissioning: This should be a route to greater sustainability, but a number of significant barriers were highlighted, including: restrictive specifications that set out how delivery should occur, rather than focusing on the outcomes sought; overly complex processes; tight timescales; large contracts that are beyond the reach of smaller organisations.

Accessing relevant support: Finding and accessing relevant support is a key enabler of social and community enterprises, but a lack of coordination, information sharing and signposting creates barriers.

Generally, organisations were positive about the support provided by other voluntary sector agencies, but wanted to see more specialist support directly relevant to their organisation. The survey findings suggest social and community enterprises seek support in different places, with community enterprises more likely to turn to other third sector organisations or local authorities, but those not identifying themselves as community enterprises more likely to turn to specialist social enterprise support providers and organisations like Business Link. They were also more likely to highlight business support and procurement skills and knowledge as areas where they are dissatisfied with the support available.

Developing core organisational infrastructure: Successful organisations are built on good processes. Financial management and human resources that function effectively enable the rest of the organisation to operate smoothly. Funding this activity remains a significant barrier to many organisations.

Recommendations

1) Making Big Society flourish

The new impetus generated by the coalition government's emphasis on the role of social enterprise in creating the Big Society is to be welcomed. However, it would seem that – in the North West at least – there is a significant gap between the expectations for the Big Society and the current capacity of the sector. Ambitions to build capacity also look dangerously constrained by the March 2011 funding cliff-edge.

In order to bridge the gap and address concerns about capacity and funding, we recommend an urgent need for robust and frequent dialogue between national policymakers, regionally-based representatives of the voluntary and community sector and social enterprise, local authorities and other support agencies.

While finances are tight, the money that does come to the sector through the Big Society Bank, the Communities First Fund and any local authority discretionary spend should be targeted at the areas of greatest need. Investment should focus on securing sustainability and supporting start-up organisations in areas where they are absent. Some of this funding should take the form of seed-corn grants, given specifically to support organisations to move onto a more enterprising footing.

2) Making the transition to enterprise

Community and social enterprises in the North West are playing a critical role in the vitality and well-being of many communities across the region, not least in some of the most deprived neighbourhoods where they act as a social glue enhancing resilience and quality of life. However, it would appear that a substantial proportion of organisations calling themselves social or community enterprises still have some distance to travel to achieve sustainability. Organisations need support if they are to reduce their reliance on grants and move to more enterprising activity.

We recommend that leaders, Board members and trustees of organisations aspiring to be community or social enterprises carry out an organisational review, focusing on core mission and future financial sustainability in order to facilitate a genuine transition to a more enterprising approach.

Supporting this transition should be a key focus of national policymakers, regionally-based representatives of the voluntary and community sector and social enterprise, local authorities and other support agencies.

3) Commissioning and procurement

Both procurement and commissioning offer a route to sustainability for many social and community enterprises, and yet our research shows that most community and social enterprises experience significant barriers in accessing such funding.

We recommend that local authorities and other local service providers should review commissioning and procurement processes to better understand the needs and benefits of the social and community enterprise sector and should then move quickly from developing strategies and planning to concrete action.

Reviews should focus on removing unnecessary complexity and bureaucracy. To ensure the users perspective is at the heart of the process, local social and community enterprises should be involved in the review to ensure any new processes are accessible. Contract size should also be considered, with local authorities and their partners conscious that as contracts increase in size they become more difficult for locally-based social and community enterprises to deliver, favouring instead larger national or international organisations and businesses. There is dissonance between economies of scale on the one hand, and supporting sustainable local community and social enterprises on the other.

Part of the answer lies in continuing to develop capacity for consortia working in the voluntary sector, but another part is likely to rely on a fundamental reassessment of what we mean by 'value'. Value should incorporate ideas of place-shaping and promoting social, economic and environmental sustainability.

4) Coordinating support

A wide range of organisations and individuals across the public, private and voluntary sectors are offering support to social and community enterprises. From providers of generic voluntary sector support, to organisations offering specialist support, business support providers and local authorities, the picture is complex, confusing and unhelpfully competitive.

Organisations tend to need different types of support at different stages of their development. The focus should be firmly on the needs of the client as they are guided through different stages of development and handed onto the next level of support when (and if) relevant. Generally speaking, community development support is likely to be needed in the very early stages of the life cycle, generic voluntary sector support as an organisation becomes more established, and business and/or specialist support as an organisation moves onto a firm enterprise or seeks to grow. Support should therefore be linked into a 'life cycle framework', with providers specialising in different parts of the life cycle and referring enterprises to other providers where and when they are better able to meet their needs.

We recommend that, in interests of the wider sector, the wide range of support agencies operating in the North West work together to better coordinate their efforts and present a more coherent support offer to existing and aspiring community and social enterprises in the region, based on a 'life cycle framework'.

Taking this agenda forward

The key messages of this research should form the starting point for a conversation within the region, and between the region and government. Through partner organisations, we hope this research will be widely circulated, views fed back, and a dialogue on the best ways to respond to these challenges begun. Social and community enterprises, their representative organisations and the wider third sector have the opportunity to shape the Government's Big Society agenda as it emerges. We hope this research will help in this task.

Introduction

Social enterprise has been climbing the policy agenda in recent years, and looks set to take centre stage under the coalition government. The 'Big Society' has emerged as a key theme for the new government, placing the voluntary sector at the heart of public policy making, with a central role to play in public service delivery and civil society. Early policy statements emphasise in particular the role of social enterprise, setting out measures to support the growth of existing social enterprises and the establishment of new ones.

A social enterprise is a business with primarily social objectives, whose surpluses are principally reinvested for that purpose in the business or community, rather than surpluses being used to maximise profit for shareholders or owners. Within the North West region, this kind of enterprise has been identified as one of five key priorities in releasing potential and tackling poverty in the region in RS2010, the draft regional strategy. The strategy argues that social enterprise has been at the heart of the region's creative and radical tradition, and that a 'strong sense of collective action and collaboration has also characterised the North West and is reflected in this region being the birthplace of the Co-operative movement and Groundwork Trust' (RS2010, p27).

As well as social enterprise, this report looks at *community enterprise*. Community enterprise is a slightly newer term to the policy lexicon, which was defined by a recent Department for Communities and Local Government (CLG) strategy:

Community enterprises have exactly the same principles as social enterprises. However, they are different in that they seek to benefit a particular geographic area or community of interest and are often run by people from within the community they serve. (CLG 2010)

Like social enterprises they reinvest surpluses back into their communities, but they also act as:

'...a focal point for local people to identify the unmet needs of their communities and to respond to those needs with the help of their own income-generating activities. Community enterprises provide local employment and training opportunities, help create and retain community wealth and can make a real difference to local people, particularly during the economic downturn. (ibid)

This definition fits a number of different types of organisations, most obviously community anchor organisations, substantial multi-purpose organisations that provide a range of services to a community and own or manage a local asset, such as a community centre. However community anchors and community centres are not the only form of community enterprise. They can also be much smaller organisations, operating where the free market does not provide a sufficient return for private enterprise. For example, childcare providers in deprived communities are often community enterprises, as are credit unions and community cooperatives. Indeed, community enterprise can play a particularly important part in deprived areas, supporting communities to come together to improve their area, and delivering services that would not exist otherwise.

The new coalition government looks set to continue this commitment to social and community enterprise. Its Big Society agenda highlights the role of neighbourhood working, and identifies social enterprise, charities and cooperatives as having a valuable role in running public services.

Aims and structure of the report

This report considers the critical success factors for social and community enterprises in the North West of England, particularly those in deprived communities. It asks:

- What helps make them successful?
- What impact do they have on their area?
- What support do they require?
- Where do they access that support?

It also looks at whether the support needs of social and community enterprises differ, and what role regional and local government can and should be playing to ensure a strong and vibrant social and community enterprise sector that is able to live up to the high expectations of policymakers.

Section 1 provides an overview of the policy context for community and social enterprise, and a review of the relevant literature.

The second section presents the findings of detailed case study research conducted with five social and community enterprises in the North West, charting the journey they have been on and identifying key turning points, critical success factors and support needs at different stages of organisational development.

The third section provides the results of an online survey conducted with social and community enterprises in the North West, which provided an opportunity for a wider range of organisations to give their views on the critical success factors and support needs of social and community enterprise.

Section 4 draws on a small number of interviews with key decision-makers and support providers at the regional and local level and a workshop held with individuals working in social and community enterprise, infrastructure organisations and representatives of local and regional government in the North West.

The final section offers some conclusions and recommendations.

1. Policy and literature review

The voluntary sector generally, and social enterprises in particular, have moved into the policy mainstream in recent years. Under the Labour governments they were regarded as a potential deliverer of public services, a facilitator of civic activism and a builder of community capacity and cohesion. This direction of travel looks set to continue under the new Conservative-Liberal Democrat coalition, with the job of rebuilding a responsible society being added to the list. This policy interest in social enterprise has led to a growing body of research into the sector and its support needs.

This section gives a short overview of the development of social enterprise policy under the Labour governments, and the plans of the new government, before going on to review the literature on the support needs of social and community enterprises.

Policy context

The Labour years

The Labour governments recognised the potential of the voluntary sector to play a role in helping government to achieve some of its desired outcomes, including public service delivery and active and cohesive communities. However, it also recognised the need to build the capacity of the sector to make this contribution. A key focus of policy became the provision of support to frontline organisations to build their capacity and professionalism and to infrastructure organisations to aid them in the task of supporting frontline organisations. Some of the key initiatives designed to do this are set out in Box 1.1.

Box 1.1. Key initiatives under the Labour government

Futurebuilders fund: Established following the Treasury's cross-cutting review in 2002, provides loans grants and professional support to third sector organisations to bid for and deliver public service contracts. The projected value of its loans, grants and loan guarantees up to 2011 is £65 million.

Capacitybuilders fund: Established to build the capacity of third sector infrastructure organisations to deliver services more effectively to frontline third sector organisations. The fund has provided over £85 million.

Communitybuilders fund: A £70 million investment fund for multi-purpose, inclusive, community-led organisations, or 'community anchors', to build more active and empowered communities.

Social Enterprise Action Plan: Sets out four key areas of support for social enterprise:

1. Improve the business advice, information and support
2. Tackle the barriers to access to finance
3. Enable social enterprises to work effectively with government
4. Foster a culture of social enterprise. (Cabinet Office 2006)

Asset transfer: The Quirk Review, published in 2007, made the case for local groups owning and managing community assets such as community centres or village halls, with assets offering a source of revenue to organisations (Quirk Review 2007). An asset-based approach to community development subsequently became part of government policy, with the Empowerment White Paper (CLG 2008) establishing an Asset Transfer Unit to support communities to take on asset management.

During this period the ability of the third sector to deliver services that are better suited to specific community needs and to reach out to the most marginalised groups was established (HM Treasury 2004). This was part of a broader commissioning and procurement agenda, which has seen the public sector increasingly contract out services to a mixed economy of suppliers, including the third sector. This trend is set to continue under the coalition government.

Another enduring theme for the Labour governments was the role of the voluntary sector in enabling communities to flourish. The Community Enterprise Strategic Framework published at the beginning of 2010 made clear the specific role for community-based social enterprises in reinvigorating deprived communities. It highlighted the role they play in local regeneration, employment and training, as well as keeping resources within the community by employing local people and using local suppliers. Community enterprises with an asset such as a building were seen to provide a key focus for the community, creating space for communities to come together and mobilise around shared concerns, building cohesion and social capital. Such organisations frequently also provide meeting space for other local voluntary and community groups. Again, it is likely that this theme will continue under the new coalition government.

The coalition government: fleshing out the Big Society

This early on in the life of the Coalition it is not yet clear what the approach of the new government will be. However, the Conservative Party's *Big Society, Not Big Government* document, published just before the general election, set out a number of commitments, suggesting social and community enterprise will remain central to their approach, as outlined in Box 1.2.

Box 1.2. Conservative commitments

- Create a **Big Society Bank** to invest £75 million from unclaimed bank assets to finance the sector playing a larger role in the provision of public services and provide funds to intermediary bodies providing support to social enterprises.
- Establish National Centres for **Community Organising** to train 5000 independent community organisers.
- **New powers and rights for neighbourhood groups** to take over running community assets, start schools, get local information and data, create Local Housing Trusts, and so on.
- Redirect Futurebuilders revenues into a **neighbourhood grants programme**.

Big Society, Not Big Government particularly emphasises the role of social enterprise, with the Big Society Investment Bank to focus its resources on supporting organisations to become social enterprises and deliver public services (Conservative Party 2010). Interestingly the document adds an explicit responsibility dimension to the value of the voluntary sector, seeing the sector as having an important part to play in moving away from what is perceived to be an excessive focus on entitlements, and an insufficient focus on responsibilities. Voluntary action is seen as a route to a more responsible and mutual society with a strong culture of obligation. Social and community enterprise are seen as having a fundamental part to play in mending our 'broken society'.

Francis Maude MP, Minister for the Cabinet Office, set out a number of commitments in his first major speech on the Big Society, including:

- The opening up of services, enabling voluntary sector and social enterprise organisations to compete on a level playing field with the public and private sectors

- Making it easier to set up and run new organisations and enterprises by reducing regulation and red tape
- Increasing the amount of resources flowing into the sector, although these are not likely to come through public spending other than through more contracting.

Maude did, however, outline some spending commitments, including a Communities First Fund, providing start-up funds targeted at deprived communities and reiterating the commitment to establishing the Big Society Bank (Maude 2010).

While the commitment to set up the Big Society Bank using money from dormant bank accounts will provide some new money (but only with private contributions in the mix) there is some concern about the level of funding available to support the sector to step up to the challenge of the Big Society (Cox et al 2010).

Reviewing support needs and critical success factors

The policy interest in social and community enterprise has catalysed considerable research interest in the development and support needs of social and community enterprise. This section summarises some of the key findings of that research, and briefly considers what we know about the life cycle of social enterprises, what the research tells us about how the support needs of social and community enterprise differ and the critical success factors for social and community enterprise.

Understanding social enterprise: a life cycle approach

Research for the Welsh Assembly Government (2003) has developed a life cycle approach to understanding social enterprises. This is a helpful way of thinking about the support needs of community and social enterprises, as it enables support to be more effectively targeted. The five stages of the life cycle are set out below, although it should be acknowledged that not all organisations will go through each stage.

1. **An initial idea:** Community development and capacity building needed to develop the idea
2. **Voluntary activity:** Advice and support likely to be needed to support the organisation and financing of activities
3. **A potential social enterprise:** As an organisation moves into becoming a social enterprise, more specialist support, for example around the specific legal and financial issues, is likely to be required
4. **Expanding businesses:** Issues are likely to be common to other businesses, for example developing IT systems and needing marketing advice. Some specialist advice may also be required, for example, how to reconcile social and business aims
5. **A mature business:** Any advice required at this stage is likely to be for general business issues.

The authors conclude that the more mature an organisation becomes, the more mainstream support is appropriate, a point of view that has been widely accepted.

What are the critical success factors?

A review of the literature and research into social and community enterprise identifies a number of critical success factors for organisations, which indicate key areas to provide support in order to increase the number of successful social and community enterprises. Some of these are more critical at different stages of an organisation's life cycle than others.

- *Pre-start-up and early start up support:* Many organisations need a great deal of intensive support in the pre-start-up and early start-up phase, without which they will not get off the ground as social or community enterprises. The support required is

likely to be particularly acute in deprived communities, where there are likely to be fewer assets and resources for entrepreneurs to draw on.

- *Finance and funding:* Both the literature and surveys with the sector often identify funding and finance as the greatest enabler and inhibitor to the success of social enterprises. As with any small business, access to capital is vital for growth, but mainstream banks' lack of understanding of social enterprise is an enduring barrier in some cases (see for example Social Enterprise Coalition 2009). Engaging with public sector commissioning and procurement can be a key means of achieving financial sustainability, but a major challenge for social enterprises – and particularly community enterprises – is often the size of contracts, which often cover an entire local authority area (CLES 2009).
- *Mix of skills on the board:* Often social and community enterprises' board members reflect their social mission, meaning they do not always have an appropriate mix of skills and experience. Board members with experience of a commercial business environment can be crucial (GMCVO 2007).
- *Getting the basics right:* A clear and shared strategic vision is essential to a smooth running organisation. Without this, any organisation is likely to struggle (GMCVO 2007).
- *Succession:* Often organisations are founded by a small number of key individuals. A key test of success is putting in place an effective succession strategy so the enterprise outlives its founders (Coops North West 2008).
- *Mindset:* For social and community enterprises that have their roots in a voluntary or community sector organisations, taking the decision to move away from seeking grants to trading is regarded as a key turning point that requires a change in mindset.

Providing support – do social and community enterprise needs differ?

A diverse range of providers exist to deliver support to social and community enterprises. This ranges from generic and specialised support provided from within the voluntary sector to consultants specialising in social enterprise to mainstream business support services such as Business Link. The latter is the key government provider of business advice and support, providing a service to social enterprises as well as private sector businesses.

In response to criticism of the fragmented nature of business support, the Labour government introduced a Business Support Simplification Programme. As a result the Business Link service has been streamlined to provide an information, diagnostics and brokerage service, the idea being to offer a joined-up 'front of house' that can refer businesses and social enterprises on to relevant support providers. In the case of social enterprise, that should include referring clients on to relevant specialist social enterprise support providers where relevant. However, research carried out for the Office of the Third Sector (OTS) in 2007 found despite this simplification, a complex, fragmented infrastructure of support still existed for social enterprises, resulting in inconsistent coverage and quality, lack of sustainability and sometimes inadequate business expertise (Rocket Science 2007).

The focus on delivering social enterprise support through the mainstream Business Link service reflects the view that the support needs of social enterprises are generally the same as those of private sector businesses, with some exceptions:

- *Options for governance:* A multitude of legal and governing structures are available to social and community enterprises, and selecting the right one is critical to success. This is a key area where social and community enterprises have specific needs (Social Enterprise Coalition and the Governance Hub 2007).
- *Getting the right expertise on the board:* As the main motivation for establishing an enterprise is the social or environmental mission, a key difficulty can be getting the

right balance of skills on the board, including board members with business or strategic skills (Social Enterprise Coalition and the Governance Hub 2007). This problem is often particularly acute in deprived communities, suggesting this is a problem community enterprises are particularly likely to encounter.

- *Language*: While much of the support required may be the same as for other businesses, using a different vocabulary to deliver it is thought to be important for social enterprises. There is a need for advisers to ‘speak the language’ of social enterprise, and empathise with the social or environmental mission of social and community enterprises (Cabinet Office 2009). This may be particularly important for community enterprises that emerge from the voluntary and community sector, which tends to use a different vocabulary to that of the private sector.
- *Time, patience and sympathy*: There is also evidence that social enterprises require more ‘hand holding’ in the early phases of starting up compared with other entrepreneurs (Rocket Science 2007)
- *Ability to pay*: Social enterprises are regarded as less likely to be able to pay for business support compared to other businesses. Inability to pay is likely to be an even more common problem among community enterprises serving disadvantaged communities. As a result, a variety of grants and voucher schemes have been trialled, although it is difficult to set the right value and anticipate demand. This is not an approach that has been tried in the North West (Cabinet Office 2009).
- *Mentoring, networking and peer-to-peer support*: These are all approaches that tend to be favoured by social enterprises, with people keen to hear from others that have been on a similar journey to the one they are undertaking (Cabinet Office 2009, Social Enterprise Coalition 2009). This sort of support may be particularly important for community enterprises serving deprived communities in order to prove ‘someone like them’ can be successful in community enterprise.

Business Link North West has recognised these challenges by training around 40 of its universal staff and advisers to be ‘social enterprise champions’, ensuring a cross section of staff are able to provide sensitive support to budding social entrepreneurs and social enterprises looking to grow. This has been done in partnership with Social Enterprise North West and the sub-regional social enterprise partnerships Co-ops North West and the Development Trust Association. This interaction is thought to be helping to build better relationships between these organisations.

Business Link North West is also piloting an outreach service in Merseyside to promote enterprise and Business Link services to social and community enterprises. Similar pilots are also being undertaken to increase take-up of Business Link services among other ‘hard to reach’ groups. The social enterprise pilot is led by an individual with a background in social enterprise, and the role involves outreach in the social and community enterprise sector, building relationships and trust, and supporting organisations to reach the point of being ready to participate in mainstream Business Link services. The pilot is currently being evaluated, and last year Business Link North West over achieved its engagement targets for social enterprise (engaging with 1,573 organisations, against a target of 1,500). It also came close to its target of 300 for intensive assistance, providing support to 293 social enterprises.

The approach used in the pilot touches on a key difficulty highlighted by the evaluation of the OTS Social Enterprise Business Support Improvement Programme, which is how far it is the job of a mainstream support provider like Business Link to reach out to pre-start-ups. The pre-start-up category potentially includes a very large number of organisations, many of which do not wish to – or in practice will not be able to – develop a viable trading arm (Cabinet Office 2009). This is likely to be a particular issue for community enterprises that have their roots in the voluntary and community sector organisations, which often have a

long way to travel to move into enterprising activity. These organisations are particularly likely to experience barriers related to finding the right skills, be put off by the vocabulary of the business world and need a more intensive level of support in order to develop into community enterprises. Other organisations with a community development remit may be better placed to reach out to these organisations and bring them to the stage of being 'enterprise ready'. This may suggest a key role for local authorities, or the host of consultants, advisers and other voluntary sector support providers including the Sub-Regional Social Enterprise Networks, all of which are active in this area. Getting the system working so that effective referrals take place between Business Link, Social Enterprise Networks and the voluntary and community sector remains a key challenge (Cabinet Office 2009).

The regional development agency for the North West, the NWDA, has also been supporting social enterprise in a number of ways:

- Awareness-raising and promotion: through support for Social Enterprise North West and its sub-regional partnerships and through events like trade fairs (although this programme came to an end at the end of March).
- Using European Regional Development Fund (ERDF) and NWDA single programme funding to run workshops and produce newsletters to share good practice. Seven master classes were also held to build skills in the social enterprise sector, including marketing and PR, strategic planning and impact assessment.
- There is an ongoing network and collaboration project which will pick up trade fair activities.
- NWDA is also in the final stages of developing a Social Enterprise growth support programme, to support organisations with aspirations and potential to grow. This will include one to one consultancy support (brokered by Business Link), continuing the master class series, picking up peer-to-peer mentoring begun under a CapacityBuilders project that is ending, and procurement support.

NWDA also runs an Intensive Start Up Service (ISUS) providing pre- and post-start-up support for three years, targeting under-performing groups including social enterprises. This support is delivered flexibly at the local level. A regional high growth start-up programme is another NWDA venture, which some social enterprises have benefited from.

2. Case studies

To explore in more detail the critical success factors for social and community enterprise, their support needs and the events that can prove to be key turning points in the life of an organisation, case study research was carried out with five social and community enterprises in the North West¹. The participating organisations covered a range of different settings in the North West region, from the core urban area to a rural village setting. The organisations were:

- St Peter’s Partnership and St Peter’s Trading partnership, Ashton under Lyne, Tameside
- Five Children and Families Trust, Speke, Liverpool
- Clayton Brook Community House, Clayton Brook, Clayton-le-Woods, Lancashire
- Bubble Enterprises, based in Manchester, working across the North West
- Nenthead village shop and post office, Nenthead, Cumbria

Four of the organisations are community enterprises, serving defined geographic communities. Bubble Enterprises in contrast works across the North West – with people with experience of mental health problems.

In each case, researchers spent time with the organisations during March 2010, observing how they operate and interviewing key staff. The case study interviews covered:

- How the organisation has adapted to challenges and managed change
- The factors that have contributed to the organisation’s successes
- The organisation’s key support needs at different stages
- The organisations, individuals and tools that have provided valuable support to the development of the organisation
- Barriers to the development of the organisation
- The support that would ideally be available and who should deliver it.

An overview of each case study organisation is provided in the following pages.

1. ippr north would like to thank Nickala Torkington Snape and Alexander Lesbirel from Manchester Business School Incubator for carrying out the research for these case studies.

Case Study 1: St Peter's Partnerships

Location: Ashton-under-Lyne, Greater Manchester

Age of organisation: 9 years

Legal structure: Two company structures – St Peter's Community Partnership (company limited by guarantee with charitable status) and St Peter's Trading Partnership (company limited by guarantee, acting as a trading arm)

Annual turnover: £2 million across the two organisations

Staff: 70 staff and community volunteers

Board members: 12 places, currently 10 board members

Background

St Peter's Partnerships began to evolve in 1998 as a legacy to the work initiated by the Ashton Regeneration Project, a Tameside Borough Council partnership funded by Neighbourhood Renewal and Single Regeneration Budget plus European funding. A small number of active residents of St Peter's ward worked in partnership with the project team to look at how a community-led approach could address the range of environmental and social issues affecting the area while offering hope, skills and opportunity. A number of community-based projects were launched addressing: health, housing, the environment and community safety. St Peter's Partnerships was registered as a charity in 2001.

The beneficiaries of the organisations are local residents, those people living and working within the Ashton-under-Lyne ward of St Peter's. Groups such as young people, older people and those at particular disadvantage became the focus of attention. The area is highly deprived; according to the Index for Multiple Deprivation 2007 it is among the bottom 5 per cent Lower Layer Super Output Areas (LSOAs) for England. It is ethnically mixed: Bangladeshi, Indian and Pakistani residents constitute over 20 per cent of the population. The ward suffers from high levels of economic inactivity.

How does the organisation look today?

In 2003, the organisation was restructured with a focus on bringing 'unity into the community' and a company limited by guarantee with charitable status was set up to run charitable activities under the following themes:

- Strengthening communities
- Children and young people
- Employment and training

A separate trading company (St Peter's Trading Partnership) was established to generate an income for the charity, aiming to eventually make it self-sufficient. Three enterprises (all companies limited by guarantee) operate within St Peter's Trading Partnership:

- *Greenscape* – a professional landscaping, gardening and project management service, which offers on-the-job training opportunities to local unemployed people
- *Enterprise Plus* – providing training to increase residents' skills to get them back to work, and further developing and preparing them for work by building confidence and providing experience through volunteering and work placements. Tailored pre-

St Peter's Partnerships' proudest achievements

- Developing and retaining the community-led board
- Keeping community focus and involvement in spite of rapid growth
- Commitment and drive of staff and low staff turnover
- Winning a BURA (British Urban Regeneration Association) best practice award
- Becoming ISO9000 compliant

recruitment services and a range of specialist courses are also provided to support both employers and prospective employees.

- *Safeguard it* – an award-winning community safety and security service in partnership with Greater Manchester Fire and Rescue Service, which also provides volunteering and employment opportunities for local people

In addition to Clyde House Business Centre, St Peter's Partnerships also manages the following assets: the Richmond Suite, Cavendish Mill Resource Centre, Holy Trinity Community Centre, Ashton West End Doorstep Green, the Blandford Centre, Trinity Moss Millennium Green, Oxford Park Pavilion and West End hockey/cricket facility.

What have been the key turning points?

Reviewing the organisation's aims and objectives in 2006 was a key turning point, which led to a restructuring of the organisation and business model. In turn this resulted in:

- The creation of more structured operations
- A redefined focus leading to the creation of a clear and shared vision for the future
- Change from being an organisation running projects to an organisation delivering services
- Winding down of projects and services that were running at a loss despite appearing successful
- A change of staffing and leadership and the establishment of a pool of employees that can be drawn in to work flexibly across a range of services, rather than as specific project managers.

Winning a series of awards also helped to raise the organisation's profile locally, regionally, and nationally.

St Peter's Partnerships has had to adapt to and manage change, a task it has been assisted in by:

- Having a highly committed team, many of whom have been part of the organisation for a long time. They have grown and developed a range of relevant skills and have gained significant experience of community enterprise
- Having strong leadership at board and senior management level
- Building a solid reputation and an outstanding profile locally, regionally and nationally
- Remaining ambitious for the local area and being seen to be competitive on price, quality and time scale
- A willingness to take risks
- Renewing and refocusing the organisation's activities at regular intervals.

What have been the key enablers and barriers to success?

Having strong leadership and a number of the original trustees still on the board was considered critical to the organisation's success. These were the key driving forces behind the initial mission and with their strong local links the people involved have a clear understanding of community development. Having a local staff and volunteers has given an additional sense of purpose and enables people to see and feel the immediate benefit of the organisation's activities. Moving away from grants as a core source of income and becoming more independent from the local authority were seen as the essential elements supporting the organisation's success.

While non-financial resources, such as knowledge, financial management, community engagement and partnership development were rated highly, a lack of core infrastructure

and staff to develop the organisation's operations was considered a major barrier. One staff member said: 'We are spread too thinly, with too much work, with too little financial resource over too short a time scale'.

A need for funding to cover core infrastructure development was highlighted – either from grants or by amending terms of contracts, so that they include infrastructure costs rather than project delivery alone. The terms of contracts were seen as barriers preventing social enterprises from establishing a stronger foothold, which leaves St Peter's Partnerships with considerable financial challenges despite having a £2 million turnover. St Peter's is disappointed that in spite of its success, it is still not fully covering the core costs of the organisation. This means it does not have the time or capacity for activities such as finding its own theme-specific mentors.

Assessing support needs and access

The key areas where St Peter's Partnerships has needed support have been:

- Organisational development
- Operational systems
- Financial management procedures
- IT system and infrastructure
- Understanding scale
- Getting a clear picture and a sense of place
- Networking and mentoring opportunities, including knowledge transfer.

It has mixed experience of working with local, regional and national support agencies and funders, often finding these stakeholders to have a poor level of skills and knowledge of key topics and themes and of the community and social enterprise sector in general. The experience of interacting with them was often frustrating: 'Agencies see signposting as a form of support, when often this can turn out to be inappropriate and time consuming.'

More positively, St Peter's felt that some organisations had 'stepped up to the challenge of providing support'. These included the local Council for Voluntary Service, Social Enterprise North West and the Development Trusts Association. In spite of some useful support on offer, it highlighted that finding the time to engage can be difficult when there are more pressing priorities. Tools and programmes it had engaged with included The Spark Challenge, which it thought 'had a useful business development programme, pitched at the right level with good tools'. Also, neuro-linguistic programming (NLP) training had been delivered and found to be a valuable tool for staff development.

A significant proportion of its service delivery comes through relationships and contracts with the local authority. St Peter's considers local authorities are too bound by targets and outputs. They may also lack the ambition and entrepreneurial flair or experience to be able to develop successful contracting opportunities for voluntary sector organisations. It felt local authority processes often hinder the development of social enterprises and that it is wrong to expect community groups and organisations to run services and manage significant amounts of money without the experience or appropriate infrastructure to fully deliver or understand their responsibilities. However, it found that its local authority had greatly improved over time, was starting to listen and had developed good principles for partnership working.

St Peter's felt it had a broad network of mentors, the majority of whom it had found and developed relationships with independently. Mentors came from a range of backgrounds, including academic, thematic mentors, and peer-to-peer mentors. It also classed some of the consultants it had developed strong working relationships with as mentors. However, it was

considered hard to get the time and resources to access mentors and information about other relevant support.

Areas where it would like to see support improved included:

- *Better training for the support sector and local authorities:* Support agencies, funders and local authority officials must be properly trained and understand community and social enterprise development and this training needs to be maintained.
- *Funding the core:* Building full cost recovery into contracts, enabling community and social enterprises to generate surpluses or offering grants for operational development were all seen to be ways to put organisations on a more stable footing.
- *Improve contracting:* Procurement teams should be encouraged to simplify tendering processes so that contract opportunities are more accessible. This would help to bring new money into the sector. St Peter's Partnerships was keen to emphasise that monies that used to go to the sector as grants – but which are now distributed as contracts – have not brought new income streams. Steps should also be taken to ensure contracts go to the organisation offering the best outcomes for the beneficiaries/communities/service users, which should be evidenced through appropriate evaluation and review.
- *Consistent, quality support for new and established community and social enterprises:* Meaningful support is needed, to create continuity and sustainability, rather than simply focusing on hitting targets and outputs. Practical business development knowledge must be delivered by people who understand the variety of trades operating under the banner of social enterprise and have practical enterprise experience. This way, support is aimed at developing social enterprises to a point where they can create a surplus to cover core staff.

Case study 2: Five Children and Families Trust

Location: Speke, Greater Merseyside

Age of organisation: 10 years, although Five Children and Families Trust achieved charitable status in 2006 as Sure Start Speke, rebranding in 2008 to reflect the wider range of services being delivered by the charitable trust.

Legal structure: One company structure with a second soon to be formed (company limited by guarantee with charitable status, the second will be a company limited by guarantee)

Annual turnover: £1.2 million

Staff: 43

Board members: 6

Background

Five Children and Families Trust is the legacy of Speke SureStart Programme which was developed through Speke Garston Single Regeneration Budget (SRB) partnership. The chief executive initiated and developed the forerunner to this venture in 1999 when the Sure Start Local Programme established in 2000 operated from St Ambrose Presbytery in the unused housekeeper's flat. It formed as a company limited by guarantee in 2001 and relocated in 2004 to a new family centre funded by SureStart, ERDF and the New Opportunities Fund.

The aims of the organisation have always been to work with children and families to improve health and wellbeing, educational activities and aspirations and to improve the employability of the local population. It has been working to meet the needs outlined in the Department for Children, Schools and Families' Every Child Matters framework to improve quality of life

and opportunities for all, focusing specifically on the themes of education with care, family support, teenage pregnancy, nutrition, domestic abuse and violence in the home from young people.

Speke Garston is an isolated area on the edge of Liverpool. The area suffers high levels of unemployment and worklessness; all the LSOAs in the area are in the bottom 10 per cent for England, and most are in the bottom 1 and 2 per cent (according to the Index of Multiple Deprivation 2007). The population is predominantly white.

How does the organisation look today?

In 2006 a company-wide review took place and some 'painful' decisions were taken to restructure the organisation as it moved away from an accountable body arrangement with its local Registered Social Landlord. At this point the company became charitable and rebranded in 2008 as Five Children and Families Trust, a company limited by guarantee with charitable status delivering childcare services, employability services, health services, young people's services and a cafe. The Trust is also landlord to compatible services which include Speke Advice Service (CAB), Liverpool Women's Hospital Trust and Liverpool Primary Care Trust, Health Visiting Service.

Five Children and Families Trust's proudest achievements

- Being independent
- Maintaining a post for a full-time midwife to tackle teenage pregnancy
- Being able to deliver hospital services locally
- Enabling Job Centre Plus and the local Jobs Education and Training Service to double their estimated targets to support people back to training and employment
- Continuously providing value for money.

In addition a successful cookery and nutrition project has evolved into a commercial cookery school from a £15,000 grant in 2007 to an organisation with a predicted £320,000 turnover. The Can Cook Studio will become a company limited by guarantee which will reinvest surplus profits back to Five Children and Families Trust. It has had significant sponsorship from Belling and endorsement from celebrity chef Simon Rimmer.

The main activity of the Trust is managing and developing the Children and Families' Centre and services. A wide range of events, activities and services are run. The centre is community owned and led and is the only fully independent centre in Liverpool offering services for ages 0–19. Services include:

- Management of a 74-place childcare facility
- Youthpoint, a comprehensive youth service working with young people to promote and support their personal development, social education, health and wellbeing
- Five Parent Plus, committed to empowering parents to improve their lives and the lives of their children by enabling people to achieve economic wellbeing.

What have been the key turning points?

The organisation identified three major turning points:

- Securing the Sure Start contract created a major step change from running a series of community activities to managing and developing a new centre.
- A company-wide review in 2006 forced the team to look in depth at the ability, effectiveness and sustainability of the organisation and enabled some difficult changes to be made. This included significant changes at board level, and a shift to a more enterprising business model and away from grant dependency.
- The development of the Can Cook Studio has started to bring in significant revenue and helped to create a high profile for the organisation.

There have been a number of key challenges that have faced the organisation, including:

- Overcoming the isolating nature of the local geography, to create strong partnerships and strong internal and external networks.
- Developing products and services which can be taken out of the area to earn additional income, given the highly deprived nature of the local community.
- Evidencing impact; Five Children and Families Trust have put in place a range of measures to demonstrate impact, including independent auditors, academic research, community research and data capture required for grants and contracts. The Trust is not wholly in favour of Social Return on Investment (SROI) measures and tools.

What have been the key enablers and barriers to success?

Key drivers of the organisation's success were identified as:

- Creating a high profile and not holding back on publications and marketing
- Having survived long enough for people to take an interest
- Running the organisation as a business
- Not being afraid to challenge or be challenged
- Really knowing and understanding the local community.

The most important enablers were regarded as:

- Reshaping the organisation in response to the company-wide review and board restructure
- Moving to a more enterprising business model
- Retaining a passion for meeting the needs of the community and continuous community development.

Some significant barriers to the Trust's development were identified. In a way, its success was sometimes regarded as a barrier, with one person commenting: 'If funders see organisations being too enterprising they wonder why they need their money.'

It has also felt held back by the public sector lacking entrepreneurial spirit, vision and being overly risk-averse. Decision makers, the Trust found, sometimes lack the information and ability to do their jobs, which 'results in people becoming agitators rather than activists'.

For a number of years Five Children and Families Trust lacked sufficient core staff to support the chief executive. This situation has improved, but overstretched, committed, capable leaders and managers remains a key barrier to organisational success, and one that can damage the physical and mental health of staff.

Assessing support needs and access

Five Children and Families Trust identified key areas for support as:

- Needing more infrastructure and operational staff
- Learning to understand the sector and thematic areas it works across, including legislation (e.g. around young people, health and safeguarding)
- Uncovering and applying staff's entrepreneurial abilities.

In the Trust's experience, the support on offer is not of sufficient quality. It found local authority officers sometimes lack understanding of the situation on the ground, and of the local context and the challenges community and social enterprises face. It has often found funders and local authorities to be overly bureaucratic and resistant to challenge.

It did, however, see improvement in the practices and level of support from the local authority. But the feeling was that while what used to be called grants are now increasingly

being referred to as ‘contracts’, in practice this is just a change in terminology and has not brought new money into the sector.

The Trust has actively sought out opportunities for support and development, linking in with a range of local networks including the Social Enterprise Network and Social Enterprise North West and has highlighted the work of the Development Trust Association, which, it says, ‘has provided useful resources and networking opportunities. Their rigorous membership process feels as though it means something and they make a donation or contribution for your time when people visit for learning and development purposes.’

The Trust has also sought out a range of thematic information, has received support from Child Adolescent Mental Health Services, and has attended thematic conferences. Mentors feature highly in its support structure; these include local peers and people working in the health, youth, regeneration and community sectors. Useful mentors have also been found through the School for Social Entrepreneurs.

The Trust is fortunate to have what it considers strong board members with a range of expertise including strategic development, enterprise and financial planning as well as an independent auditor who has become a ‘critical friend’, a trusted source that can offer advice and feedback on the work of the organisation, and ask difficult questions.

Five Children and Families Trust highlighted three areas for developing the support on offer to social and community enterprises:

- *Sector-specific and thematic mentoring:* Developing a bank of well qualified thematic mentors and advisers (for example people from social and community enterprises working in particular fields, such as health, environment, children and young people) and paid buddies/ advisers to help people understand how to develop their organisation more quickly through knowledge transfer.
- *Develop a more entrepreneurially minded public sector:* Through the delivery of support and training to the public sector, enable them to better understand community and social enterprise, business models and risk management.
- *Accessible funders and commissioners:* Funders and commissioners need to be less bureaucratic and understand, as well as respond to, the needs of community and social enterprises.

What do the terms community and social enterprise mean to the Trust?

‘We believe we straddle the definitions. We are an enterprising, community-led organisation creating wide-ranging social impact. However, we will always look for grants where appropriate – given the level of deprivation of our client group we would be daft not to.’

The Trust’s three top tips to help community and social enterprises

- 1) Never lose sight of your overall goal and aims
- 2) Surround yourself with critical friends
- 3) Make sure the community wants what you are offering.

Case study 3: Clayton Brook Community House

Location: Clayton Brook, Preston
 Age of organisation: 13 years
 Legal structure: registered charity
 Annual turnover: £10,000
 Staff: none paid; 20 volunteers
 Board members: 14

Background

A motorway development protest in 1994 created the impetus for this project. A range of community ideas started to emerge to improve the local area and a food co-op was established selling fruit and vegetables. Clayton Brook Community House was formed in 1997, in response to a lack of community facilities and accessible services in the area. A number of organisations, including a family centre, psychiatric care workers, the food co-op and a community group initiated the project with support from a local housing association, Places for People. The initial project took over three adjoining properties between 1997 and 1999, allowing the project to expand to deliver counselling and various training courses. The project developed through sponsorship and support in kind, as well as some small-scale charitable funding. Training programmes were delivered through a European Social Fund grant.

Clayton Brook Community House is located in Clayton-le-Woods, a village in between Chorley and Preston. The vast majority of the population is white and over half are aged over 45. Although Clayton le Woods is not ranked among the most deprived wards, it has poor levels of health services and a high crime rate. The aim of the organisation is to 'offer a helping hand up the ladder of life', improving community wellbeing and providing community support and development.

Clayton Brook Community House's proudest achievements

- Having committed volunteers, some of whom have been with the organisation for 10 years
- Individual achievements of members of the community
- Having a good reputation for helping people who have no qualifications to start learning in a safe and convenient local location, with 60 per cent going on to further education or full-time employment.

How does the organisation look today?

Clayton Brook Community House provides a venue for local people and groups to meet, gives assistance to start-up organisations and acts as a resource for the whole community. It is open five days a week, and continues to expand its opening hours. The services rely entirely on volunteers and include:

- A tea and coffee bar
- A resource centre providing a telephone, photocopier, fax, and help with form completion, CV writing and letter typing
- Weekly activities and events
- A free counselling service
- Outreach drop-in services.

It is currently developing office services for local businesses too.

The organisation is sustained by keeping overheads low, having no employees and bringing in a number of small grants to cover running and project costs. Additional revenue is raised through local activities, room rental, beverage sales and office services.

What have been the key turning points?

Turning points for the organisation include securing significant funding and other resources, and a change to the organisation's mindset:

- Securing in kind support for premises
- Securing European Social Fund money for a range of community training, although provision has subsequently been scaled back
- Introducing counselling services with low-level funding from the local health authority
- Deciding to make the organisation more enterprising, including plans for the printing enterprise. Enterprise will also be at the core of other future service expansions, such as delivering training courses (paid and subsidised) as well as plans to take over an adjacent building and convert it into a more commercial orientated facility offering holistic counselling and a craft/health food shop.

There have been a number of challenges that the organisation has had to overcome along the way, including:

- Having no paid staff, although that has resulted in flexibility which has made various transitions possible
- Having to develop relationships to enable them to change training delivery providers
- Securing grant funding to develop the right mix of free and not free services
- Volunteer numbers being affected by a lone parents back-to-work programme.

What have been the key enablers and barriers to success?

Clayton Brook Community House identified the key enablers of its success as:

- Effective team work
- Consistent leadership centred on a passion for people, with active local people driving the organisation forward
- Strong relationships for long-term assistance and in-kind support.

It considered the commitment of its general manager to grow and sustain the services to the community the most critical factor in its success.

The organisation has also faced a number of barriers, including:

- Time commitments of volunteers and volunteer-led leadership, which results in constraints in some areas
- Lack of finances to grow and lack of time to find financial resources
- An insufficient level of operational and business acumen and required training to create a truly sustainable business model.

Assessing support needs and access

Clayton Brook Community House identified its key support needs as:

- Funding for expansion of assets and services
- Financial planning
- Business development support
- How to recruit, manage and maintain volunteers

It considers these to have remained the same over time, although the need becomes greater with growth. It expects financial planning and strategic development to be skills gaps as the organisation grows.

The organisation has received support from local, regional and national organisations. It has participated in community development training and support as well as leadership training, but this was not linked into local social enterprise support. It has also sought advice and backing from local businesses.

Developing these relationships and partnerships has resulted in pro-bono and in kind support as well as significant sponsorship.

Clayton Brook has had mixed experience of working with the local authorities, and has found consistency and continuity a problem with staff changes.

Training in how to sustain and grow a social enterprise, provided by successful social entrepreneurs, was thought to be a useful means of support. It also thought that support to conduct a review of its operations, to identify areas of weakness and growth potential, would help to shape the organisation's development. A hands-on approach was deemed most appropriate, where support is based on direct knowledge of the community and enterprise needs. It should be action oriented and include one-on-one mentoring from successful social entrepreneurs.

What do the terms community and social enterprise mean to Clayton Brook?

'An organisation within a community, run by that community, to fulfil the communities' holistic needs.'

Case study 4: Nenthead village shop and post office

Location: Nenthead, near Alston, Cumbria

Age of organisation: 5 years

Legal structure: Industrial and Provident Society

Annual turnover: £150,000

Staff: 4.5 full-time equivalents

Board members: 104 shareholders and six rotating committee members

Background

The Nenthead village shop and post office was initiated in August 2006 following the closure of the only shop in the village. A small group of community members saw the need to reduce people's isolation, maintain a retail outlet for food and provisions, and create a focal point and gathering place for the community. At the time the only other place for people to meet was the pub or in the nearest town which is five miles away.

The intention from the outset was for the shop and post office to be a social enterprise, and a Cooperative Society for the Benefit of the Community ('Bencom') was established. It came into being in November 2007 and has grown in terms of the products and services it offers ever since. The original project was funded by Cumbria County Council, a loan from Versa and the money raised by the Cooperative share offer. This totalled around £70,000 and enabled the founders to procure a 99 year lease and begin refurbishment of the premises. The shop building has a history of being a cornerstone of the community: it was the original lending library, developed by the London Lead Company formed by Quaker industrialists in 1704.

Nenthead village shop and post office's proudest achievements

- From a social perspective the shop is well used by the elderly residents, offering a place to meet, people to chat with and assist and a reason to leave their homes.
- The fact that the business is still going strong, is supported by the community, has increased its product and service delivery and turned a surplus in only one year has shown exceptional management.

Nenthead was one of the first purpose-built industrial villages in England. It is a rural, isolated village in the Eden area of Cumbria. The population is predominantly white and older in age. Nenthead is not a deprived community although it does face barriers in terms of access to housing, transport and services.

How does the organisation look today?

The village shop added the post office and now offers a wide array of food and consumable goods to the community at prices that are often competitive with the superstores. It offers various services, including space to simply meet, chat or read.

Moving forward, the shop hopes to raise a quarter of a million pounds to purchase the disused church opposite and offer affordable housing, training facilities and a café, to build upon the local amenities available.

What have been the key turning points?

Increasing the scale of its ambition was identified as a key turning point for Nenthead village shop and post office:

- The shop realised it was limited by the size of the building, not by the population. This resulted in plans for growth, including developing new services at a new site, a proposed delivery service and the potential to sell online.
- It enabled the range of services on offer to grow in line with the needs of the community, in spite of difficulties it can face as a small retail outlet.

The shop has become financially sustainable very quickly, but the organisation has had to overcome a number of challenges and adapt to change:

- The business, which was initially grant funded, is now sustainable, so only requires additional funding for more premises and increased service delivery. This has required hard work and dedication from the team.
- Initially, it was difficult to find suppliers of goods, but as turnover increased this was no longer an issue. Currently goods come from local and national suppliers.

What have been the key enablers and barriers to success?

Nenthead village shop identified a number of enablers to its success, including:

- Setting financial targets
- Business advice from various sources
- Ensuring transparency and accountability
- Having clear goals.

It regards transparency and accountability as most critical to its success. These are seen to have led to the establishment of trust within the community and regular use by the residents. The management structure enables day to day operational decisions to be made quickly with the management committee consulted on major strategic issues, and people involved in the venture are well known and respected within the community.

Barriers the shop has had to overcome along the way include:

- The reluctance of large suppliers to work with community concerns; building appropriate relationships and a track record has taken time
- Lack of storage space
- Trying to find cash for expansion, which has held up plans.

Assessing support needs and access

Nenthead village shop and post office identified two key support needs:

- Sourcing and applying for grants and loans
- Finding business mentors from outside the community.

The organisation has linked up to a wide range of local support within both the voluntary sector and local authorities and has had a positive experience. It has also had significant support from the Plunkett Foundation by way of grants, mentoring and information on governance and social auditing. Support organisations were helpful during start-up and with general business principles and identification of potential constraints. However, the need for quality, practical business advice has increased as the organisation and turnover have grown.

It has also sought to network with and learn from local social enterprises. Its board has brought a range of practical skills to the table including in the assistance in refurbishment of the original premises and its ongoing maintenance.

Nenthead village shop and post office thinks a key support area for development is around mentoring for community social enterprises in situ by SME business owners and social entrepreneurs, to enable direct knowledge transfer and practical advice.

It would also like to encourage:

- Funding for start-ups with more simple accounting and reporting procedures
- Mentors that understand the sector and the community issues which are mobile and, where possible, local
- The development of grants to sustain growth.

Case study 5: Bubble Enterprises

Location: Stockport, Greater Manchester

Age of organisation: 3 years

Legal structure: Community interest company limited by shares – maximum £1 share profit per year

Annual turnover: £350,000

Staff: 6

Board members: 3

Background

Bubble Enterprises is a service-user-led community interest company, established in 2008 to provide business expertise and support to individuals and organisations in the mental health field. It emerged in partnership with WTP (a management consultancy that specialises in supporting new ventures), as a result of the success of the Laughing Buddha Bubble Incubator, a Phoenix Fund project backed by the Department of Health and the former Department of Trade and Industry to explore how enterprise could benefit mental health.

Bubble Enterprises works locally, regionally and nationally, but the majority of its activity takes place in the North West. Its key beneficiaries are people with mental health issues and their carers. It aims to create sustainable initiatives and training, employment and volunteering opportunities led by service users.

It uses enterprise as a way of reconnecting people with their skills, experience and passions as part of their recovery. It also aims to help health professionals and support staff to better understand the positive impact that enterprise and employment can have as part of a person's recovery from mental distress.

How does the organisation look today?

Bubble Enterprises works in partnership to create social enterprises in a professional and long-term, sustainable way. Its range of services includes:

- Enterprise engagement and training, to improve business skills and personal development of mental health patients, carers and professionals
- Consultancy services in enterprise and social enterprise development
- Enterprise creation, which provides hands-on support to develop new business opportunities through partnership
- Café development, delivery and management. For example the Oasis Bubble Café located in Stepping Hill Mental Health Hospital was developed in partnership with Stockport Council and Pennine Care. Oasis Bubble Café is a community interest company, providing employment for seven people with mental health problems and putting 40 per cent of its turnover back into the mental health community through its staffing and supply chain.
- Support to the strategic development of the mental health arena in the North West, through research, consultation and an annual conference.

Bubble Enterprises' proudest achievements

- Creating paid work for six core members of staff within the Bubble team and seven paid staff at the Oasis Bubble Café: 'Over half of our staff are service users or carers'.
- Creating over 20 volunteering opportunities and enabling unemployed volunteers to move into paid employment both within Oasis Bubble Café and beyond.
- Developing an excellent reputation with clients and beneficiaries resulting in a range of referrals and repeat business.
- Punching above its weight as a result of strategic partnerships, commitment and a passion for the sector.
- Being the service provider of choice for many organisations within the community.

What have been the key turning points?

The principle turning point was when Bubble launched a revenue-producing, sustainable business, allowing a community interest company to be formed. That grew a service-user-led board, acted as a catalyst to new business and enhanced the company's credibility and sustainability. Other turning points were identified as:

- Government policy around mental health services, the worklessness agenda and procurement have offered opportunities and contracts for the growth of the organisation.
- Gaining funding and support from the Tudor Trust in 2009 enabled the organisation to grow the team to develop new business and develop multiple income streams, including large contracts, small-scale consultancy, management fees and event fees.
- Gaining a significant contract with the Strategic Health Authority enabled it to develop initiatives with 10 health and social care organisations across the North West.
- An operations manager post was created in 2010, enabling the organisation to tighten its processes and strengthen its core infrastructure.

The small size of the team, its expertise and flexibility has enabled the organisation to be open to new work and projects and to respond quickly to change.

What have been the key enablers and barriers to success?

An in-depth knowledge of the sector and the community, a clearly articulated vision and forming strategic partnerships are seen as key enablers of success for Bubble. The

organisation identified three factors as most important:

- Having a strong entrepreneurial team with broad networks
- Keeping small and efficient, to be able to adapt quickly and be reactive to need
- Having service user involvement from board to staff to volunteer level means they 'walk the talk'.

Bubble Enterprises has also encountered a number of barriers to its growth, most notably the lack of human resources and finance needed for operational expansion. This has proved to be a particular strain when Bubble has tendered for and won contracts, due to the monitoring and reporting processes that are frequently involved.

It has also found the lack of enterprise culture, awareness and ability in the wider sector and the public sector has been a double-edged sword. On one hand it has created work and partnership opportunities for the organisation, but on the other, public and voluntary sector organisations have often needed a great deal of support and nurturing to engage them in enterprise creation and delivery. Bubble's enterprising nature has also caused suspicion in some quarters, despite the organisation's social commitment being clear and accountable.

Assessing support needs and access

Bubble identified a number of key support needs:

- Financial backing and resource
- Business advice
- Team-building and the sharing of individual skill sets
- Understanding and implementing appropriate legal structures.

Bubble has acquired much of the support it has needed to operate and grow from its board, which includes experienced entrepreneurs and mental health professionals. As a result it has not often engaged external training and support agencies. Of the training and support opportunities it has used, it found the information to be pitched too low. They have, however, provided useful networking opportunities.

Bubble has had a positive experience of working with the Tudor Trust, who it feels had a light touch approach to monitoring and reporting back on funding. However, the experience of applying for funding for significant capital expansion has proved very time-consuming and frustrating as a result of slipping timescales, a lack of feedback and lack of clarity on the specifics of what funders are looking for.

It found local authorities to be useful sources of information and partners, although accessing the right people has been crucial in order to get decisions made and find out about opportunities. This has required Bubble to search out more enterprising officers and directors as understanding, support and approachability have not been widespread.

The Bubble Enterprises team has a range of mentors, primarily drawn from its board members, partners and a network of associates working across enterprise, social enterprise, health, regeneration and community development. As the organisation has grown, it believes its need for external support has decreased, and there now exists an internal ability to manage growth and compete with the larger players in the sector.

Bubble Enterprises thinks there are three areas for developing the support available to social and community enterprises:

- *Business development:* Through arranging business introductions into organisations and agencies that can benefit from the services of social and community enterprise, along with regular networking events bringing together public sector organisations and social entrepreneurs. It was also thought that practical support on how businesses grow and sessions to help social enterprises understand their trade would be helpful.

- *Core infrastructure development:* A key issue if organisations are to have the organisational capacity required to enable them to grow and manage large contracts. Pump priming funding to support core infrastructure development was thought useful. Improved localised budget handling might also help to ensure a greater understanding of needs at a local level. This could also be supported through collaboration within the sector, with more established organisations providing back office support to other organisations, including HR, payroll and administration.
- *Improvement of procurement processes:* Contracts can provide a key route to sustainability, but the procurement process needs to be reviewed to ensure thresholds are not excluding potential bidders and tender documents and reporting processes are simple. Allowing a proportion of the money to be paid up front and covering costs like holiday and sick leave to ensure social and community enterprises are not subsidising the public sector are both important.

Section summary

A number of common themes can be identified from these case studies:

- *The value of organisational review:* Most of our case studies highlighted an organisational review as a key turning point on their journey to becoming a successful enterprise, and enabling them to fulfil their ambition.
- *Transition to enterprise:* Securing a significant contract was a catalyst to most of our case studies making the transition from a charitable organisation to an enterprising organisation.
- *A strong team:* All our case studies emphasised the importance of the people around them to the success of their enterprise. This extended not only to staff and volunteers, but to board members and mentors too. A strong leader with a clear vision was considered very important.
- *Networking, marketing and profile:* Having strong networks with other organisations and a positive profile with key stakeholders was important for all these organisations. For many this involved a proactive approach to marketing both services and the organisation.
- *Support needs:* Our case study interviewees tended to be negative about the support provided by organisations like Business Link, regarding it as not for organisations like theirs. They were more positive about support provided by other voluntary sector agencies, but wanted to see more specialist support, for example targeted at a particular sector, such as childcare.
- *Local authorities:* Having a good relationship with a local authority was regarded as very important, although a perceived lack of entrepreneurial spirit and a high degree of risk aversion among local authorities was seen as a barrier to supporting enterprise.
- *Procurement and commissioning:* Most of our case studies regarded procurement and commissioning as essential to their sustainability, but problems were experienced with public sector procurement practices.

3. Results from the online survey

To set this case study research in a broader context, we also carried out an electronic survey, which was open to all social and community enterprises in the North West of England. Over 100 respondents filled in the survey. While there is no easy way of determining how far survey respondents are representative of the wider social and community enterprise sector, this is a good sample size and some interesting patterns and trends can be detected. In particular, the results indicate some interesting findings about the nature and origins of community enterprise organisations in the North West, and raise some challenging questions about the diversity of funding and support accessed by respondents.

Before exploring these issues in more detail, we provide a quick overview of the respondents to the survey.

Profile of the respondents

The survey was distributed by a number of organisations, including umbrella organisations for social enterprise and cooperatives in the North West of England. Respondents came from 101 different organisations, 94 per cent of which, when given the following, standard definition of a social enterprise, identified themselves as such:

Social enterprises are businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or community.

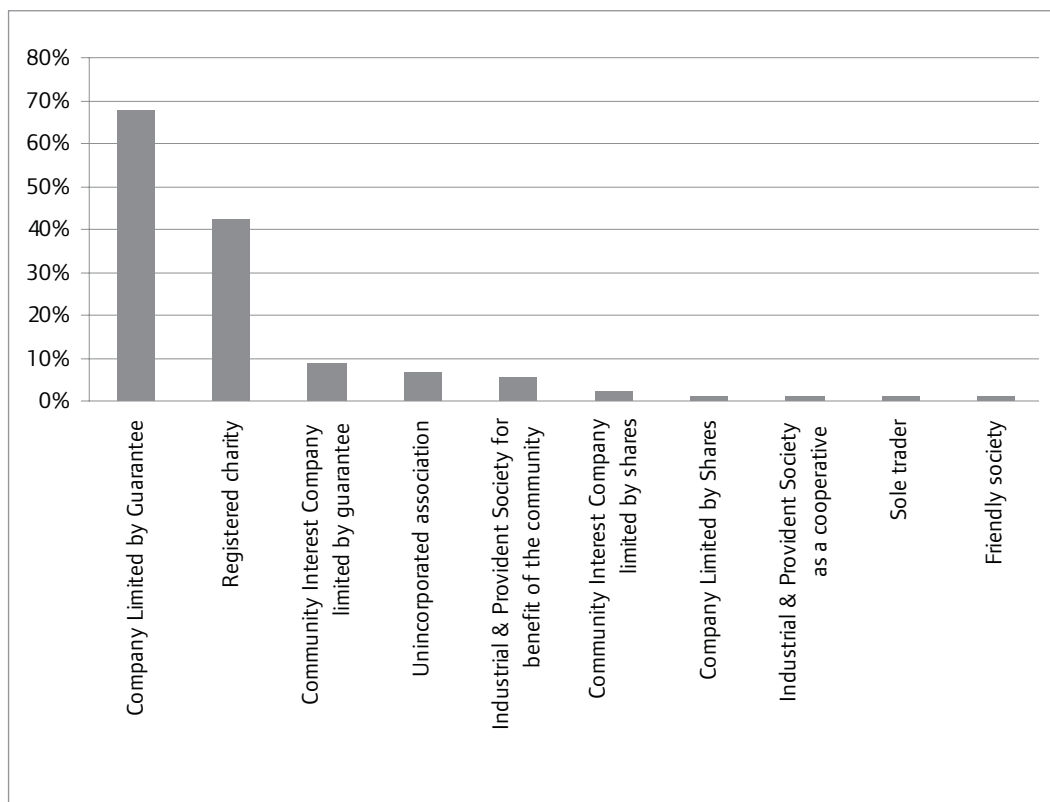
Most organisations also defined themselves as a community enterprise, agreeing that the following definition described their organisation:

A community enterprise [is] a type of social enterprise that serves a particular geographic community.

Seventy-one per cent of our respondents agreed this statement described their organisation, while 21 per cent answered said it did not and 6 per cent that they did not know.

Figure 3.1.
Legal structure of organisation responding to the survey

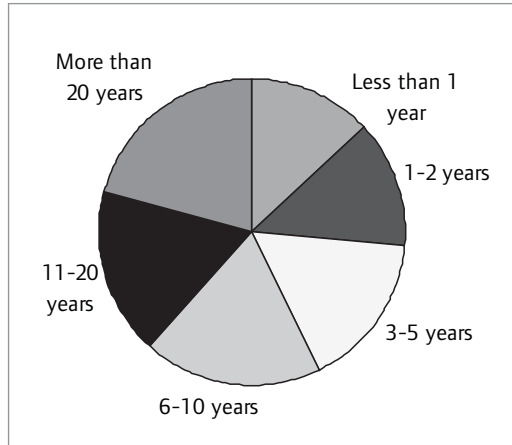
Note: more than one option could be selected



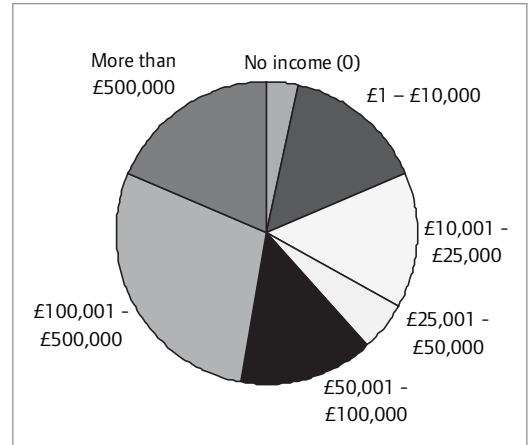
Organisations were overwhelmingly charities and companies limited by guarantee, with few organisations with other legal structures responding. Any specific support needs of those organisations will not be reflected in the findings of this survey.

The respondents were quite diverse in terms of the size of their turnover and age, suggesting a good cross section of organisations responded to the survey – see Figures 3.2 and 3.3.

Left: Figure 3.2. How many years the organisations have been running

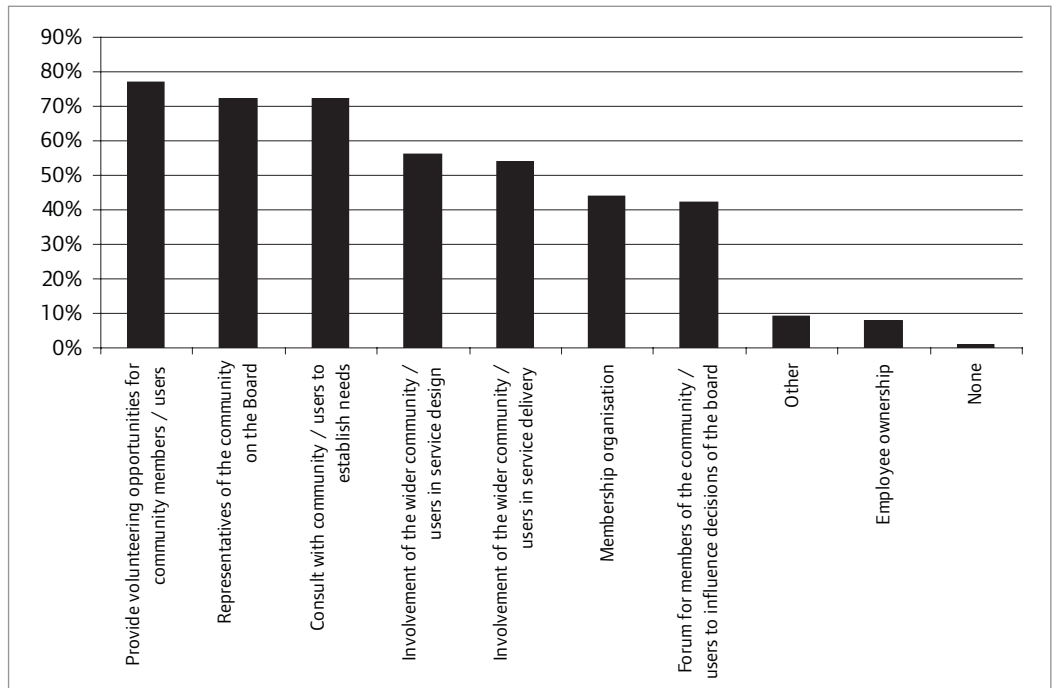


Right: Figure 3.3. Approximate annual turnover from all sources



A further aspect of CLG’s definition of community enterprise is that they are often run by the people that they serve. We asked our respondents how they involved the community in the work of their organisation. Only one organisation did not involve the community in their work. The most common way to involve the community was to provide volunteering opportunities, closely followed by having representatives from the community on the board and consulting with the community or users to establish needs. Overall, over half of respondents said they involved their community in the design and delivery of services, although this was something those identifying themselves as community enterprises were more likely to do when compared to those not identifying themselves as a community enterprise.

Figure 3.4. How respondents involve the community in their work



Critical factors for success

We asked respondents to identify their top three enablers and barriers to social and community enterprises. There was considerable agreement that people were the most important enabler, along with grants. Figure 3.5 splits the responses into those from respondents who identified themselves as community enterprises specifically and those that did not. Overall there is considerable similarity between the answers. However, those social enterprises not identifying themselves as community enterprises were more likely to highlight cash flow/liquidity, business support and procurement skills and knowledge as key enablers.

Figure 3.5.
Top three enablers to social and community enterprise

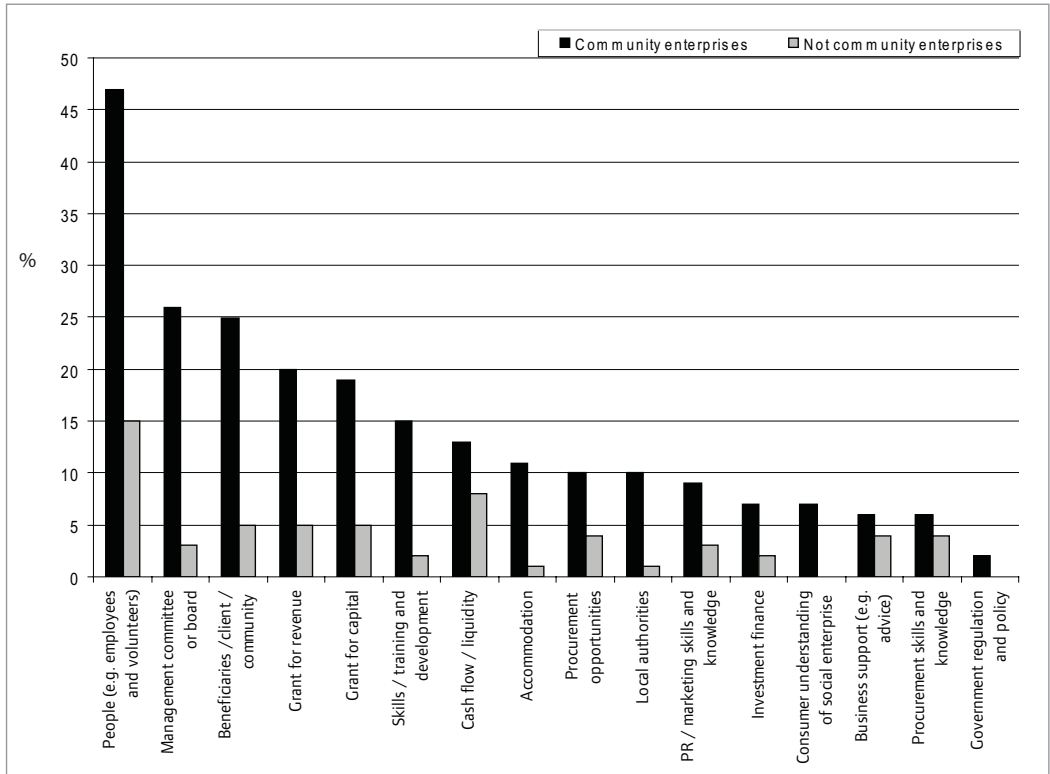
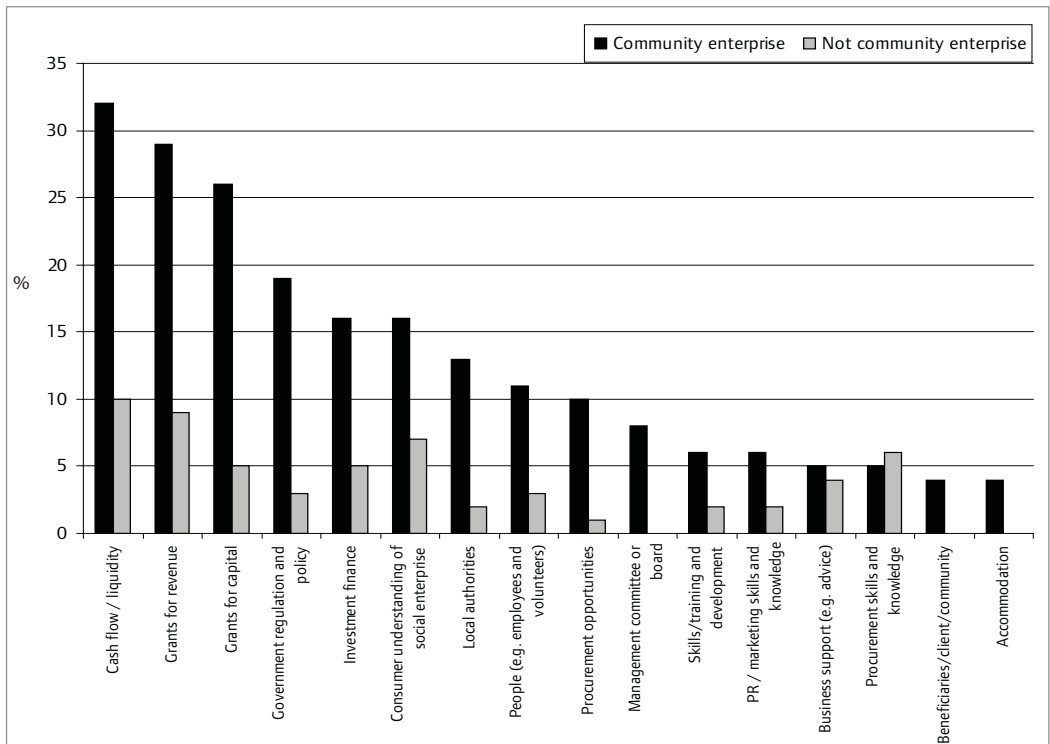


Figure 3.6.
Top three barriers to social and community enterprises



The survey also asked respondents about the barriers they faced (see Figure 3.6 above). Again there was considerable agreement, with financial issues in one form or another (either cash flow/liquidity, grants for revenue or grants for capital) chosen most frequently as the main barrier. But again, when the figures are broken down according to whether or not respondents identified themselves as a community enterprise, some interesting differences emerge, with business support and procurement skills and knowledge far more likely to be selected by organisations that do not identify themselves as community enterprises. This may indicate that the respondents identifying themselves as community enterprises are less likely to be engaging in trading activities, something that is reinforced when we look at the results of the questions about how organisations are financed.

Finance and other support

Nearly all of our survey respondents (93 per cent) had sought funding in the last 12 months, with most seeking grant funding, donations or resources from public sector sources, such as local government, quangos or through the Big Lottery Fund. Few had used loans, overdrafts or community development financial institutions (CDFIs), as Figure 3.7 shows. No significant differences emerge when these figures are broken down into those organisations that identified themselves as community enterprises and those that did not, suggesting that even the small number of non-community social enterprises that responded to the survey were not accessing ‘usual’ business finance. Indeed, the form of support all organisations were most likely to seek is grant funding. It would appear that our survey respondents are heavily dependent on the public sector for their income, and have a preference for grant funding, which could place them in a precarious situation in the next few years.

The survey also asked about the forms of support (advice, guidance, signposting, training and so on) that had been sought. Overall, people were most likely to turn to other individuals working in the voluntary sector for advice and support, closely followed by a local social enterprise network, local authority or council for voluntary services (CVS) or equivalent. (Figure 3.8 below.)

Figure 3.7.
Type of financial support sought by respondents in the last 12 months

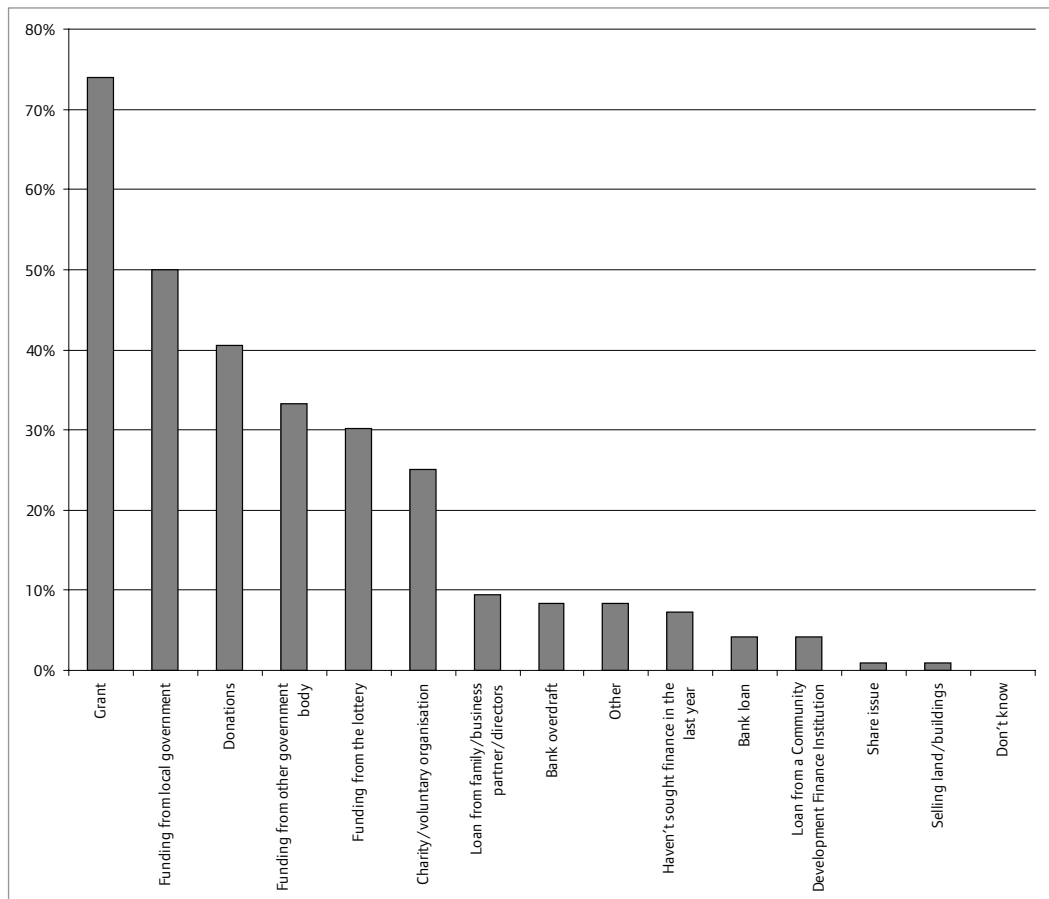


Figure 3.8.
Where support has been sought

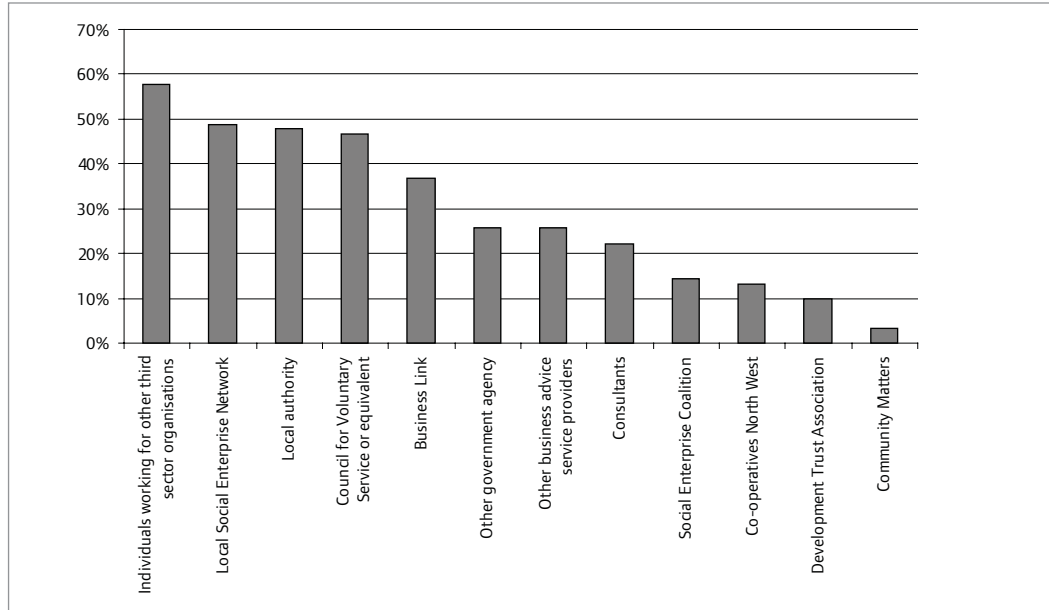
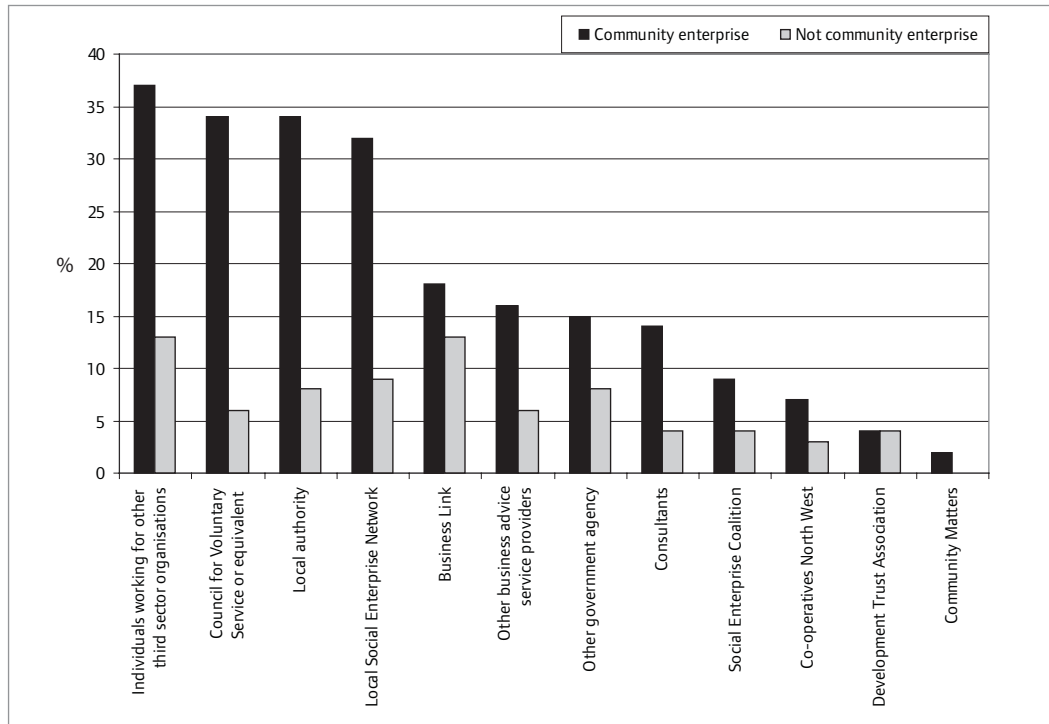


Figure 3.9.
Where support has been sought – community and non-community enterprises



However, some considerable differences emerge when the results are broken down by community enterprises and non-community social enterprises, as Figure 3.9 shows. Respondents that did not identify themselves as a community enterprise were far more likely to seek support from Business Link and other support providers, or organisations like the Development Trusts Association or Social Enterprise Coalition. Organisations that identified themselves as community enterprises were far more likely to turn to voluntary sector sources of support or local authorities, suggesting these organisations may have a particularly important role to play in supporting community enterprises.

Respondents were generally fairly satisfied with the support available to their organisation, particularly with regard to having opportunities to network with other organisations, share relevant information and access training. Areas highlighted as less satisfactory included access to legal advice, marketing and PR advice, opportunities to work with other organisations to influence local decision-making and support to bids for contracts. (Figure 3.10 below.)

Figure 3.10.
How satisfied respondents are with the support available

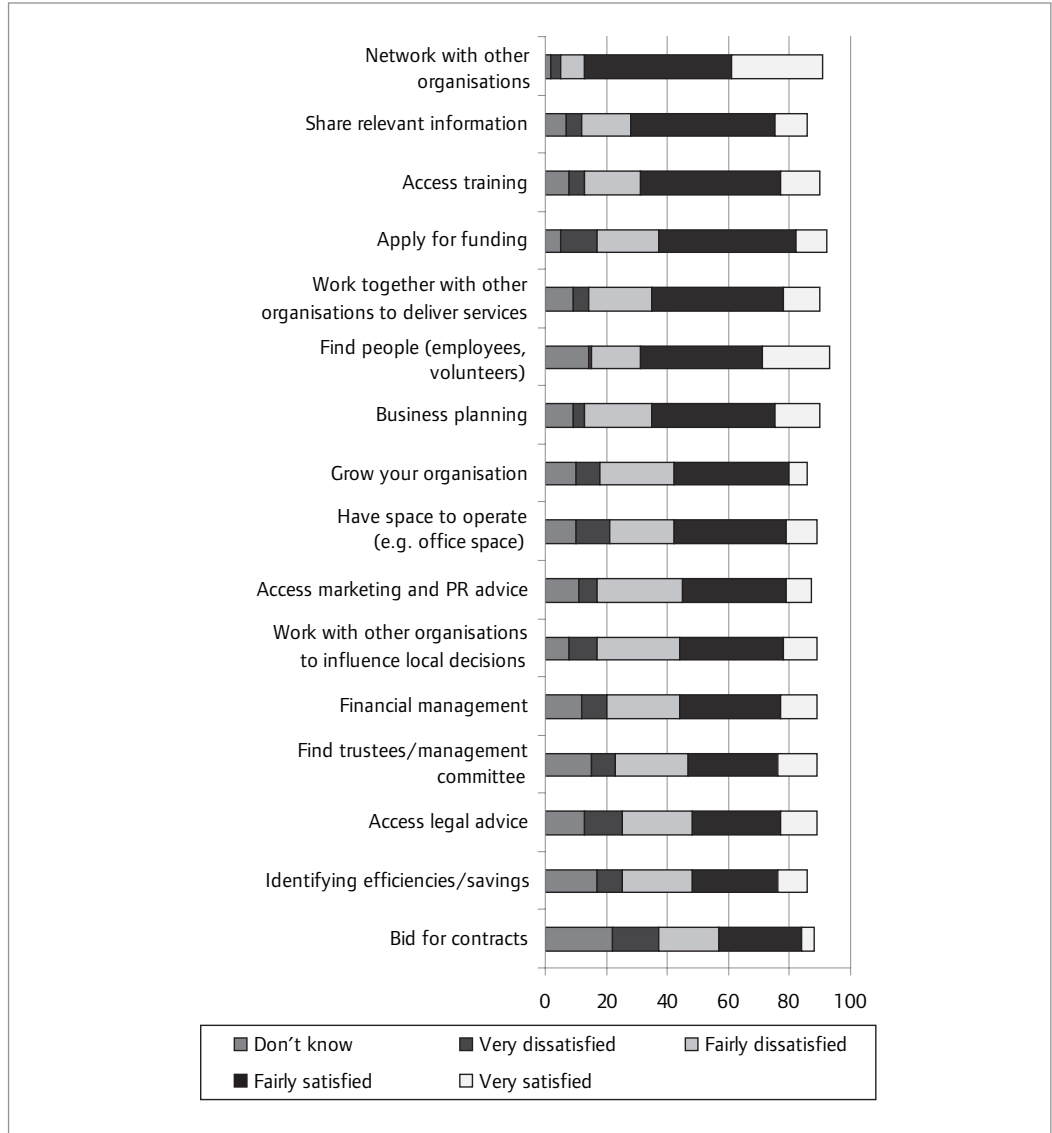
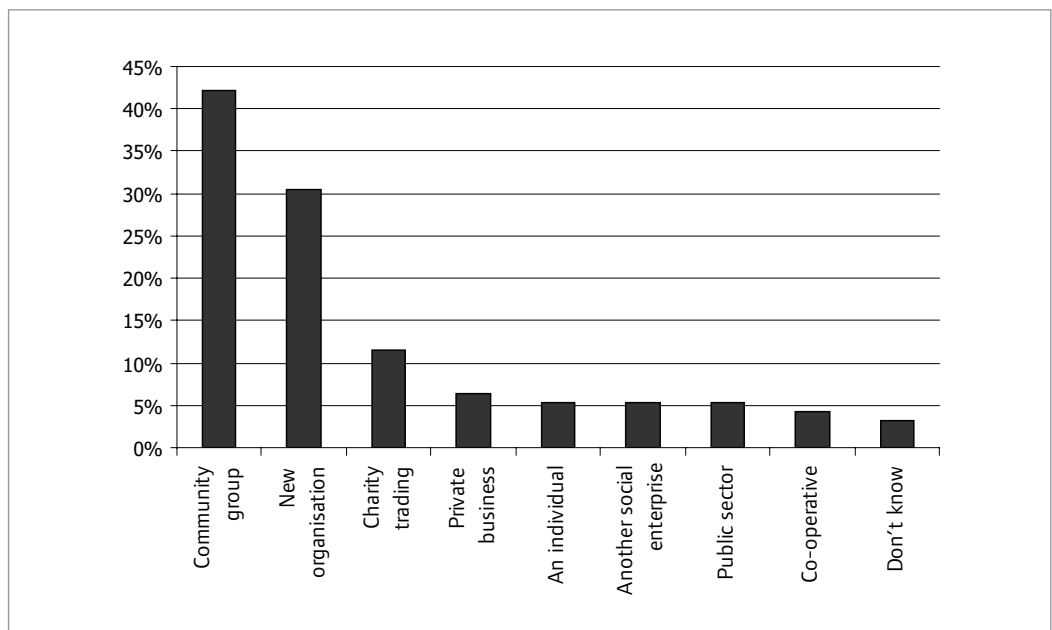


Figure 3.11.
Organisational roots of respondents' organisations

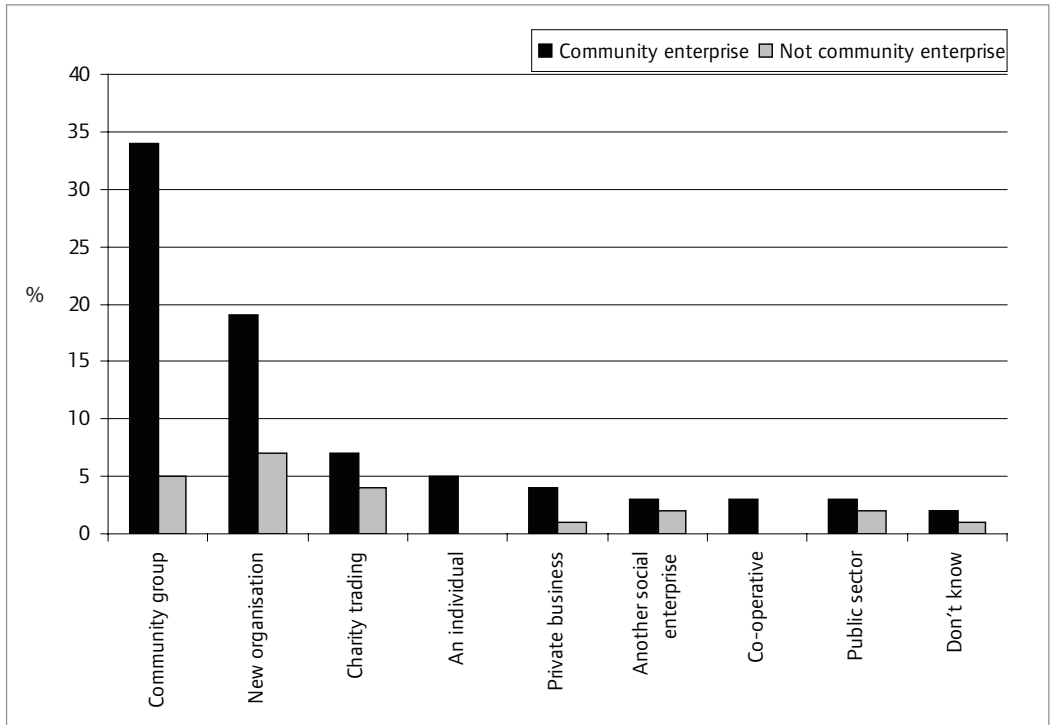


Organisational origins

Some of the differences between the groups of respondents may be explained by differences in organisational origins. The majority of our respondents' organisations had their roots in a community group (42 per cent) and/or were new organisations (31 per cent). (Figure 3.11 above.)

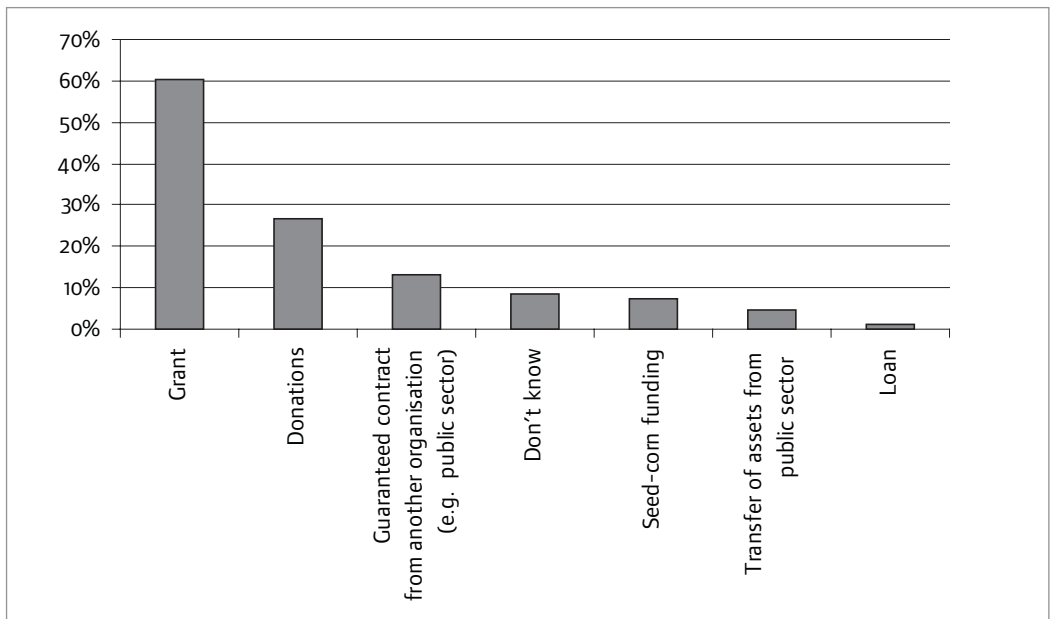
However, when these responses are broken down by community and non-community organisations, the dominance of community groups grows, as Figure 3.12 shows. Non-community enterprises were more spread across the range of options.

Figure 3.12. Organisational roots of respondents' organisations – community and non-community enterprises



The survey also asked where the organisations' start-up finance had come from. For the vast majority (60 per cent), a grant had provided the start-up finance, which was the case for community enterprises and others alike. (Figure 3.13.)

Figure 3.13. When your organisation began, where did the initial resource come from?



This underlines the importance of grant finance, as indicated in the responses to the questions about where organisations had sought finance, and what respondents considered the most important enablers and barriers to social and community enterprise.

Section summary

Although we cannot determine how far survey respondents are representative of the wider social and community enterprise sector, the 101 responses reveal some interesting insights:

- People (human capital) and access to finance were highlighted as key enablers of social and community enterprises, although those organisations that did not identify themselves as community enterprises were more likely to highlight cashflow and liquidity, business support and procurement skills and knowledge as being important.
- Organisations were most likely to seek funding through grants and through the public sector, with the majority of respondents having sought financial support from these sources in the last 12 months. Very few had sought loans or other forms of business finance.
- Social and community enterprises sought support in different places. Community enterprises were more likely to seek support from other third sector organisations or local authorities; those not identifying themselves as community enterprises were much more likely to seek support from specialist social enterprise support providers and organisations like Business Link.

4. The view from support providers and local authorities

As well as engaging with the voluntary sector in the North West, we also sought the views of a small number of stakeholders with responsibility for supporting social and community enterprises. These included lead local authority officers, regional agencies and infrastructure organisations providing support to social and community enterprises. The interviews were semi-structured and conducted on the basis of anonymity, to enable people to be candid. They explored a number of key issues:

- Interviewees' understanding of the term 'community enterprise'
- The place of social and community enterprise in local and regional policies
- The critical success factors for community and social enterprise
- Support available to social and community enterprises, and any gaps in provision.

Understanding community enterprises

Interviewees were familiar with the term 'community enterprise', although precise definitions varied. Most regarded community enterprises as organisations that served particular geographical communities (rather than communities of interest), and many saw them as synonymous with community development trusts.

However, there was a sense from some that community enterprises were somehow less 'professionalised' than other social enterprises. If a continuum is imagined with the voluntary and community sector at one end and private sector enterprises at the other, community enterprises were regarded as being nearer to voluntary and community sector organisations, while social enterprises were seen as closer to private sector enterprises. One interviewee captured this idea in the following way:

If social enterprises are commercial organisations with a social mission, then community enterprises are community organisations with a social mission that has to adapt to a commercial model in order to survive.

A number of interviewees considered community enterprise to be a relatively recent addition to the lexicon of the voluntary sector, and expressed doubt at how helpful it is to introduce another new term into what is already regarded as a poorly understood area.

The place of social and community enterprise in local and regional policies

Interviewees from both the regional and local levels were keen to highlight the importance to, and their growing awareness of, social and community enterprise in their work.

Social enterprise has been highlighted by the North West Regional Strategy (RS2010) as a priority area in order to release potential and tackle poverty in the region. The draft strategy proposes developing a world class social enterprise sector; supporting participation in public sector procurement and commissioning by ensuring the voluntary sector compact is adhered to, and adopting a positive approach to social enterprise, especially mutuals and cooperatives, through support mechanisms such as those provided by Business Link.

As outlined in Section 1, a number of projects and pilots are in place to provide support to the social enterprise sector in the North West, drawing in funding from the Regional Development Agency, Capacitybuilders, the Office of the Third Sector (now the Office for Civil Society) and the European Regional Development Fund (ERDF). Important among these is the outreach work being piloted by Business Link in Merseyside, which is particularly focused on community enterprise, and the training of 'social enterprise champions' within Business Link. The North West Development Agency has also signalled an interest in providing targeted support to social enterprises with growth potential, and the programme is in the final stages of development.

At the local level, interviewees were aware of social and community enterprises and valued their work, particularly in areas like health and social care, social housing, community regeneration and tackling climate change. There was, however, some variation in policies and strategies to support enterprises, with some authorities developing specific voluntary sector or social enterprise strategies (see Boxes 4.1 and 4.2, below and next page). But even in local authorities where strategies were in place, awareness of social enterprise differed between council departments, with some more aware of and signed up to strategies than others. It was described as a slow process of winning people over.

For one local authority, the central focus of its economic development work is boosting enterprise, with social and community enterprise explicitly recognised as having a role to play. Support on offer included identifying aspirant entrepreneurs and delivering enterprise (social or otherwise) start-up grants of up to £500 to specific deprived communities.

Another local authority had identified asset transfer as a key means of developing community enterprises. It had developed a programme of community facility asset transfer with community development activities, in order to build the capacity of community organisations to manage assets and use them to generate income. The authority regarded the transfer assets without building in community development as unsustainable.

Box 4.1. Liverpool – understanding and supporting social enterprise

In Liverpool research has been conducted to assess the size of the social enterprise sector, with an estimated 280 social enterprises identified, of which 170 have significant levels of trading (the average level of trading income is 45 per cent of turnover and rising). The turnover within these social enterprises is around £75m annually, and they employ 2000-plus people.

The city council has audited its commissioning and procurement, and found it spends around £11m annually purchasing goods and services from social enterprises via around 70 separate contracts. The figure of £11m represents around 0.6 per cent of the council's budget. A major initiative, the Merseyside Single Procurement Vision, is trying to increase levels of contracting with social enterprises in the municipal, health and housing sectors. There have been examples of contracts being split in order to make them more obtainable for small business and social enterprise.

Social enterprise plays an important role in the council's economic development activities, and enterprise start-up grants are available to entrepreneurs in targeted deprived communities.

Some other local support projects include:

- The Liverpool School for Social Entrepreneurs, which in its initial phase will assist 45 aspiring social entrepreneurs and create 15 fully trading social enterprises
- The Liverpool Academy of Sustainable Enterprise, assisting 240 people managing social enterprises to win more contracts and improve operations.

The critical success factors for community and social enterprise

Interviewees' view of the critical success factors for organisations tended to focus less on the organisational issues highlighted by the social and community enterprises that participated in our research. The issue that support providers and local authorities regarded as by far the most important was financial sustainability and having diverse sources of income. For interviewees this meant a strong focus on developing a business case and income streams. Many voiced frustration at the idea that social and community enterprises should be 'not for profit', arguing that they should be aiming to make a profit in order to be sustainable. What

Box 4.2. Tameside Metropolitan Borough Council draft social enterprise strategy – identifying and filling gaps in support

The objectives of the strategy are:

- To promote and develop a wider understanding of social enterprise and its benefits across the borough
- To increase the number, size, and sustainability of social enterprises in Tameside
- To design and provide suitable support interventions as required by social enterprises in Tameside.

Key gaps in support prior to start-up are identified as:

- Not enough community development support to build awareness of social and community enterprise
- A lack of information about trading and income generation alternatives and opportunities
- A lack of advice and guidance on corporate structures
- Limited availability of pre-start-up funding
- Low levels of capacity and self-confidence in the local community

Support gaps in the early days of a business are:

- Insufficient intensive, long-term, business development support
- Insufficient specialist social enterprise business support
- Insufficient revenue funding to support the first two years of operation
- Lack of flexible and credible training provision.

The strategy proposes the development of a Social Enterprise Partnership to bring together the local authority with support providers in order to reduce duplication and increase coordination of support.

differentiates social and community enterprises from other enterprises was what they do with their profit.

Being business minded was seen as central to success, and this was interpreted as being hard-headed about what an enterprise does, including ceasing activities that are being delivered at a loss, unless they are deliberately and consciously being cross-subsidised.

Good core organisational functions were highlighted as critical for success by some interviewees, with a particular focus on financial management, marketing, procurement and networking. Like the organisations that contributed to this research, interviewees emphasised the issue was access to skills rather than necessarily holding all these skills in house. This extends the question of skills beyond just an organisation's employees and volunteers, to include their board members. The importance of having a clear vision and mission that is widely understood and confidently communicated was also highlighted as critical for success.

Finally, owning or being able to manage an asset in a way that generates profit was highlighted as crucial by some interviewees. However, one expressed concern that too often local authorities were trying to offload liabilities rather than assets, and passing them to organisations that do not have sufficient capacity to manage them, and do not involve the wider community in their activities.

Supporting social and community enterprises

Evidence suggests that the support needs of social enterprises do not differ greatly from those of private business. However, the language used in the delivery of support is different and advisers need to be sympathetic to the social or environmental aim of the organisation. If this is true for social enterprises, interviewees considered it to be doubly so for community enterprises. This was thought to be particularly important in the start-up phase and early life of an enterprise. At this stage, support might be more appropriately delivered by voluntary sector organisations, rather than mainstream business support.

The interventions required to help individuals or organisations prior to start-up, and the assistance required by young community enterprises in order to move on, were considered relatively simple. For example, opportunities to network, advice on developing strong organisational procedures and advice on issues like marketing and building a public profile were highlighted. Most interviewees were of the view that there is sufficient support and funding available to social and community enterprises; the key issue is ensuring people are aware of what is available and how to access it. The multiplicity of provision was seen to result in a lack of coordination and complexity, and this is an area where more work needs to be done.

A number of suggestions were made for increasing the number of social and community enterprises. Targeted pre-start-up support for individual entrepreneurs and groups of entrepreneurs was thought to be important, along with proactively promoting social and community enterprise as a vehicle for improving life in deprived communities. To achieve this, a programme of capacity building and community development was thought necessary, particularly in areas that are 'social enterprise deserts'. It was suggested that in some cases groups of individuals with the skills to lead the establishment of social and community enterprises should be targeted, such as retired professionals living in or near to deprived communities.

Some specific support needs of social and community enterprises in deprived communities were highlighted. Getting people with the right skills on the board and the management team was considered to be a particular challenge in some of these areas. Access to finance can also be an issue, given the barriers to developing a strong business case, and organisations may need to find ways of selling services or products to other areas too. Examples were offered of organisations struggling to secure banking services, credit and accessing big suppliers.

On the positive side, enterprises in deprived communities were thought to benefit from real passion and a desire to see change. However, this can be beaten out of people if they are not given support to develop into the role.

According to all our interviewees, the key area where social and community enterprises need support is in achieving sustainability, which was regarded as still being some way off for some aspiring social and community enterprises. A key challenge is how to get organisations into a position of being 'enterprise ready'. More specialist social enterprise support, training and mentoring opportunities were all highlighted as areas for development.

A number of interviewees recommended seed-corn funding available at either the pre-start-up stage, or when an organisation is making the transition from community organisation to enterprise. It was thought this funding should be in the form of time-limited, one-off grants, and specifically used to move organisations onto an enterprise footing. This was seen as a way of getting an enterprise off the ground while it kept its eye firmly on enterprise activity.

Once an organisation is established, local authority procurement and commissioning were regarded as pivotal to securing sustainable social and community enterprises. But interviewees were aware of a number of barriers, including the need to split contracts to make them more accessible to social and community enterprises that are not large enough to

deliver to an entire local authority area, and the need to simplify processes. Providing training to commissioners so they better understand social and community enterprise, and making use of social benefit clauses, were thought to be of potential benefit.

Section summary

While local authorities and other public sector bodies are often criticised for not understanding social and community enterprise, our interviewees demonstrated a growing level of understanding and commitment. A number of local authorities and other public sector organisations have undertaken work to better understand social and community enterprises in their area and have identified steps to develop and work with them.

Interviewees highlighted some key issues facing social and community enterprises and some potential areas for more action:

- Diversifying income streams and securing sustainable enterprises was seen as the most pressing challenge. Being more enterprise-minded, and striving to make a profit (in order to reinvest it) was viewed as critical.
- Interviewees generally thought there was a lot of support available to social and community enterprises – the challenge is knowing how to access it.
- Targeted support and proactive interventions to grow the number of social and community enterprises were seen as key areas for development.
- Local authorities can play a key role in this through the provision of seed-corn grant funding to help organisations become 'enterprise ready'. Simple commissioning and procurement processes were considered vital once enterprises are established, to open up commissioning to more social and community enterprises. The increasing size of contracts, and knowledge and understanding of commissioning officers were highlighted as challenges in this context.

5. Conclusions and recommendations

There are more similarities than differences between community and social enterprises; nonetheless, this research project has identified some important areas of divergence. Community enterprises are widely regarded as having roots in – and meeting the needs of – a particular, identifiable geographical community. They are likely to be multi-purpose organisations, meeting a variety of needs in one area. While this is also true of some social enterprises, it is a defining feature of community enterprise.

Community enterprises also often have their roots in the voluntary and community sector, and seem to be more like voluntary and community sector organisations in character. Social enterprises on the other hand were generally considered by participants in this project to be larger, more specialist organisations that are closer to the private sector in the way they operate. This distinction is not in keeping with the official definitions of community and social enterprise. However, it seems to be one that carries real meaning for most of the organisations engaged with this research.

The idea that community enterprises are more like voluntary sector organisations is reinforced by the findings of the survey, with organisations identifying themselves as community enterprises more likely to have their organisational origins in a voluntary or community sector organisation, or to be a new organisation. Perhaps even more telling is where organisations have sought finance in the last 12 months. This question reveals an inconvenient truth for policymakers looking to outsource more to the voluntary sector: it shows the vast majority of survey respondents sought finance in the form of grants, and a tiny minority sought what might be considered ‘mainstream’ business finance, loans or contracts. It seems enterprise-ready organisations that are looking to contract with the public sector are in short supply.

For some organisations, being a community enterprise may prove to be a transitional point on a journey to becoming a social enterprise. But this is not the case for all organisations, and for many, their growth potential is constrained as a result of serving a highly deprived community. This limits their revenue earning potential, although as our case studies demonstrate, an innovative approach can bring in revenue from outside the immediate area.

What are the prospects for community and social enterprise?

There are many reasons for social and community enterprises to be cheerful. First and foremost, as our case studies demonstrate, there are some excellent social and community enterprises in the North West delivering high quality services to their communities.

Furthermore, social and community enterprise is squarely on the new government’s agenda, with the Coalition Agreement placing particular emphasis on social enterprise, neighbourhood working, mutuals and cooperatives. The precise details of the Government’s ‘Big Society’ will become clearer as time goes on, but the messages so far sound positive for social and community enterprise. This research also shows local authorities are increasingly aware and supportive of social and community enterprise. Most of our case studies highlighted improvement in their relationship with their local authority (although sometimes from a low base), and our local authority interviewees emphasised the growing recognition of the importance of social and community enterprise in many local authorities across the North West.

That said, there are some challenges clearly visible on the horizon. One key obstacle is the cuts to public sector budgets. Many of our survey respondents are reliant on the public sector for their income, often in the form of grants. Even some of our case study organisations would find it difficult to fulfil some of their functions without grant aid. There is real concern that support to social and community enterprise – and the voluntary sector more broadly – will be an area for cuts, as local government discretionary spending is

reduced. Already there is concerned talk within the sector about the implications of '3/11' – March 2011 – when many existing grants, service agreements and contracts are set to expire, creating something of a funding cliff edge (Cox et al 2010). Until more flesh is put on the bones of the Big Society and the funding streams that will support it, this remains an uncertain time for some community and social enterprises and the voluntary sector more broadly.

There are problems too for organisations that are contracting with the public sector, as the drive for efficiency creates pressure for ever larger contracts in order to achieve economies of scale. This is a serious challenge for many voluntary sector organisations looking to diversify into public sector contracting as they are less likely to have the capacity to compete for such contracts. Furthermore, there is a risk that social and community enterprises are seen as a cheap alternative, when what is needed is a definition of a value that encompasses social benefit and sustainable investment.

So, it would seem there is something of a gap between the expectations of the 'Big Society' and reality on the ground. Nonetheless, this moment offers a real opportunity for the third sector to embed itself as a vital part of the mainstream economy.

Critical success factors for social and community enterprise

Throughout this research a number of key factors critical to success have recurred. Often these have been shared by both social and community enterprises and public sector officials.

People

The hard work and commitment of staff are central to the work of successful enterprises. Strong leadership that can offer a clearly articulated vision is vital, and can act as a check on mission drift brought about by chasing funding. However, in keeping with other research, this project has highlighted that many organisations are heavily reliant on a small number of key staff, putting them under enormous pressure. Whether an organisation is led by an individual entrepreneur or a team of community activists, ensuring these individuals are supported is a key area for development.

A further critical issue is having relevant skills – or access to other people that do – such as business planning, marketing and public relations. This is a particularly tricky issue for many social and community enterprises serving deprived communities, where such skills can be in short supply. Fear of being liable for the failure of an enterprise can also be a bigger barrier in deprived communities, along with a lack of enterprising capacity.

Networks and profile

Being active in the right networks is a key enabler of social and community enterprise, offering a vital mechanism for raising the profile of enterprises. Networking with other voluntary and community sector organisations is seen as valuable, particularly peer-to-peer support and mentoring. However, the benefits of mixed networks are also recognised. Bringing together public, private and voluntary sector organisations offers opportunities for hearing about contracting opportunities and building consortia to bid for contracts.

Service provision and identifying a niche

Social and community enterprises need not only to understand the community that they serve, but also how to access markets and – where relevant – develop new markets. Part of this challenge is to find a niche to fill, and gather evidence to demonstrate community need and gaps in services. This requires good quality market research and professional marketing of the resulting service.

Box 5.1. Developing a picture of success

We asked our workshop participants to identify the key characteristics of a highly successful community enterprise. In their view it would:

- Have the right people involved, who have appropriate skills, are creative and innovative and see change as positive. There would be a strong culture of learning and strong leadership from a person who catalyses activity and empowers those around them as well as the wider community.
- Be strongly rooted and well known in the local area, owned and controlled by the community and accountable to it, with a good understanding of community need. Good organisations should also build the local community, developing and utilising positive forms of social capital.
- Know what support is available and make use of it.
- Be enterprising and actively try to generate sustainable revenue and ensure a diverse funding base. A strong organisation will be choosy in what it does, and not simply driven by available funding.
- Have a clear vision and plan for the future, including HR and business planning.
- Identify economic opportunities and use quality market research to ensure its services meet local needs.
- Use its success to inspire further success in the community, sharing knowledge, ideas and space with others.
- Build strong partnerships and relationships.

Barriers to social and community enterprise

The research also found considerable agreement about the key barriers that social and community enterprises face.

Funding and finance

As ever, funding arose as a key issue in a number of ways. Many identified access to funding, particularly capital finance, as a key issue, and articulated fear that the availability of funding is going to become more rather than less of a problem as public sector spending is cut. Our survey respondents demonstrated a high level of dependency on the public sector for income, and a strong preference for grant funding. Some would argue that these organisations (the vast majority in our survey) are not therefore enterprises, which may be true. In reality, they are probably aspiring enterprises or organisations in transition, working towards becoming a fully fledged social or community enterprise. The scale of this challenge should not be underestimated. For these organisations some low-level, short-term grant funding given specifically to support the transition to enterprise could help to catalyse change.

Public sector commissioning and procurement

For organisations that are fully fledged social and community enterprises, public sector commissioning is a mainstay, and the fortunes of most of our case study organisations had turned when they secured a major public sector contract. Nonetheless, gaining access to contracts remains a barrier to the success of many enterprises or aspiring enterprises. There are a number of areas where commissioning and procurement could be improved, including ending restrictive specifications that set out how delivery should occur, rather than focusing on the outcomes sought; overly complex processes; tight timescales; and large contracts that are out of the reach of smaller organisations.

Good quality support

Accessing good quality support in a timely and affordable fashion is essential. The research identified a large number of organisations offering a variety of forms of support to social and community enterprises, from mainstream business support providers, to general voluntary sector and social enterprise support organisations, to specialists providing niche advice. Coordination, sharing information and proper signposting remain crucial challenges.

Most important is for the system to be geared to the needs of the organisation seeking support, and appropriate to their stage of development, suggesting a 'life cycle approach' to the provision of support is needed. This was reflected in our case studies, with some wanting general organisational development support, while others highlighted a need for sectoral support. By sectoral support they meant support tailored to organisations working in a particular field, be that children and young people, education or health. Respondents to our survey, as well as our case studies, highlighted that voluntary sector organisations tend to be the favoured source of support, and mentoring stood out as being particularly valued. Mainstream business support services were criticised for a perceived emphasis on growth as a primary goal, when this is not always desirable for social and community enterprises.

Developing core organisational infrastructure

A shared characteristic that emerges strongly from the case study research is the need for good organisational structure and planning and support for core infrastructure. Successful organisations are built on good processes. Good financial management and human resources management enable the rest of the organisation to operate smoothly. Most of our case studies had at some point undergone a full organisational review, which in some cases had resulted in difficult decisions having to be taken. In each case this streamlining and refocusing of the organisation was regarded as a critical turning point in making them the enterprise they are today. Having the space and finance to undertake such a review to ensure the core infrastructure is in place can prove critical to success, and without it organisations may not reach their full potential. A further barrier, however, is how to fund core infrastructure on an ongoing basis. This makes the question of full cost recovery central, which must be addressed in the refreshment of the compact.

Recommendations

1) Making Big Society flourish

The new impetus generated by the coalition government's emphasis on the role of social enterprise in creating the Big Society is to be welcomed. However, it would seem that – in the North West at least – there is a significant gap between expectations for the Big Society and the current capacity of the sector to fulfil them. Ambitions to build capacity also look dangerously constrained by the March 2011 funding cliff-edge.

In order to bridge the gap and address concerns about capacity and funding, we recommend an urgent need for robust and frequent dialogue between national policymakers, regionally-based representatives of the voluntary and community sector and social enterprise, local authorities and other support agencies.

While finances are tight, the money that does come to the sector through the Big Society Bank, the Communities First Fund and any local authority discretionary spend should be targeted at the areas of greatest need. Investment should focus on securing sustainability and supporting start-up organisations in areas where they are absent. Some of this funding should take the form of seed-corn grants, given specifically to support organisations to move onto a more enterprising footing.

2) Making the transition to enterprise

Community and social enterprises in the North West are playing a critical role in the vitality and wellbeing of many communities across the region, not least in some of the most

deprived neighbourhoods where they act as a social glue enhancing resilience and quality of life. However, it would appear that a substantial proportion of organisations calling themselves social or community enterprises still have some distance to travel to achieve sustainability. Organisations need support if they are to reduce their reliance on grants and move to more enterprising activity.

We recommend that leaders, board members and trustees of organisations aspiring to be community or social enterprises carry out an organisational review, focusing on core mission and future financial sustainability in order to facilitate a genuine transition to a more enterprising approach.

Supporting this transition should be a key focus for national policymakers, regionally-based representatives of the voluntary and community sector and social enterprise, local authorities and other support agencies.

3) Commissioning and procurement

Both procurement and commissioning offer a route to sustainability for many social and community enterprises, and yet our research shows that most community and social enterprises experience significant barriers in accessing such funding.

We recommend that local authorities and other local service providers should review commissioning and procurement processes to better understand the needs and benefits of the social and community enterprise sector. They should then move quickly from developing strategies and planning to concrete action.

Reviews should focus on removing unnecessary complexity and bureaucracy. To ensure the users' perspective is at the heart of the process, local social and community enterprises should be involved in the review to ensure any new processes are accessible. Contract size should also be considered, with local authorities and their partners conscious that as contracts increase in size they become more difficult for locally-based social and community enterprises to deliver, favouring instead larger national or international organisations and businesses. There is dissonance between economies of scale on the one hand, and supporting sustainable local community and social enterprises on the other. Part of the answer lies in continuing to develop capacity for consortia working in the voluntary sector, but part of the answer is also likely to rely on a fundamental reassessment of what we mean by 'value'. Value should incorporate ideas of place shaping, and promoting social, economic and environmental sustainability.

4) Coordinating support

A wide range of organisations and individuals across the public, private and voluntary sectors are offering support to social and community enterprises. From providers of generic voluntary sector support to organisations offering specialist support, business support providers and local authorities, the picture is complex, confusing and unhelpfully competitive.

Organisations tend to need different types of support at different stages of their development. The focus should be firmly on the needs of the client, as they are guided through different stages of development and handed onto the next level of support when (and if) relevant. Generally speaking, community development support is likely to be needed in the very early stages of the life cycle, generic voluntary sector support as an organisation becomes more established, and business and/or specialist support as an organisation becomes an established enterprise or seeks to grow. Support should therefore be linked into a 'life cycle framework', with providers specialising in different parts of the life cycle and referring enterprises to other providers where and when they are better able to meet their needs.

We recommend that, in interests of the wider sector, the wide range of support agencies operating in the North West work together to better coordinate their efforts and present

a more coherent support offer to existing and aspiring community and social enterprises in the region, based on a 'life-cycle framework'.

We recommend that some of the key elements of the support package that is needed might include:

Supporting individuals and collectives: Peer-to-peer support and mentoring opportunities have been highlighted as highly valued by this research. Ensuring people can link into networks and find appropriate mentors is essential to growing social and community enterprises.

Marketing: Access to marketing and PR advice has been highlighted as a gap in support provision. This is a key area for support, particularly as enterprises look to raise their profile and promote their activities in a professional and persuasive way in order to build their business activity.

Engaging in commissioning and procurement: There is clearly a need for service providers to review procurement and commissioning processes (as set out in Recommendation 3 above), but community and social enterprises must also be better equipped to bid for contracts.

Training to take on assets: Building the asset base of social and community enterprise is another important route to greater sustainability. The pressure on the public sector to make savings could signal a wave of asset transfers, which could be very positive for the sector. However, this should be done hand in hand with community development work to ensure local organisations have the capacity to receive assets, and involve the local community in the running of them.

Support to conduct organisational reviews: Organisational reviews proved to be vital tools for our case studies on their journey to becoming enterprises. Providing funding to enable organisational reviews could be a key area for investment to increase the number of organisations that are 'enterprise ready'.

Taking this agenda forward

The key messages of this research should form the starting point for a conversation within the region, and between the region and government. Through partner organisations, we hope this research will be widely circulated, views fed back, and a dialogue on the best ways to respond to these challenges begun. Social and community enterprises, their representative organisations and the wider third sector have the opportunity to shape the Government's Big Society agenda as it emerges. We hope this research will help in this task.

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