

<b>Institution:</b> Aston University		
<b>Unit of Assessment:</b> 17 Business and Management		
<b>Title of case study:</b> Redefining Social Enterprise for Policy Makers & Stakeholders		
<b>Period when the underpinning research was undertaken:</b> 2008-2020		
<b>Details of staff conducting the underpinning research from the submitting unit:</b>		
<b>Name(s):</b>	<b>Role(s) (e.g. job title):</b>	<b>Period(s) employed by submitting HEI:</b>
Professor Mark Hart	Professor of Small Business & Entrepreneurship	2008-present
Professor Ute Stephan	Professor	2013-2019
<b>Period when the claimed impact occurred:</b> 2013-2020		
<b>Is this case study continued from a case study submitted in 2014?</b> No		
<p><b>1. Summary of the impact</b></p> <p>Due to its social enterprise research expertise, Aston Business School was commissioned by UK Government Departments – Department for Business, Energy &amp; Industrial Strategy (BEIS), Department for Digital, Culture, Media &amp; Sport (DCMS) and the Inclusive Economy Unit – to revise the methodology to define, identify and assess the impact of social enterprises in the UK economy. Prior work on the social enterprise economy had suffered from a lack of consensus among key stakeholders as there was significant disagreement over the basic definition of a social enterprise.</p> <p>The value of the new methodology was confirmed by its adoption by the UK Government's (managed by BEIS) flagship Longitudinal Small Business Survey (LSBS) to assess the UK small business population.</p> <p>This new, evidence-based, methodology corrected a profound error in the evidence base used to formulate policy in this area and led to a revision in the estimated number of UK social enterprises (up from 100k to 470k), which was welcomed by sector stakeholders and published in 2017. A further 1.2 million UK small businesses are mission-led, pursuing social or environmental goals, and they provide employment to about 3.5 million people. This new evidence has enabled organisations working with social enterprises to generate long-term funding for a range of initiatives.</p>		
<p><b>2. Underpinning research</b></p> <p>The work and report for BEIS, DCMS and the Inclusive Economy Unity (<b>R1</b>) emanated directly from <b>Stephan's</b> research on social enterprise conducted and published as part of the European Commission-funded SEFORIS project (2014-2017) and its predecessor, the SELUSI project (2008-2011). It was also informed by <b>Hart's</b> work for the UK Global Entrepreneurship Monitor (GEM) project to build a methodology to measure social entrepreneurial activity in the 2009 and 2015 Adult Population Surveys.</p> <p>Identifying social enterprises is difficult for two reasons: 1) There is no internationally or nationally agreed definition of what a social enterprise is, neither among academics nor among practitioners. 2) Social enterprises can take a variety of legal forms, including generic legal forms such as a company limited by guarantee.</p> <p>In the SEFORIS project, <b>Stephan</b> and colleagues devised a robust measure which enabled trained interviewers to independently assess in detail social enterprises' 'social mission' and entrepreneurial characteristics (<b>R2</b>). She also developed and tested a more efficient tool that could identify social mission characteristics in a representative sample of mainstream firms. This was tested in the Belgium Community Innovation Survey – the EU's flagship survey on Innovation practices and outcomes (<b>R3; R4</b>). This research showcased:</p>		

1. That social enterprises are heterogeneous and adopt a wide variety of legal forms beyond those dedicated to social enterprises – such as the Community Interest Company (CIC) in the UK. Consequently, to identify social enterprises, there is a need to rely on specific social mission characteristics and related socially-oriented firm practices.
2. That there can be unique challenges in identifying social enterprises in a set of mainstream firms. Specifically, purely for-profit firms tend to misunderstand general questions about social missions and so may over-report their social missions. This can be counteracted by asking about specific social missions – e.g. the extent to which marginalised individuals are helped or carbon emissions are reduced.

**Stephan** and **Hart**'s work for BEIS, DCMS and the Inclusive Economy Unit focussed on accurately identifying social enterprises as organisations in the wider business population (**R1**). It profited from Global Entrepreneurship Monitor (GEM) UK project work (led by **Hart**) on defining social entrepreneurs in the 2009 and 2015 GEM Adult Population Surveys by testing and developing a methodology to identify individual social entrepreneurs (**R5**; **R6**). For example, GEM research, using an early version of the methodology, was able to show that women in the UK are more likely to be social entrepreneurs than purely for-profit entrepreneurs (**R6**).

### 3. References to the research

**R1** Stephan, U., Braidford, P., Folmer, E, Lomax, S. & Hart, M. (2017). Social Enterprise: Market Trends 2017. London: Department of Business, Energy & Industrial Strategy, Government Inclusive Economy Unit & Department for Culture, Media and Sport.

**R2** Andries, P. & , Daou, A. & Stephan, U. (2018) Goal Multiplicity and Innovation: How Social and Economic Goals Affect Open Innovation and Innovation Performance. Journal of Product and Innovation Management, 36: 721-743. doi.org/10.1111/jpim.12511

**R3** Huysentruyt, M., Rimac, T., Stephan, U. & Vujic, S. (2017) Sampling in Management Research: A Critique and Approach for Hard-to-Reach Populations, Academy of Management Proceedings 2017 2017:1, p. 117-74.

**R4** Huysentruyt, M., Mair, J., Le Coq, C., Rimac, T., & Stephan, U. (2016). Cross-country report: a first cross-country analysis and profiling of social enterprises prepared by the SEFORIS research consortium. Seforis. <http://www.seforis.eu/cross-country-report>.

**R5** Hart and Levie (2009) Global Entrepreneurship Monitor: UK Monitoring Report 2009, Aston Business School <https://www2.aston.ac.uk/migrated-assets/applicationpdf/aston-business-school/70757-GEM%20UK%202009%20Monitoring%20Report%20Final.pdf>

**R6** Levie, J. and Hart, M. (2011), "Business and social entrepreneurs in the UK: gender, context and commitment", International Journal of Gender and Entrepreneurship, Vol. 3 No. 3, pp. 200-217.

### 4. Details of the impact

The overall impact can be divided into two components. First, the development and implementation of a robust new methodology to identify social enterprises in the wider business population. Second, the use of this methodology to set out for a range of UK regional and national stakeholders and organisations the scale and economic footprint of the social enterprise sector and its key characteristics. This impact is evidenced across the following examples:

1. The new methodology for identifying social enterprises preserves the intention and nature of the main criteria used in previous reports, but additionally recognises that social enterprises are difficult to identify in the general business population. It also recognises changing market trends, specifically the increase in businesses that are making a long-term commitment to social or environmental impact but are also making a profit. The core criteria used in the revised methodology to identify social enterprises are a combination of the following (**S1**):

- **Income:** Share of income from trading/commercial activities must be at least 50 per cent.
  - **Use of Surpluses/Profits:** Rules/restrictions in place to use surpluses/profits chiefly to further social/environmental goals or past surpluses/profits are chiefly used to further social/environmental goals.
  - **Organisational Goals:** Type of social or environmental goals that the organisation/business has and whether social/environmental goals are of greater or equal concern compared to financial goals. Asks for ratings of specifically defined social and environmental organisational goals.
  - **Charitable status & legal form:** Takes advantage of the fact that certain organisational forms have a social purpose enshrined in their legal form and are verified by an independent regulator or registrar such as the CIC Regulator, the Charity Commission or the Financial Conduct Authority (FCA).
2. For the first time, the new, evidence-based, research methodology led to a robust measurement of the scale and nature of the UK's social enterprise sector and corrected a profound error in the evidence based used to formulate policy in this area. The new methodology demonstrated that (**S1; S2; S3**):
    - It is now known that nearly 9% of the UK small business population are social enterprises; that there are an estimated 471,000 UK social enterprises (nearly five times more than previously estimated); and that roughly 1.44 million people are employed by them.
    - This means that social enterprises are more numerous in the UK than traditional third-sector organizations of which there are 152,000 (84,000 with employees and 68,000 with no employees). Unlike social enterprise, these organizations derive less than 50 per cent of their income from trading and instead often rely on grants and donations.
    - Further, 22 per cent of the UK small business population (or 1.21 million enterprises) are identified as socially-oriented SMEs – i.e. SMEs that have social/environmental goals but do not use surplus/profit chiefly to further these goals. These socially-oriented SMEs may also be referred to as “mission-led businesses”.
    - This means that roughly a third of the UK small business population is purpose-driven (either a social enterprise or a socially-oriented SME).
    - Social enterprise employers are more likely to innovate than SME employers. Two-thirds of social enterprise employers innovated products or services (vs. 43 per cent of SME employers) and half innovated processes (vs. 19 per cent of SME employers).
    - Social enterprise employers are less likely to be entirely male-led compared to SME employers. SME and social enterprise employers have similar levels of minority ethnic group leadership.
  3. The new methodology for identifying social enterprises has since been adopted by the UK Government's Longitudinal Small Business Survey – the UK's flagship survey of the small business population – to identify social enterprises in the UK (**S10**).
  4. Informed and influenced debates on identifying and assessing the impact of social enterprises within the European Commission, OECD and the World Economic Forum (**S2; S3; S6**)
  5. These findings on the scale and nature of UK social enterprises provided vital evidence for a range of stakeholders in the social enterprise space. This evidence assisted with

their arguments for financial support. Examples include: UnLtd; Social Enterprise UK, School for Social Entrepreneurs and iSE (**S4; S5; S7; S8, S9**).

### 5. Sources to corroborate the impact

**S1 Social Enterprise: Market Trends 2017 Report** documenting the process and outcomes of revising the methodology to identify social enterprise in the UK: Jointly published by the Department for Business, Energy and Industrial Strategy, the Government's Inclusive Economy Unit and the Department for Digital, Culture, Media & Sports

<https://www.gov.uk/government/publications/social-enterprise-market-trends-2017>

**S2 European Commission:** The Policy brief makes the case that the UK has broadened the definition of a SE, to allow different legal forms of enterprises in this category, and uses the Market Trends Report as an example, namely that the sample included 44% Companies Limited by Shares, 14% sole proprietorships, and 10% partnerships. Similarly, it states, that only 28% of the companies in the sample had legal form that met the EU's SE operational definition of SEs.

European Commission (2019) Social enterprises and their ecosystems in Europe. Updated country report: United Kingdom. Fergus Lyon, Bianca Stumbitz, Ian Vickers. Luxembourg: Publications Office of the European Union. Available at:

[https://ec.europa.eu/social/main.jsp?pager.offset=35&advSearchKey=SOCIAL+ENTERPRISES+AND+THEIR+ECOSYSTEMS+IN+EUROPE&mode=advancedSubmit&catId=1307&doc\\_submit=&policyArea=0&policyAreaSub=0&country=0&year=0](https://ec.europa.eu/social/main.jsp?pager.offset=35&advSearchKey=SOCIAL+ENTERPRISES+AND+THEIR+ECOSYSTEMS+IN+EUROPE&mode=advancedSubmit&catId=1307&doc_submit=&policyArea=0&policyAreaSub=0&country=0&year=0) Or use this link

<https://ec.europa.eu/social/BlobServlet?docId=21196&langId=en>

**S3 OECD:** This OECD policy report refers to the Market Trends report by citing data about the employment of vulnerable groups, namely that over 60% of SEs seek to help vulnerable groups in relation to employment and 44% may even hire them. Also, refer to data specific to Scotland.

OECD (2018), Job Creation and Local Economic Development 2018: Preparing for the Future of Work, OECD Publishing, Paris. <https://doi.org/10.1787/9789264305342-en> Or [here](#)

**S4 UnLtd**, features the Market Trends Report, as well as the State of the SE Report by Social Enterprise UK, to draw an overview of the future of SEs in the UK. Some of the points made in the post are: that SEs are growing in number; that SEs are commercially competitive; that are leading the way on diversity and progressive employment; and the finance limitations. It also mentions some opportunities to tackle said challenges. Uses the report's data for various aspects like innovation, size of the sector, and growth, but starts by explaining the changes in methodology, particularly stating that SEs have been re-defined. Stranger-Jones, H. (2017, October 30). Social entrepreneurs are the future of business – exploring the numbers. [Blog post] Retrieved from: UnLtd: <https://www.unltd.org.uk/blog/news/social-entrepreneurs-are-the-future-of-business-exploring-the-numbers/>

**S5 Social Enterprise UK** published a 'Hidden Revolution' Report authored by Rebecca Harding that cites the market trends report for the size of the sector – together with other sources. It complements Social Enterprise UK's State of Social Enterprise Report 2017. This report took into account and learns from methodologies from previous research. Cited the Market Trends report to mention that SEs employers are more likely to innovate than regular SMEs. -- Harding, R. (2019) Hidden Revolution: Size and Scale of Social Enterprise in 2018. Retrieved from Social Enterprise UK: [https://www.socialenterprise.org.uk/wp-content/uploads/2019/05/The\\_Hidden\\_Revolution\\_-\\_FINAL-1.pdf](https://www.socialenterprise.org.uk/wp-content/uploads/2019/05/The_Hidden_Revolution_-_FINAL-1.pdf)

**S6 Mentioned as example of 'valid indicators' (see p 26) in Credit Swiss Davos report** This special report, commissioned by the Credit Suisse Research Institute at the occasion of the 2018 World Economic Forum. It takes a closer look at several topics in relation to addressing extreme poverty. Cites the indicators for number of SEs in the UK and SE's labour force size. Credit Suisse Research Institute (2018), Eradicating Extreme Poverty, Davos Edition. Retrieved from: <https://www.credit-suisse.com/media/assets/corporate/docs/about-us/research/publications/research-institute-eradicating-extreme-poverty.pdf>

**S7** A blog post that appeared in **Pioneers Post, the social enterprise magazine** compares the 2017 report with previous ones (2012 and 2014), making a precise reference about the changes in methodology to account for SEs and their activities: income, use of profits, and organisational

goals. The news piece then highlights some of the report's main findings, such as: the comparison made between SMEs and SEs; intersectionality in leadership between both groups (female or male lead, vulnerable group employability, etc.); and that SEs are more likely to innovate than regular SMEs. Troy-Donovan, A. (2017, September 20). Government estimates 471,000 social enterprises are active in UK [Blog post]. Retrieved from:

<https://www.pioneerspost.com/news-views/20170920/government-estimates-471000-social-enterprises-are-active-uk>

**S8** Citation appeared in a blog post on **Civil Society News Media**, which communicated findings from the Social Enterprise UK report 2017, and broadened the conversation on SEs to cite other sources, like the Market Trends report. Specifically, it cites the size and labour force of the sector, namely citing the report's number of SEs and employees. Weaklwy, K. (2017, September 21) Social enterprises need to be 'bolder and more ambitious', says report - [Blog post] retrieved from Civil Society Media: <https://www.civilsociety.co.uk/news/social-enterprises-need-to-be-bolder-and-more-ambitious-says-report.html#sthash.hKJBAEBL.dpuf>

**S9** Statements from **School for Social Entrepreneurs and iSE** to provide evidence of the way this research has assisted their endeavours to develop the social enterprise sector in Birmingham. They also indicate the importance of the report for the **West Midlands Combined Authority (WMCA) and the Metro Mayor Andy Street** on the value of the report as it enabled the case to be made for Birmingham to be declared as one of the UK's 'social enterprise cities'.

**S10** UK Government's Longitudinal Small Business Survey – see page 20-21 in (BEIS, 2017) Longitudinal Small Business Survey: Year 3 (2017) Technical Report for evidence of use of the revised methodology in the reporting on social enterprises in the UK

[http://doc.ukdataservice.ac.uk/doc/8261/mrdoc/pdf/8261\\_technical\\_report\\_2017.pdf](http://doc.ukdataservice.ac.uk/doc/8261/mrdoc/pdf/8261_technical_report_2017.pdf)