

## **Chapter Seven**

### **Survey of social enterprises**

#### **Introduction**

The purpose of this chapter was to examine social enterprises in Ireland and specifically attain an overview of the characteristics and current performance of the sector. As there was no single database of social enterprises in Ireland, access was gained through surveying networks of social enterprises. The large majority of respondents were social-enterprise managers and the survey therefore became an overview of the opinions of practitioners within the Irish social economy. The chapter commences with a general overview of the respondent social enterprises, continues with an analysis of the responses given by respondents and concludes with a summary and discussion of the findings.

#### **An overview of the social enterprise survey**

The survey examined community-based social enterprises that were members of a social-economy network. Of the social-economy networks examined, some were locale based; the Wicklow Social-Economy Managers Network and other were sector based; the Mid-Eastern Enterprise Centres Association for example. In order to ascertain the opinions of those involved with the management of social enterprises, the following networks were identified and surveyed, in early 2006.

- Mid-Eastern Enterprise Centres Association (MEECA)
- Wicklow Social-Economy Managers Network
- Tallaght Social-Economy Network
- FAS North-East social enterprise network
- All enterprises funded under the Community Services Programme (CSP)<sup>1</sup>

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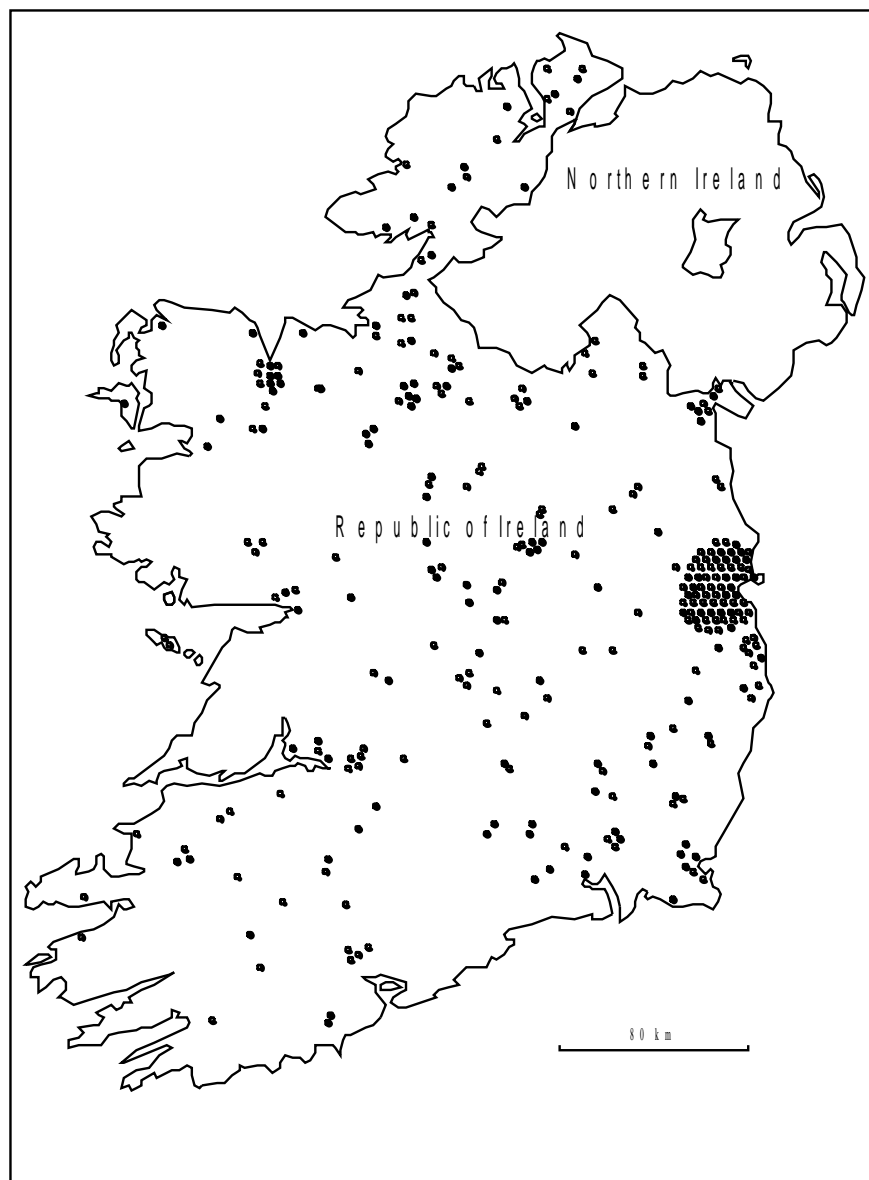
<sup>1</sup> This network was formed at a national meeting held in October 2005 in Mullingar. The meeting was attended by over 200 people and was organised by the Wicklow Social Economy Network members.

Some social enterprises were members of several networks. For example Wicklow Enterprise Park was a member of MEECA, the Wicklow network and was funded under CSP. When duplicated returned questionnaires were eliminated, the total number of identified social enterprises was 281 and, of these, 102 enterprises returned the completed questionnaire, a 36.3% return.

### **Geographic analysis of survey**

Figure 7.1 plots the geographic distribution of all identified social enterprises and Figure 7.2 shows the geographic distribution of the social enterprises which returned the questionnaire.

**Figure 7.1 – Geographic distribution of identified social enterprises**



**Figure 7.2 – Geographic spread of respondent social enterprises**

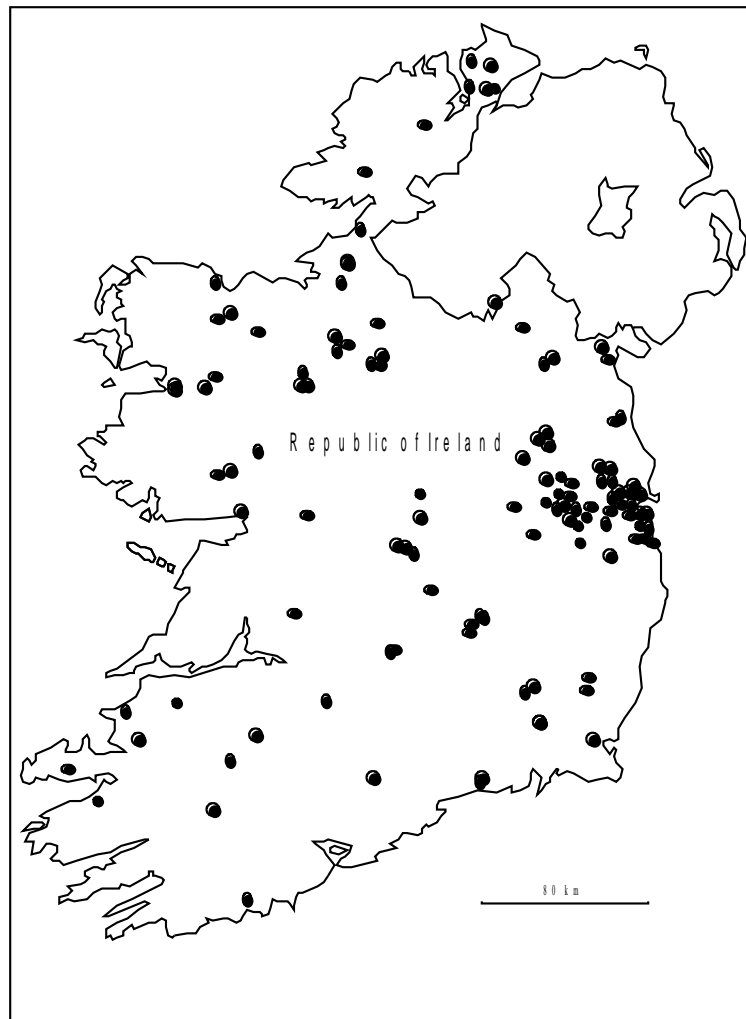


Table 7.1 presents a breakdown by county of total population, the number of social enterprises identified and the number of social enterprises that returned questionnaires. As can be seen from Table 7.1, no questionnaires were returned in only 2 counties and there were only a small number of social enterprises identified in these counties. Dublin had the largest number of social enterprises identified in any one county with 61 or 21.7% of the total number identified nationally. In 6 counties, the response rate was 50% or higher. Overall, the response rate at 36% was acceptable and gave a reasonable sample for analysis.

**Table 7.1 – Analysis of response to the survey by county**

<b>County</b>	<b>Population</b>	<b>Total number of social enterprises identified</b>	<b>Number of social enterprises that returned the questionnaire</b>	<b>Response Rate in %</b>
Carlow	50349	3	0	0.00
Cavan	64003	7	2	0.29
Clare	110950	7	1	0.14
Cork	481295	11	4	0.36
Donegal	147264	18	6	0.33
Dublin	1187176	61	26	0.43
Galway	231670	13	5	0.38
Kerry	139835	11	5	0.45
Kildare	186335	6	2	0.33
Kilkenny	87558	4	2	0.50
Laois	67059	4	2	0.50
Leitrim	28950	12	5	0.42
Limerick	184055	6	1	0.17
Longford	34391	2	0	0.00
Louth	111267	9	3	0.33
Mayo	123839	19	5	0.26
Meath	162831	6	5	0.83
Monaghan	55997	4	2	0.50
Offaly	70868	9	3	0.33
Roscommon	58768	13	6	0.46
Sligo	60894	5	1	0.20
Tipperary	149244	6	1	0.17
Waterford	107961	5	3	0.60
Westmeath	79346	12	1	0.08
Wexford	131749	16	5	0.31
Wicklow	126194	12	6	0.50
<b>Total</b>	<b>4239848</b>	<b>281</b>	<b>102</b>	
<b>Average response rate</b>				<b>0.36</b>

### **Analysis of the survey responses**

The discussion of the survey data will address the following issues. First, the characteristics of the respondents will be examined, followed by a review of the activities conducted by and characteristics of the respondent social enterprises. The chapter will continue by discussing ownership and corporate governance issues, the relative strengths of Irish social enterprises, financial sustainability issues and the sources of funding utilised by the social enterprises. The discussion will then examine issues relating to market failure and will finalise with a discussion of other issues of importance that arose

within the survey data. The frequencies of the responses to the individual questions asked in the questionnaire and detailed crosstabulations of the data including statistical tests are outlined in Appendix F.

When conducting crosstabulation the Chi-Square test for independence was used in the first instance. The Chi-Square test is suitable for use with sample frequency data where parameters such as mean and standard deviation cannot be calculated (Gravetter and Wallnau, 2006). Chi Square compares the observed frequencies per category for two or more variables in a sample against an expected frequency which would exist if no real relationship existed between observed frequencies per category for each variable (i.e. if the observed frequencies per category for each variable were independent of each other). Thus the Chi Square test allows us to determine whether the sample data provides sufficient evidence to conclude that observed frequencies per category for each variable are sufficiently different from hypothetical expected frequencies to conclude that a relationship exists between categories for each variable (i.e. that the observed frequencies per category for each variable are not independent) (Gravetter and Wallnau, 2006).

In the present chapter, the overall sample developed as a result of the survey of 102 social enterprises was split into several variables for this purpose. The first variable related to the location of each social enterprise, with each social enterprise falling into one of two categories under this variable (i.e. whether the social enterprise was sited in a rural or urban location). The second variable related to the type of main good or service provided by each social enterprise. Each social enterprise fell into one of five categories under this variable, such as whether the primary activity of a social enterprise was in the provision of tourism/cultural/heritage and recreation. The third variable related to the main income source of each social enterprise, with two categories, one for social enterprises where trading was the main income

source, and one for social enterprises where grants/other was the main income source.

To conduct a Chi Square test for independence a number of stages must be followed (Hammond & McCullagh, 1978; Gravetter and Wallnau, 2006). In conducting the Chi Square tests the initial step was to establish a null hypothesis which followed the following form: in the general population of social enterprises, there existed no relationship between social enterprise numbers per category for each variable and that any observed difference per category for each variable in the sample arose by chance alone. The alternative hypothesis to this null hypothesis followed the following form: there did exist a relationship between social enterprise numbers per category for each variable and this did not arise in the sample by chance alone. SPSS was used to conduct the tests and does so in simple terms by comparing the Chi Square values generated by the differences between observed frequencies per category for each variable to those expected if the frequencies per category for each variable were actually independent. It was decided that a significance level of 5% or beyond would be sufficient to accept the alternative hypothesis. Chi-Square could only help assess whether a relationship between categories for each variables existed or not. Thus, a subsequent test was conducted through SPSS to assess the strength of any relationship. This is known as the Cramer V test. Cramer V is a post test for Chi-Square and measured the strength of the difference between the samples examined on a scale of 0 to 1, where the closer to 0 the value of Cramer V the weaker the relationship between the categories for each variable examined and the closer to 1 the stronger was the relationship.

A precondition for accepting the validity of a Chi Square test is that at least 20% of the expected frequencies per category for each variable must not fall below a value of 5 (Ebdon, 1985, 70). If more than 20% of the expected frequencies have values less than 5 then the test outcomes are not sufficiently robust. Unfortunately, with a sample of 102, many of the

crosstabulations resulted in expected frequencies where more than 20% fell below this value and their results became statistically unreliable. Attempts to address this by combining categories was attempted, as suggested in the literature (Ebdon, 1985); there being only 5 categories of main good or service provided and 5 broad categories of main social objective for example. However, these attempts did not address the issue in the main and further reduction of the number of categories per variable of interest would have undermined the meaningfulness of the results. The results of the crosstabulations conducted were outlined in Appendix F. Only crosstabulations which were suitable for Chi Square tests were reported in the text.

The purpose of running Chi Square on the sample data in this survey was to assess the actual versus the perceived relationships relating to social enterprises. For example, the economic theory explains social enterprise by way of market failure theory. Many practitioners may say that market failure is important for the existence of social enterprises but if that is to be actually true then the relationship between the perceived importance of market failure and the actual goods and services delivered or the main income source of the social enterprise should not be independent (highly demand-deficient social enterprises tend to have a low traded income and are highly grant dependent because they tend to operate in market failure situations for instance). Thus, by testing whether actual relationships exist between categories of, for example, social enterprise activity when examined by variables such as whether social enterprises were situated in urban or rural location, we can speculate upon the possible reasons for such relationships.

### ***Characteristics of respondents***

The questionnaire sought to obtain information regarding the actual respondents themselves; in particular, their role in the organisation and length of service, as well as, their length of involvement in the social economy generally. Of those (98) respondents who disclosed their period of service, 21 respondents had served in their current position for seven years or greater (21.4%). Another 37.7% had served in their position for between 4 and 6 years. Thus, 59.1% of respondents held their current position for more than 3 years (Table 7.2). From a review of the survey questionnaires, it appeared that the majority of respondents (84.4%) were the company managers (Table 7.3). Also, 66.3% of respondents identified themselves as having been involved in the social economy for more than 3 years, a higher proportion than had held their current position over a similar time period (Table 7.4). Thus, with 66.3% of respondents involved in the social economy for more than 3 years and 59.1% of respondents holding their current position for more than 3 years, with the large majority of respondents being social enterprise managers, the respondents appeared well experienced with the issues of social enterprises. It also appeared that there was a very low turnover at managerial level in the social enterprises examined. This could be explained by the fact that staff within social enterprises were more committed to their 'cause' and were less motivated by financial reward, as discussed in Chapter 2, or it could result from a lack of progression opportunities for social-enterprise managers in Ireland.

**Table 7.2 – Length of service in current position (Question i)**

	<b>Frequency</b>	<b>Percent</b>
Under 1 year	8	8.2
1-3 years	32	32.7
4-6 years	37	37.7
7 years or greater	21	21.4
Not disclosed	4	-
<b>Total</b>	<b>102</b>	<b>100.0</b>



**Table 7.3 – Position of those completing the questionnaire**

	Frequency	Percent
Manager	76	84.4
Assistant Manager/Administrator	11	12.2
Board member	3	3.4
Not specified	12	-
<b>Total</b>	<b>102</b>	<b>100</b>

**Table 7.4 – Duration of involvement in the Social Economy (Question ii)**

	Frequency	Percent
Under 1 year	4	4.1
1-3 years	29	29.6
4-6 years	49	50
7 years or greater	16	16.3
Not disclosed	4	-
<b>Total</b>	<b>102</b>	<b>100.0</b>

### **Characteristics of examined social enterprises**

One of the main research questions of this thesis related to examining what social enterprises were and what they did in the Irish case. Table 7.5 outlined the main activities conducted by the social enterprises examined. Having examined the wide range of activities conducted, the activities could sensibly be fitted into 5 broad categories which were general services including transport (this category encompassed a wide range of activities and social enterprises funded under the Rural Transport Initiative<sup>2</sup>) (33.3%), activities to promote tourism, culture, heritage and recreation (27.5%), the provision of community centres and other community-based facilities (15.7%), activities relating to education, training and childcare (15.7%) and social enterprises providing services to promote enterprise and employment (7.8%). Thus, from an initial examination, the social enterprises were

<sup>2</sup> The Rural Transport Initiative is an Irish government programme aimed at funding community-€based transport companies to serve rural areas. It is funded under the Department of Community, Rural and Gaeltacht Affairs and administered through Pobal.

involved primarily in the delivery of services many of which appear to be public goods or community-based services.

**Table 7.5 – Frequency of main good or service provided by respondent social enterprise (Question 1)**

	<b>Frequency</b>	<b>Percent</b>
Tourism/cultural/heritage and recreation	28	27.5
Enterprise/employment service or centre	8	7.8
General service including transport	34	33.3
Community centre/facility	16	15.7
Childcare/education and training	16	15.7
<b>Total</b>	<b>102</b>	<b>100.0</b>

From the view of economic geography the presence of a relationship between the activities conducted by social enterprises and their geographic location was important. A comparison was made between the main good or service provided by the social enterprises examined and their location in an urban versus rural setting (Table 7.6). With regard to Table 7.6 the designation of each social enterprise as urban or rural was determined by the researcher on a case by case examination of the address of the respondent social enterprise. Sufficiently high expected frequencies per category for each variable were obtained to enable a valid Chi Square analysis. The null hypothesis here maintained that no relationship existed between the main good or service provided by social enterprises and their location in either an urban or rural setting. The alternative hypothesis stated that a relationship did exist in the main good or service provided by social enterprises in urban as opposed to rural areas. A significance level of 0.05 (or 5%) was required before the null hypothesis could be rejected and the alternative hypothesis accepted. At 4 degrees of freedom the test produced an  $\chi^2$  value of 0.145 with a probability value of 0.002 which meant that the null hypothesis could be rejected and the alternative hypothesis accepted with a 0.2% probability that the observed frequencies per category for each variable in the sample were due to chance in sampling alone. This was less than the 5% level of significance chosen before the test and thus the null hypothesis was rejected. Extrapolating from this result, geographic location on an urban or rural basis

could be interpreted as a factor influencing the activities carried out by social enterprises. Thus, the existence of a majority of the social enterprises involved in tourism, cultural, heritage and recreational activities located in rural areas made sense and indicated the drive to promote local areas and create employment opportunities. Enterprise centres and employment services tend to be located in urban areas where there is a critical mass of people in need of these services. The transport social enterprises were predominantly located in rural area and could be seen as a response to the lack of public-sector transport services in rural areas and the social enterprises responding to the RTI. Thus, the activities conducted by the social enterprises examined would appear to be at least to some degree influenced by their situation in an urban or rural location and indicated that the services met by social enterprises differ in urban and rural areas.

**Table 7.6 – Crosstabulation between main good or service provided by respondent social enterprises and whether they were located in an urban or rural area**

	Urban	Rural	Total
Tourism/cultural/heritage and recreation	6	22	28
Enterprise/employment service or centre	7	1	8
General service including transport	10	24	34
Community centre/facility	8	8	16
Childcare/education and training	10	6	16
<b>Total</b>	<b>41</b>	<b>61</b>	<b>102</b>
Pearson Chi-Square	Value =17.145	Df = 4	Stat. sig. = .002
Cramer V	Value = .41		

In the review of theory in Chapters 2 and 3, social enterprises were identified as providing services in order to achieve a social objective/mission and the identified social mission of the respondent organisations was outlined in Table 7.7. Local economic development, including enterprise development, was the single largest social objective identified with 25.5% of respondents outlining this as their primary social mission, promoting tourism, heritage, recreation and the arts was identified by 23.5% as their primary social mission, community development was identified by 20.6%, education, training and

childcare was identified by 11.8% and providing services to the community made up 18.6%. Again, it appeared that the primary social mission of the organisations examined would appear to be the delivery of community-based public goods. These were broad categories and would raise the question as to whether these social enterprises were established to address the needs of a specific target group or not. It would appear that only 35.3% of respondents identified their organisation being established to meet the needs of a particular target group and that 64.7% were set up to meet the needs of the general public or community (Table 7.8). The activities and social objectives identified would be similar to what one might expect from the literature review and previous chapters. The fact that roughly two-thirds of social enterprises examined were general-interest social enterprises was interesting.

**Table 7.7 – Frequency of main social objective identified by social enterprise (Question 2)**

	Frequency	Percent
Community development and facilities	21	20.6
Education, training and childcare	12	11.8
Local economic/enterprise development	26	25.5
Promote tourism, heritage, recreation and arts	24	23.5
Provide general services to the community	19	18.6
<b>Total</b>	<b>102</b>	<b>100.0</b>

**Table 7.8 – Frequency of whether a specific main target group was identified by social enterprise (Question 3)**

	Frequency	Percent
Community/general public	64	62.7
Established for specific target group	36	35.3
Not disclosed	2	2.0
<b>Total</b>	<b>102</b>	<b>100.0</b>

When asked if their social enterprises had been established as a response to a specific event, 81.2% of respondents identified no specific event (Table 7.9). Thus, social enterprises appeared to evolve through some 'process' in the main other than a response to a specific 'event', e.g. a response to a specific tragedy or inspiring event.

**Table 7.9 – Frequency as to whether there a specific reason/event resulting in the establishment of social enterprise (Question 4)**

	Frequency	Percent
Yes	19	18.8
No	82	81.2
Not disclosed	1	-
<b>Total</b>	<b>102</b>	<b>100.0</b>

In order to probe this further, respondents' were asked as to why the organisation was established as a social enterprise, as compared to another form of community-based organisation. 37.2% of respondents' identified funding reasons for the establishment of a social enterprise, 36.2% identified meeting social needs as the reason, 16% identified creating employment as the reason and only 10.6% identified the social enterprise model as the natural structure that suited their organisation (Table 7.10). If funding and staffing issues are combined then 53.2% adopted the social-enterprise structure for what might be described as internal organisational and pragmatic reasons.

**Table 7.10 – Why was the organisation established as a social enterprise? (Question 5)**

	Frequency	Percent
To benefit from funding/grants/increased income	35	37.2
In order to respond to social needs	34	36.2
The structure naturally suited the needs of the organisation	10	10.6
Creating employment/retaining staff	15	16.0
Did not disclose	8	-
<b>Total</b>	<b>102</b>	<b>100</b>

### **Ownership and corporate governance**

Social enterprises, as community-based organisations, must have a constitution and as many are funded it may be expected that they were legally incorporated. When asked as to the legal structure adopted by their social enterprise, 86.1% of respondents identified the company limited by

guarantee as the legal form adopted, with 5.9% identifying a co-operative structure, 5% identified a company limited by share capital and 3% identifying a trust or other legal form (Table 7.11). The use of the company limited by guarantee structure could be explained through the fact that most social enterprises examined received funding and the Irish government requires funded bodies to be legally incorporated (Pobal, 2006) and the Revenue Commissioners favour this legal form in issuing charity numbers.

**Table 7.11 – Frequency as to the legal structure used by respondent social enterprises (Question 7)**

	Frequency	Percent
Company limited by guarantee	87	86.1
Company limited by shares	5	5.0
Co-operative	6	5.9
Trust	1	1.0
Other	2	2.0
Not disclosed	1	-
<b>Total</b>	<b>102</b>	<b>100.0</b>

Respondents were asked to outline if they used volunteers in their organisations. 98% of those who disclosed information confirmed that they used volunteers on their boards of management or directors. Interestingly, only 38% used volunteers for operational purposes (Table 7.12), although this may not be surprising considering that the majority of social enterprises examined had adopted the model for funding and staffing purposes. The composition of boards of management was examined in Table 7.13.

**Table 7.12 – Use of volunteers by social enterprises examined (Question 6)**

	Use Volunteers on Boards		Use Volunteers for Operations	
	Frequency	Percent	Frequency	Percent
Yes	96	98	38	38
No	2	2	62	62
not disclosed	4	-	2	-
<b>Total</b>	<b>102</b>	<b>100</b>	<b>102</b>	<b>100</b>

**Table 7.13 – Sectoral composition of boards of management /directors (Question 8)**

Sector	Frequency	Percent
Community/voluntary	431	46.4
Local development	102	10.9
Local Authority	51	5.6
Public agencies	55	6
Private sector	140	15
Trade Unions	6	0.6
Education sector	33	3.5
Financial institutions	18	2
Other (incl. Public reps)	93	10
<b>Totals</b>	<b>929</b>	<b>100</b>

Some 929 individuals were identified as members of boards of management or directors. The social enterprises which responded had an average (arithmetic mean) of 9.1 board members. As social enterprises were identified within the literature review as part of the community and voluntary sector, it was not surprising that the largest sector represented on boards was the community sector itself (46.4%). The second highest sector represented was the private sector (15%) and it might appear surprising that there were more private-sector representatives than for local-development organisations (including the area-based partnership companies (APC), Leader companies and the community-development projects). However, the nature of a social enterprise as a business with social aims may make the running of social enterprises better understood by private-sector businesspeople as compared to other forms of community and voluntary activity, which may have less of a business focus. Private-sector businesspeople did not include representatives from the private banks, as they were included in the financial institutions category. There was a very low representation from the local authorities (5.6%) and trade unions (0.6%). As many local authorities are potential funders of social enterprises, this may create a conflict of interest for local authority officials to sit on boards of directors. This could also be

explained if some local authorities were more proactive with regard to social enterprise in their areas, as compared to other local authorities. The very low representation of the trade unions may be surprising, as in Chapter 3, the trade unions were seen as very supportive of social enterprise within the social-partnership talks. This could be explained by a lack of human resources, as many trade unions are organised on a national basis and may not have the staff resources to sit on many boards of directors. However, the predominance of the community and voluntary sector was identified by the fact that its representatives were the largest single sector represented on the boards of directors or management of the respondent social enterprises, with more than three times the representation over any other sector.

In Question 12, respondents were asked about the importance of achieving social objectives over other objectives for social enterprises. 56% of respondents believed that achieving social objectives were equally as important as achieving other objectives, with 41% believing it to be more important to achieve social objectives (Table 7.14). If we remember that it was the managers of the social enterprises that predominantly answered the questionnaire then this might not be unexpected, as the managers are answerable for both the financial and social outcomes of the operation. However, only 1% believed that achieving social objectives were less important than other objectives. Thus, the social enterprises examined appeared to be constituted as part of the community and voluntary sector and the single largest component of their boards were also from this sector.

**Table 7.14 – Frequency of the relative importance of achieving social objectives for social enterprises (Question 12)**

	<b>Frequency</b>	<b>Percent</b>
More	41	41.0
Less	1	1.0
Equally as	58	58.0
Not disclosed	2	-
<b>Total</b>	<b>102</b>	<b>100.0</b>



## Relative strengths of social enterprises

Respondents were asked a series of questions regarding the perceived relative strength of social enterprises as compared to other forms of community-based organisation in Question 16 of the questionnaire and their responses are outlined in Table 7.15.

**Table 7.15 – Comparison of those who thought that social enterprises were ‘stronger’ as compared to other community-based organisations in a range of issues (Question 16)**

	Frequency	Percent
Sustaining community services	84	83.2
Delivering goods and services to disadvantaged individuals/communities	80	79.2
Empowering disadvantaged individuals or communities	72	72
Protecting social assets and buildings	59	59
A platform for public consultation	48	47.6
In campaigning for social change	47	46.5

Detailed frequencies of the responses to Question 16 were outlined in Appendix F, Tables F.29 to F.33. As can be seen from Table 7.15, social enterprises were perceived to have a relative strength with regard to sustaining community services, in the delivery of goods and services to disadvantaged individuals and communities and with regard to empowering disadvantaged individuals and communities. Social enterprises were perceived as having a relative weakness with regard to being a platform for public consultation and as a vehicle for the community and voluntary sector in campaigning for social change.

As social enterprises used an enterprise model, it was not surprising that a majority of respondents believed that social enterprises were relatively strong in the areas of sustaining community-based services (social enterprises generated their own income and were likely to be more sustainable), delivering goods and services and protecting social assets and buildings (again related to their relatively more independent income). The fact that 72% of respondents believed that social enterprises had a relative strength

with regard to empowering individuals and communities may appeared high, especially considering the existence of community-development organisations and active labour-market programmes. 46.5% and 47.5% respectively of respondents saw social enterprises as stronger with regard to campaigning for social reform and as a platform for public consultation. These would not have been the attributes highlighted in the literature review connected to social enterprises (Pearce, 2003, 31-32; Defourney, 2001, 16-18; Anheier & Seibel, 1990, 382).

### **Financial issues and sustainability**

Respondents were asked questions regarding their funding sources and these responses are outlined in detail in Appendix F, Tables F.15 to F.20. Table 7.16 outlines the main income source of the social enterprises examined.

**Table 7.16 – Frequency of the main income source of respondent social enterprises (summary of Question 9)**

	<b>Frequency</b>	<b>Percent</b>
Traded income	26	26.3
Grants/others	73	73.7
Not disclosed	3	-
<b>Total</b>	<b>102</b>	<b>100.0</b>

With only 26.3% of respondents social enterprises generating their main income source through traded income and 73.7% identifying grant aid or some other form of donation, the demand-deficient characteristic of the Irish social enterprises examined became obvious. This is in line with the picture of Irish social enterprise compiled in the previous chapters.

Another area investigated was the sources of grant aid accessed by social enterprises. Of those which disclosed information, 88 identified receiving funding under the Community Services Programme as managed by Pobal. 26 identified local authority funding. 14 identified funding from local development organisations and another 14 identified funding from the Health Service Executive. 29 identified grants received from a plethora of other

sources (Table 7.17). From the information given in the questionnaire, these other sources included County Enterprise Boards, the Arts Council, Peace and Reconciliation Funds, the International Fund for Ireland, Vocational Educational Committees, the Department of Agriculture and Food, The Department of Social and Family Affairs, the Lotto, European Union structural funds and local drug tasks forces, to name but a few.

**Table 7.17 – What are the sources of grant aid (Question 10)**

	<b>Frequency</b>	<b>Percent</b>
Pobal/Community Services Programme	88	86.3
Local authorities	26	25.5
APCs/Leader Companies	14	13.7
Health Service Executive (HSE)	14	13.7
Rural Transport Initiative	3	2.9
Department of Justice, Equality and Law Reform	2	2
Other grant aid sources	29	28.4

The level of projected income for the following year was another area investigated. Only 53.9% of respondent social enterprises provided information regarding their projections for traded income. This may have been the result of the unwillingness to discuss business-sensitive information or may have resulted from the lack of such management information being available, due to shortcomings in financial planning. Of those who did disclose such information, the 55.4% expected a turnover of less than €100,000 in the following year (Table 7.18). This supported the view that social enterprises were, in the main, small-scale operations and demand-deficient in orientation. However, the corollary was that 44.6% had turnover in excess of €100,000 and 12.5% of the social enterprises who answered this question expected a projected income in excess of €300,000. Thus, only a small percentage of social enterprises examined appeared self-sustainable.

**Table 7.18 – Projected income of social enterprises for 2006 (Question 11)**

	<b>Frequency</b>	<b>Percent</b>
Under €20K	7	12.5
€20-50K	9	16.1
€51-100k	15	26.8
€101-200k	14	25.0
€201-300k	4	7.1
Greater than €300k	7	12.5
Not disclosed	46	-
<b>Total</b>	<b>102</b>	<b>100.0</b>

A final analysis conducted compared the main source of income generated by the social enterprises examined and their location in an urban versus rural setting (Table 7.19). With regard to Table 7.19 the designation of each social enterprise as urban or rural was determined by the researcher on a case by case examination of the address of the respondent social enterprise, as before. The number of expected frequencies below 5 per category for each variable was low enough to allow a valid Chi Square analysis. The null hypothesis maintained that there was no relationship between the main source of income for the social enterprises and their situation in either an urban or rural setting. The alternative hypothesis stated that there was a relationship between the social enterprises' main income source and their situation in either urban or rural areas. A significance level of 0.05 (or 5%) was required before the null hypothesis could be rejected and the alternative hypothesis accepted. At 1 degree of freedom the test produced a chi square value of 9.138 with a probability value of 0.003 which meant that the null hypothesis could be rejected and the alternative hypothesis accepted with a 0.3% probability that the observed frequencies per category for each variable in the sample were due to chance in sampling alone. This was less than the 5% level of significance chosen before the test and thus the null hypothesis was rejected. Thus, the test provided evidence that a relationship between the main income source of social enterprises and their situation in urban or rural locations was likely to exist in reality (i.e. in the population of social enterprises at large). In particular the presence of a majority of the social

enterprises with a majority of their income generated through traded sources being located in urban areas, whilst in comparison, the majority of grant-dependent social enterprises being located in rural areas was very interesting.

**Table 7.19 – Crosstabulation between main income source and whether the social enterprises were located in an urban or rural area**

	Urban	Rural	Total
Traded	17	9	26
Grants/others	23	50	73
<b>Total</b>	<b>40</b>	<b>59</b>	<b>99</b>
Pearson Chi-Square	Value = 9.138	Df = 1	Stat. Sig. = .003
Cramer's V	Value = .304		

Thus, a picture emerged of a majority of demand-deficient social enterprises, heavily grant dependent and that the level of income was related to the good and service provided and the urban/rural location of the enterprise. Thus, social enterprises with a high traded income tended to focus on certain activities and were more likely to be found in urban areas and social enterprises which were heavily grant dependent focused on other activities and tended to be more likely located in rural areas.

### **Market Failure**

Within the review of literature and theory, addressing market failures was identified as one major theoretical rationale for the existence of social enterprises. Within the questionnaire respondents were asked as to their opinions regarding the importance of market failure for social enterprises in Ireland. 75% indicated that addressing market failures was important for social enterprises with only 7% indicating that this was unimportant (Table 7.20)

**Table 7.20 – Combined frequencies of responses as to the importance of market failures for social enterprises (Question 17j)**

	Frequency	Percent
Important	75	75
Unimportant	7	7
Neutral/unsure	18	18
Not disclosed	2	-
<b>Total</b>	<b>102</b>	<b>100.0</b>

Unfortunately, the crosstabulations conducted against the perceived importance of market failure for social enterprises conducted and outlined in Appendix F, were not suitable for Chi Square analysis and thus the presence of a relationship between this and other important variables such as the main good or service provided, main social objective and regional distribution could not be reliably measured.

### **Other findings**

Respondents were asked attitudinal questions aimed at testing their responses to a range of issues (Question 17). Detailed frequencies for the individual answers to these questions are outlined in Appendix F, Tables F.36 to F.45b. Table 7.21 summarises the aggregate percentage of 'very important' and 'important' responses for each of the attitudinal questions. 87.2% of all respondents stated the existence of grant aid as 'important' or 'very important' for social enterprises, 76.5% of all respondents identified personal commitment and 74.5% identified a strong sense of community and local cohesion. The presence of support bodies like local development agencies, local authorities and local partnership arrangements was identified as 'important' or 'very important' by fewer respondents. Addressing market failures was identified as 'important' or 'very important' by 62.7% of all respondents, with value-for-money considerations, local links to businesses and politicians coming towards the end of the list. Thus, it can be argued, that the issues deemed most important for the development of social enterprises were the issues that may have been most important for the community and voluntary sector, funding to allow the social mission be achieved, the personal commitment of community members and the presence

of a strong sense of community. Whilst other issues were identified as important, they were given a lesser ranking of importance. The issues that may appear of importance to public agencies; addressing market failures, value-for-money considerations and the importance of social partnership arrangements; appeared as a lower level of importance.

**Table 7.21 – Aggregate percentage of ‘very important’ and ‘important’ responses rated by priority**

	<b>Frequency</b>	<b>Percent</b>
The existence of grant aid	89	87.2
Personal commitment by individual/group	78	76.5
Strong sense of local community/local cohesion	76	74.5
Strong local development structures	75	73.5
Proactive local authorities	72	70.5
Addressing market failures	64	62.7
Strong local partnership arrangements	63	61.7
Value-for-money considerations	60	58.8
Links to business	51	50
Local political support	46	45

In Question 15 respondents were asked about their views on volunteerism. 70.3% believed that volunteerism had declined in the past 20 years, 82.2% believed that patterns of volunteerism had changed and that volunteers were more discerning now about the types of work they will do with 54.5% believing that volunteers would rather make a financial contribution rather than contribute time (Appendix F, Tables F.25-F.28 respectively). This could explain the reliance on paid staff by these social enterprises, remembering that a majority of the social enterprises had used this model for funding and staffing purposes and a minority used volunteers for operational purposes.

A final comment on social partnership: 66% of respondents expressed the opinion that social partnership had been a positive influence on social enterprises in Ireland. Only 2% believed it to be a negative influence with

the remainder having a neutral or no opinion on the effects of social partnership.

### **Summary and discussion**

The survey received 102 responses from 281 social enterprises identified and distributed broadly across the country. There was a 36.3% rate of return on questionnaires, which appeared a good response. The questionnaires were generally completed by social-enterprise managers in the main and there appeared to be a very low turnover in management within the respondent social enterprises. The social enterprises examined were situated within the community and voluntary sector. 46.4% of board members were identified as being from the community and voluntary sector. 99% of respondents saw achieving social objectives as equally, or more, important than economic objectives. Thus, there was little evidence that these social enterprises were 'for-profits in disguise' (Weisbrod, 1998a, 11).

Table 7.5 described the range of activities conducted by the respondent social enterprises. It appeared that most social enterprises examined were involved in the delivery of community-based public goods. 27.5% of respondents were engaged in tourism, heritage and cultural services. The management of community facilities made up 15.7% of respondents, as did education, training and childcare. 33.3% were involved in the provision of general services and transport. The actual breadth of activities appeared quite narrow and consistent with evidence from previous chapters. The activities conducted by social enterprises appeared to be connected to their location in either an urban or rural setting. Thus, there appeared to be evidence that the majority of demand-deficient social enterprises were located in rural areas and the majority of social enterprises which generated the majority of their income through traded goods and services were located in urban areas and, interestingly, that the goods and service provided by social enterprises differ largely in urban as compared to rural area.



The most important social objectives identified were the provision of general services, the provision of tourism, culture, heritage and arts activities, running community centres and facilities, childcare, education and training and the provision of enterprise and employment services. It was also discovered that 62.7% of respondent social enterprises were general-purpose social enterprises, rather than serving a single target group. The social enterprises examined used volunteers for fundraising activities and their boards of management/directors were also predominantly volunteers. However, the responses to the attitudinal questions asked appeared to show that volunteerism was on the decline compared to 20 years ago and that patterns of volunteerism had changed, with volunteers more discerning about the type of volunteer work that they did. This would validate the references in Chapter 2 regarding the increased professionalism of the sector and the need for earned-income strategies. In their delivery of goods and services, the social enterprises used predominantly paid staff. 37.2% of respondents admitted that the organisation had been established as a social enterprise to access funding. 36.2% used the social enterprise model to deliver goods and services to meet an identified social need. 16% of respondent social enterprises adopted the model in order to employ or retain existing staff. Only 10.6% of respondents stated that the social enterprise model was adopted because it best suited the characteristics of the organisation.

Financially, 73.7% of the social enterprises examined had a traded income amounting to less than 50% of their total income and appeared not only to be demand-deficient but also heavily reliant on grant aid in particular for their survival. Not surprisingly, 87.2% of respondents saw the existence of grant aid as 'very important' and 'important'; for social enterprises (Table 7.20). Apart from the Community Services Programme, from which many of the social economy network databases were gleaned, funding by local authorities, local development organisations and the Health Services Executive were highlighted as important. However, the wide range of grant aid accessed by the social enterprises for smaller items and programmes was quite diverse.

With only 26.3% of respondent social enterprises having a trading income in excess of 50% of their total income, very few social enterprises appeared to be in large measure self-sufficient. Total turnover levels were low, with 55.4% of respondent social enterprises expecting to generate a traded income amounting to less than €100,000 in the following year.

Social enterprises were deemed most appropriate for sustaining community services, delivering community-based goods and services and protecting assets. They were regarded as less suited for campaigning and advocacy-type activities. Attitudinally, respondents felt that the existence of grant aid, personal commitment from individuals and a strong sense of community and local cohesion were important for social enterprises. Meeting situations of market failure was deemed to be 'important' or 'very important' for social enterprises by 62.7% of all respondents but was ranked only sixth in order of overall importance in Table 7.20. Overall, social enterprises were addressing the needs of marginalised groups in both urban and rural settings and appeared to be grant-reliant and demand-deficient entities as a result.

The purpose of this chapter was set out as to understand the characteristics of social enterprises in Ireland through analysing this survey and to gain some understanding of the sector's performance. It would appear that the social enterprises examined were broadly achieving their social mission but were not generally self-sufficient. There was a notable urban/rural split between the social enterprises examined. In urban areas there were more social enterprises which generated a majority of their income through traded income, whereas, in rural areas the majority of social enterprises were grant dependent. The Chi Square test indicated that the differences noted in the sample between the activities conducted by social enterprises as compared to their location in an urban versus rural setting was not due to random chance in the sampling but was likely to exist in the general population of social enterprises. An interesting point that emerged was the pragmatic reasons for the adoption of the social enterprise model, with 53.2% of respondents

admitting that the adoption of the social enterprise model arose from internal organisational and financial reasons; funding and staffing issues. Social enterprises adopted the model because the funding allowed them to pay full-time staff and deliver their service. Notably, 62% of respondents did not use volunteers for operational purposes.

Market failure was stated by 75% of respondents as important for Irish social enterprises. However, it was only ranked in the mid-range of issues of importance to the sector. It was noted that the social enterprises examined were primarily involved in the delivery of community-based public goods, which as discussed in Chapter 2 was part of market failure theory. Unfortunately, no reliable conclusion could be drawn from the survey regarding the perceived importance of market failure and either the goods or service provided, social mission or geographic distribution.