

## **Expectations on social enterprises are unrealistic - not all of them can operate solely on the money they make**

You can understand why so many people are excited about social enterprise. The model sounds ideal: businesses that exist to help people in need or improve the environment.

Hurrah! If only we'd known all along that social enterprises could save the day, by earning all their own money while tackling society's biggest challenges.

But here's the thing. The expectations on social enterprises right now are unrealistic. The very hype bringing social enterprise into the spotlight also poses a threat to our sector. Why?

Because not all social enterprises *can* become fully sustainable - in other words, earning all their income from trading, rather than grant or donations. Some can, and that's fantastic – but certainly not all.

The reality is that many social enterprises need the support of grants or donations to survive. In the UK, 37% of social enterprises receive grant from a public-sector body. One in three receive grant-funding from other organisations, according to Social Enterprise UK's [State of Social Enterprise Report 2017](#).

This isn't because they are bad businesses. It's because their social purpose – supporting people in need – is often at odds with the playbook of for-profit capitalism.

For example, if you wanted to set up a restaurant purely to achieve commercial success, you'd employ staff who are reliable, highly experienced and qualified in catering. You wouldn't go out of your way to recruit people who are homeless.

But that's exactly what Simon Boyle does at [Brigade Restaurant](#), a social enterprise in London, to help them develop the skills and motivation to find

employment in hospitality. Supporting these people increases his overheads and complicates operations - not exactly conducive to maximising profit! But that's the point: for social enterprises, social impact is more important than profit.

Creating social impact is expensive. Many social enterprises need grant-funding to indemnify the costs of helping people in need. Grant acts as a top-up to the income they generate from trading.

And social enterprises deserve to be supported with grant, because they play a vital role in society. They often work in markets that others have long since abandoned.

Take Chrissie Townsend, founder of the [Teviot Action Group](#) (TAG), who joined forces with her neighbours to regenerate her estate in Newham – then one of the most deprived areas of London. TAG provides childcare support, training opportunities to get local residents into work, and has successfully lobbied for better transport links in the area.

Trying to drum up trade in our poorest and most disadvantaged communities is not an easy thing to do. But that's the whole point. Social enterprise supports those who are left behind.

A third of social enterprises in the UK work in the most deprived communities, and 44% employ people who are disadvantaged in the labour market - such as ex-offenders, people with disabilities, military veterans and homeless people - according to [SEUK's research](#). This is why many of these organisations need some income from grant: to indemnify the cost of helping people in need.

So the idea that *all* social enterprises can and should earn all their income from trading is a myth – and it's damaging our sector. If we endorse the view that society's problems can be miraculously solved with no subsidy, through some form of magic trick called social enterprise, we are betraying the very communities we seek to serve.

We must be honest about this. If the social-enterprise sector colludes with the myth of sustainability, sooner or later we will get found out by the wider world, and that will undermine trust in social enterprises. We will also drive away essential support from grant-funders and donors.

We must proudly explain why many social enterprises don't just need grant – they deserve it.

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#### THEMES

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