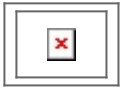


# The rise of social businesses in Wales



Twenty years ago, I completed my four years of tenure as chairman of Community Enterprise Wales.

Established by the late great social activist Angela Elniff-Larsen, the organisation acted as an umbrella organisation and advocate for community enterprises across Wales from its offices in Merthyr Tydfil.

As a young academic at the time, that period chairing the board of the organisation taught me valuable lessons about the role of such businesses not only in helping communities, but in their role in supporting economic activity in some of the most deprived areas across Wales.

At the time, community enterprises were neither appreciated, valued nor properly supported despite the brilliant work of Angela and her team in constantly pressing their case with local councils and Senedd politicians.

Fast forward twenty years and we have seen an exponential growth in the social economy across the world, driven partly by environmental and societal changes, but also by the realisation, by many local communities, that they had to take control of their own destinies by establishing new social businesses to run their local pub, shop, or community centre.

Such social businesses can generally be described as organisations operating within the social economy and involves a range of different types of firms.

For example, a mutual or co-operative is an organisation owned by, and run for the benefit of, its current and future members whilst employee-owned businesses are totally or significantly

owned by their employees. The most popular type of social business – social enterprise – is primarily concerned with social objectives. Also, its surpluses are principally reinvested for that purpose in the business or the community, rather than being driven by the need to maximise profit for shareholders and owners.

And what about the current state of the sector in Wales?

According to the latest mapping exercise by Social Business Wales, there are now 2,828 businesses in the sector, representing 2.6% of all Welsh firms. Whilst this may seem low, it represents an increase of 19% since 2020. In fact, there has been somewhat of a renaissance in social businesses in Wales since the Covid pandemic with 25% of all businesses surveyed in 2022 having started trading within the last two years.

This compares with only 11% in 2018 and suggests that more social entrepreneurs are taking the opportunity to develop this type of business across Wales, supported by increased provision towards supporting social start-ups by the development agency Cwmpas during this period.

Much of this start-up activity is taking place in four counties namely Carmarthenshire Conwy, Rhondda Cynon Taf and Wrexham and it may be pertinent for other local authorities to examine how and why these areas are leading the way in developing social new businesses and what lessons could be learnt to replicate this phenomenon.

It's also worth noting that 52% of all social businesses have been trading for more than 11 years, demonstrating that there is a core of experience and expertise within the sector that could be used more frequently to support newer firms.

Certainly, research has shown that the use of role models can enhance and stimulate greater entrepreneurial activity and no doubt, this group of social entrepreneurs could be used as

best in class examples on how to develop this type of business successfully and sustainably.

In terms of the activity being undertaken by the sector, improving health and well-being appears to be a key social driver for three quarters of social businesses. In addition, they have also been important in improving communities, especially those in the more deprived areas of Wales where has been consistently important for social businesses in driving forward locally focused community regeneration.

The mapping exercise has also examined some of the barriers to further growth of the sector and, given the current economic situation, it is not surprising that energy costs, high inflation and cashflow were all major issues.

In terms of the internal management of social businesses, staff capacity is a major issue, possibly because of various factors including labour market fluctuations, shortages of skilled staff, and an increase in demand for services.

Another issue is that of access to finance, which remains a key perceived barrier to not only growth but the sustainability of social businesses in Wales. This suggest that a more interventionist role should to be taken by the Development Bank of Wales in creating a bespoke finance package for the social economy, especially as it seems very few businesses have accessed repayable or blended finance.

In addition, there is a skills gap in areas such as online marketing with a need for greater training or mentoring in marketing skills. As there are opportunities via the Welsh Government's Business Wales to provide support in this area, there may need to be a greater understanding as to why social businesses are not accessing this vital assistance, at least compared to other types of businesses.

Therefore, whilst the social business sector continues to grow in Wales it faces several external and internal challenges

that do need to be addressed by business and financial support organisations.

With social businesses having filled the gap created by the withdrawal of some public services by local authorities, their support for both vulnerable individuals and communities is making a real difference. By doing so, they are not only boosting local economies, but are dealing with deep rooted societal challenges and deserve far greater recognition and support by politicians and policymakers here in Wales to increase this vital role.

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