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Business advice with a different perspective

Ten myths of social enterprise and social entrepreneurship

There are often a number of common misconceptions about social enterprise, this guide tries to put a few of them right.

1. Social enterprises are not-for-profit

WRONG!

'Not for profit' is a tricky phrase. Most social enterprises we see are 'for profit' but they dedicate their profits to achieving a good cause. Many social enterprises can also pay dividends from profits to investors and shareholders although this is usually restricted so that a majority of profit is dedicated to social causes.

2. Social enterprises can't pay salaries

WRONG!

Social enterprises can pay salaries and bonuses. A social enterprise that turns over tens of millions of pounds would be justified in paying their CEO a salary commensurate with running such a business. Directors of social enterprises - depending on the legal structure chosen - can also receive remuneration.

3. Social entrepreneurs can't run a real business

WRONG!

Many social entrepreneurs come from successful business backgrounds. Social entrepreneurs are just like other entrepreneurs - some will succeed, some will change track and some businesses will fail. Most social entrepreneurs we meet are acutely aware of the need for their business to succeed so they can tackle the social issue that they are passionate about.

4. Social enterprises are just small businesses

WRONG!

There are many examples of large social enterprise businesses. Examples include [large healthcare providers](#), [big leisure trusts](#) and [universities](#). These are usually multi-million pound businesses with thousands of employees that have chosen social enterprise as their business model.

5. Social enterprises rely on grants

WRONG!

The whole point of being a social enterprise is that you trade to achieve a good cause. This means selling goods, services and products. Many social enterprises do access grants to help with start-up or with certain projects. Our advice is that a social enterprise should aim to use a grant as an investment with a view to developing an income generating idea once the grant runs out.

6. Social enterprises are automatically more sustainable

WRONG!

Social enterprises will only succeed if they can sell their services and products to customers. Many charities have survived for decades by relying on grants. That said, being dependent on grants can be challenging and developing successful, socially enterprising income streams can improve sustainability. Social enterprise should not be seen as a panacea - you need a strong business model, excellent market insight and an ability to deliver what customers want and need. Much like a 'standard' business really.

7. Social enterprises are more likely to fail

WRONG!

There is plenty of evidence that suggests that social enterprises are more resilient than their 'standard' private sector counterparts. We can speculate on the reasons for this including diverse income streams, social purpose and tenacity of social entrepreneurs. [Recent research](#) into longevity of the top 100 PLCs and top 100 social enterprises showed that, over the last 30 years, 41% of social enterprises have survived compared to 33% of PLCs.

8. Social enterprises are not scalable

WRONG!

Social enterprises are no different to 'standard' businesses in this regard. If you have a great product or service, a great team, the ambition, the drive, resolve and a clear plan for scaling there is no reason why you cannot significantly scale your business.

9. Social entrepreneurs are only concerned about social impact

WRONG!

Whilst most social entrepreneurs we meet are motivated by social or environmental issues they also understand that their business needs to be profitable to enable them to achieve their good cause goals. Focussing only on social impact without paying regard to finances, marketing, customers and all the standard business issues is a surefire path to trouble.

10. Social enterprises only operate in health and social care

WRONG!

Social enterprises operate in many sections of the economy. There are social enterprises in banking and finance, media, creative industries, business services, agriculture, tourism, fashion, education, entertainment, energy, heritage, housing, sports and more. Pretty much any business could be a social enterprise (maybe not selling cigarettes?).

Want to find out more? Contact:



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