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News release

Who lives the longest?

Myth-busting report says social ventures live longer than top PLCs

- Longevity report says preconceptions held by some public sector commissioners and investors about social ventures are wrong.
- Comparison with top 100 PLCs shows top 100 social ventures have better survival rates over 30 years.
- Leading law firm says making social ventures accept tougher contract terms is “unjustified and unfair”.

New research published this week challenges the ‘myth’ that social ventures are more likely to fail, more quickly than traditional businesses.

Who lives the longest? Busting the social venture survival myth was commissioned from the University of Northampton by the E3M social enterprise leaders programme, in partnership with law firm Bates Wells Braithwaite and several of E3M’s members.

It looks at survival rates of the top 100 social ventures in comparison with the top 100 PLCs over a 30-year timeframe, from 1984 to 2014.

The research found that the top 100 social ventures – including both social enterprises and charities that engaged in commercial trading – were not any more likely than PLCs to cease operating, or fail to repay investment. Nor were they short-term ventures. In fact, when compared with the top 100 PLCs over a 30-year period, the top social ventures were slightly more likely to survive in the top list.

Abbie Rumbold, partner at Bates Wells Braithwaite, asked E3M to commission the research after a particularly frustrating piece of negotiation with a for-profit service provider, on behalf of a social enterprise client. “I was told in the negotiation that it was reasonable for the for-profit to require various terms in the contract because ‘social enterprises go bust all the time’,” she said.

“Nobody is claiming that being a social enterprise or trading charity is plain sailing – there will always be those that fail. But to give social ventures tougher contracts than traditional businesses is both unjustified and unfair.”

Jonathan Bland, founder of E3M and managing director of Social Business International, said: “Collectively the E3M Social enterprises have a turnover over £1 billion and provide sustainable, long-term services for public benefit. Some of them are over 100 years old! This reports demonstrates that this model of business should be taken much more seriously by public authorities."

Professor Simon Denny, director of enterprise, development and social impact at the University of Northampton, said: "Public and private sector managers should note that, over a 30-year period, the top social ventures live at least as long as the top PLCs. In fact, they are slightly more likely to live longer. The survivability of the top social ventures is no reason to exclude them as suppliers for large public or private contracts, or to consider them a poor investment."

Together, the 'competitive third sector organisations' studied were 8% more likely to have survived the past 30 years than PLCs.

When the 40 trading charities in the list were discounted, leaving 60 social enterprises, there was a small but not significant difference between the percentage survivability of PLCs and social enterprises (33% and 31.6% respectively).

Professor Denny said the research was a preliminary study that required more in-depth exploration but the findings were an important wake up call to commissioners and investors.

He said: "There is a tendency for greater support to be given to PLCs in the form of contracts awarded to them from government and public sector bodies who perceive them as safe investments. However, despite these advantages the top 100 PLCs of 1984, as determined by the FTSE 100 index, do not show a significantly greater chance of surviving than social enterprises but actually show a smaller chance of 30-year survival when compared to the top 100 trading members of the third sector.

He continued: "Additionally, due to the highly competitive and therefore fluid nature of the high-income generating end of the private sector, many of the PLCs that are in the FTSE 100 in both 1984 and 2014 have either changed their names (possibly indicating changes in managements and company structure) or, in two cases, left the FTSE 100 lists due to a merger that was later reversed. By comparison, third sector organisations that survive show greater levels of consistency in their business practices. These points, when combined with their philanthropic and community focused working practices, indicate that social ventures are certainly not a greater risk for the UK public sector or investors than PLCs. On the contrary, large social ventures probably represent a lower risk, both as organisations delivering contracts or as organisations repaying investment."

June O'Sullivan, chief executive of the London Early Years Foundation, an E3M member and social enterprise that has a trading income of £10.4m, commented: "This report gives a picture that social businesses are viable alternatives, contributing to the country's GDP and supporting responsible capitalism. As a successful social business with social values at our core, we have contributed to employment and provided childcare for over 100 years, enabling people to continue working and contributing to the wider economy. Since 2009 we have been trading successfully and independently whilst implementing a strong and sustainable growth plan. In 5 years we have expanded threefold from 8 to 26 nurseries with an expected 40 nurseries by 2017. Most importantly, our steady expansion is not just one of economic contribution but of growing social value."

Ends

Who lives the longest? Busting the social venture survival myth was commissioned by E3M from Northampton University, in partnership with Bates Wells Braithwaite, Turning Point, London Early Years Foundation, Benenden, Fusion 21 and PSS.

E3M

E3M is an initiative by Social Business International that brings together the leaders of large and innovative social businesses that trade in public service markets in a business club and special programme of activities.

Developed in partnership with Bates Wells Braithwaite, The University of Northampton, Unity Trust Bank and Baker Tilly, the E3M Programme aims to share knowledge and develop thought leadership about the inter-related ingredients for successful social enterprise delivery of public services: markets, money and models.

Social Business International specialises in sharing knowledge about successful social enterprise. In addition to running E3M, SBI carries out assignments for organisations such as the European Commission, ILO, national and local governments and social enterprise support organisations that are seeking to grow the role of social enterprise in helping to meet the challenges of the 21st Century.
www.socialbusinessint.com

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At the University of Northampton, we offer our students more than just a good degree; we blend academic and vocational skills with 'real world' industry experience and became a top 50 University in the Guardian University league table 2014.

We are the UK's first designated Changemaker Campus in recognition of our commitment to social innovation and entrepreneurship. We develop entrepreneurial skills and enterprising attitudes among our students and strive to deliver a more inclusive society making us the number one university for pioneering work in social enterprise.

In the most recent Higher Education Statistics Agency statistics, 96 per cent our graduates from full-time courses in 2012/2013 were in employment or further study within six months of completing their course.

*Source: HESA Destinations of Leavers from Higher Education (DLHE) Survey 2011/12, July 2013, compare to full university status HEI's for full-time study first undergraduate degree leavers.

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For interviews with Abbie Rumbold and Professor Simon Denny, and for a pdf copy of the report, please contact the BWB press team.

Photographs are available upon request.

Press contacts:

Hannah Cambridge/ Sarah Gilbert at Matter&Co: 020 8533 8893
hannah@matterandco.com; sarahgilbert@matterandco.com