MAKING TIME FOR AN ENTREPRENEURIAL CUDDLE

Understanding the value of interpersonal relationships in supporting nascent social entrepreneurs

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Dr Karen Elliott

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ACKNOWLEDGEMENTS

We would like to thank, first and foremost, the participants for this study; the time that they gave to interviews and other conversations, and their honesty in describing the journeys undertaken. Without you, this report would not exist and your stories will, I hope, allow funders and support agencies to understand what social entrepreneurs need in order to navigate the complex start-up world.

Without funding, this study would not have been undertaken, so we are also grateful to both Durham and Newcastle Universities and their research funding teams.

Finally, big thanks to Social Enterprise Acumen, who supported this project from inception, giving time and access to networks to enable the study to take place.
I am delighted to welcome this report: “Making time for an Entrepreneurial Cuddle: Understanding the value of interpersonal relationships in supporting nascent social entrepreneurs”.

We ask a great deal of social entrepreneurs. They are required to set up successful ventures in a world where 30% of new businesses fail. In addition, they have to achieve a social good and demonstrate social impact, whilst trying to tackle some of the most intractable and emotionally challenging problems in society. All of this takes place in an environment where funding is scarce and the start-up world is startlingly complex.

Traditional start-up support has focused on transactional tools and assistance, without acknowledging the role of interpersonal relationships in the start-up process, which is why this report and the research behind it are so valuable. Anecdotally, we know that all organisations rest on internal and external relationships. Why then would social entrepreneurs be any different?

This report demonstrates the importance of taking time to build relationships; their value to entrepreneurial ventures; and the potential impact that positive relations can have on venture success. The study also shows how difficult the start-up environment can be to navigate and the essential role of a guide or mentor in learning how to get around as well as how to run a business.

I hope then, that this report is the start of a research direction that goes on to explore themes of trust, communication, relationships and collaboration between partners, continuing conversations about how to support social entrepreneurs and develop guidance for best practice and policy change in the future.

Professor Sharon Mavin
Director, Newcastle University Business School
Making time for an entrepreneurial cuddle

UNDERSTANDING THE VALUE OF INTERPERSONAL RELATIONSHIPS IN SUPPORTING NASCENT SOCIAL ENTREPRENEURS

EXECUTIVE SUMMARY

We know that social entrepreneurs (SEs) face additional challenges in comparison to profit-focused ventures. Anecdotally, we are told that relationships are key to overcoming such hurdles in an environment where many support agencies and funders rely on transactional approaches to help their social entrepreneurs. This study came out of a desire to understand the value of interpersonal relationships in the social enterprise, start-up context. In order to explore differing perspectives on this journey we collected twenty-four interviews: six from start-up support agencies; six from funding organisations; and twelve from social entrepreneurs. Together, these interviews provided the data and findings for this report.

Key findings:

- Relationships matter:
  - Relational themes were as important as transactional codes in this study,
  - Trust, communication and support were key aspects of relational development
  - Relationship development is based on early trust, communication and perceptions of likely performance without which relations will struggle to do well
  - This information allows us to understand the important stages of relationships and therefore to enhance relations and avoiding relationship damage.

- The local social enterprise context is complex:
  - Social entrepreneurs need to negotiate the intricate start-up environment, with it is complex web of resources to gain support and access funding
  - The demands on social entrepreneurs are greater than for profit-focused ventures
  - As a result, support agencies and funders hunt for entrepreneurs with the “X-Factor” which will enhance the chance of surviving as a business and creating a social impact
  - Relationships appear key to entrepreneurial success and
  - A major element of success will be the amount of time that support agencies and funders can afford to new social entrepreneurs.

- The wider context is increasingly difficult to navigate:
  - The lack of structural support and funding shortages compound the challenges faced by social entrepreneurs impacting their chances of long-term sustainability

All of the above emphasize the importance of supportive relationships that help entrepreneurs deal with the challenges of setting up a new social venture.
BACKGROUND

How important are interpersonal relationships to nascent start-ups and the process of getting going? Are start-up tools and enterprise classes enough? Do one-to-one relationships make the difference between a social enterprise that succeeds or fails? These questions are at the heart of this report in trying to discern how best to support social entrepreneurs.

Context

We know that social entrepreneurs (SEs) face additional challenges in comparison to profit-focused ventures. First, social businesses can find it challenging to establish credibility and engage the commitment of local or national bodies in public and voluntary sectors. Despite the financial pressure on government or charitable funding, public and third sector organisations can be reluctant to adopt entrepreneurial activities for fear of failure. Second, the social entrepreneur’s own emotional engagement in the business may cloud judgments about the financial sustainability of a project, swayed by a profound desire to solve a social need. Third, it is often difficult to gain funding for business concepts that are undoubtedly socially worthy but which potentially offer less financially attractive returns on investment. Finally, funders demand more of SEs than profit-focused startups: not only must they demonstrate proof of concept and potential profitability; they must also establish the required level of social impact in order to gain financial support.

What is clear at an anecdotal level, is that the relationships between support agencies or funders and enterprise founders are important for overcoming these challenges. However, despite a wealth of material on entrepreneurial motivations, types and social impacts, there’s very little published about the early experiences of social entrepreneurs and how it feels to be on the start-up journey. This means that start-up support agencies and funders can make educated guesses at how they should manage relationships and expectations, but have insufficient evidence from a wider context of how their relations help or hinder SE progress.

The aim of this study was to explore these relationships by talking to social entrepreneurs, funders and support agencies. We wanted to learn from all three groups; their recollections of relationships that had worked, and those that had gone wrong; the lessons that had been learnt from those experiences. Using this data we add to the picture of how relationships support a nascent SE, taking them from the stage of having “a good idea” to the point of investment or revenue readiness and dealing with the complex start-up environment in which they will have to operate.

Funding arrangements

This study was funded through two sources: (a) Newcastle and Durham Universities’ joint ESRC Impact Acceleration Account and (b) Social Enterprise Acumen who commissioned the report and supported both financially and in-kind.
ABOUT THE STUDY

This was a qualitative piece of research, where data was gathered through interviews. Participants were identified through contacts of Social Enterprise Acumen, other start-up organisations based in the North East or in London and through social enterprise funders and investors. The scale and scope of this research was small; as such this work represents a pilot study rather than a large-scale investigation of the social enterprise ecosystem.

The Participants

Twenty-four participants agreed to be interviewed for this report. Of these, six were representatives of start-up support agencies, six worked for grant or investment funds and twelve were social entrepreneurs. All interviews were recorded digitally and the information in this report has been anonymized to protect confidentiality. Of the funders, three provided grant funding, the remainder providing investment loans.

One entrepreneur originally agreed to an interview and then declined as they decided not to go ahead with the enterprise. This person kindly sent an email, which detailed the reasons for their choice. The email was both poignant and valuable and was used in place of a recorded interview.

The sample for the study reflects the population of social entrepreneurs and their support agencies, although we weren’t seeking to accurately represent it. There are more female than male entrepreneurs and support workers in this field, and those involved in this sector are likely over thirty years of age. The study was initially located in the North East of England, although funding organisations tend to be based in the Capital and as such, we were introduced to one support agency and one social entrepreneur from London as well.

Nineteen out of the twenty-four participants had positive stories to tell. However, five businesses failed and this impacted the support relations. The findings here reflect what worked, what went wrong, and the lessons learned.

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The Questions

All interviews followed a semi-structured format, using the same questions. These asked about the organisation that the participant represented and explored their relationship with someone (an entrepreneur, support agency or funder) that they had worked with. The interview followed the timeline of the relationship from how they had been introduced to the relation's conclusion if it had ended, or where they thought it might go if the parties were still working together.

The Data

The interviews were analyzed using thematic coding analysis with a piece of software called Atlas.ti. This allowed us to track how often themes arose and where codes co-occurred (appeared in the same place), which in turn helped us to identify patterns in the data. We have taken a mixed methods approach, using qualitative and quantitative data. The analysis gave us qualitative data in terms of understanding the perspectives of our participants and their experiences; we also gained quantitative data in terms of frequencies and co-occurrences that supported our sense-making of the material. As a result, we use both quotations from the interviews and numbers/tables to illustrate the points made.

The findings use these twenty-four relationships to describe what helped or hindered entrepreneurial progress, and the journeys that were undertaken. They also provide messages about wider issues; three overarching themes arose: (1) the importance of interpersonal relationships, and how they developed; (2) how the local SE context influences those relations and (3) the wider SE context where lack of structure, issues with funding and the need to find arrange of support services impact how SEs operate. The report follows these three themes in describing how SE-SA-Funder relationships appear to function. Theme code maps can be found in the appendix.
THE FINDINGS

This section covers the three main findings. (1) the importance of interpersonal relationships, the role of trust, communication and support and how relationships seem to develop between SEs and those who support them; (2) an understanding of the SE context and the immediate issues that make start-up so challenging; followed by (3) broader contextual challenges including the lack of structural support and funding, the need for a range of sources and the complexity of the social enterprise eco-system.

The importance of relationships

Much of the material relating to supporting SEs includes training materials, tools, and applications for funding or CIC status. Very little of it relates to the relationships that need to be formed to support SEs into becoming independent entrepreneurs.

Analysis from our data shows that whilst accounting for contextual issues, performance and financial support is important, relationships are just as valuable. From our research, 48.6% of comments made by entrepreneurs, funders and support agencies related to transactional issues that would support their start-up journey; 49.6% concerned their relationships with those other parties (see Figure 1).

Relational themes included Trust (both assessing trust worthiness and acting in a trusting manner), communication, and believing that either party valued the quality of the relationship itself. In addition, the dynamics of the relationship encompasses liking the other party or being friends, offering/receiving emotional and practical support, respect, loyalty, and making time for the other person. Four points in particular emerged from the results: (1) The role of trust and communication; (2) How trusting behaviours and support were linked and valued; (3) The process of relationship development and (4) The influence of the SE start-up context. Each of these is discussed in turn, starting with trust and communication.
The Role of Trust and Communication

Being able to trust an advisor/funder/SE and communicate with them was an important part of relationship development. 67% of entrepreneurs and 83% of both funders and support agencies prized transparency and open communication, and this was highly correlated with integrity and honesty ($r^2 = .75$). Likewise, being open and transparent and able to reveal problems and issues were strongly valued by all three sets of participants ($r^2 = .80$). Being willing to share information was valued with 75% of SEs and 83% each of funders and support agencies mentioning this in their interviews.

Without trust, open and transparent communication cannot take place; without openly communicating, trust cannot form:

“No matter whether it’s good or bad I will always be honest ... He knows if he comes to me he’s gonna get a really honest answer. So quite a lot of the time he’ll come to me and say look I’m asking you this because I know none of the others will tell me the truth, but you will”

(Support Agency Coach)

“There’s no second agenda with her or anything it’s a case of she’ll tell you how it is, if she doesn’t like what she hears, she’ll tell you, and that’s what I like about her: being such a straight talker”

(Social entrepreneur)

“He sees me as needing to keep me informed - he wants to keep me on side ... he’s keeping me informed at every step.”

(Funder)

"Trust begets trustworthiness and trustworthiness begets trust."

This trusting-communicating process has two parts and starts when parties first meet and form initial impressions. Individuals assess the trustworthiness of the other party and then confirm their assessments by demonstrating a trusting behaviour. In this study, all parties assessed trustworthiness through the other’s apparent ability to perform a role, through benevolent behaviours, whether they seemed to demonstrate passion for the social goal at the heart of the business idea. Figure 2 sums up these recollections.
In order for transparent communication and information sharing to take place, one or other of the parties has to first display this trust in how they behave. These trusting behaviours appear crucial in allowing funders and SAs to give support and assist their SEs.

The link between trusting behaviours and support

**Trustworthiness and trusting behaviours - what’s the difference?**

Trustworthiness is an assessment of whether we think we could make ourselves vulnerable to another party based on their ability to do a role, their integrity, whether we expect them to be benevolent and reliable.

Trusting behaviours are where one or more parties demonstrate trust through risk-taking behaviours such as sharing information, revealing weaknesses, acting against their own interests, going above or beyond for someone else in the belief that this will be beneficial, or at least cause them no harm.

Trust behaviours occurred often in this piece of research. Just over 70% of the sample remembered some form of trusting behaviour occurring in their first meeting and 96% recorded one or more trusting behaviours in the relationships they described for this research. The most common forms of trusting behaviour were:

- Benevolence (the belief that the other party had their back and would protect or help them) recalled by 88% of participants;
- Sharing Information, which came up in 79% of interviews and
- Being able to reveal problems/issues, which arose in 58% of conversations

This makes sense; support staff and funders can’t help their SEs if they don’t know what the problems are and in order to understand the difficulties, SEs need to share information and confide the issues. Once they’ve done so, their support services can try to help with any difficulties that have arisen. Supporting the
other person therefore, is a trusting behaviour, because it involves being benevolent, sharing information, taking time to understand and often going above and beyond to resolve an issue.

There was a difference between perceptions of ‘support’ and ‘emotional support’ in this dataset. Support was linked with practical actions taken to help: assistance with forms; access to networks; guidance on technical issues such as legal forms or tax; problem solving with the business model. Emotional support related more to providing reassurance, being someone to talk to, especially when business was bumpy, having a sounding board so that the SEs felt less isolated or alone in his or her entrepreneurial journey.

At the same time as describing the support (emotional or practical) that they’d given or received, participants also talked about how this was valued, about occasions where support staff or funders had defended SEs and about feeling that the relationship was there for the long term, beyond the limits of a contract. Trustworthiness, trusting behaviours and communication are, therefore, key aspects of how these relationships develop.

How these relationships develop

There are a number of schools of thought about how leader-follower relationships develop, most of which look at four or five aspects of relationships at most. This study took a broader view and followed a particular model for relationship development that includes trust, communication, relationship dynamics, performance etc. What came out of this study was a clear picture of the order in which relationships seem to develop.

This is useful because if support agencies and funders understand this process, they can tailor their services to the stages of relationship development, to better help their clients/fundees. Figure 3 below shows this relationship development process, which was the same for SEs, SAs and funders.

Most relationships start with some form of introduction or prior knowledge. However, in this sample, not all participants knew anything about the other party before they met. Generally, if the funder or SA used a selection process, then there would be an application form or other type of information, but often parties gained external information through introductions, recommendations or via network events.

When they did meet, everyone formed an initial impression of the other person. The most common of these related to assessing trustworthiness, and whether or not some trusting behaviour had been shown. These trusting assessments were also strongly correlated with the ability of the other party to communicate. The most common trusting behaviours were acts of kindness (benevolence). This included taking time to listen, offering help or network connections or reassuring the SA that their idea was a good one and worth pursuing.

“It’s sort of the emotional psychological … but the practical is just being able to … do things that she wouldn’t be able to do on her own… and emotional is just saying ‘yeah that’s fine, don’t worry about it’ … being able to sort of say it’ll be fine is quite reassuring.”

Support Agency Coach
After this first encounter, the relationship developed according to either party’s performance at their role, the quality of the relationship, the relationship dynamics (including friendliness, support and offering/receiving emotional and practical support, respect, loyalty, and making time for the other person) and more perceptions of trust. Financial support influenced relationships to some extent; it didn’t affect how individuals interacted but in some cases it paid for the relationship to begin through consultancy services or grant funding. Often, relationships continued on an informal basis after the funding finished; ses saw their contact as someone who was friendly and who would respond in times of crisis.

Underpinning this relationship development process was the context in which these relationships existed. The themes that came out of the data relate to (1) dealing with a complex environment, (2) the hunt for the “X-Factor”; (3) how relationships fail and the role of making time for SEs in the support process.

**The Local Social Enterprise Start-up Context**

A broad range of individual themes came from the data, summarized in Figure 4 and discussed below.
Dealing with a complex local environment

Starting at the right-hand side of Figure 4 (in the yellow shapes), we see the shared desire to work on social goals and create a social impact, and that any support to achieve these aims may well need to be paid for. Moving left again, these form part of the demands on SEs, along with the risk of failure, the fact that SEs often have different aspirations to profit-motivated ventures. Moving left once more, the support package that is available may well depend on passing through a selection process. If the SE is successful with this, they are likely to have access to networks and peer mentoring and to benefit from the reputation of being associated with that particular fund/investor or SA.

On top of these immediate concerns are the pressures that come from needing a range of sources in an environment where there is little structural support. Relationships are a part of the support package that SEs receive, but the constraints around funding and structures mean that SAs and funders may, or may not have sufficient time to support the SE in the manner they need.

What this diagram begins to show is the complexity that SEs have to negotiate in the start-up environment. It is often difficult for SEs to find assistance; there’s an element of serendipity whether they get introduced to the right person, or find a support agency with time/resources to help. Finding someone to help may mean going through a selection process and the support package that they receive will depend on the amount of time.

Uppermost in SE minds are their social goals and desired social impact, but because of the multifaceted challenges, the start-up process is even more daunting than for profit-focused ventures. Having a guide/coach/advisor to help navigate the complex eco-system becomes essential. The factors shown in Figure 4 illuminate some of the demands that are placed on SEs, all of which are in addition to the difficulties of setting up and running a new organisation. In addition, as illustrated here and below, there are other factors and dynamics, which come to play, making the start-up context a demanding place in which to try to do business and solve a social problem. For a number of support agencies and funders in this research, one way of reducing the risks of failure, is to look for entrepreneurs who have the “X-Factor”; a set of skills, abilities and aptitudes that might increase the chances of success.
Hunting for the “X-Factor”

Start-up agencies and investors are all looking for individuals with ideas, ‘nous’ and that indefinable ‘X-Factor’ that makes success more likely. Two of the support agencies we interviewed were solely focused on greater social impact, whereas investment funders were also mindful of loan security. Whatever their motivations, all SAs and Funders were hunting for the same entrepreneurial qualities. Sometimes, recruiters used ‘gut instinct’ and weren’t able to identify what it was about the SEs that makes them special. One SA manager however, was clear about what he was looking for:

A clear sense emerges that it’s not the idea or the company that’s being invested in or supported, it’s the rather special individuals who are multi-talented, visionary and adept business people.

Some of the business coaches allowed an element of natural selection to occur in the support process: if SEs were less focused or unable to cope with initial hurdles such as creating business plans, then business coaches wouldn’t push too hard. Because of the demands on the coaches, if SEs weren’t self-sustaining to some extent, then they would be left behind. This was genuinely regrettable from the coaches’ perspective and at the same time, running a social enterprise is challenging and individuals need a minimum level of determination and grit if they’re going to navigate the difficult start-up environment and learn to run a successful business.

Occasionally, the venture doesn’t work out. Reasons for early failure were hinted at in the data, explored below.

Business Failure: Context vs. Relationships

Five of the 24 enterprises in this study didn’t make it and the businesses folded; two were grant funded and three were social entrepreneurs.

One of funder-SE businesses failed because of issues with the entrepreneur, not the support relationship. The funder had collaborated with the SE to gain funding and start developing the venture. Sadly, whilst the idea had merit, the founder was inexperienced, became fixed on one particular way of running the business, eventually lost the confidence of the board quickly going into liquidation thereafter. In this case, the funding representative continued to work with the SE, helping him to modify his approach and look for a new home and financial support for the concept.

In the second case, the SEs hadn’t been able to overcome the contextual challenges they faced and eventually funding was withdrawn and the business closed. Both funders had invested heavily in these relationships, not
only financially but also on a personal level. They had put time, effort, personal networks and resources into supporting their SEs, the ventures and the envisioned social impacts. In each case, the profundity of the social problem itself added to the challenges of being an entrepreneur. This in turn contributed to business failure, demonstrating how much more is required of social entrepreneurs in comparison to their profit-oriented colleagues.

The three individual SEs were unable to find a support coach. Their problems were less to do with business ability and more about the availability of support and the amount of time that individual coaches were able to offer. In each case, the entrepreneur was searching for help as explained in the following quotation:

“Other than [my SA] helping me do the CIC registration form, which I am very grateful for, and going to the events, which helps with networking I have not done anything other apart from filling a form for funding in myself, which I didn’t really know what I was doing (the funding was turned down). [My SA] suggested a couple of things for me to do and about coaching... but nothing has come of that. I emailed... asking for help and an appointment... to see if they could give me any contacts, to which [they] emailed me back saying [my SA] was really busy and she would hate that her diary would stop me from getting on, which at the time felt very disheartening, however I do understand they are very busy...” (A Social Entrepreneur)

In each of the five cases here, context overcame either the positive benefits of existing relationships or the opportunities for individuals to find support. This suggests that relationships are key to supporting business success, but that the challenges in setting up a social enterprise (even more than profit-focused ventures) can be too great and enterprises are also vulnerable to the issues and problems which beset all entrepreneurs.
Making time

The value of time became clear in this project, being raised repeatedly with 63% of the interviewees discussing “making time” or “not having enough time” in the relationship. Where there were sufficient time resources, the investment was greatly appreciated. This might take the form of time to talk through issues, helping with funding or legal processes, or just being there for the important moments.

Likewise, entrepreneurs and their supporters noted not having sufficient time. Some entrepreneurs were self-sustaining and adjusted their needs to meet the availability of whoever was helping. For others, the lack of time to develop meaningful personal relationships was difficult, leaving a sense of isolation and disappointment. In one case, it made the difference between pursuing the social enterprise dream and eventually giving up and returning to paid employment. This lack of time and availability is not callousness on the part of funders or support agencies. The latter are often under-funded themselves, chasing contracts and grants in order to remain sustainable as they try to support others. This pressure for funding reflects issues in the wider enterprise environment such as a lack of structural support, awkward funding arrangements and the need for SEs to seek a range of sources to overcome the structural issues in the eco-system. These are discussed in the next section.

“When we went for the Fresh Ideas … we sat for probably months putting it all together [and] she she said right this is where you go off … it’s all down to yous now, she says I can’t help you at all… And off we went through to Gosforth, to meet the team and when I got there, there [she] was, sitting on the wall. She didn’t need to do that … she couldn’t come in with us but that wasn’t the point, she was there … So that’s one of the things you know I’ll be very grateful for.” (A Social Entrepreneur)

“She’s so so busy that I know and commits herself to so many things I know that I have to temper what I would ask of her and when I would ask it if I was asking her something” (A Social Entrepreneur)

“It sounds awful because I don’t really ask for anything but it would be nice to [to hear] ‘Hi!’ and ‘How are you today?’ [but] it’s all just like going to Tesco” (A Social Entrepreneur)
The Wider Context

Whilst the authors of this paper have no desire to paint a bleak picture of the start-up environment, there are significant challenges that SEs and SAs in particular need to deal with. The issues are interdependent: lack of structural support creates competition between providers in an environment where SEs need to access a range of support services across those competing support services. The scarcity of resources and central benefits systems create barriers to self-employment that defeat Government desires for increasing employability and entrepreneurial attitudes in society. The themes below emerged from the data and were explained by SEs, SAs and funders alike.

Lack of Structural Support

Under the auspices of ‘Austerity’ there has been a reduction in the availability of support and funding that Start-Up Support Agencies need in order to continue their activities. In the North East of England, as for many parts of the UK, business start-up support has reduced, central funding has been withdrawn and gaps have grown in start-up networks.

Closures of Business Link and One North East have reduced engagement opportunities that serve both to recruit and support new entrepreneurs. Whilst this doesn’t immediately impact the activities of grant or investment funders, it can make finding new entrepreneurs more of a challenge. The lack of connectivity and competition for resources creates a competitive market-place between support agencies and funders in terms of finding and keeping ‘the best’ new starters.

Likewise, it can be very difficult for SEs to find funding if their chosen sector isn’t currently in favour or well-funded nationally. Courses and programmes that do exist don’t necessarily have the flexibility to be tailored to SE needs. Often there are barriers to entry such as a requirement for £500k turnover, or a minimum number of staff/volunteers. Nascent start-ups need the business advice that’s available on such programmes are unable to access it.

Organisations such as ‘The School for Social Entrepreneurs’ run regional programmes to overcome such issues, but it can be down to luck in terms of how SEs discover these resources or qualify for them as a consequence of reduced networks across the ecosystem. Whilst some but not all support agencies and funders work together, cross-refer and pool support, it is still easy for individual SEs to fall through the support-service gaps. This sense of having to negotiate around SA agendas comes through in the following statement:

“And then when Business Link closed, there was no business support whatsoever in the North East and then … there was nothing out there. The government had closed Business Link … One North East had gone as well so all these support organisations just disappeared overnight. There was nothing there to support them and then a lot of these consultants sort of set up and then you got a lot of small erm organisations. So, at the moment we get erm a lot of support from different organisations in different ways but not one will provide the full support that we need. So, we ended up talking to a lot of different providers for different things and it also depends upon the funding that they get because if … they’ve got funding to support you, then they’ll be putting you onto those programmes that they’ve got the funding for, because they need to have the money to pay their staff to support you…” (SE interviewee)
State benefit systems can be very difficult to negotiate. A number of SEs reported living on credit whilst trying to start their ventures. The state benefit system does offer the ‘enterprise allowance’, but qualifying for this is not always straightforward and the sanctions for non-compliance hinder its uptake. One SE reported that he couldn’t claim universal credit unless he pretended to be job hunting and then accepted penalties for not taking roles, and even then, couldn’t guarantee being awarded the enterprise allowance. In addition, the allowance is significantly less than the job-seeker’s rate which again disincentivises take-up.

Investors try to offer help by bridging the gap where Business Link was and where support agencies now are. There is also evidence that grant funders are looking at how to loosen some of its funding structures and is looking at different ways of managing money so that it can be more flexible, potentially working with other agencies that have better start-up support systems in place. However, systems apparently remain rather rigid. One of the investors suggested how a more flexible approach would allow public sector lending so that risky work is underwritten and subsidized by more straightforward types of organisation. This way, they could achieve a bigger impact overall.

The other side of the structural coin, is the funding system. SEs, SAs and funders reported the lengths to which they needed to go to make the system work.

Making Funding Work

Funders and SAs have different access to finance and so adopt very different approaches. This section describes first how SAs circumnavigate the finance waters and then moves onto funders’ methods that were described in this research project.

Support Agency approaches:

- SAs occasionally have grant funding that they can access. In one case, the SA gave grants to their SEs who they then charge for services such as hosting, enterprise classes, internet and telephone access and business operating space. Charges are made to acknowledge the value of the services rather than for income generation purposes.
- Other SAs assist SEs by helping with grant funding applications to pay for the mentoring/support. The funding is limited in its scope (generally 3-6 months of mentoring) but allows the support relationship to begin and gets the SE up and running.
- Occasionally, SEs are helped to find funding on the informal understanding that the SE would use that funding to buy SA services although this hasn’t been built into a bid.
- One SA used a venture-capital model, running an accelerator programme that fully funded the first 12 weeks and potentially a second 26 weeks in return for a percentage of the company’s equity. This allowed the SA to be independent of any government or grant funding and offered more flexibility and sustainability than other SAs currently experience.
- Finally, some SEs paid a relatively low fee, upfront for mentoring and support services. This could include attending entrepreneurial classes and having 1-to-1 advice and guidance.
Grant funders do not have to deal with the struggles that SAs generally face in gaining sustainable funding. The nature of their constraints tended to lie in trustee perspectives, inflexible funding regimes and risk aversion. These difficulties limited the scope of projects that they might be able to fund unless either the criteria could be softened or the project made to fit.

Investor funders had more flexibility than grant makers, focusing less on funding restraints and more on the likelihood of return and repayment of capital. Terms tend to be slightly more expensive than some high street lenders, but with this comes less risk aversion and more flexibility in terms of the support that SEs receive. The greatest frustration that investment funders appear to encounter is SEs with risk-averse trustees and boards who would rather deplete savings than borrow. This lack of understanding around issues and foresight stops businesses growing and developing.

What was missing from this data set was any sense that funders and SAs were working together beyond occasional cross-referrals. None of the SAs or funders described regional or national policies for supporting social enterprise. There is an acknowledgment that the social enterprise environment is complicated, but no overarching desire or structure to simplify, co-ordinate or organize the efforts of those engaged in this space.

The final section of findings below redraws the SE context to account for the additional challenges described in this section.

The SE Context expanded

When we add the lack of structural support and financial issues to the SE environment (see Figure 5), it paints an even more complex picture. Please note that this diagram reflects the views of just 6 funders, 6 support agencies and 12 social entrepreneurs; it is not a comprehensive view of the SE context. What it highlights, is the importance of a close working relationship with someone experienced in the field to guide and advise how to cope with the complex nature of the eco-system.

Figure 5 adds to Figure 4 in that we now see the impact of performance, determination and drive, the value of collaboration with experienced partners and the role of funding in financial arrangements and sources of support. Central to the process are relational dynamics around offering support and making time (or not) to meet the demands of SEs. Both the SE’s ability and that of the support agency are also important and link to the type of support needed or offered.

This diagram also starts to show how trust and relationships are central to the context they operate in, their ability to perform, structural issues such as financial issues, structural support and taking help from a range of sources. This complex, interdependent set of dimensions means that the SE needs an experienced, well connected, and savvy guide to work their way through the wider environment as well as setting up a business and trying to right a social wrong in a given geographical area.

Little wonder then, that transactional tools are valuable but the relational aspects of starting a social enterprise are just as valuable.
FIGURE 5 - SE CONTEXT EXPANDED
CONCLUSION

Social entrepreneurs face greater hurdles than their profit-oriented counterparts. In addition, the environment in which they work is complex and loaded by the need and desire to demonstrate both financial and social impact.

Relationships matter, they are essential to the start-up journey. Entrepreneurship is difficult enough for profit-oriented entrepreneurs. However, the fractured nature of the SE context, the lack of co-ordinated structural or financial support systems and the demands of running a business that wishes to achieve social aims adds to the challenges rather than alleviating the difficulties.

Trust, communication, relational dynamics (see the Appendix for the code structure and break down of these terms), as well as performance all contribute to the support relationships. This study, alongside previous work in the field affords insight into how these relationships develop and grow and the importance of early signals that demonstrate trust.

Where relationships or businesses failed in this study it was either (a) for the lack of time within interpersonal relations or (b) as a result of the complex environment in which these organisations were trying to thrive. This sends a clear message to funders and support agencies. The tools and skills that are imparted to social entrepreneurs in their start-up journey are important and necessary, but no more so than the relationships that surround those learning experiences.

In the end, we are all relational beings, it is hardly a surprise that we need stable, supportive relationships when undertaking stressful, difficult and challenging roles in making the world a better place.
REFERENCES


APPENDIX – CODE MAPS

External Information codes

- External info - selection process
- External info - None
- External info - reputation
- External info - media
- External info - T&D
- External info - introduction

Initial impressions codes, positive codes to the left, negative codes to the right

- Initial - Fun
- Initial - Benevolence
- Initial - Genuine/authentic
- Initial - Commitment
- Initial - Affect
- Initial - Vision
- Initial - Passion/enthusiasm/inspiring
- Initial - Ability/knowledge
- Initial Impressions
- Initial - Unsure/suspicious/didn’t like
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Communication Codes

Performance Codes, positive codes to the left, negative codes to the right

Financial codes

- £ not involved/no incentives
- £ incentives/rewards
- £ Invests/funds
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Relationship Dynamics Codes, positive codes to the left, negative codes to the right

- **R/D - Respect**
- **R/D - Autonomy**
- **R/D - Similar values/goals**
- **R/D - Emotional support**
- **R/D - Getting to know**
- **R/D - Affect/Friendship**
- **R/D - Long-term**

- **R/D - Parity/consistency/equality**
- **R/D - busy but makes time**
- **R/D - Values contribution**
- **R/D - Loyalty/defends**
- **R/D - Support**
- **R/D - Fun/laughter**

- **R/D - Transactional**
- **R/D - Respect -ve**
- **R/D - doesn’t have time**
- **R/D - Loyalty -ve**
- **R/D - Inconsistency**
- **R/D - Short-term**
- **R/D - Monitoring**
- **R/D - Affect -ve**

Trustworthiness and trusting statement codes, positive codes to the left, negative codes to the right

- **T/W - Reliable/predictable**
- **T/W - expected Benevolence**
- **T/W - Ability**
- **T/W - Integrity/honesty**

- **Trust Worthiness**
- **Trust Statements +ve**
- **Trust Statements -ve**
- **T/W - Integrity -ve**
- **T/W - Ability -ve**
- **T/W - Unreliable/unpredictable**
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**Trusting behaviours codes, positive codes to the left, negative codes to the right**

- T/B - Info sharing
- T/B - Discretionary effort
- T/B - Revealing vulnerability
- T/B - actual Benevolence

**Social enterprise context codes**

- Relationships matter
- Making/having time
- Lack of structural support
- Range of sources needed

- Context - Access to networks
- Context - Support package
- Context - Demands on SEs
- Context - Social goals
- Context - Support paid for
- Context - Social impact

- Context - Reputation
- Context - Peer mentoring valuable/facilitated
- Context - Selection process
- Context - Risk/chance of success
- Context - SEs are different

Financial arrangements

(is part of)

(is property of)