**An evaluation of the uneasy transition towards social enterprise UK**

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**Abstract**

Owing to ebbing grant funding in the UK in recent years the drive for transforming Black and Minority Ethnic (BME) Voluntary and Community Sector Organisations (VCSOs) from grant-seeking to Socially Enterprising (SE) activity has gathered momentum. However, engaging in entrepreneurial activities requires scaling hurdles in order for firms to successfully break out of the entrenched 'dependability' culture. In this paper, we argue that 'sustainability' can only be achieved incrementally from 'dependability' through 'self-sufficiency'. In doing so, we highlight the uneasy entrepreneurial metamorphosis based on a two-tier survey of BMEs in the Yorkshire and Humber Region of England.

**Keywords:**

Black and Minority Ethnic; BME; capacity building; Social Enterprise; SE; Voluntary and Community Sector Organisations; VCSOs; Yorkshire and Humber Region.   
  
**Introduction**

The transition from ‘grant dependency’ to ‘sustainability’ is, however, fraught with challenges for many BME VCSOs. But a number of service providers claim that the general VCSOs have been engaged in some form of income generation for a while. Nevertheless, these organisations seem neither to have realised that such activity could play a major role in their transformation into SEs nor that many SEs have actually emerged from an initial VCSO status. Yet the Government is one of the key drivers in this transformation, as it remains ‘keen to expand the social economy by providing more support to the Voluntary and Community Sector Organisations (VCSOs)’ in the belief that this can promote radical new ways to boost the economy of the UK and the society at large through the SE approach (Yorkshire Forward, 2002). The Government nonetheless aims to combine the skills and experience of the VCSOs with business acumen and entrepreneurial behaviour. Indeed the Social Economy (2002) reported that the UK Government “wants the sector to increase its ability to trade and particularly to win public service contracts”. Moreover, the Cross Cutting Review’s (CCR) assessment of the role of the VCS in service delivery in 2002 suggested that “SEs can demonstrate entrepreneurial leadership; act as intermediate organisations delivering a wide range of services under contract; create training and employment opportunities; build social capital and lever in additional finances” (see HM Treasury, 2002). Hence, the purpose of this paper – based on a survey conducted with the BME sector in the Yorkshire and Humber Region between September 2004 and April 2005. 2 Purpose Many factors have contributed to the success and/ or moderating influences to the transformation of VCSOs into socially entrepreneurial activities. In his February 2005 workshop in Leeds entitled the promise and the perils, (which was aimed at the VCS), Boschee clearly pointed out that – ‘it is not that easy to transform the voluntary and community organisations to SE’. In a follow-up interview with him, there was a further suggestion that it was “...sometimes easier to start afresh than to transform a VCS organisation into SE”. This is perhaps due to the existence of certain ‘behind the scenes’ processing (i.e. black-box) between the VCSOs and SEs. We therefore, highlight the constituents of this supposed ‘black box’ in the VCS to SE transformation process – through a rigorous assessment of the drivers and barriers in the transformation exercise. Specifically we: • examine the possibility of transforming the BME VCSOs into SE • analyse the driving forces and barriers to the transformation process • evaluate the capacity building provisions available to BME VCSOs intent on becoming SEs • suggest more effective ways of providing capacity building support mechanisms with relevant policy implications for practitioners in and around the sector. Despite the universality of SE, we concentrate on the BME VCS sector to help leverage the services accessed by the generic VCS with that of the former. In order to progress, however, we deem it necessary to refresh our insights on the meaning of VCSOs on the one hand and SEs on the other hand.

Voluntary and community sector organisations The VCSO is a complex sector which has been described in numerous parlance ranging from not-for-profit; through – civil society; third sector; charity; community sector; to Non-Government Organisation (NGO). For the purpose of this paper, however, we subscribe to the ‘charity’ and ‘community sector’ definitions. It has been argued that the massive number of organisations that associate with the VCS, and the complexity of purpose and causes that organisations represent, make it impossible to clearly define the sector’ (see Salamon and Anheier, 1997). Another issue in defining the sector is that although many feel that the voluntary organisations are distinctly different from private and public ones, the boundaries are not as clear-cut, as ‘they fit more somewhere on a continuum rather than in a set of discrete boxes’ (Volresource, 2004). The ‘general charities’ definition is, however, the one most commonly accepted where VCS is identifiable in two groups (NCVO, 2004): 1 charities 2 non-profit making organisations. The UK Voluntary Sector Almanac (NCVO, 2004) defines a charity as ‘an organisation independent of government or business that is non-profit making and provides a wider public benefit to the community’. However, the term ‘charity’ has held negative connotation in the past because of the association with deference, that is why the terms ‘voluntary’ sector or ‘voluntary and community’ sector tends to be preferred. There are many other terminologies associated with the VCS depending on the purpose they are to be used, which in their own right have specific definitions too. It is also useful to note for the purposes of this paper that not all VCSOs including those from the BME sector are registered as charities, despite their need to function as such in order to be eligible for grant funding from the Government coffers and/ or the Lottery Fund. Definitional problems such as these are, however, not the sole preserve of VCSOs as even their income generating counterparts (i.e. SEs) suffer the same fate, perhaps to a much lesser extent but nonetheless problematic – as our next discussion shows. 2.2 Social enterprises The Mapping SE Working Group of the Department of Trade and Industry (DTI) reported that existing research on SE around the UK was difficult to compare owing to the variety and often-conflicting definitions of SEs in use. Westall (2001), for example, claimed that “the word SE first appeared in a government document in 1999 published by Her Majesty Treasury for the Social Exclusion Unit’s Strategy for Neighbourhood Renewal” (cited in Westall, 2001, p.25). From 2002 onwards the concept of SE started to gain popularity and the momentum has continued to date. Westall (2002), however, emphasised that “there is a great deal of goodwill from ministers and civil servants in recognising the potential added value of SE”. The government’s recognition of this added value has played a key role in the widespread popularity of SE but the meaning of the concept did not seem to have been universally accepted and to many it is still a new concept. Westall (2002) also noted that, “one of the largest barriers to promoting, supporting and understanding the SE sector in the UK is the lack of awareness of how big the sector really is; how big it might become or even the full range of organisations that currently exist” within its overall framework. She added that ‘this problem has grown-up as a result of confusion over definitions’. Some of these definitions are attempted here nonetheless. On the one hand, a popular definition that is widely used by both national and local policy makers including intermediaries is that of the DTI, which defined SE as (DTI, 2002): A business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners. Another popular definition, on the other hand, is that of the SE London (SEL, 2002) which viewed SEs as: Competitive businesses, owned and trading for a social purpose. They seek to succeed as businesses by establishing a market share and making a profit. SEs combine the need to be successful businesses with social aim. They emphasise the long-term benefit for employees, consumers and the community. In these definitions, the emphasis has been on business or trade – “the activity of selling goods or services in order to make a profit” (Oxford Dictionary of Business, 2003). Although SE should generate profit, it is still classed as ‘not-for-profit’ (Boldero, 2004; Smallbone et al., 2001; Westall, 2001, 2002) because the profit or surpluses that it generates are reinvested to develop its resources rather than to be shared amongst the stakeholders. This has created great confusion in the demarcation of the boundary between a VCS and an SE. In examining SE definitions Westall (2002) also claimed that “there is some consensus around certain types, such as community enterprises, social firms or development trusts, but less so around ‘not-for-profit’ businesses, or parts of the voluntary, cooperative or mutual sectors”. On the other hand, Westall (2002) emphasised that “there is some evidence of an increasing trend for the general VCS that wish to become self-sufficient”. The Department of Trade and Industry (DTI) supports this argument in its report, ‘Social Enterprise Strategy’ which claimed that (DTI, 2002, p.14): Whilst some social enterprises start off as businesses, most are in transition from their beginnings as voluntary sector organisations, dependent largely on grants and volunteers and working to increase traded income. A report from the National Council for Voluntary Organisations (NCVO) said that upto 35% of general registered charity income is derived from trading activities. In terms of SE’s application to the VCSO setting, the use of the word ‘surplus’ or the ‘excess of income over spending’ (The Oxford Dictionary, 1997) rather than ‘profit’ in the definition is still a grey area to many. ‘Profit’ to some socialist charity organisations is against their ethos and principles as they cannot be conducting business with their service users if they were set up to provide free services. This issue has started to fuel a debate between the sector and the SE support providers to the extent that some intermediaries have argued that SE is about making profit and that the VCS organisations should be aware of this at a very early stage of their transformation process. However, it seems that there exists a big gap between the sector’s grant dependency on the one hand and self-sufficiency on the other hand. This clearly brings us back to Boschee’s three models of the transformation of VCSOs into SEs (Boschee, 2005): • dependency • sustainability • self-sufficiency. Before attempting any reconciliation of the two broad categories (VCSOs and SEs), it is vital to first distinguish between these three models as they encompass the transformation stages of BME VCSOs to SEs. An understanding of this distinction could shed light on the ‘black box’ we noted earlier, which seems to be the main ‘grey area’ and hence, moderating influence to the transformation process. 2.3 Can the uneasy transition be reconciled? An interesting place to commence this discussion is to question whether the transition from VCSO to SE is really practicable and if so where does the transformation actually begin? The complexities in solving this puzzle highlight the difficulties of such transformation. For example, while some scholars have judged SEs from a ‘double bottom line’ position (Boschee, 2005), which requires meeting both the social and the financial objectives of the organisation, other researchers have, however, claimed a ‘triple bottom line’ – adding ‘environment’ as the third objective (DTI, 2002). Nevertheless, juggling these two objectives (i.e. the double bottom line) can make effective management of SE more complicated. For example, how possible is it for an organisation to be socially responsible and financially viable at the same time? Boschee (2005) argued that “trying to keep balance of the two objectives is the art of social entrepreneurship”. Awareness of this issue may help the VCSOs have a better appreciation of the problem they would face as they consider transforming to SE. They have to understand that “SE is a business, which means it is engaged in some form of trading” (Boldero, 2004). However, trading by charity organisations is more complicated than it seems. According to Finn (2004) “SE’s are distinct from charities in that they explicitly seek ways of making money to grow, diversify and take risks, while differing from commercial businesses in that they also judge success by their social performance”. For the VCSOs to judge success, they have to perform on the business front but at the same time remain able to maintain their social objectives. The Charity Commission allows trading by charities provided that the profit is applied for the purposes of the charity. The trading element is what makes the VCS achieve its sustainability by generating further ‘earned income’ required to reach the self-sufficiency level. Boschee (2005) defined earned income, as ‘a quid pro quo arrangement in which there is a direct exchange of product or services for monetary value’. Examples of earned income ranges from fee for services, product sales, ticket sales, consulting contracts, registration fees, royalties, leases and advertising sales for a periodical or directory. Notably, Boschee (2005) emphasised that “just because an organisation generates earned income does not mean it is an entrepreneurial organisation”. Indeed, Boldero (2004) asserts that, ‘the income generating activities can be developed around a particular expertise or competence, which in turn can lead to further enterprising activities’. Similarly Westall (2001, p.24) emphasised that: SE is characterised by independence from grant funding (particularly for core funding) but it may use grants where appropriate alongside other revenue streams. The entrepreneurial aspect is the ability to harness all available resources to achieve sustainable social aims. There is a clear indication from the above arguments that SEs can emerge from the VCS but not without hassle. The evidence of emergence of SEs from the VCSOs was also reinforced by some of the key informants at the exploratory stage of our research, which revealed that “the VCS is a continuum of which Social Enterprise is one element and has always been there as many charities have been trading on the market for years”. Also central to this paper is the evaluation of the capacity building support provision to the BME VCSOs transforming to SE. We noted that identifying the right organisational intervention point is crucial to the successful transformation thus making it imperative to establish a clear understanding of the concept of capacity building, which is still not yet fully grasped by VCSOs in general. In its application to VCS, published reports from the Government such as the CCR (HM Treasury, 2002); Connecting Communities (Home Office, 2002); and Civil Renewal (NCVO, 2002, 2004) referred to capacity building as the main driver for change within the generic VCS. Indeed Skinner (1997, p.1) forcefully reminds us that capacity building is: A development work that strengthens the ability of community organisations and groups to build their structures, systems, people and skills so that they are better able to define and achieve their objectives and engage in consultation and planning, manage community projects and take part in partnerships and community enterprises. It includes aspect of training, organisational and personal development and resource building organised in a planned and self-conscious manner, reflecting the principles of empowerment and equality. The key terms associated with capacity building are ‘strengthening’, ‘enabling’ and ‘empowering’ through training and Organisational Development (OD), which would in turn lead to the reduction of dependency by the VCSOs on a change-agent or consultant. The change-agent should, however, be able to leave the skills with the organisations to help them do the things for their own organisation and be able to survive independently rather than by being spoon-fed. Nevertheless, there is still no real definition of capacity building in terms of its applicability to the VCS and its meaning sometimes depends on the activities of the organisation using it, for example, the Council for Ethnic Minority Voluntary Organisation’s (CEMVO – a national voluntary organisation that delivers capacity building programme to the VCS in the UK) capacity building programme refers to a more strategic OD intervention whereas a community organisation’s capacity building programme refers to conducting community development work. Harrow (1998) argued ‘that the adaptation of the term, despite the lack of clear understanding might have something to do with this vagueness and its positive soundness tone’. This notion has created perplexity amongst recipients of any capacity building support or intervention. In their study on Strategic capabilities and their effects on performance Garcia-Morales et al. (2006, p.208) concluded that “...organisations must perform strategic actions to aspire to transform themselves into entrepreneurial SMEs...” – which has a bearing on the transformation proposed in this study. They went on to suggest that such transformation ‘...should be supported by actions that reinforce ‘personal mastery’, ‘transformational leadership’ – and more relevant to this case – a ‘shared vision’ and the ‘absorptive capacity’’. However, in terms of acting as enabler (what capacity building should really be) – Kraus and Schwarz (2007, p.13) in their paper The role of pre-start-up planning in new small business argued that “staff of governmental, non-governmental and academic institutions should be encouraged more to train entrepreneurs in preparing business plans...” if there was no guarantee that these would result in the success of these organisations. 3 Methodology/approach As far as we are concerned not much research (both published and otherwise) had been undertaken in the Yorkshire and Humber region of the UK relating to our study focus – transformation of VCSOs to SE in the BME sector. This may have posed a major challenge for our literature review and hence, limited our use of secondary data. However, our qualitative primary research protocol has been robust – taking advantage of our access to CEMVO, as well as to having a direct involvement with the BME VCSOs in the region under investigation. This ensured that access to information particularly on collection and analysis of primary data was not particularly problematic. Using the qualitative survey technique, we were able to collect rich data for this paper from a relatively large sample (Oliver, 1997). Moreover, our research involved a two-stage process: 1 the exploratory stage (which involved the use of a combination of one-to-one qualitative interviews; informal telephone interviews and use of e-mail correspondence) 2 the confirmatory stage (where survey questionnaires were used in a qualitative fashion based on feedback from the exploratory stage). On the one hand, exploratory research is arguably the most appropriate method to kick-start an investigation of this nature, as the ‘black box’ in the transition of the BME VCSOs to SE could be better investigated using this method. This method is also a ‘valuable means of ascertaining phenomena; seeking new insights; asking questions and assessing phenomena in new light’ (Robson, 2002, p.59 cited in Saunders et al., 2003). Our initial inquiry involved arranging an informal one-to-one meeting with a SE Adviser and further investigated the ‘real needs’ of the BME sector through CEMVO’s client database of organisations on the verge of transforming into SE. This is consistent with a similar research on ‘Capacity Building’ in which Patel (2004) stressed that ‘where appropriate, researchers should consult and involve the community or population studied in identifying ways the research may be used to benefit the community’. By doing this, it is guaranteed that the result is geared towards addressing ‘real needs’ rather than doing something of a token value. Having established the basic problem we compiled a questionnaire that was sent out to key informants which included individuals with a wide range of expertise and experience on SE (such as mainstream service providers, intermediaries, organisations involved in conducting research studies around SE with the VCS) and some SE organisations across the Yorkshire and Humber region. Prior to sending the questionnaire to these individuals and groups, we first undertook a telephone enquiry with them to ensure good response rate (see Madichie and Read, 2005). At the ‘confirmatory stage’ of our survey, on the other hand, a survey questionnaire was administered in order to establish the needs of, and challenges faced by the BME VCSOs in the region that limited their engagement with enterprising activities. Being first of its kind in the region, the survey questionnaire was sent out to 300 BME organisations in the Yorkshire and Humber Region using a credible mailing list. The respondents were chosen using self-selection sampling for two reasons: 1 cost effectiveness 2 appropriateness of sampling technique to the research questions and objectives. Bearing in mind the complexity and technicality of the subject under study, it is not guaranteed that any organisation can understand the questionnaire hence, hand picking the respondents is a sensible way of dealing with the problem. Thus the representative of the sample under self-selection sampling technique is not guaranteed but cases are self-selected (Bailey et al., 1995; Madichie and Read, 2005). Having years of research experience in the BME sector enabled us to anticipate possible problems of low response rate for a survey of this nature due to: • ‘research fatigue’ (JRF, 2003) • use of technical and jargon terms (Bailey et al., 1995) • not providing the respondents with options for their better understanding of the questions or problems raised (Harding and Crowling, 2004 and Boschee and McClurg, 2005). To address these issues, careful consideration was given to the design of our questionnaire for the sake of simplicity and to allow for as many options as possible. The questions asked (especially on the drivers and barriers to the BME VCS engagement in SE) were based on the responses that emerged from our initial exploratory enquiry. This proved effective because the questions confirmed our hunch about BME VCSOs (the respondents) based on the comments and observations of these practitioners. To further determine the validity of the options given and ‘to improve the clarity of the questionnaire and the effectiveness of the questions being asked’ (Bailey et al., 1995), the survey questionnaire was first piloted to two BME VCSOs. This is in line with Nimisha’s (1990) argument that: Researchers should pilot any research tools to assess their sensitivity and appropriateness for the population to be studied and to otherwise identify and elaborate any methodological difficulties, current or potential. Overall the survey questionnaire allowed “the collection of a large amount of data from a sizeable population in a highly economical way” (Saunders et al., 2003). Its aim was to learn more about the community of study in the following areas of investigation which formed the basis of our data analysis (see Table 1 for a detailed exposition on these categories): 1 main ethnicity served by the organisation 2 geographical location in Yorkshire and Humber Region 3 length of service 4 legal status 5 annual turn-over 6 sources of income 7 engagement in income generation activities 8 types of income generating activities 9 percentage of annual earned income sustaining the organisation 11 knowledge of SE 12 potential of own organisation transforming to SE 13 barriers 14 drivers in embracing to SE.

Table 1 Research findings1

1. Legal status • Registered Charities (51%) • Incorporated – that is, having a Company Limited by Guarantee status (33%)∗ • No legal status (27%)

2. Geographical location (BME organisations) • West Yorkshire 71%. • South Yorkshire – including places like Sheffield, Barnsley, Rotherham and North Lincolnshire (17%) • North Yorkshire and Humberside – with most still at their development stage (less than 12%)

3. Annual turnover • Over £250,000 (8%) • £100,000–£250,000 (4%) • £10,000–£99,999 (31%) • Below £10,000 (29%)\*\*

4. Sources of income • Grants (62%) • Donations (56%) • Membership fees (31%) • Earned income (22%) • Sponsorship (11%)

5. Engagement in income generation and percentage of earned income • Not engaged in any form of income generation (78%) • Engaged in income generation (22%)\*\*\*

6. Likelihood of engaging in enterprising activities • BMEs involved in enterprising activities (60%) • Pakistanis (40%) • Indians (20%).

7. Types of income generating activities • Sales of services (80%) • Contract work (60%) • Rent/premises (20%) • Hire of equipment (10%)

8. Main difficulty in sustaining organisation • Lack of funding (62%) • Lack of capacity and/or resources to deliver services (33%); • Change in government legislation (4%).

\*The majority (83%) of those that are incorporated are also registered as Charities. However, amongst those engaging in enterprising activities, only 20% were incorporated. \*\*This suggests that the majority of the organisations fall under the category of ‘small organisation’. \*\*\*Of those involved in income generation, two have been doing it for over 10 years; one for over a year and another one for the life of the organisation. Two of the respondents, including the one that has been engaged since the start of the organisation, have earned income of 50% or more of their annual turnover. The rest are below 25%.

It is worth stating also that we enjoyed a hands–on experience of the subject matter by adopting what may be akin to participant observation – a subset of ethnographic research defined as “a research approach, which attempts to provide a detailed description and analysis of a social setting, the people who are part of that setting and the way in which they interact” (see Oliver, 1997; Robson, 2002; Saunders et al., 2003). 4 Findings Our key findings suggest that despite the numerous barriers in the transition of VCSOs into full blown SEs, some are still willing, but not able to take the plunge. However, success can only be achieved through effective engagement with the BME VCSOs in the provision of an efficient capacity building programme. Our findings cut across the main ethnicities served; geographical locations of these BMEs; the lengths of service; legal status; annual turnover; source of income; engagement in income generation and percentage of earned income; types of income generating activities and the main difficulties in sustaining the VCSOs momentum (see Table 1). In the discussion on the ‘Knowledge of SE’ in particular, we recognised that about 66% of our respondents claimed not to have any knowledge of what the term meant; 16% were unsure about such knowledge. Some of those who were unsure mentioned that they neither understood the concept nor even ever heard about it. However, more than 56% of the respondents believed that engagement in enterprising activities could create more sustainability for their organisations. But when asked if they saw a potential for their organisation to become Socially Enterprising (SE), only 38% were optimistic. On the other hand, out of those that are engaged in income generating activities, only about 20% admitted knowledge of SE; 20% were unsure and a worrying 60% had not. The latter finding suggests that engagement in income generating activities does not necessarily relate to knowledge of SE. Some organisations were not even aware that their current income generating activities could be developed into SE – which leads us to the discourse on the possible drivers and barriers of VCS transformation to social enterprising activity (see Table 2). In identifying the top five drivers and barriers, we used a 30% cut-off point, which simply means anything below 30% was not considered. Using this method of data reduction means pulling out commonalities amongst the findings. Table 2 illustrates the top five drivers and barriers to the development of SE within the BME sector as revealed by the respondents. These are listed in chronological order with the highest in rank stated first. Not many of the organisations that responded to the survey questionnaire have acknowledged the implications of the Government’s legislation to their transformation drives towards SE status. The reality, however, is that the UK government on the one hand, is seen as one of the key drivers to this transformation. This is very evident in the following legislation: • the DTI’s social enterprise strategy (see DTI, 2002) • CCR on Public Spending 2002 (see Home Office, 1999a–c and HM Treasury, 2002) • neighbourhood renewal (Neighbourhood Renewal Unit, 2004; Shutt et al., 2003) • modernising local government agenda.

Table 2:

Top five (5) drivers and barriers to social entrepreneurship Rank

1. Lack of available funding\* Lack of resources for example, human, capital and equipment

2. Difficulty in coping with laborious bidding process and meeting funder’s requirementsa Lack of awareness of what SE is and how it is established

3. Too many organisations bidding for the same pot of moneya Lack of awareness and access to SE support; and lack of awareness that the organisation could be transformed into SE

4. Desire and commitment for independence/self-reliance and long-term sustainability Lack of awareness of business and commercial issues

5. Seeing a potential to generate own income The concept of charging for what used to be a free service.

\*Note that from our survey, a sample of BME VCSOs indicated using these supposed barriers as a stepping stone for transforming into SE. For example, one of our respondents – a former Head of West Yorkshire SE clearly pointed out that “...The disappearance of grant funding means that the voluntary and community sector is thinking more about sustainability, and social enterprise allows for income generation as a means to that end...”and “...The BME VCSO sector is already comparatively under funded which might remove an obstacle to an enterprising perspective in terms of converting from grant to earned income”. These legislations have wider implications for the reform of public services in the following capacities: 1 higher standard and accountability 2 devolution and diversity 3 flexibility 4 promotion of choice. On the other hand, the VCS organisations remain unclear about what they can and cannot do in terms of complying with the Charities Act when engaging in trading activities that could lead them to realising their Social Enterprise potential. The transformation of a VCSO to SE tends to be more apparent when the former loses its charity status and learns to stand on its own feet. The Charities Commission nonetheless allows trading for charities provided that organisations follow the ‘CC 35 – Charities and Trading’ guidelines which explains when charities may engage in trading activities for fund-raising purposes, and when a separate subsidiary trading company should be established to carry out those activities. However, trading is restricted in some way in that it only allows trading that is part of the ‘primary purpose’ of the charity or those trading activities that are intended to raise funds for charitable purposes (non-primary purpose) and providing that the profits are applied for the purposes of the charity. Indeed trading by a charitable organisation can only be seen to be legitimate when it falls under

any of these above categories. The trading surplus can only be exempted from tax if the profit from any such trading is only used for the purposes of the charity and as long as such trade meets the following set criteria (Charity Commission, 2001): • trading must be part of the primary purpose of the charity or its ancillary • the work in connection with the trade must be mainly carried out by the beneficiaries of the charity • the annual turnover of a non-primary purpose trade must fall below certain limits (either below £50,000 or 25% of the gross income of the charity). It is important to state, however, that the term ‘charity’ does not apply only to the VCSOs. The ‘CC35’ is in itself a grey area. A new Bill has been put forward by the Charity Commission to the Parliament and one of the proposed changes is the relaxation of the audit threshold. A new legal model (Community Interest) is also being proposed which would facilitate the growth of SE activity within both charitable and cooperative organisations. 5 Conclusions It is clear from our discussions so far that many BME VCSOs are small, under-funded and lack the capacity to grow – hence not too surprising that they have not taken full advantage of the UK government provisions for entrepreneurial activities. Our findings only reinforce the common perception that policy makers already have – despite the government’s recognition of this problem the BME VCSOs are still 1 not accessing the right support 2 not been made aware of the opportunities ahead of them 3 still continue to be undervalued by the local service providers. A meaningful engagement in a local level through the provision of an effective capacity building programme is therefore, crucial to the sector’s transformation to SE for their sustainability. However, there is a need to strike the right balance on the involvement of social actors, in order to ensure that the VCSOs themselves have ownership to the changes that affects their respective organisations. We have highlighted those challenges faced by the BME VCSOs in their transformation to SE and how these can be addressed through the provision of an effective capacity building programme. Some BME VCSOs are capable of engaging in enterprising activities, despite the challenges that they have to face in order to compete with the generic VCS in winning public confidence, mainstream support and climbing up the ladder to find their way up to the market, therefore, it is realistic for them to transform to SE, which presents a clear case for sustainability. In this concluding section we summarise the discussion into 5 main themes: 1 Firstly, the BME VCS organisations have to adopt the ‘earned income strategy’ and for the transformation to be more manageable, they need to work their way up gradually to attain a level of sustainability, before finding their way to the ultimate level of self-sufficiency. Indeed, most of the barriers to the BME VCSOs engagement in enterprising activities are internally generated and are often related to the mind-set or culture of the organisations. However, there is a strong desire for the sector to enhance their sustainability through engagement in enterprising activities. Depending on who is leading the organisation, the governing body that takes decisions for the organisation can sometimes hold the organisation back. 2 Secondly, support organisations need to be aware of the implications of the barriers to the development of the organisations within the sector for them to effectively engage. 3 Thirdly, the management and leadership role of the governing body that makes decisions for the organisations should be empowered. Part of the effective capacity building of the sector should include the provision of proper training to the governing body for the skills and knowledge they will need to support the transformation of their organisation to SE. Despite the willingness of the BME VCSOs to grow and develop through engaging in enterprising activities, their lack of understanding of SE and how one is established, as well as the benefit that this brings to their organisations, keeps hampering them. This is a clear indication of the lack of awareness and knowledge of SE highlighted in Table 1 earlier. 4 Fourthly, a specific provision of basic awareness training or seminars targeted only towards the BME VCSOs is useful for their appreciation of SE and the benefits that this brings them. There is also a lack of confidence by the sector with the support provision that they are currently receiving and evidence of a clear lack of trust and confidence of the mainstream service providers. 5 Finally, to clear the growing stigma arising within the BME VCS sector, service providers assisting the organisations within the sector should undergo cultural awareness and try to use plain English in their engagement. The key to the solution of effective engagement with the BME VCS organisations is the provision of an efficient capacity building programme taking into account the drivers and barriers to their transformation into SEs. It follows, therefore, that for any transformation to be effective and any engagement to be meaningful, sensitivity towards the beneficiaries’ individual needs must be adhered. This would also require a thorough assessment and analysis of these needs. Thankfully, business support is already provided by other specialist organisations such as the West Yorkshire Social Enterprise Link, Rotherham Social Enterprise, Barnsley Social Enterprise and Huddersfield Pride amongst others. 6 Implications Our paper has a bearing on business, management, ethnic minority and capacity building issues, with about 300 questionnaires sent out to BME organisations in the Yorkshire and Humber Region, we have been able to pull out ‘real issues’ from the experiences of our key informants (the end users – the BMEs), unlike what may be obtainable using the traditional academic research protocols. While we acknowledge that there has been some research conducted around the BME engagement in the region, we insist that this is the first real attempt to be specifically focused around VCSOs engagement in socially entrepreneurial activity – at the time of this research. Although there has been some data collected at sub-regional and district levels by intermediaries for their purposes (such as Asian Trades Link), none, to our knowledge and inquiry, has been conducted at the regional level per se. This on its own, testifies to the originality of our paper. However, like many others before this one, our paper is not immune from limitations. In the light of the above, one limitation of our paper is the absence of the requisite infrastructure for mapping out existing support organisations in the Yorkshire and Humber Region and the clarity of the support services that they may be able to offer. We suggest, nonetheless, that a study of this nature is important in providing an effective option for the engagement of the support agencies in the capacity building of the BME VCSOs intent on transforming to SEs. What would also be useful is a mapping exercise of all BME SEs in the region to facilitate the formation of entrepreneurial networks. Finally, whilst we may have made every effort to focus the research for our paper on the needs and development of the BME VCSOs in the UK – taken from the Yorkshire and Humber regional perspective, we recognise the inevitability of having, perhaps, missed out on certain, likewise important, developments in the transformation of VCSOs into SEs. We therefore, suggest that due consideration be given to the prevalent lack of a pool of empirical research in this area, which would undoubtedly bring about a more focused level of discussions that would set the foundations for future research.

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