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Knowledge Exchange Seminar Series (KESS)

Clustering for Impact: Shared Services – A Solution for Social Enterprise Growth in Northern Ireland

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KESS Policy Briefing

...is a forum that encourages debate on a wide range of research findings, with the overall aim of promoting evidence-informed policy and law-making within Northern Ireland

Key points:

- The social economy is a major economic and social pillar contributing £933 million to the Northern Irish economy and €2.34 billion in the Republic of Ireland, whilst delivering significant impact on regional balance and employment and producing tangible community wealth building outcomes.
- The sector is diverse and recognised by governments as a critical driver of good jobs, social equity and sustainable growth.
- Despite many strengths, social enterprises face persistent challenges including limited access to finance, capacity constraints, productivity barriers and difficulties scaling. Human and financial capital and skills shortages are the most cited obstacles.
- Research suggests that many social enterprises remain small and financial sustainability can be difficult. Desires to grow are strong, but this is often hindered by resource and skills gaps.
- Innovation is needed in the sector to overcome challenge and achieve productivity and growth potential with shared services proposed as such an innovative solution to bridge resource and skills gaps. This can deliver improved efficiency, sustainability and access to needed expertise.
- Informal sharing of resources has developed organically in the sector with formal shared services arrangements emerging. However, structured frameworks and support to implement effectively are urgently needed. Indeed, awareness of this operational and strategic approach is limited.
- A Shared Services Model is proposed across needs assessment, strategic alignment, operational design, legal/financial structuring, implementation and monitoring. This approach can reduce overheads, improve compliance and free leaders and limited human capital to focus on growth and innovation.
- To advance clustering and shared services in the social economy sector requires multi-stakeholder collaboration: enterprises/industry, sector bodies, government, universities and customers/citizens must work together to pilot shared services, develop supportive funding and regulatory frameworks and foster a collaborative ecosystem.
- Recommendations include establishing a national pilot Shared Services Facilitation Fund, developing a platform for matching needs and providers, providing tax relief for pilots and integrating shared services efficiency into impact reporting and procurement standards.

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Background and Context

The social economy is a key economic and social pillar in Northern Ireland (NI), growing in size, breadth and impact. In NI, it contributes £933 million to the economy and in the Republic of Ireland delivers €2.34 billion of impact, (Department for Economy, 2025; Department of Rural and Community Development, 2023). It presents opportunities for economic development and Community Wealth Building through regional balance, employment, enterprise and economic across the region and island, (Mair & Marti, 2009; Defourny and Nyssens, 2010; Praszquier & Munnik. 2023).

Defining social enterprises is an important, yet challenging, first step - enterprises are often vague, covering a wide variety of activities and reflecting different business models worldwide (Kerlin, 2009; Matei and Sandu, 2011). There is no universal definition of social enterprises. Social enterprises combine enterprise and social value (Mair, Mayer and Lutz, 2015; Rey-Martí, Ribeiro and Palacios, 2016; Choi, Lee, and Hur, 2021; Liston-Heyes and Liu, 2024). They are varied but ALL address social gaps/needs using entrepreneurial approaches through market-based initiatives to produce social value (Mair and Martí, 2006; Bacq and Janssen, 2011; McMullen, 2011; Lorenzo-Afable, Lips-Wiersma and Singh, 2025). Generally, social enterprises typically reinvest profits in the business or other initiatives to deliver social impact (Engelke et al., 2015; Borzaga et al., 2020). The researchers adopt this combined definition across two main dimensions - entrepreneurial/economic goal with social mission and impact in this research.

The social economy in Northern Ireland and Republic of Ireland is a vibrant and diverse sector, encompassing social enterprises, co-operatives, mutuals, and community businesses that trade for social purposes. These organisations play a crucial role in supporting local communities, creating jobs, and addressing social challenges. The sector contributes significantly to economic activity and social inclusion, often working in areas of market failure or disadvantage. Social enterprises deliver a wide range of services from childcare and recycling to training, employment support and community transport, demonstrating their adaptability, diversity and impact on local development, (Department for the Economy 2025c).

Policy Context

The drive for good jobs is a central policy priority in Northern Ireland since decent, reliable employment impacts individual wellbeing and community prosperity. The Department for Economy's Good Jobs agenda is rooted in the belief that better jobs—characterised by fair pay, security and flexibility—reduce poverty and the associated social challenges, while also supporting business productivity and economic growth, (Department for the Economy, 2025a; Department for the Economy, 2025b). Social enterprises are recognised as

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inclusive and diverse employers - a critical sector delivering, and supporting, good jobs. Whilst government is committed to this agenda, through strengthening employment legislation and building the skills base, supporting the social economy can also help achieve this priority. Indeed, by supporting social enterprises this can contribute to the priority of Government to deliver regional strategies focused on skills development and investment. Social enterprises provide a strong foundation for sustainable economic growth, social equity and improved quality of life across Northern Ireland (Department for the Economy, 2025a; Department for the Economy, 2025b). As a sector, social enterprises, when supported and encouraged to achieve their full potential, can bolster government efforts and contribute to policy priorities. Already government recognise the sectors potential and role in NI through the Department for the Economy support in partnership with local councils, SENI (industry body) and other stakeholders. Key initiatives include the Social Enterprise Work Programme, funding, policy guidance and the co-design group. The sector's potential to contribute to regional economic growth, social impact and the delivery of public services is therefore established (Northern Ireland Assembly, 2025), There is a clear commitment in NI, similar to the Republic of Ireland and across Europe, to create an enabling environment through supportive legislation, procurement policies and targeted investment and skills support. Government, policy and industry stakeholders are striving to support the sector to grow, thrive and achieve its full economic and social potential. Yet despite this shared political will and supportive infrastructure, the sector continues to face deep-rooted challenges that persist across geographies, policy contexts and economic conditions alike.

Despite its strengths, the social economy in Northern Ireland and beyond faces several challenges, including limited access to finance, capacity constraints, productivity barriers and delays and inability/unsure how to scale, (Islam, 2022). The sector occupies a limited and changing funding landscape, increased competition and ongoing economic uncertainty, (Department for Economy, 2025c). Addressing these barriers through innovative Government targeted approaches is therefore essential if the sector is to fulfil its potential and deliver the inclusive growth outcomes that government and communities alike are counting on

Methodology

This research sought to better understand social enterprises and their development and growth. It involved a two phase, multi-method approach. Phase 1 engaged the social enterprise sector across the island of Ireland with 103 responses outlining challenges, skills, financial and human sustainability, productivity and capacity issues. Key conclusions from this phase noted resource, skills and human constraints. Clustering in the sector using a shared services model was proposed as an innovative solution to some of the challenges. Phase 2 involved 30 semi-structured interviews across the island of Ireland

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and Europe with shared services clusters, social enterprises and sector intermediaries to explore perspectives on governance, operational challenges and benefits/outcomes of such an innovation.

Key Findings

Initial survey findings conclude that social enterprises are motivated by a desire to deliver social impact, address community needs, and generate profit for good in diverse sectors. The majority remain small in scale, with 67% employing fewer than five paid staff and 38% relying on fewer than five volunteers. Growth aspirations are present with 42% seeking to enhance their product or service offering and 46% identifying themselves at the growth stage. Yet only 54% feel financially sustainable to be able to achieve growth. Consistently the challenges faced by social enterprises are pronounced in the areas of resources, skills, and scaling. Human resourcing and staffing (79%), finance (75%), and skills (38%) are cited as the main barriers to growth and scaling. Critical skills for current and future success include flexibility, business knowledge, resilience, and sector networks, but these are often difficult to secure—especially governance, business knowledge and a mix of employees. Many respondents report limited access to Government support compared to commercial organisations and the perceived complexity of procurement processes further inhibit their scaling ability. While digitalisation is developing, resource constraints and manpower shortages further hindered digital updates and expansion. The findings highlight resources, knowledge, leadership, governance and networks as critical success factors to enable social enterprises to scale and achieve sustainable impact.

Additionally, the interviews explored shared services as a sector solution and concluded that it is an innovative solution to bridge resources and skills in constrained social enterprises to enhance productivity, scale and diversify income sources/generation. The sector is undertaking, to varying degrees with little consistency, informal sharing of resources. The most shared resource is equipment (31%), followed by training, for both staff and family (23%) through to space sharing (27%). Often this type of sharing was informal and ad hoc but suggests a willingness in the sector to cooperate and cluster which has grown organically from necessity. A small number of formal shared services arrangements were concluded in the research, specifically 6, which provided insights on what formal clustering to share resources looks like. Based on the collective of experiences of formal and informal shared services models and aspirations of what a future model could offer, the research concluded a staged Shared Services Framework to support enterprises to develop, and embed, shared services approaches to support functions to achieve and sustain operations and strategic roles and growth.

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What is Shared Services?

Shared Services are not new - although new to the social enterprise sector as an innovation in a revised form. Traditionally, shared services were internal organisational solutions that allow for streamlined support functions like HR, IT, or finance, managed centrally to improve resource use, quality, and cost-effectiveness (Schulman et al., 1999; Bergeron, 2003; Ulbrich, 2006; Schulz & Brenner, 2010; Chen, Deng and Zeng., 2026). In a social enterprise cluster shared services is an organisational model where multiple social enterprises collaborate to share functions like HR, IT, finance, or marketing to bridge limited resources, deliver strategic and operational benefits, boost efficiency and capitalise on synergies. For social enterprises—often small and resource-limited—this model provides affordable access to expert services, allowing them to focus on social impact and growth while improving sustainability and collaboration and enabling growth.

The proposed Shared Services Model from this research involves six key stages:

- Needs assessment
- Strategic alignment
- Operational Design
- Legal and Financial Structuring
- Implementation and Management
- Monitoring and Evaluation

This shared services model offers social enterprises significant advantages by improving operational resilience and efficiency through shared resources, enabling access to expertise that smaller enterprises often cannot afford, or are able to manage and to support commercial and social goals. This approach enhances sustainability and encourages collaboration in a growing and strategically important sector. Indeed, shared services can reduce overheads by pooling resources, increase compliance and reporting quality, and enable leaders to reallocate time to growth and innovation. It can and will aid the development of further development of clustering. By developing and fostering social enterprise collaboration and clustering could place NI, indeed the island of Ireland, as pioneers and visionaries in social economy knowledge exchange and working smarter globally. In rural/peripheral regions where regional balance is a particular priority, cluster models could offer significant promise by strengthening local ecosystems further, generating quality employment across social enterprises and in shared services through development of professional roles. This further creates opportunities for entrepreneurial endeavours in this shared services space and improve the competitiveness and contribution of social enterprises in these additionally challenged locations.

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Whilst developing a framework and deeper understanding of the shared services model are critical, this alone does not guarantee that clustering and shared services will emerge naturally among social enterprises. Government support and initiatives are required.

Call to Action

Clustering among social enterprises will require a multi-stakeholder approach. The sector and representative bodies such as SENI must continue to embrace a willingness to explore new approaches to addressing resource, skills and knowledge constraints, with pilot initiatives offering genuine transformative potential. Policymakers too have a vital role to play, beginning with an openness to recognising that clustering can take many forms beyond the traditional tech-sector contexts such as Fintech, RegTech and MedTEch in which it is most commonly associated. Sustained partnership working and ongoing policy innovation will be indispensable if Northern Ireland's social economy is to realise its full potential."

Clustering in the social economy is about creating a supporting ecosystem. An initial step may involve the establishment of a Shared Service Model Fund to support pilots among social enterprises to bridge gaps and achieve greater growth and social impact whilst sharing learnings on how to create a collaborative social economy in NI and beyond. Supporting the social economy is about being innovative and using shared services to encourage social enterprises to cluster and cooperate in non-competitive networks. Indeed, achieving this will could be enabled using the Quadruple Helix Model with the four helices working together:

- Universities/Knowledge providers to support the research/knowledge necessary to better understand the mechanisms, challenges and benefits of clustering using the shared services framework and adapting as we learn.
- Social enterprises/industry stakeholders/SENI continuing to encourage collaboration and partnerships among social enterprises to deliver operational and strategic benefits ranging from product/service development through to expanding commercial and social impact. For example, the provision of hubs and incubators to support professional sharing and clustering could be pivotal.
- Government/Policy/SENI to encourage and support regulatory frameworks, funding, and regional development strategies regarding social enterprise clusters and shared services.
- Public/citizens continuing to make more socially inspired and socially motivated purchases to support social-conscious and led enterprises.

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Conclusions and Recommendations

The future is clustering and cooperating to bridge knowledge, skills and resource gaps innovatively. There are already extensive organic examples of informal sharing among social enterprises. The recognised benefits of clustering and shared services will deliver transformative results for the social enterprise sector in NI. One way to achieve this is through the Shared Services Model. Whilst providing clear benefits, it will require multi-stakeholder action and commitment to drive this forward.

Some recommendations and facilitators include:

- A national Shared Services Facilitation Fund to provide seed grants and technical assistance to social enterprise consortia and pilots.
- Develop a Shared Services Platform to match enterprise needs and providers in addition to advice and templates on, for example, Memorandums of Understanding, Strategic Level Agreements, cost sharing templates, KPI libraries for consistent adoption, sector specific guidance on GDPR, safeguarding and health and safety and how to wind down a shared services arrangement.
- Provide tax relief or funding for start-up phases of shared service pilots.
- Explore ways to incorporate and measure shared services efficiency in mandated impact reporting and standards especially for social enterprises procuring for public contracts.

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