

Study on the social enterprises ecosystem in Scotland

October 2017

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1. Definition and criteria in the regional context

The Definition of Social Enterprise

There is no legal or otherwise 'official' definition of social enterprise in Scotland. The Scottish Government describes social enterprises as "businesses with a social responsibility who reinvest profits into their community, locally or across the world".

However, the social enterprise community has come up with a Voluntary Code of Practice that defines the characteristics of social enterprises and sets it apart from the public, private and the wider third sector. The Code defines the following main criteria:

1. A social enterprise trades, but with the primary objective to achieve social and/or environmental benefits.
2. They aspire to financial independence through trading.
3. The constitutional document of a social enterprise provides an 'asset lock':
 - a. any profit will be reinvested in the business or used to achieve its social objectives; and
 - b. on dissolution any remaining assets will be reinvested in another organisation with similar aims and objectives.
4. A social enterprise is constituted and managed in an accountable and transparent way and will have a minimum of three unrelated directors.
5. They are set apart from the public sector and cannot be controlled by the public sector.

The Scottish Context: Policy Support for Social Enterprise

The Scottish Government has traditionally been committed to developing the full potential of social enterprises and sees the sector as vital to achieve its long-term goal to “creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth.”

“Social enterprise has the potential to tackle some of the toughest social issues we face, and tackle them at source. To act as a mechanism for community empowerment, helping communities deal with issues they face. To provide a positive influence on the world of commerce, modelling a more ethical way of doing business. And, on top of all this, to help us become a more innovative, entrepreneurial society.”

Angela Constance MSP, Cabinet Secretary for Communities, Social Security and Equalities

Social enterprise naturally does what government wants the wider business sector to do: inclusive growth, tackling inequalities, fair working practices; local and regional cohesion, and human rights.

Between 2014-16 the government has engaged with the wider social enterprise sector to co-produce a national social 10-year enterprise strategy.

In order to represent the voice of the social enterprise sector, nine of the main representative national organisations undertook a consultation and produced a vision document: Scotland’s Vision for Social Enterprise 2025 .

In 2016 the Scottish Government published Scotland’s Social Enterprise Strategy 2016-26 . The strategy identifies three strategic priorities: Stimulating Social Enterprise, Developing Stronger Organisations and Realising Market Opportunity.

The Scottish Context: Policy Support for Social Enterprise

The three strategic priorities of the Scotland's Social Enterprise Strategy



Source: Scotland's Social Enterprise Strategy 2016-26

The Scottish Context: Policy Support for Social Enterprise

The strategy was accompanied by a three-year Action Plan, backed up by £3million (€3.4million) funding for the sector.

Other government policy

There are a number of other policy and strategy documents that support social enterprise:

Policy Area	Policy	Policy Aims	Relevance for Social Enterprise
Economy	Scotland's Economic Strategy (2015)	Four main policy aims: investment, innovation, inclusive growth and internationalisation.	Economic strategy explicitly includes the third sector and social enterprise is recognised to support inclusive growth through a fair and inclusive jobs market and opportunities for all.
Public Service Reform	Procurement Reform (Scotland) Act (2014)	Working collaboratively across organisational boundaries to ensure that services are shaped around the needs and demands of individuals and communities with a clear focus on prevention and early intervention, with the aim of breaking cycles of inequality and poverty.	Introducing the Sustainable Procurement Duty – an obligation to consider and motivate how public procurement can improve the economic, social, and environmental wellbeing of the authority's area, facilitate the involvement of small and medium enterprises, third sector bodies and supported business in the process and promote innovation. Introducing Community benefit Clauses in certain public procurement processes.

The Scottish Context: Policy Support for Social Enterprise

Policy Area	Policy	Policy Aims	Relevance for Social Enterprise
Community Empowerment	Community Empowerment (Scotland) Act 2015	Creating better, more responsive services, and better outcomes for communities through increased local democratic participation boosted, increased confidence and skills among local people, increased volunteering and an increased quality of life in a local neighbourhood.	<p>Giving communities the right to express their interest in land and gives them the first right to buy when it comes to the market.</p> <p>Introducing the Participation Request for communities, placing a duty on statutory bodies to work with them on ideas how to make services better.</p> <p>Giving communities the right to request a transfer of publicly owned buildings and other assets into community ownership.</p> <p>Making community planning a statutory duty for more public bodies.</p>
Innovation	Scotland Can Do - Boosting Scotland's Innovation Performance: An Innovation Action Plan For Scotland	Action Plan to get Scotland recognised as being a world-leading entrepreneurial and innovative nation.	Scotland is home to many inspirational social entrepreneurs, but by encouraging more social entrepreneurs will lead to the creation of more successful social enterprises.
Inequality	Fairer Scotland Action Plan	Action Plan to achieve five ambitions by 2030: a fairer Scotland for all, ending child poverty, a strong start for young people, fairer working lives and a thriving 'third age' (for older people).	Throughout the 50 actions proposed, Fairer Scotland places strong emphasis on empowering community-led activities and initiatives that allows local people to deliver the priorities that matter most to them.

The Scottish Context: Policy Support for Social Enterprise

Policy Area	Policy	Policy Aims	Relevance for Social Enterprise
International Policy	Internationalising Social Enterprise - A Strategy for Scotland (September 2016)	Scottish Government's strategy international excellence, leadership and impact in the social enterprise field.	. Support for exporting social enterprises.

2. Characteristics and development of social enterprises

Composition of the Sector

In 2015 the Scottish Government commissioned a Social Enterprise Census to gather a better understanding of the scale and scope of the sector. In 2017 the Census was repeated. All data used in this chapter are taken from the 2017 Census.

There are currently **5,600 social enterprises** in Scotland, a growth of 8% compared to 2015.

5,600

Social enterprises operating in Scotland

Legal Form

Social enterprises come in a variety of legal forms as indicated in the table.

Seven out of ten (71%) of social enterprises are incorporated, being a legal entity with a form of limited liability. Three quarters of them (75%) are also registered as a charity.

Legal Form	No of SEs
Community Interest Company	553
Company Limited by Guarantee (CIC)	2,448
Registered Society	398
Scottish Charitable Incorporated Organisation (SCIO)	588
Trust	294
Unincorporated	1,315
Other	4
Total	5,600

Income and Maturity

Most social enterprises (57%) have an annual income of less than £100,000 (€ 113,700).

Income	% of Social Enterprises
£0-£49,000	43.4%
£50,000-£99,000	13.6%
£100,000-£249,000	16.0%
£250,000-£499,000	8.9%
£500,000-£999,000	6.3%
£1,000,000-£4,999,000	8.2%
£5,000,000+	3.6%
Total	100%

The social enterprise sector in Scotland is fairly mature. Almost two-thirds of social enterprises is more than 10 years old, with an average age of 20 years.

Age	Number of SEs	% of All
0-4 years	959	17%
5-10 years	928	17%
Over 10 years	3,713	66%
Total	5,600	100%

Geography

Social enterprises can be found across Scotland, from inner city Glasgow and Edinburgh to small Highland villages and remote islands.

Two thirds of all social enterprises (66%) are located in urban Scotland, with half of those (31%) in the four city authorities – Glasgow, Edinburgh, Aberdeen and Dundee.

	Land Area (Km ²)	% of Total Population	% of SEs
Large Urban Areas	531	34%	35%
Other Urban Areas	753	35%	19%
Accessible Small Towns	217	9%	6%
Remote Small Towns	107	3%	6%
Accessible Rural	21,425	12%	15%
Remote Rural	54,903	6%	19%
SCOTLAND	77,936	100%	100%

Social enterprises in Scotland are not particularly over-represented in areas of high deprivation.

Deprived Areas*	% of SEs
5% Most Deprived Areas	5%
10% Most Deprived Areas	10%
15% Most Deprived Areas	13%
20% Most Deprived Areas	17%
Rest of Scotland	83%

* Deprivation is measured by the Scottish Index of Multiple Deprivation (SIMD). It should be noted that the Social Enterprise Census looks at where the social enterprise is headquartered, not where it runs its activities.

Markets

Social enterprises are active across economic sectors, with Community Centres & Halls, Arts & Creative Sector, Early Learning & Childcare, and Health & Social Care are the largest sectors, together containing more than half (56%) of all social enterprises.

Economic Sector	Number of SEs	% of All SEs
Arts & Creative Industries	777	14%
Community Centres & Halls	971	17%
Early Learning & Childcare	708	13%
Education, Training & Employment	262	5%
Environment & Recycling	153	3%
Financial Services	121	2%
Food, Catering & Hospitality	106	2%
Health & Social Care	659	12%
Housing	226	4%
Information, Consultancy & Support	223	4%
Property, Energy, Utilities & Land	307	6%
Retailing	182	3%
Sport & Leisure	254	5%
Tourism, Heritage & Festivals	361	6%
Transport	108	2%
Other	182	3%
Total	5,600	100%

Markets

Most social enterprises in Scotland (79%) deliver services.

Offering	% of all SEs
Mainly Goods	11%
Goods and Services Equally	10%
Mainly Services	79%

Most social enterprises sell directly to the public (79%).

Customer	% of all SEs
Public Sector	52%
Private Sector	36%
Third Sector	46%
General Public	79%

The geographical market in which social enterprises sell their goods and/or services varies widely. Just over a quarter (26%) trades in their local community only, while 7% trades on an international market.

Widest Geographic Coverage	% of all SEs
A Single Neighbourhood/Community	26%
A Local Authority Area	32%
More Than One Local Authority Area	20%
Scotland-Wide	10%
Across the UK	5%
Internationally	7%

Financial Performance

In total the social enterprise sector in Scotland has a total income of £3.8 billion (€ 4.3 billion) per year, of which 70%, £2.7billion (€3.1 billion) is generated by trading.

The majority of social enterprises in Scotland (61%) gets more than half of its income from trading, and generates almost all trading income (91%).

Trading Level	% of all SEs	% of all Trading Income
Mature Group (50%+ Income From Trading)	61%	89%
Aspiring Group (25-49% Income From Trading)	19%	7%
Emerging Group (<25% Income From Trading)	21%	3%

Generally, social enterprises are profitable, with an overall profitability ratio of 4.0, meaning that for every £1 (€1) turnover, they make 4 pence (4 cents) profit. The majority of social enterprises (58%) make a surplus, however, more than four in ten (41%) make a loss.

The sector collectively holds £5billion (€5.7billion) in assets and has an unrestricted reserve of £1.7billion (€1.9billion).

Last Financial Year End	% of SEs
Making a Surplus	58%
Breaking Even	1%
Making a Deficit	41%

Financial Performance

Some other financial ratios for the sector include:

PROFITABILITY RATIO 4.0%	surplus per £1 of income earned after taking account of all expenditure
CURRENT RATIO 1.9	indication of ability to meet short term obligations from liquid assets
DEBT TURNOVER RATIO 49 DAYS	indication of how long debtors take to pay their account
SELF SUFFICIENCY RATIO 70.4	indication of the extent to which social enterprises are able to cover their costs through trading
GRANTS RATIO 28.1%	indication of the extent to which social enterprises are making use of grant funding
SURVIVAL RATIO 42 WEEKS	indication of how long social enterprises could survive with no income

Contribution of the sector to Scotland

Collectively, the Scottish social enterprise sector contributes just over £2 billion (€2.3 billion) Gross Value Added (GVA) to the economy and creates more than 81,000 FTE employment. 81,000,

£2.04bn	81,357
Estimated Gross Value Added to the Scottish Economy	Full-time Equivalent (FTE) employees in the social enterprise sector

Diversity in Management and Fair Pay

Social enterprises show more diversity in their leadership and governance than the regular business sector.

	% of Directors/ Trustees	% of SE managers
Women	53%	64
People from Black and Minority Ethnic Communities	3%	3
Young People (Aged Under 25 Years)	3%	3
People with a Disability or Long Term Health Condition	9%	15

The social enterprise sector aims to be a fair employer, paying staff a fair wage and keeping the difference between the highest and lowest pay in the organisation within a fair range.

	% of SEs
Pay at Least the Living Wage in Scotland for All Employees	72%

1:2.5	95%
The average differential between the highest and lowest paid employee	Of social enterprises have a pay differential not exceeding 1:5

Providing opportunities to disadvantaged groups

Social enterprises aim to provide opportunities to groups disadvantaged in the labour market, including women, people from black and minority backgrounds, people with a disability and young people. Social enterprises also provide opportunities for local people.

	% of all SEs
More Than Half of Employees are Female	76%
Employ People Formerly Disadvantaged in the Labour Market	41%
Employ More Than Half Their Workforce Locally	79%
Employ Previously Unemployed Young People (Aged Under 25)	49%
Provide training or support intended to improve employability	63%
Have a MAIN aim to create employment, training, work experience and volunteering opportunities WITHIN the organisation	18%

3. Needs assessment and main challenges for scaling social enterprises

The Economic Climate

Social enterprises operate in the real economy and are affected by the state of the economy, austerity and public spending.

Half of all social enterprises (50%) reported a negative effect of the economic climate on the outlook for their business, and only a small minority (7%) was positive.

Reported Effect of the Economic Climate over the Last 12 Months On the Prospects of SEs	% of all SEs
Positively	7%
Neither Positively or Negatively	44%
Negatively	50%

Reasons for this negative view included:

- Uncertainty about Brexit and a potential second independence referendum in Scotland.
- Continuing austerity measures and reducing public funding.
- Financial pressures on consumers, such as static wages and rising inflation and prices.
- Rising costs for social enterprises, without the ability to increase prices for their goods and services accordingly.

Business Confidence

The 2017 Census has introduced a Social Enterprise Confidence Index based on the method employed by the ICAEW UK Business Confidence Monitor . Using this method, a Confidence Index of +100 would indicate that all survey respondents were much more confident about future prospects, while -100 would indicate that all were much less confident

Not surprisingly, business confidence in the social enterprise sector is low and the first Social Enterprise Business Confidence Index is negative and stands at -7.8.

Confidence Level	% of all SEs
Much More Confident	6%
Slightly More Confident	17%
As Confident	41%
Slightly Less Confident	29%
Much Less Confident	8%

-7.8

Social Enterprise Business Confidence Index

Key Challenges

Social enterprises in Scotland report a number of main obstacles/barriers that prevents them from growing. These challenges are the same across the board in rural and urban areas, and regardless of age or size.

Most frequently mentioned barriers are the lack of time and capacity, declining grant funding support and increasing cost.

Obstacle/barrier	% of all SEs
Lack of time/capacity to develop trading potential	54%
Insecure or declining grant funding	51%
Increasing costs	51%
Difficult market/trading conditions	27%
Cash flow difficulties	22%
Public awareness or preconceptions of social enterprise	21%
Skills gaps or shortages	20%
Difficulties securing public contracts/service level agreements	20%
Competition within the market	20%
Difficulty accessing finance	20%
Recruitment and retention difficulties	17%
Difficulty complying with regulations or legislation	14%
Inadequate business support	13%

Source: Social Enterprise Census Survey, 2017

Key Challenges

A further analysis of the comments on obstacles and barriers revealed a number of other issues:

- Lack of volunteers, both for operational tasks and governance of the organisation. It is especially difficult to attract young people as volunteers.
- Rurality presents additional barriers, in particular small and declining size of population and the lack of and high cost of public transport.
- Bureaucracy and increasingly more demanding rules, regulations and processes are a burden for small social enterprises. Frequently mentioned were procurement rules and processes, staff and volunteer qualifications required and environmental regulations.
- Difficulty to make capital investment, in particular premises and land.

Support Needs

Social enterprises in Scotland have identified a range of support needs.

Most frequently mentioned were support with measuring social impact, researching new opportunities, collaboration, workforce development and marketing.

Support Need	% of all SEs
Measuring social impact	44%
Researching new opportunities	40%
Collaborating with others to succeed	39%
Developing your workforce	39%
Developing your marketing strategy	39%
Developing new products or services	35%
Improving your business practices	33%
Developing digital capabilities	33%
Attracting new and young talent	33%
Preparing a business plan for growth	32%
Planning for business change and succession	30%
Developing leadership capabilities	28%
Tendering for public sector contracts	23%
Learning new business skills	22%
Finding property solutions	19%
Finding a business mentor	19%
Improving environmental sustainability	14%
Managing your intellectual property	12%
Starting up a new business venture	10%
Attracting repayable/loan finance	8%
Recovering from business difficulties	8%
Doing business in international markets	6%

Source: Social Enterprise Census Survey, 2017

Support Needs: Regional Differences

Not all social enterprises across the country have the same support needs; there is some variance across the six regions of Scotland.

	Top 10 Support Needs Aberdeen	% of all SEs
1.	Researching new opportunities (2)	50%
2.	Developing your marketing strategy (5)	46%
3.	Planning for business change and succession (-)	46%
4.	Developing your workforce (4)	44%
5.	Developing new products or services (6)	44%
6.	Measuring social impact (1)	43%
7.	Collaborating with others to succeed (3)	41%
8.	Developing digital capabilities (8)	39%
9.	Developing leadership capabilities (-)	37%
10.	Attracting new and young talent (9)	33%

The region of Aberdeen has slightly different support needs than the rest of Scotland. Measuring social impact, the most frequently reported support need overall, is less prevalent here, while there appears to be an issue with succession planning.

	Top 10 Support Needs East of Scotland	% of all SEs
1.	Measuring social impact (1)	47%
2.	Developing your workforce (5)	42%
3.	Collaborating with others to succeed (4)	41%
4.	Researching new opportunities (2)	39%
5.	Developing your marketing strategy (3)	37%
6.	Improving your business practices (7)	36%
7.	Developing new products or services (6)	34%
8.	Preparing a business plan for growth (10)	34%
9.	Developing digital capabilities (8)	34%
10.	Planning for business change and succession (-)	29%

In the East of Scotland, the region including the City of Edinburgh, the development of the workforce is slightly more pressing than the national average.

Source: Social Enterprise Census Survey, 2017.
In brackets the overall rank of the Support Need

Support Needs: Regional Differences

	Top 10 Support Needs Highland	% of all SEs
1.	Measuring social impact (1)	44%
2.	Attracting new and young talent (9)	40%
3.	Researching new opportunities (2)	40%
4.	Developing your workforce (5)	38%
5.	Collaborating with others to succeed (4)	36%
6.	Developing your marketing strategy (3)	36%
7.	Developing new products or services (6)	35%
8.	Improving your business practices (7)	33%
9.	Preparing a business plan for growth (10)	33%
10.	Developing digital capabilities (8)	31%

In the Highland Region attracting talent, in particular young people to the social enterprise sector is an issue.

	Top 10 Support Needs South of Scotland	% of all SEs
1.	Developing your marketing strategy (3)	43%
2.	Researching new opportunities (2)	41%
3.	Collaborating with others to succeed (4)	41%
4.	Attracting new and young talent (9)	39%
5.	Developing digital capabilities (8)	38%
6.	Measuring social impact (1)	36%
7.	Developing your workforce (5)	36%
8.	Developing new products or services (6)	33%
9.	Preparing a business plan for growth (10)	29%
10.	Improving your business practices (7)	20%

In the South of Scotland, social impact is a lesser issue, while attracting talent and developing digital capabilities are more pressing.

Source: Social Enterprise Census Survey, 2017.
In brackets the overall rank of the Support Need

Support Needs: Regional Differences

	Top 10 Support Needs Tayside	% of all SEs		Top 10 Support Needs West of Scotland	% of all SEs
1.	Researching new opportunities (2)	52%	1.	Measuring social impact (1)	43%
2.	Measuring social impact (1)	46%	2.	Developing your marketing strategy (3)	41%
3.	Developing your marketing strategy (5)	37%	3.	Collaborating with others to succeed (4)	40%
4.	Collaborating with others to succeed (4)	37%	4.	Developing your workforce (5)	38%
5.	Developing your workforce (3)	37%	5.	Researching new opportunities (2)	37%
6.	Tendering for public sector contracts (-)	37%	6.	Developing new products or services (6)	37%
7.	Improving your business practices (7)	35%	7.	Improving your business practices (7)	34%
8.	Developing digital capabilities (8)	33%	8.	Planning for business change and succession (-)	34%
9.	Attracting new and young talent (9)	30%	9.	Preparing a business plan for growth (10)	32%
10.	Preparing a business plan for growth (10)	30%	10.	Tendering for public sector contracts (10)	32%

Tendering for public contracts appears to be an issue in the Tayside region, including the City of Dundee.

The West of Scotland, including Scotland's largest city Glasgow, broadly follows the national pattern.

Source: Social Enterprise Census Survey, 2017.
In brackets the overall rank of the Support Need

Support Needs: Urban vs Rural*

Social enterprises in urban areas have slightly different priorities from those in rural areas .

	Top 10 Support Needs Urban Scotland	% of all SEs
1.	Attracting new and young talent (9)	41%
2.	Researching new opportunities (2)	39%
3.	Measuring social impact (1)	38%
4.	Developing your workforce (5)	36%
5.	Developing your marketing strategy (3)	36%
6.	Collaborating with others to succeed (4)	34%
7.	Developing new products or services (6)	34%
8.	Preparing a business plan for growth (10)	33%
9.	Developing digital capabilities (8)	32%
10.	Improving your business practices (7)	30%

Attracting new and young talent is the most frequently reported support need for urban social enterprises.

* Urban: Settlements of 3,000 or more people.
Rural: Areas with a population of less than 3,000 people.

	Top 10 Support Needs Rural Scotland	% of all SEs
1.	Measuring social impact (1)	46%
2.	Collaborating with others to succeed (3)	42%
3.	Developing your workforce (4)	41%
4.	Developing your marketing strategy (5)	41%
5.	Researching new opportunities (2)	40%
6.	Developing new products or services (6)	35%
7.	Improving your business practices(7)	34%
8.	Developing digital capabilities (8)	33%
9.	Preparing a business plan for growth (9)	32%
10.	Planning for business change and succession (10)	32%

The support needs in rural Scotland broadly follow the national pattern.

Source: Social Enterprise Census Survey, 2017.
In brackets the overall rank of the Support Need

Support Needs: Maturity

The age of the organisation, the length of time that it has been in business, has little effect on their support needs. Perhaps a little surprising, business planning to facilitate growth, is more important for starting social enterprises than it is for more established ones, while researching new opportunities is less frequently required.

	Top 10 Support Needs 0-4 yrs.	% of all SEs
1.	Measuring social impact (1)	50%
2.	Collaborating with others to succeed (4)	48%
3.	Developing your marketing strategy (3)	46%
4.	Preparing a business plan for growth (10)	41%
5.	Improving your business practices (7)	39%
6.	Researching new opportunities (2)	39%
7.	Developing your workforce (5)	39%
8.	Developing new products or services (6)	38%
9.	Tendering for public sector contracts (-)	33%
10.	Attracting new and young talent (9)	31%

Source: Social Enterprise Census Survey, 2017.
In brackets the overall rank of the Support Need

Support Needs: Maturity

	Top 10 Support Needs 5-10 yrs.	% of all SEs
1.	Measuring social impact (1)	46%
2.	Researching new opportunities (2)	45%
3.	Developing your workforce (5)	41%
4.	Developing your marketing strategy (3)	39%
5.	Collaborating with others to succeed (4)	38%
6.	Improving your business practices (7)	36%
7.	Developing new products or services (6)	36%
8.	Planning for business change and succession (10)	34%
9.	Attracting new and young talent (9)	33%
10.	Developing digital capabilities (8)	32%

	Top 10 Support Needs 10+ yrs	% of all SEs
1.	Measuring social impact (1)	41%
2.	Researching new opportunities (2)	39%
3.	Developing your workforce (5)	39%
4.	Collaborating with others to succeed (4)	37%
5.	Developing your marketing strategy (3)	37%
6.	Developing digital capabilities (8)	35%
7.	Developing new products or services (6)	34%
8.	Attracting new and young talent (9)	33%
9.	Preparing a business plan for growth (10)	30%
10.	Improving your business practices (7)	30%

Source: Social Enterprise Census Survey, 2017.
In brackets the overall rank of the Support Need

Support Needs: Perceptions of the Sector

The 22 areas of potential support that social enterprises might usefully benefit from explored in the Scottish Social Enterprise Census for 2017 can be further grouped into four broad themes:

- 1. Developing the organisation** - comprising those forms of support that sustain organisational and workforce development. These include starting new ventures, marketing strategy development, preparing business plans, and improving skills, practices and capabilities.
- 2. Developing financial opportunities** - comprising those forms of support that enable organisations to access finance and/or improve their financial position by tendering for public sector contracts, stimulate collaborative working, attracting loans and starting-up new business ventures.
- 3. Measuring impact** - includes both measuring social impact and improving environmental sustainability which, for the purpose of this report, is considered as an activity that can have a measurable social impact.
- 4. Providing solutions** - reflects those forms of specific support such as attracting new talents, managing intellectual property, finding a business mentor, finding property solutions, recovering from business difficulties and developing international markets.

Organisation development	Researching New Opportunities
	Developing Your Workforce
	Developing Your Marketing Strategy
	Developing New Products or Services
	Improving Your Business Practices
	Developing Digital Capabilities
	Preparing a Business Plan for Growth
	Planning for Business Change and Succession
	Developing Leadership Capabilities
	Learning New Business Skills
Developing financial opportunities	Starting up a New Business Venture
	Collaborating With Others to Succeed
	Tendering for Public Sector Contracts
Measuring impact	Attracting Repayable/Loan Finance
	Measuring Social Impact
Providing solutions	Improving Environmental Sustainability
	Attracting New and Young Talent
	Finding Property Solutions
	Finding a Business Mentor
	Managing Your Intellectual Property
	Recovering from Business Difficulties
	Doing Business in International Markets

Support Needs: Organisational Development

The consultation carried out with social enterprise leaders, business advisers and social enterprise network coordinators has indicated that a range of national and local providers across Scotland offer comprehensive support targeting organisational development based on the need of social enterprises. This provision has been recognised as inclusive of all the forms outlined by the Census.

For example, the national programme Just Enterprise is designed to support Social Enterprises at different stage of their development. It is financed by the Scottish Government and delivered through a consortium formed from Scotland's key social enterprise support agencies.

At start-up level social enterprises are generally referred to, or approach ,Firstport which is the main provider for early stage (three years) start-up support. The team has two specialist advisers working in the east and the west of the country. Firstport also awards grants through the Social Entrepreneurs Fund, and two place-based programmes (Argyll and Bute and South Ayrshire). These programmes focus on targeted activity identified through discussions with local people and local stakeholders.

Each local authority in Scotland has also a Business Gateway service, which is publicly funded to provide access to free business support services to people starting or growing their business. Business Gateway is delivered by local authorities and works in partnership with other organisations such as Scottish Enterprise and Highlands and Islands Enterprise to help deliver support to Scottish businesses.

The range of support offered includes online information and guides, local workshops and events, and dedicated business advisers. Business Gateway provision tends not to distinguish between social enterprise and other business, however in some locations that differentiation is acknowledged and different structures are in place.

For example, in Fife the local authority has a service level agreement with a social enterprise that provides business support to other local social enterprises. While in North Ayrshire the local authority has recently employed a social enterprise network manager and a development officer to provide support to local organisations and grow the sector, therefore implementing their local Social Enterprise Strategy.

Support Needs: Organisational Development

All the interviewees felt there was no real issue concerning the availability of support relating to developing organisations and their opportunities; however a number of gaps were identified.

Firstly, that there might be an issue with 'navigating the system of support' and therefore for social enterprises to identify the appropriate provider. While general business support appears easily accessible by social enterprise leaders, specialised quality provision has been noted as more challenging, particularly those organisations with fewer contacts and resources or new to this community.

Secondly, gaps in early support were identified by many, whether in terms of stimulating communities in becoming more engaged in finding local solutions to the issues affecting their areas or in terms of supporting third sector organisations/charities becoming social enterprises. The latter in particular has been identified not only as an issue of support but also a lack of opportunities to discuss the pros and cons for a charity becoming a social enterprise.

Thirdly, while it is appreciated that there is a wealth of free, at point of access, business support in the forms of online information and guides, local workshops, events, and dedicated business advisers, the need for more bespoke support has been identified by many interviewees - both advisers and social enterprise leaders.

Generally, it is recognised that scarce resources mean fewer advisers (often employed on a part-time basis) with less time (generally budgeted for three sessions per organisation). However, more time/resources for one-to-one, specific support would enable both advisers to develop the organisation and social enterprises in improving their performance.

Support Needs: Developing Financial Opportunities

The consultation with providers of business support and beneficiaries indicated that current provision covers all the forms identified in this category.

SENSCOT (Social Entrepreneurs Network for Scotland) employs a Partnership and Procurement team working with social enterprises to get them tender-ready for public sector contracts, or tender ready in terms of working in collaboration.

Social Investment Scotland (SIS) was acknowledged as a source of funding that enables organisations to access specialist business advice. In some areas SIS also delivers thematic workshops to prepare organisations becoming 'investment ready'.

There are however two areas of improvement identified.

Firstly, while tendering for public sector contracts has attracted a lot of attention and consequently training and support provision, specific support aiming at reviewing and writing funding applications (e.g. any competitive bids or grants) was identified as an area of need by most social enterprises interviewed.

Secondly, lack of resources has been mentioned both in relation to providing business support adequately to the need but also in accessing specialist support from the social enterprise perspective.

More established organisations interviewed as part of this study have indicated the need for more a tailored support that generally comes from private consultants who charge for their services. The funds required to access this private support are not easily obtainable and often, in the competitive market in which organisations operate, it is hard to gain small loans whether from social or commercial investors.

Additionally, some interviewees felt that access to higher level mainstream business support was limited by the stringent criteria (e.g. high turnover) adopted by some agencies, which impacted in their ability to grow and expand.

Support Needs: Impact improvement & Measurement

The ongoing policy interest and drive to measure the Social Return on Investment (SROI) and Social Accounting has stimulated a lot of interest for social enterprises to demonstrate their contribution to society and/or quantify the outcomes of social investment.

Although in the Census measuring social impact was perceived as one of the most needed areas of support for social enterprises, the additional qualitative consultation (*carried out as part of the RaiSE project*) indicated there is support to measure social impact. Aside of the specific networks of SROI and Social Accounting, Evaluation Support Scotland has been mentioned as an agency supporting social impact measurement. Additionally, Social Enterprise Academy is also involved in delivering workshops in various localities on measuring social impact.

However, none of this support is available for free.

Some argue that this is not a priority for many social enterprise leaders, but rather driven by funders and government. Interestingly, the responses to the 2017 Census survey indicate otherwise.

Support Needs: Providing Solutions

In discussing the availability and quality of support in these areas, the interviewees participating in this project noted that partners involved in the Just Enterprise consortium are all offering different specialisms, providing social enterprises with support in areas such as business recovery, finding property solutions, managing intellectual property and internationalising markets.

Business Gateway advisers working one-to-one with the individual clients also cover all the areas highlighted in this category or referring the client to other organisations like Scottish Enterprise for specific issues such as that of intellectual property.

Additionally, in many localities Chambers of Commerce and Impact Hubs meet organisations' needs of finding business mentors.

In many local authorities, social enterprise and employability initiatives are linked to stimulate interest among young people in employment in the third sector. In some local authorities the job creation team supports social enterprises wishing to recruit young talent by advertising positions and undertaking the whole recruitment selection process on their behalf.

Consequently, the consultation carried out with social enterprise leaders and support providers has revealed there is a wealth of support targeting the provision of workable solutions to social enterprises. However, two areas of improvement have been noted.

Firstly, there is a need to expand the support for Board members becoming more entrepreneurial. It has been noted that smaller, community based organisations could need more support to improve Board leadership.

Support Needs: Providing Solutions

Secondly, the need for more peer support and networking has been identified. This type of hands-on peer mentoring would also provide the most appropriate platform to discuss issues relating to the shift from a charity to a social enterprise, personal commitments required by setting a business, as well as the practicalities of dealing with VAT, Human Resources (HR), managing grant applications, and all those basic information that are best suited to an informal, mentor/mentee relationship. Peer mentoring programmes, case studies, social enterprise feedbacks about business support providers could then be used to develop a community of practices.

4. Ecosystem of business support tools and instruments

Support Structure for Social Enterprise

There is a wide range of support available for social enterprises in Scotland, ranging from general business development support to specialist provision, support available for the whole business community to for social enterprises only, delivered by national organisations or at a local level.

Describing all support mechanisms potentially available to social enterprises goes beyond the scope of this research.

The main support structure described here is not totally definitive, but:

- is publicly funded;
- is free, or almost free, at the point of access;
- focuses on advice and support, not providing grant funding;
- excludes membership, networking and lobbying organisations that do not provide specific support;
- excludes organisations that provide information only, including online portals and hubs;
- is predominantly aimed at helping organisations to start and develop their business, not at achieving their social aims; and
- delivers on a national scale, including support services delivered by local organisations consistently throughout the country (e.g. services delivered in each Local Authority area).

For the purpose of this report we have mapped three different categories of support:

1. General business support: publicly funded support accessible for all businesses, delivered by public agencies. Social enterprises can tap into this support.
2. General business support available to social enterprises only.
3. Sector specific support.

General Support Available to all Businesses

<p>Business Gateway</p>	<p>The official mainstream business support provider of professional resources, business advice and training workshops.</p>	<p>Services:</p> <ul style="list-style-type: none"> • Online guides and case studies. • Training courses, workshops and events. • Advice to suit specific business needs through a network of experienced business advisers. • Dedicated team providing information and support on all aspects of starting and growing a business. • Help to access finance, including local authority grants and loans. • One-to-one adviser support. <p>Tools:</p> <ul style="list-style-type: none"> • Digital Health Check. 	<p>https://www.bgateway.com</p>
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General Support Available to all Businesses

<p>Scottish Enterprise</p>	<p>The main economic development agency and a non-departmental public body of the Scottish Government.</p> <p>Working with partners in the public and private sectors to identify and exploit the best opportunities to deliver a significant, lasting effect on the Scottish economy.</p>	<p>Services:</p> <ul style="list-style-type: none"> • Programme of free training and events. • Advice on exporting, innovation, organisation and leadership development and manufacturing. • Account managed service for high growth businesses. • Scottish Manufacturing Advisory Service: hands-on experts specialising in process improvement, lean manufacturing, innovation and allied disciplines. • Co-operative Development Scotland is part of Scottish Enterprise. <p>Tools:</p> <ul style="list-style-type: none"> • Knowledge Hub , online library of business intelligence. 	<p>https://www.scottish-enterprise.com/</p>
<p>Highland and Islands Enterprise (HIE)</p>	<p>The main economic development agency for Highlands Scotland combining a remit for integrating economic and community development. Delivering a full range of business support.</p>	<p>Services:</p> <ul style="list-style-type: none"> • Programme of free training and events. • One-to-one business development advice. • Co-Innovate Programme: supports innovation for small enterprises. • Broadband for Business. • Export Advisory Service. 	<p>http://www.hie.co.uk/</p>

General Support Available to all Businesses

<p>Skills Development Scotland (SDS)</p>	<p>The national skills body supporting the people and businesses of Scotland to develop and apply their skills, providing training and support.</p>	<p>Services:</p> <ul style="list-style-type: none"> • Financial assistance in training and developing the workforce. • Modern apprenticeships. <p>Tools:</p> <ul style="list-style-type: none"> • Our Skillsforce: free online advice, skills planning, HR support and funding. • Skills for Growth: a free skills diagnostic service and consultancy support to produce people and training plans • Marketplace: an online tool that connects schools and colleges with businesses. • Partnership Action for Continuing Employment (PACE): support to minimise the risk of redundancy before it happens. 	<p>http://www.skillsdevelopmentscotland.co.uk/</p>
<p>Scottish Development International (SDI)</p>	<p>The international arm of Scotland’s enterprise agencies.</p>	<ul style="list-style-type: none"> • Long-term support on trading internationally a dedicated account management approach. 	<p>https://www.sdi.co.uk/</p>

General Support Available to all Businesses

<p>Local Authority Economic Development teams</p>	<p>Each Local Authority has an economic development team supporting local businesses.</p>	<p>The support available varies, but usually includes: town centre and place regeneration; area marketing and promotion; inward investment and trade promotion; business support; business property and infrastructure development; skills and inclusion; employability support; sector initiatives; and strategy development and economic intelligence.</p>	<p>various</p>
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General Support Available to Social Enterprises Only

Just Enterprise	A consortium of Scotland's key social enterprise support agencies, providing expert Start Up, Business Support, Business Recovery, Procurement, Leadership and Learning Services to third sector organisations across the length and breadth of the country.	https://www.justenterprise.org/
Social Enterprise Networks (SENs)	Geographical and National thematic networks of peer support and joint working. Thematic networks are in Food, Culture, Employability, Health and Sport.	http://www.se-networks.net/index.php
Third Sector Interfaces	Each local authority has a TSI a single point of access for support and advice for the third sector within the local area.	various
HISEZ, Highlands And Islands Social Enterprise Zone	The support and development agency for social enterprises in the Highlands and Islands.	http://www.hisez.co.uk/
Scottish Council for Voluntary Organisations (SCVO)	Membership organisation for Scotland's charities, voluntary organisations and social enterprise delivering training and support.	http://www.scvo.org.uk/
CEIS	The UK's largest and most experienced social enterprise support agency. Established in 1984, CEIS has developed a series of training, support and investment programmes.	http://www.ceis.org.uk/
Social Firms Scotland	The national support body for Social Firms, a specific type of Social Enterprise where the social mission is to create employment, and meaningful work for people who face significant barriers to employment.	http://www.socialfirms.org.uk/

General Support Available to Social Enterprises Only

Senscot	Support and network organisation for grassroots social enterprise, including Partnership and, a programme of practical support to social enterprise in identifying and responding effectively to emerging tender and other business opportunities.	http://www.senscot.net/
Community Enterprise	Community Enterprise re-invests its profits from social enterprise consultancy work to fund free capacity building to support early growth and planning, and on-going mentoring. As well as this it delivers national, thematic and regional support contracts which social enterprises can tap into.	http://communityenterprise.co.uk/get-support/
Social Enterprise Academy (SEA)	Learning and development programmes focused on building sustainable enterprises and achieve greater social impact.	http://www.socialenterprise.academy/scot/
School for Social Entrepreneurs Scotland (SSE)	An independent national school that provides training in the form of specialised workshops and ongoing opportunities to enable individuals to use their entrepreneurial and creative skills to develop social businesses, social enterprises and charities that benefit the communities in which they live.	https://www.the-sse.org/schools/scotland/
Firstport	Supports for new social enterprises and entrepreneurs during start up with issues such as choosing a legal structure, developing and strengthening a business model, writing a business plan and cash flow projections.	http://www.firstport.org.uk/
Evaluation Support Scotland	Resources, workshops, training and one-to-one advice on impact measurement.	http://www.evaluationsupportscotland.org.uk/

General Support Available to Social Enterprises Only

Unltd	Support for social entrepreneurs at every stage of their journey with advice and resources.	https://unltd.org.uk/
Scottish Community Development Centre	Training and consultancy support to organisations and individuals in all aspects of community development.	http://www.scdc.org.uk/
Development Trust Association Scotland (DTAS)	The national body for development trusts in Scotland, supporting them to unlock the potential within their community. Including Community Ownership Support Service, a guidance and support programme for communities planning to take on assets.	http://www.dtascot.org.uk
Pilot light	Mentoring service matching directors from charities and social enterprises with teams of senior business people and facilitate a yearlong engagement to plan for sustainability, development and growth.	http://www.pilotlight.org.uk/pilotlight
Social Investment Scotland (SIS)	Providing loans and support to develop and grow social enterprises.	http://www.socialinvestmentscotland.com/
Community Catalysts	Helps wellbeing, health and care enterprises negotiate the many regulatory, legislative and bureaucratic barriers they face.	https://www.communitycatalysts.co.uk
Cranfield Trust	Shorter term intervention from corporate volunteers.	http://www.cranfieldtrust.org/
Senscot Legal	Offers a range of affordable, accessible, approachable legal advice services to social enterprises and the wider third sector.	http://se-legal.net/

Sector Specific Support

Council for Ethnic Minority Voluntary Organisations (CEMVO)	Support to the Ethnic minority third sector including specific social enterprise support.	www.cemvoscotland.org.uk
Community Resources Network Scotland (CRNS)	Support for social enterprises and third sector organisations in pursuit of Zero Waste.	www.crns.org.uk
Community Energy Scotland	Practical help on green energy development and energy conservation.	http://www.communityenergyscotland.org.uk/
Community Land Scotland	Networking, lobbying and support to community groups who own and manage land.	http://www.communitylandscotland.org.uk/
Community Transport Association	Providing advice, information, training and hands-on support for community transport organisations that helps operators work to high standards of practice. Training programme for community transport providers.	http://www.ctauk.org/
Community Woodlands Association	Providing advice, assistance and information, facilitating networking and training for community woodlands organisations.	http://www.communitywoods.org/

Sector Specific Support

Federation of City Farms and Gardens	Specific support for community growing organisations through expert development workers who deliver advice, training and encouragement.	https://www.farmgarden.org.uk/
Scottish League of Credit Unions	On-site & group training sessions, bespoke solutions, advice on legislative, regulatory, compliance and financial issues and considerations, and facilitating networking for credit unions.	http://www.scottishcu.org/
Association of British Credit Unions Limited (ABCUL)	Provides a full range of information, training and development services to credit unions.	http://www.abcul.org/home
Voluntary Arts Scotland	Promotes participation in creative cultural activities across the UK and Republic of Ireland, providing support and advice.	https://www.voluntaryarts.org/
Co-operative Development Scotland	Part of Scottish Enterprise. Network and support for company growth in Scotland through co-ownership and collaborative business models.	https://www.scottish-enterprise.com/services/develop-your-organisation/co-operative-development-scotland/overview

Support Used by Social Enterprises in Scotland

The 2017 Social Enterprise Census asked what business support they have used over the last 12 months. More than one-third of respondents (36%) indicated that they have not received any support.

Those that had received support reported a great variety of support providers. The most frequently mentioned were*:

1.	Just Enterprise	21.2%
2.	Local Authority	18.7%
3.	Business Gateway	16.7%
4.	Third Sector Interface	16.3%
5.	Other (not mentioned in the list above)	15.8%
6.	Highlands and Islands Enterprise (HIE)	13.3%
7.	Professionals (e.g. consultants, lawyers)	7.9%
8.	Firstport	5.9%
	Social Enterprise Academy (SEA)	5.9%
9.	HISEZ	5.4%
10.	Scottish Enterprise	4.9%
11.	Social Enterprise Networks (SENs)	3.4%
	School for Social Entrepreneurs	3.4%
	Development Trust Association Scotland (DTAS)	3.4%
12.	Chamber of Commerce	3.0%
	Senscot	3.0%
14.	Universities / Colleges	2.5%
15.	Social Firms Scotland	2.0%
	SCVO	2.0%

* Please note that this table only refers to the frequency of mentions and is no indication of the actual use of support (respondents were not given a picklist)

Source: Social Enterprise Census Survey, 2017

5. Gap analysis and policy recommendations

Conclusions

From the research it emerges that the Scottish support landscape for social enterprises is comprehensive, both at national and local levels.

The Scottish Government, Scottish Enterprise and other public agencies recognise the potential of social enterprise to make significant contributions to creating sustainable, inclusive growth. The Scottish Government has published a ten-year strategy to support social enterprise, accompanied by a funded three-year Action Plan. The role of social enterprise is also acknowledged in other policy and strategy documents.

The consultation carried out with social enterprise leaders, business advisers and social enterprise networks coordinators has confirmed this picture.

Despite the challenging economic climate and political uncertainties, the social enterprise sector in Scotland is growing and due to the Social Enterprise Census in 2015 and 2107, there is a comprehensive picture of its scale, scope and characteristics.

Despite a well developed support infrastructure, ranging from general support for businesses, general support for social enterprises to a range of sector/subject specific support, there are still a number of common support needs identified.

The consultation with providers and beneficiaries has highlighted some issues in the relationship between supply and demand.

Social enterprises in need of support do not always find it straightforward to navigate the support available. The awareness of the variety and spread of support available might be a challenge for some social enterprises

The consultation with providers and beneficiaries has highlighted some issues in consistency of provision across Scotland. Particularly in rural areas people are disconnected from networks, and there are challenges for providers to deliver support in rural areas.

Conclusions

The pipeline of business support provision targets all facets of business support needs from the start-up to the more advanced stages of organisational development. However, more could be done to improve the pre start-up support, particularly as communities are increasingly asked to provide entrepreneurial solutions to their own problems.

At start-up level, bespoke support resonates with the need for more mentoring, hand holding and peer support, both on the basic business skills and entrepreneurial spirit.

More established social enterprises sometimes do require specialist business support, charged at professional/consultancy rates, to grow and expand, which is not affordable to many social enterprises.

All areas of support needs identified by the 2017 Social Enterprise Census and discussed in this report are addressed by the Scottish Government's ten-year Social Enterprise Strategy 2016-26, and will be addressed through Scotland's accompanying three-year action plans.

Most of the identified support needs will be linked to a Key Action in the Action Plan. Support Needs not addressed in the Action Plan are specialist requirements that could be addressed by the general business support provision (digital capabilities, property, business mentoring and intellectual property). There will be ongoing evaluation and alignment of proposed actions with the existing provision ecosystem.

This study was undertaken by Social Value Lab on behalf of Scottish Enterprise.

Part of the research was sub-contracted to the Yunus Centre of Glasgow Caledonian University.

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Research Methodology

This report provides an account of three main pieces of research:

1. **Additional analysis of the financial and survey data collected for the Social Enterprise in Scotland: Census 2017*.**
2. **Consultation carried out with social enterprise leaders, business support and representative bodies' managers across Scotland undertaken by the Yunus Centre of Glasgow Caledonian University.**
3. **Desk research into the social enterprise support structure in Scotland.**

Research Methodology

ADDITIONAL ANALYSIS OF THE FINANCIAL AND SURVEY DATA

The research for the study was carried out between March and August 2017 and included four main and interrelated elements:

1. Identification of the population of social enterprises currently active in Scotland. This built on the dataset of social enterprises compiled in 2015, but involved a re-screening of over 15,000 third sector organisations and enterprises previously excluded that did not fully meet the criteria during the previous assessment.
2. A full and objective financial assessment of the population of social enterprises was carried out. The publicly available financial accounts of more than 9,500 organisations were initially reviewed and a fuller assessment carried out in 6,200 cases. In the end, financial data was extracted from various sources and compiled for 4,439 of the 5,600 confirmed social enterprises (79% of all), although full data was not available for each.
3. A large-scale Census survey of potential social enterprises was conducted. This was carried out to verify and extend upon the data already gathered. Administered largely online this obtained 1,650 responses, which after purging for duplicate and ineligible responses left unique responses from 1,351 of the population of 5,600 social enterprises. The achieved sample enables findings that are highly representative for the sector nationally, with data accurate to the 95% confidence level $\pm 2.32\%$.
4. An extensive financial and economic analysis of the available data was conducted. Data from the various sources were combined and cleaned for further analysis. Financial data, where available, were aggregated, analysed and benchmarked using various financial ratios relating to financial performance, strength and sustainability. Income, employment and GVA (Gross Value Added) estimates were also produced.

Research Methodology

CONSULTATION CARRIED OUT WITH SOCIAL ENTERPRISE LEADERS, BUSINESS SUPPORT AND REPRESENTATIVE BODIES' MANAGERS ACROSS SCOTLAND.

The Yunus Centre for Social Business and Health at Glasgow Caledonian University undertook research into the social enterprise support system in Scotland with the aim to provide further qualitative understanding to the findings of the Scottish Social Enterprise Census for 2017 specifically for what concerns the awareness and experience of business support available to social enterprises in Scotland.

The focus of the consultation was around awareness and perceptions of business support arrangements reflecting those listed in the Scottish Social Enterprise Census for 2017. It included the exploration of issues of geographic access, responsiveness, consistency and quality of the support provided. The aim is to explore the potential gap between needs and supply, together with suggested improvements.

In total, the Yunus Centre involved 39 stakeholders consisting of interviews with 11 business advisers, five Third Sector Interface (TSI) coordinators/staff, six social enterprise network (SEN) coordinators and one Economic Development Local Authority Officer (Social Enterprise).

One focus group with social enterprise leaders in Glasgow (3 participants) was conducted and interviews with 13 social enterprise leaders across Scotland were conducted.

The data were imported into the computer-assisted qualitative data analysis software QSR NVivo for two cycles of analysis. A thematic coding driven by the domains of inquiry was used for the first cycle, to identify awareness of business support, perceptions and how there might be improvement in current provision. During the second cycle of analysis, a pattern coding was employed to group similar concepts concerning the area of business support (developing the organisation, developing financial opportunities, impact measurement and providing solutions).