

Building a New Economy

**Scotland's Vision for
Social Enterprise 2025**

January 2015

A Paper from CEIS, Community Enterprise, Firstport, HISEZ, InspirAlba, Senscot, Social Enterprise Academy, Social Enterprise Scotland, and Social Firms Scotland.

We are pleased to present our vision of a larger, more vibrant, and more diverse social enterprise movement in Scotland.

When describing 'social enterprises' we refer to businesses that trade for the common good rather than the unlimited private gain of a few. They address social needs, strengthen communities, improve people's life chances, enhance culture or protect the environment. Our focus is on forms of economic activity that are distinct from the work of community groups and voluntary organisations, but which share much of the same DNA.

We have prepared this document to build consensus within our social enterprise community about its future. We also intend to use its content to ensure that government policies, legislation, infrastructure and investment are effective, joined up and consistent with stated aspirations.

In preparing the document we have consulted directly with more than 400 people within the social enterprise community and listened to their ideas.

We want this to be the start of a wide-ranging and inclusive national dialogue on the role of social enterprise in a changing Scotland. We now welcome your views.

Index

Introduction 1

Vision 2025 4

Building a Movement 6

Co-operation

Representation

Evidence and Awareness

Building Capability 10

Social Finance

Business Support

Leadership Development

Building Markets 15

Consumer Markets

Public Service Markets

Business Markets

Building on Potential 21

Education

Entrepreneurship

Employability

Assets

Introduction

Scotland has a long history of pioneering new forms of business, including mutuals, co-operatives and social enterprises. These reflect a belief among the people of Scotland in a fairer, more equal society – organised for the benefit of all – where business activity is used as a means to this end and not an end in itself.

Over the last decade social enterprise has enjoyed growing levels of political and economic support. During this time, the Scottish Government has recognised social enterprise as an important partner in our economy, in civic society and public services, and in the creation of a fairer and more inclusive Scotland.

What are Social Enterprises?

While recognising that ‘social enterprise’ has no legal definition in Scotland, it is defined using a Voluntary Code of Practice*. This has developed into an accepted benchmark – a set of values and behaviours by which we recognise each other, and others can recognise us.

‘Social enterprises’ are **businesses that trade for the common good rather than the unlimited private gain of a few. They address social needs, strengthen communities, improve people’s life chances, enhance culture or protect the environment.**

The Voluntary Code of Practice for Social Enterprises describes a community of organisations with the following characteristics:

- **They trade in a marketplace with the primary objective of social or environmental benefit.**
- **Any profits are reinvested back into the business or for the benefit of the people it exists to serve, rather than distributed to shareholders or owners (an asset lock).**
- **On dissolution, any assets are reinvested in another organisation with similar aims and objectives (an asset lock).**
- **They aspire to financial independence through trading, which sets them apart from other charities and voluntary organisations.**
- **They operate outside of the direct influence or control of public authorities.**

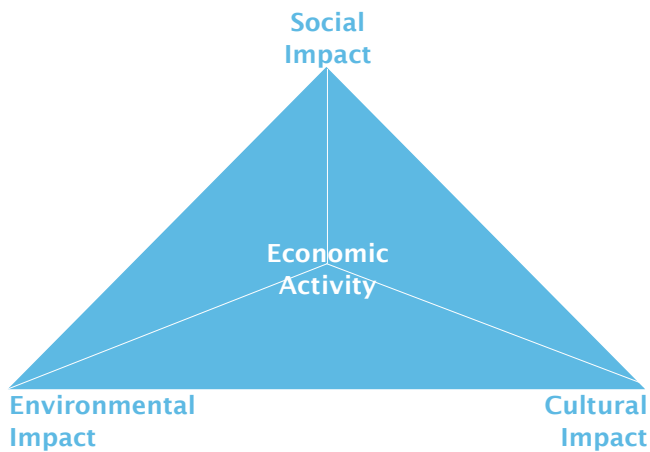
Central to the Scottish understanding of social enterprise is adherence to an asset-locked business structure. This guarantees that social enterprises do not distribute dividends and that assets are protected against future sale.

* For further information go to <http://www.se-code.net/the-code-2/the-criteria/>

Social enterprises are about creating a new kind of economy, one that is inclusive and benefits everyone.

It is becoming increasingly apparent that economic growth and resilience in Scotland will be strengthened by a more balanced economy. This means many more Scottish businesses, doing different things, of varying sizes, and of diverse forms of ownership (private companies, mutuals, co-operatives and social enterprises).

This rebalanced Scottish economy must become seen as part of our society but not the basis of our society. Social enterprise is central to creating this type of new economy, where economic activity is always carried out as a means of achieving social fairness, cultural fulfilment and the protection of the environment.



We believe that we will achieve these improved outcomes for the people of Scotland by doing things where possible on a mutual basis – people working together in an enterprising way for the common good and a more integrated economy where businesses work together for mutual benefit.

Mutuality can only be fully realised by working together locally. The emphasis must be on supporting the local economy, local decision-making, and local services delivered by local providers.

We know that this is best achieved by supporting democratic, community-controlled enterprises that put creating long-term value and real jobs ahead of extracting short-term profit. This rejects the assumption that the profit maximising behaviour of large companies will create wealth that ‘trickles down’ to the many, when in fact we have seen jobs and profits exported and this economic model benefiting only an elite few.

Our ambitions are now becoming reality across Scotland, with social enterprises particularly prevalent in rural communities and already making a major social and economic contribution nationally. Social enterprises own and manage land, harness renewable energy for communities, create employment and provide an increasingly diverse range of essential services.

It is the right time to build on these solid foundations, and to grow the contribution of the social enterprise movement further and faster.

This document offers our vision for building a social enterprise nation over the next decade and sets out a blueprint for achieving this. It calls for early action on a number of fronts:

- **Building a movement** that is more confident, more coherent, and more wide-reaching in Scotland.
- **Building capability** through a combination of investment, business support and leadership development.
- **Building markets** that are open to social enterprises and in which they can thrive.
- **Building on potential** by making the most of assets available to us – human and physical assets.

The following pages go on to set out our priorities and ideas in more detail. In some cases these are intended to offer a helpful sense of direction and in other cases we offer specific proposals to set us on the right path.

Vision 2025

Over the next decade we will see social enterprise at the vanguard of a new wave of ethical and socially responsible business in Scotland. It will make its breakthrough as part of a more diverse and vibrant economy, helping to balance economic growth with the protection of public services, the continuing fight against poverty and the promotion of equality. It will become central to the 'Scottish approach' to doing business.

A movement more confident in itself

A bolder, more confident social enterprise movement will emerge; one that takes its full place in the economy of Scotland. This will be a self-sufficient and resilient movement, one more open to risk. This will owe much to the quality, courage and commitment of social enterprise leaders. This confidence will extend throughout a movement that celebrates its diversity and is willing to work together.

Becoming the norm

Social enterprise will become accepted as a more just, democratic and inclusive way of doing business. It will feature in the curriculum and behaviours of every school, college and university in Scotland and represent an aspirational form of business for young people across the country. It will become a default choice for those starting a business. It will also become a career of choice, offering a workplace where skills are nurtured, work is fairly rewarded and wage differentials are less pronounced.

Becoming visible everywhere

Social enterprises will develop a growing footprint across Scotland, delivering goods and services on a mutual basis in almost all economic sectors. Social enterprise brands and entrepreneurs will become recognised, trusted and valued by the general public. While the aspirations of social enterprises will grow, many will opt to remain small and strongly rooted in their communities. Some, however, will grow fast, enjoy considerable success, and go on to become the standard bearers of the movement.

Touching more lives

Social enterprises will take on a growing range of local services on which people depend (from post offices to person-centred care). They will go on to be valued as a more effective and business-like way of addressing social needs, providing long-term solutions not short-term fixes. They will become known for high quality services that reduce inequality, lift people out of poverty, foster more empowered and resilient communities and improve quality of life. We will gauge the success of social enterprise by the positive impact it creates; part of a wider shift towards measuring national progress through indicators of wellbeing and not simply GDP.

Sitting alongside others

The social enterprise movement will develop as a broad church, with social enterprises bound by a common code and principles; supporting each other, trading with each other and building strategic alliances and ethical business relationships with both public agencies and businesses. As the movement grows it will retain its community orientation, values and integrity.

Scotland as a beacon for social enterprise

Social enterprise will continue to reflect the mood of the nation. It will develop stronger roots in urban communities, building on great success in rural areas. Scotland will go on to reinforce its position as one of the best places in the world to start a social enterprise, with a respected ecosystem of support in place. As the impact of social enterprise becomes more widely known, Scotland's leadership in social enterprise will become a key part of the country's international reputation in business and politics.

Building a Movement

We want to grow a broad, confident and successful movement. One able to make its case, exert influence and find strength from within. To realise the full potential of social enterprise by 2025 we must start by:

- Fostering consensus and **co-operation** that ensures we build a strong and unified community.
- Ensuring appropriate forms of **representation** that enable social enterprises to gain influence in decision-making processes.
- Building **evidence and awareness** that convinces others about the benefits of social enterprise and informs its development.

Co-operation

Over the last decade the social enterprise movement has taken shape, gained a voice, and developed confidence in itself. We are determined that the next decade will see it rising as a coherent movement, working together for the common good.

Building a settled movement

The Voluntary Code of Practice for Social Enterprises has been recognised as the basis for a self-regulating community in Scotland. While the Code should continue to evolve, we remain steadfast in recognising the importance of 'asset locked' structures (maintaining that true social enterprises do not distribute profit to shareholders and will adopt legal forms that guard against future sale for private gain). Reflecting these parameters, we intend to grow the movement while retaining its integrity. To achieve this we must ensure that the Code is invested with sufficient authority (recognised by funders and investors) and that the term 'social enterprise' is used by other organisations such as housing associations that share these characteristics (although may not yet identify themselves as such).

Developing networks

There are now more than 20 Social Enterprise Networks operating across Scotland that connect almost 700 social enterprises. We view these networks as an essential form of peer support, as offering an important collective voice on local and national issues and as providing a means to take forward collective action. We must continue our vision of a growing a self-reliant community of frontline social enterprises across Scotland, connected and energised through this network of Networks. We wish to accelerate and strengthen this grassroots movement, eventually covering all parts of Scotland where relationships are built, reciprocal help flourishes and our voice heard.

Supporting collaboration and exchange

Social enterprises serve their communities most effectively and strengthen the social enterprise movement by working together in solidarity. Driven by Social Enterprise Networks, and making use of new technologies and co-operative structures, we must develop and broker new forms of economic exchange between social enterprises. We want to create an alternative marketplace, where social enterprises can co-operate, pool and share resources, buy and sell from each other and jointly bid for contracts. This should help to unlock resources, provide scale where needed, share down costs, and stimulate innovation, while keeping money circulating within the social enterprise community.

Tapping into wider social movements

Social enterprises have emerged over many years as the business expression of a social campaign or movement – from the original co-operatives and mutuals which emerged alongside the growth of trade unions to movements in the field of childcare, community land, and food. The Scottish Referendum of 2014 has unleashed a new wave of political engagement and fuelled new campaigns concerned with social, economic and environmental justice. These campaigns can provide renewed impetus and energy, and spawn new social enterprises. The social enterprise movement must align itself with and draw support from these.

Representation

As the social enterprise movement has become more visible, it has garnered support from the left and the right of Scottish politics and within national and local structures. We must build on and extend this influence.

Stronger engagement across Government

Social enterprise has amassed substantial political trust, goodwill, and support over recent years and has enjoyed a supportive relationship with the Scottish Government's Third Sector Division. However, the long-term development of the sector will depend on a more balanced partnership across government. We call on the First Minister to initiate a National Conversation to examine the role of social enterprise in Scotland's future. We seek wider and deeper engagement across government, systematically building the contribution of social enterprises into relevant strategy, policy, legislation and targets. This should include a clear role for social enterprise in any refreshed government economic strategy and the reintroduction of a National Indicator (as part of the National Performance Framework) relating to growth of the Social Economy.

Speaking with a strong national voice

National representation and support for social enterprise has developed organically in response to the requirements of our fledgling movement. National representative bodies have played an important role in this. As the movement matures, the social enterprise community will need to clarify how it wishes to represent itself and ensure no wasteful overlap or duplication of effort. Any national representative structure must be best placed to represent the interests of a dynamic grassroots movement with vigour, with confidence and with independence from government.

Representing and supporting social enterprise locally

At present, Third Sector Interfaces (TSIs) hold responsibility for promoting, developing and representing the third sector, including social enterprise, and for maintaining the connection with public bodies through Community Planning Partnerships (CPPs). There is genuine concern across the social enterprise community that this TSI function does not reflect the needs or aspirations of local social enterprises in any consistent or effective manner. We therefore call for social enterprises to have a distinct and direct voice in CPP structures and for Social Enterprise Networks – where they exist – to have a fuller role in local representation and support. The funding allocation for local social enterprise support must also be rebalanced and any associated activity aligned to a formally agreed local Social Enterprise Action Plan which is guided by specific targets that are reported on the Scottish Government and independently verified.

Encouraging participatory democracy

We believe that the full potential of community owned and controlled enterprises can only be fully realised through genuine local democracy. We call for meaningful localism in Scotland, where services are made more accountable to communities, where real power and proper budgets to deal with local issues – local childcare, transport, facilities and so on – are devolved to a new tier of municipal authorities. This real community empowerment will help citizens share in decisions that shape their lives and stimulate enterprising solutions to community needs.

Evidence and Awareness

If the social enterprise movement is to extend its reach and influence we must continue to convince others of its important contribution. Over the coming years it is vital that we are able to tell this story clearly, as individual organisations and on a collective basis.

Producing intelligence

So far social enterprise policy has developed with limited evidence about its scope, scale and contribution. It's now time for solid intelligence rather than hunches or guesswork. Moving forward we need to be able to tell the story of social enterprise in a robust, concise and compelling way. We therefore call for a single, definitive national analysis of the social enterprise movement. This must be followed by ongoing tracking of headline changes at a national level, consistently gathered local intelligence, and targeted research where necessary to shape new agendas. This should result in an annual 'State of the Sector' report, providing a compendium of evidence, analysis and insight that can fuel development. This is essential if we are to make sensible choices about policies to strengthen the movement and ensure accountability for associated public sector investment and support.

Measuring and demonstrating impact

Social enterprises should ultimately be judged on the difference their activities make, not simply their commercial performance. Despite the development of various social impact measurement and reporting methods, social enterprises have generally been slow to embed effective practices. We recognise the need for a diversity of approaches, providing flexibility for organisations to demonstrate their value in both economic and social terms, but with help available to sensibly navigate their choices. Where consistency is required, we call on funders and investors to more carefully describe the outcomes they seek and design frameworks to help measure impact in uniform and proportionate manner. Undoubtedly further investment is required in technical support, frameworks and tools that are tailored to social enterprises, and enable even the smallest of organisations to provide a straightforward and balanced account of their business performance and social impact. Transparent reporting is also crucial to protect the integrity of the social enterprise movement, with agreed arrangements needed to externally verify that organisations have delivered well, made a difference, and lived up to appropriate values and practices.

Raising awareness

We fully understand that the success of our vision depends on widespread public awareness and understanding of social enterprise – using the evidence we have and our stories of change to communicate this vision. We must therefore use traditional and new media effectively at both local and national levels. We recognise that key communications messages must be agreed within our diverse social enterprise community and that we must explain social enterprise in a plain language, equally accessible to all. We will work closely with partners across sectors to realise our communications plan.

Building Capability

We want to grow a successful grassroots movement of social enterprises that put people and the environment before profit, but which can still achieve commercial success. This is a delicate balance that requires the right blend of finance and external support. To realise the full potential of social enterprise by 2025 we must start by:

- Developing a **social finance** market in Scotland that provides the level and type of capital necessary to grow the sector.
- Providing specialist and generic **business support** that work in tandem to encourage and support growth.
- Fostering stronger **leadership** in organisations, developing governance, capability and practice.

Social Finance

Over the next decade the social finance market in Scotland must mature. This requires providers that are of and operate in the interests of the social enterprise community, as well as finance that is designed to nurture organisations with great care and patience.

Continued pump-priming

We welcome the significant grant funding from the Scottish Government to date, and recognise that without a continuing flow of grant or genuine risk capital very few new ideas will develop into viable trading entities. However, we also acknowledge that short-term and serial grants can stifle rather than foster innovation and perpetuate rather than end grant dependence. We cannot rely solely on traditional grant-making models to help the social enterprise movement reach its optimal scale and impact. The Scottish Government should therefore concentrate grants where they are the only, or clearly the most appropriate, option for developing fledgling social enterprises. In practice, direct funding should be: highly targeted (on taking forward new ideas and building investment-readiness); more widely available (a much larger number of smaller-sized seedcorn grants to support trial trading); and linked in all cases to accompanying business support to recipients (both to protect investment and maximise its impact). A sharper distinction must be made between the widespread availability of first-phase seed funding and carefully packaged follow-on support (where repayable finance is explicit and prominent in the funding mix).

Educating the market

The cultural aversion to risk and debt within the social enterprise movement has also meant that the take-up of alternative forms of financing has been slow. While knowledge about social finance is increasing, further work is required to help organisations understand their options and take a longer-term and more informed view on risk. Appropriate information is important, as are practical illustrations of the uses, implications and benefits of social investment. Further objective business and board development support is required to build confidence, encourage a mind-set change and develop the investment-readiness of social enterprises. Appropriate aftercare as well as pre-investment support is critical.

Increasing the flow of capital

We recognise the need for a continued flow of new capital to fuel and support the growth of the social enterprise movement. As part of the transfer of powers to Scotland we call for full devolution of Scotland's share of all current UK-wide funding streams relevant to the development of social enterprise (EU Structural Funds, Millennium Awards Trust, Dormant Bank Account funds, Big Lottery funds and so on). Over time the Scottish Government should consider how relevant forms of tax relief (e.g. Community Investment Tax Relief, Social Investment Tax Relief and Gift Aid) might be modified to meet the needs of Scotland and used to secure ethical investment from local people, companies and pension funds. Consideration should also be given to the introduction of a punitive tax on businesses and industries where corruption or profiteering exist – a form of 'Robin Hood' tax – to develop a fund for subsequent reinvestment in socially and environmentally responsible businesses.

Developing responsive financial products

The Scottish Investment Fund and other pioneering funds have done much to stimulate the market for social investment. However, the supply of traditional forms of debt finance does not, on its own, adequately serve the needs of Scotland's social enterprise movement – issues remain in terms of access to small amounts of risk capital, affordability of the money available, and ability to repay within a suitable timeframe and on conventional terms. We call for further innovation in the financial instruments available to support social enterprises. This includes the tailored use of loans (interest free or low interest), equity-like investments (including royalty on turnover), patient recoverable capital (made available over longer timeframes), and the use of underwriting agreements. These funding models should be consistent with the values of the social enterprise community, and resist the simplistic replication of payment-by-results models that enable profit for external investors. The Scottish Government has an important role to play in encouraging appropriate innovation.

Encouraging diverse and responsive social lenders

We welcome the growing number of new providers of social finance to Scotland. We must encourage a strong and diverse provider market, with an aspiration that the vast majority of future provision will be from social lenders that understand the distinctive needs of social enterprises and share their values. We view the development of a mutualised financial institution, born out of the sector and drawing on its financial strength, as an important long-term development in this respect. We also encourage a stronger role for credit unions in SME and social enterprise lending.

Locally devolved banking

Despite the reforms brought about after the financial crisis, we still have a mainstream banking sector in Scotland that does not meet the needs of local people or enterprises. We call for reforms, including the breaking up of dominant banks, more devolved decision-making to branch managers and local accountability, as well as government influence on small business lending criteria to reflect societal goals and the importance of investment in social enterprise. Further competition must be encouraged in the banking sector and regulatory frameworks introduced that favour credit unions, co-operative and mutualised financial institutions.

Business Support

Scotland currently enjoys one of the most coherent and extensive systems of tailored social enterprise support available anywhere in the world. We recognise, however, that if we want the social enterprise movement to reach its full potential this business support must continue to develop over the next decade.

Providing specialist business support

The introduction of a national programme of business support for social enterprises in Scotland represents a step change in the way that support is planned, co-ordinated and delivered. This specialist provision must be maintained and extended. This must continue to develop to meet demands for support that is increasingly localised and delivered to a guaranteed level of quality. In particular it must reflect the variation evident between social enterprise operating in urban and rural areas.

Making the most of mainstream support

As interest in socially responsible business grows in Scotland, entrepreneurs must be able to make an informed choice about the form their business will take. 'Mainstream' business support must encourage and accommodate this. This means generic business and other professional advisors (accountants, solicitors, etc.) becoming more knowledgeable, skilled and supportive of social enterprise, and social enterprises themselves becoming more demanding of the publicly funded business support and training available. We must learn from and build on the successful contribution of Highlands and Islands Enterprise in supporting social enterprise, ensuring that such a role is also delivered across lowland Scotland. There must also be continuous and measured improvement in the responsiveness of Business Gateway to prospective social entrepreneurs, ensuring that social enterprise is introduced as an explicit alternative business choice. Measures should also be taken by Scottish Development International (SDI) to strengthen support for social enterprises that wish to move into international markets. Economic development agencies, national and local, must be set structural goals to promote diversity of business ownership and held accountable for support offered to social enterprises.

Supporting social enterprise led by single identity groups

Social enterprises led by single-identity groups are now emerging to address inequality, exclusion or unmet need relating to race, gender, disability and other issues. Experience to date suggests that these fledgling social enterprises find it hard to make the breakthrough, and can face a number of common, as well as specific, constraints. This is particularly evident in the case of ethnic minority social enterprises where much progress has now been made. We encourage further consideration of the role of social enterprise from an equalities perspective, ensuring that social enterprise becomes an inclusive and wide-reaching form of business. In this respect additional awareness raising and specialist, early stage capacity building support is necessary.

Leadership Development

We know that the single most important determinant of the success of an organisation is the quality of its leadership. In order to build world class social enterprises, we must ensure strong governance and the continued development of leadership capability and practice.

Encouraging stronger governance

Social enterprises are recognised for the diversity of their boards and for the close connection between governance and membership. Good governance is critical to ensuring the clear overall direction, effectiveness, and accountability of social enterprises (regardless of the legal form they choose to adopt). More wide-ranging and systematic support is required to ensure that governance is fit-for-purpose and capable of supporting the development of social enterprises. We call for a high profile campaign to recruit people from all backgrounds with the requisite strategic, commercial and technical capabilities to the boards of social enterprises. There is also the need to extend governance 'health checks', issue more detailed guidance (e.g. on the role of the company secretary), and ensure adequate support for the personal and collective effectiveness of boards. Support must be available to help board members fully understand their role, feel confident in their contribution, with all of the associated technical competencies in place.

Supporting leadership practice

Scotland's social enterprise movement has given rise to some extraordinary entrepreneurial and leadership talent over many years. This has been assisted by the development of an infrastructure of support that values the ongoing 'practice' and personal development of leaders. Learning providers must be encouraged and supported to extend the transformative experiences they offer to new and existing leaders in the field. At the same time social enterprises must be encouraged to understand the value of investment in their people. A diversity of learning opportunities should be encouraged – traditional training in the technical competencies required to run a social enterprise (in areas such as finance, marketing, selling and tender writing) as well as peer support and exchange, job shadowing and study visits (national and international). Some level of financial subsidy will continue to be required until the market for learning matures, both to ensure access to learning for small organisations and incentivise the release of time for learning.

Building Markets

If Scotland's social enterprise community is to move from the margins to the mainstream, it must strengthen its presence in diverse markets. It must capitalise on the appetite of consumers, public authorities, and businesses to buy ethically and sustainably. To realise the full potential of social enterprise by 2025 we must start by:

- Initiating a revolution in **consumer markets**, establishing a brand that is known and trusted by the general public.
- Making more significant in-roads into **public service markets**, working as a trusted partner to public authorities.
- Playing an active role in **business markets**, and in doing so seek to transform corporate relationships and behaviours.

Consumer Markets

For social enterprise to really take off over the next decade it must be fuelled by consumer demand. Over many years the rapid growth of ethical consumption in some market segments has given rise to environmental and ethical considerations linked to notions of corporate citizenship and social responsibility. The time is ripe for some ambitious thinking to help social enterprise build on these foundations.

Building a recognisable brand

While social enterprises are doing a growing amount of business with consumers, there is significant untapped potential. If the diversity of social enterprise and its offering is a strength in this respect, then complexity is a weakness. We believe that if social enterprise is to capture public imagination then a clear, simple and compelling message must be developed along with a recognisable brand (akin to Fairtrade). This type of kitemark and narrative is essential in helping ethical consumers make informed choices and helping social enterprises in new markets.

Delivering a sustained national campaign

The visibility of social enterprise among the general public has been growing, although at a slow pace. We must significantly raise its profile. There must be a well-resourced, coherent and sustained national advertising campaign that helps ordinary people understand, and buy from, social enterprise. This should include mass public and media awareness raised through local and national action.

Mobilising on the ground

Recent promising local campaigns, festivals and fairs have shown the potential to raise local visibility and drive more consumer business to social enterprises. In parallel with a unifying national campaign we urge local action led by Social Enterprise Networks (SENs) and others. This type of local engagement and campaigning is essential if we are to get people interested in the social enterprise movement and what it has to offer local communities and society.

Using hyperlocal media

Those that know social enterprise see its impact and are convinced by it. However, we need to do much more to connect with people and tell the human stories of those behind social enterprises and the tangible differences they are making. We must equip social enterprise leaders to better tell these important stories, as ambassadors and experts in their fields. In parallel, we must support the rapid growth of digital journalism and citizen media as an increasingly important channel for community information and campaigning.

Supporting consumer-facing enterprises

We have seen a new wave of trail-blazing social enterprises operating in consumer markets. We must raise aspirations, encourage more social enterprises to respond to customer demand and aspire to delivering the highest quality. Where pioneering social enterprises emerge they must get the help they need to overcome barriers to entering new markets and to compete successfully with incumbents. Where social enterprises prove successful in these consumer markets they should be heralded and used to inspire others to follow.

Developing marketing channels

Marketing channels are important if social enterprise goods and services are to be made widely available for use by consumers. We must find ways to develop the marketing capability of individual enterprises, equipping them to undertake market research, understand customer needs, and identify appropriate marketing strategies and channels. We must also develop dedicated marketing channels, making use of pop-up shops, online platforms and other mechanisms that can bridge the gap more easily between social enterprise suppliers and the general public.

Public Service Markets

In a continuing climate of financial austerity we believe that social enterprises have much to offer public services. Over the next decade the social enterprise community must work with the public sector to protect important universal public services and ensure equality, fairness and dignity for all that use them.

Fostering mutual respect

Public sector commissioners and buyers are gradually becoming more switched on to the role and contribution of social enterprises. However, to make further in-roads, middle managers across the public sector must be encouraged to embrace a more radical, collaborative culture. We need to significantly escalate a campaign that builds understanding, mutual respect and trust between public bodies and social enterprises. Opportunities must be created to bring together social enterprise and public sector leaders around shared service challenges, based on a common commitment to public services. Strong senior leadership and direction will be required on the part of the public sector where parity of esteem does not exist.

Co-designing public services

We know that public services in Scotland are in need of urgent and sustained change. The danger here is that social enterprises become viewed simply as a cut-price alternative and that the obsession among social enterprises with winning public contracts grows. Instead we must grasp the debate about the purpose of public services, how they are designed and organised. We call on the Scottish Government to introduce an obligation on public bodies to involve social enterprises (individually or in consortia) as partners in the review, design and testing of public services. This should draw on the learning from Public Social Partnerships and other models of strategic commissioning based on the principles of co-production. This should extend on proposals set out in the Community Empowerment (Scotland) Bill, which would give 'community bodies' the right to request dialogue to improve services.

Reshaping services based on prevention

We know that much of the spending on public services is accounted for by interventions that could have been avoided by prioritising a preventative approach. There must be a more radical shift towards preventative public spending. This should be initiated through a new wave of Change Funds. Such funds should: ensure leadership by social enterprises; support the development of provider consortia; become more widespread in their application; allow for the rapid prototyping, demonstration and replication of successful models; and ensure the sustainability of newly commissioned services through departmental cost savings. An element of financial compensation will be required by public bodies in this respect, to enable the decommissioning or transitioning of services to an improved delivery model.

Procurement focused on social value

Public bodies are now being asked to purchase more sustainably and consider ways that they can maximise economic, social and environmental benefits in public contracts. While we welcome the commitments set out in the Procurement Reform (Scotland) Act 2014, we believe that more robust guidance on implementation is required. The provisions of the Act must also go much further. This should ensure that Community Benefit Clauses are embedded more widely across public contracts

(supplies, works and services) and with enhanced sophistication, sufficient weighting and appropriate penalties. A commitment should also be encouraged from all public sector contractors and sub-contractors to pay a living wage to workers, this linked to the commissioning authority's own policy on this issue.

Keeping it small and local

It is time to challenge the assumption that very large and standardised public service contracts saves money. Public authorities must find ways to make the most of small, local social enterprise suppliers, keeping services local and responsive to needs. This means using legislation and policy, in areas such as social care, to ensure a mixed economy of provision and encouragement for small and micro suppliers. We urge flexibility on the part of public bodies to follow a simplified procurement process that is less demanding on those taking part. Public purchasers should consider the appropriate scale of contracts, including the possibility of breaking the requirement into Lots to ensure diversity of supply. To help make the right choices, purchasers should make best use of Quick Quote procedures in relation to small, below threshold requirements and actively support the development of supplier capacity. When awarding public contracts, the terms and conditions must be proportionate, risk allocated appropriately, and consideration given to the optimum length of contract needed to ensure stability and continuation of service.

Making use of reserved contracts and ring-fenced spending

There are some public services that are so essential to our individual and collective wellbeing that they must be protected from open markets. We call for the Scottish Government to extend on its commitments relating to reserved contracts for supported businesses and enact EU rules which enable public bodies to reserve agreed health, social and cultural service contracts to social enterprises for a time-limited period. This should be accompanied by stretching targets imposed on local authorities whereby an agreed percentage of procurement spend in key service areas should be routed through enterprising charities and social enterprises. These commitments on spending and contracts should be independently monitored to ensure accountability, and best practice encouraged through Best Value Frameworks.

Externalising public services

In many cases public services are now being delivered by new entities, hived off from the public bodies that previously delivered them, but still operating under their control. Increasingly popular among local authorities, these Arms-Length External Organisations (ALEOs) have given rise to much criticism of their dominant, anti-competitive position and damaging effect on smaller, local providers. We call for the separation of ALEOs from parent councils (removing majority control and influence on boards). We must support their transition to operate as independent social enterprises, where possible devolving assets and services to smaller more responsive community enterprises. In partnership with trade unions there must also be a more considered examination of alternative service delivery models that involve workers, service users and local communities – including social enterprises, co-operatives, and mutuals. We encourage the development of uniquely Scottish models that protect public service values, lock in assets, and protect workers' rights.

Business Markets

Trade and relationships between social enterprises and private businesses have so far been modest. We must light the touch paper on a revolution in business markets, transforming the way that business operates and communities benefit.

Representation as part of the business community

As the business community in Scotland is encouraged to take seriously its social responsibilities, social enterprise must move to centre stage. At a national level, representation from the social enterprise community must take its place alongside the main bodies representing business in Scotland. Encouragement and incentive should be provided for social enterprises to take membership and grow influence within local business networks and chambers. At all levels, social enterprises must educate and encourage a shift to responsible ethical business practices, find common cause where interests converge with other small businesses and work to retain more of the value from trade in local communities.

Forming supply chain relationships

Some larger private companies have already done much work on sustainable procurement. This is particularly the case among companies competing for public contracts, where public bodies have used Community Benefit Clauses to encourage sub-contracting from local SMEs and social enterprises. Through a Scottish Business Pledge, we call for further encouragement for large national and multinational companies to engage with and buy more from social enterprises, keeping their supply chains local and with profit remaining in Scotland. There should also be a wide-ranging obligation placed on large businesses to recognise, account for and report on the social value they create alongside the financial value.

Stimulating corporate social innovation

Scotland's most forward-looking companies recognise that their competitiveness, and the health of the communities around them, are mutually dependent. Engaging business as business (deploying its expertise, capacity and resources) – not simply as a donor – can be a powerful way of tackling social challenges. The potential for a small number of demonstration projects of this 'partnership with purpose' should be explored and developed. These creative, problem-solving Public-Social-Business Partnerships should be developed only where values and interests are well aligned.

Acquiring and transforming private businesses

We must continue to encourage diversity of business ownership to accelerate the move from a monolithic corporate economy. A number of privately owned Scottish companies have already been acquired and transformed into successful social and co-operative businesses. At the point where business succession becomes a consideration, where companies are restructuring (management buy-out, acquisition) or go into administration, we call for a programme to support the transformation of ethical and family businesses to social enterprises. Where possible we must keep ownership, profits and assets local and for community benefit.

Building on Potential

If social enterprise is to flourish over the long-term it will need to make the most of the collective talents, creativity and assets available. To realise the full potential of social enterprise by 2025 we must start by:

- Working with and through our **education** system to inspire a new generation of young people committed to social enterprise.
- Stimulating, incentivising and supporting **entrepreneurship** that is for the wider good of Scottish society.
- Nurturing **employability** through, and for the benefit of, the social enterprise movement in Scotland.
- Acquiring and developing physical **assets** that can strengthen communities and support the development of social enterprises.

Education

Engaging young people in social enterprise is vital to ensure the health of the movement over the next decade; new ideas, new commitment, new energy. By helping young people to understand and experience social enterprise as creative and impactful businesses, we believe that they will aspire to make their own social and economic impact.

Inspiring young people in schools

Since 2008 a Social Enterprise in Education Programme has operated in over 500 Scottish schools (primary, secondary and additional support needs). Working with teachers, the programme continues to support pupils and teachers to set up, grow and sustain social enterprises in their schools. This type of immersive, hands on learning experience – including local social enterprises and mentors providing real life experiences and inspiration – can meet an extensive range of Curriculum for Excellence outcomes and help embed social enterprise in the school's ethos. We call on the Scottish Government and Education Authorities to support the development of self-sustaining social enterprise activity and learning opportunities in every school in Scotland. This must be encouraged by the leadership in Scotland's schools and supported by the continuing professional development of teachers.

Incubating social enterprise through further and higher education

So far the potential of universities and colleges as a catalyst for social enterprise has not been fully realised. By virtue of their role as educators, purchasers and employers we believe that supportive environments for social entrepreneurship can be created across these institutions (from admissions to curriculum, career services, and community and alumni engagement). We call on the Scottish Funding Council to follow the lead of the Higher Education Funding Council for England (HEFCE) and support a co-ordinated programme of work to stimulate and support social entrepreneurship in further and higher education. This should include a campaign, guidance, and mechanisms to find, fund and support social entrepreneurs to establish new social enterprises and to tap into the expertise already available in the social enterprise community.

Entrepreneurship

Recent years have witnessed a new wave of social entrepreneurs in Scotland. We need to do more over the next decade to release the potential of social entrepreneurs within the context of supportive communities and networks.

Stimulating social entrepreneurship

We believe that social enterprise finds its ideal form in community enterprise – democratically owned and accountable to a particular community. With the gradual erosion and subsequent loss of community development support in Scottish communities we believe that many opportunities are being missed for local people to work with shared purpose in an entrepreneurial way. We must find ways to better engage with communities; bring people together in supportive spaces, fuel their imagination, spot talented social entrepreneurs and help their ideas take form. Support for social entrepreneurs must engage fully with local institutions (the first points of local contact and referral) and work with local groups as well as individuals.

Incentivising new social enterprises

Social enterprises remain in the minority and significantly outnumbered by traditional forms of enterprise. We believe that social enterprise must become a more attractive and straightforward option for entrepreneurs at the start-up stage. The tax system should be used to incentivise social enterprises (graduated corporation tax, National Insurance and VAT), significantly reducing the tax burden in the crucial first 12 months of trading. The increased availability of start-up premises such as incubation spaces combined with Business Rates relief is also important. This should be accompanied by more ambitious packages of back-office support (e.g. insurance, banking, IT, book-keeping) delivered where possible by social enterprise suppliers.

Supporting ventures to start, grow and reach scale

Scotland is fortunate to have its own social enterprise start-up agency and dedicated Social Entrepreneurs Fund. We want to build on the progress made here and see hundreds more social entrepreneurs identified and supported each year. We must maintain a ladder of funding (and integrated business support) to help launch and grow social ventures. When these ventures take form they must have appropriate follow-on support from specialist sources (where established as a social enterprise) or from the mainstream (where established as other forms of social and ethical business). There is scope for the further development of accelerator funds to help ambitious social entrepreneurs scale their venture.

Encouraging 'intrapreneurship'

We know that as organisations grow and mature – public bodies, voluntary organisations, and social enterprises – they can become bureaucratic and detached from the communities they were set up to serve. We need to do more to release the entrepreneurial talent in our largest organisations, devolve decision-making, encourage creative ways of working with clients, incubate local community enterprises, and invest in innovative ideas and services that can be backed and replicated internally. Programmes must be introduced to stimulate and support this type of 'intrapreneurship' in both large charities and public authorities.

Employability

Social enterprises rely on a capable and motivated workforce. Over the next decade we must find more effective ways to realise the commitment, energy and creativity of Scotland's workforce and by doing so help create sustainable jobs and progressively reintegrate people with disabilities or facing disadvantage into the labour market.

Attracting talent to the movement

If social enterprise is to thrive it must nurture people that have the right skills, share the values of the movement, and are committed to it. Social enterprise must become a destination of choice, providing an attractive workplace and fair reward. As a community we must ensure no abuse of Zero Hours Contracts, commit to paying the Scottish Living Wage and substantially grow the range of training and progression opportunities available. We must encourage young people to see social enterprise a career of choice, ensuring that schools, colleges and universities are attuned to the job opportunities that social enterprises create. We must seek out the best talent, encouraging people committed to social justice, including older and experienced workers, to move across from commercial and public sector employment. We must also reward our workforce, and therefore call on the Scottish Government to consider ways that new income tax powers and pension arrangements can be used to create incentives for people to work in a social enterprise.

Introducing social enterprise apprenticeships

Modern Apprenticeships have been an increasingly important post-16 pathway for young people in Scotland. We call for social entrepreneurship to be included within the apprenticeship framework, enabling young people to incubate their own social enterprise while being mentored and gaining experience in a host charity or social enterprise. The new Enterprise Allowance Scheme should also be strengthened to support the apprentice social entrepreneur, ensuring a fair wage and appropriate learning provision as they work steadily towards a recognised qualification. This should be an important part of the Scottish Government's drive to provide at least 30,000 new Modern Apprenticeship opportunities every year by 2020.

Supporting work integration

Social Firms, and a broader spectrum of social enterprises known as Work Integration Social Enterprises (WISE), have been very successful in fulfilling their social aim of engaging and supporting people who find it difficult to work. We call on the Scottish Government to consider ambitious WISE-specific legislation modelled on the experience of other countries (e.g. Germany, Italy, Finland, Australia) which have accelerated growth of the sector, stimulated job creation and led to a marked reduction in unemployment and associated welfare costs. Central to this must be packages of statutory financial support, in the form of wage incentives, to enable Social Firms and WISEs to take on new employees with higher support needs and/or offset the reduced productivity arising from a workforce experiencing impaired health and other barriers to employment. A dedicated programme of support is also required for Supported Businesses in Scotland to ensure that they improve competitiveness and can provide sustained employment for people with a disability or facing various forms of disadvantage.

Delivering effective employability programmes

Social enterprises have made a major contribution to the delivery of employability programmes in Scotland but have become increasingly marginalised in this role. The combined effects of the Work Programme, Payment-By-Results mechanisms, and the Prime Contractor model, have acted in neither the best interests of social enterprises nor the Scottish labour market. When responsibility for key programmes is transferred to Scotland, a radically different model of employability provision must be pursued. This should include: the use of innovation funds to develop and test uniquely Scottish models of provision; the flexibility to tailor employability programmes and contracts to local conditions; and a multi-layered delivery model that incentivises genuine collaboration between providers and makes the most of the specialist provision and reach of social enterprises.

Assets

Over the last decade we have seen how the ownership of assets can spawn new social enterprises and how the improved management of these assets can transform communities. We believe that infrastructure should be collectively owned (energy, transport, etc.), that natural resources should be controlled for mutual benefit, and other assets (heritage, housing, food, etc.) managed in a way that puts community wellbeing ahead of profit. It is time to build on successful work already underway and harness the full potential of community sector activity.

Taking national infrastructure into community ownership

Critical markets such as energy, utilities and transport are failing the people of Scotland – prices are excessively high, competition limited and consumer power weak. Market power and infrastructure (networks and grids) are typically concentrated in the hands of a few dominant companies that are too large and too remote from consumers. Where there is a tendency towards monopoly, greater collective ownership must be encouraged. We believe that social, co-operative and mutual forms of ownership are the key to bringing diversity and balance to these markets. As such, we call on the UK and Scottish Governments to introduce a stronger model of competition policy, where expensive subsidies and complex regulation have so far failed. This should pave the way for social enterprise challengers in key markets, including energy. It will also be vital to open infrastructure up to collective ownership or control, keeping asset ownership democratic and profits reinvested in Scottish communities.

Reforming land ownership

For far too long, the ownership of Scotland's natural resources has been in the hands of a small elite. However, great progress is now being made on the transfer of land to community ownership, giving rise to new social enterprises that have created affordable housing, supported business and employment, and generated energy to meet local needs. We support proposed reforms that will encourage a much more equitable distribution of land, extend the community right to buy to all parts of Scotland, make the process less onerous and ensure that large swathes of land can no longer be kept unproductive and traded as a speculative asset. Nonetheless, we believe that land reform must be an ongoing process, implemented quickly to achieve the target of one million acres in community ownership by 2020, and extended over time.

Taking public buildings under community control

Cost pressures have increasingly meant the withdrawal or reduction of services and disposal of public assets such as buildings. Despite the introduction of community asset transfer policies by public bodies, this process can still be complex, difficult and subject to delays or refusal. We welcome proposals set out in the Community Empowerment (Scotland) Bill to make the ownership of such assets more transparent and make it easier for local community enterprises to take on derelict, underused or unused public buildings. These proposals must translate into effective and widespread implementation, with the deployment of obligations on public bodies closely monitored and creative models of transfer replicated. Increasing support must be put in place to assist local community enterprises to take ownership of viable assets.

Supporting the costs of acquisition

Alongside legislative changes, public funding and other fiscal measures remain critical to community asset acquisition. We welcome the contribution of a range of funds, including the Scottish Land Fund, and call for the scale of such funds to rise to meet an expected increase in demand for local community ownership. There are a number of other things that can be done immediately, including the production of new guidance on State Aid to improve the scope for public assistance to non-profit distributing community enterprises, a more solution-focused approach to the disposal of public property to local organisations for less than market value (where this is in the public interest), and the use of targeted tax exemptions to help offset the costs of acquisition and development. There must also be continued development of innovative forms of financing such as Community Shares.

Developing community anchor organisations

We know that development trusts, housing associations, and other community anchor organisations are essential in developing stronger, more resilient and independent communities. While a range of positive measures are in place including the People and Communities Fund and Strengthening Communities Programme, more must be done to grow the number and strength of local anchor organisations. We want to see more locally controlled, enterprising community organisations, building stronger balance sheets, keeping alive local amenities (post offices, shops and other services) and leading on local regeneration. This requires a more substantial and long-term investment in the skills, capacity, core resources and resilience of many hundreds of anchor organisations across the country.

Share your ideas and comments

Email your feedback to:

Jonathan Coburn
jonathan@socialvaluelab.org.uk

Studio 222, South Block, 60 Osborne Street
Glasgow, G1 5QH