



Transition Group Meeting Two
29 July 2022

Paper One
Values, Role, and Ethos of the SEI

Purpose

This paper is to stimulate some thinking on some of the issues raised at the last meeting about the values, culture, and behaviour of the SEI, informing the future role of the SEI and some of the more technical questions on membership, governance, and critical relationships.

The group at their last meeting placed an emphasis on values and behaviour as intrinsically more important than the legal structures of organisations within the broad family of social enterprises. The emerging view was that there are some fundamental strategic questions that require attention before becoming immersed in questions of detail. In addition, identifying a value is helpful in working through the various positions that might arise, and enabling consensus to emerge as far as possible.

Values come before everything else

If we look at most businesses, they are driven, implicitly or explicitly, by **values**. For example, it is obvious that many (but not all) private businesses are driven by profit maximisation. Others are driven by an interest in what the business produces to the point of obsession (Morgan cars could make much more profit). Family businesses are often driven by a different set of motives and values (look at Timpson's and their commitment to employing ex-offenders, or their founder's role as a foster parent) and can resemble social enterprises in terms of being founded by a driven individual, having strong values, and encountering difficult conversations around succession.

It may be a helpful starting point to think about the values that drive the SEI.

Articulating the ***ethos, values, culture and in particular the behaviours*** of the SEI should be an important debate about what matters, what drives and motivates the organisation.

Members are invited to think about values and ethos, with a view to participating in a facilitated conversation and building consensus on this.

In thinking about behaviours, the SEI will want to be trusted by members and stakeholder alike and draw people into its membership because of that trust. It will also be important to consider whether the adoption of certain behaviours and values unlocks membership of the SEI. Does the SEI have a role in rooting out the kind of behaviours that are not consistent with a clearly articulated narrative on behaviours?

Irrespective of what values and behaviours are chosen, it will be important that these values are consistently visible and have a clear line of sight that is obvious and transparent.

In preparing their original business plans for the SEI, both SES and SENS Scot did work to scope out their thinking on values. The values that **both** considered important included being committed to fostering:

- Trust-based solutions;
- Consulting and listening to members;
- Democracy within the SEI;
- Diversity;
- Inclusivity;
- Collaboration and partnership;
- Innovation;
- Sustainability (in its widest sense);
- Agility in seeking solutions;
- Excellence in services provided.

These may provide a helpful starting point for the TG, rather than a final destination for it to arrive at.

Role, not ‘role play’

Some emerging consensus on values leads us to articulate more clearly the **role** for the new intermediary – who is the SEI for – all social enterprises or members of SES? The TG may want to reflect on several options (not mutual exclusive) here:

- Is it about building a social enterprise *movement* – a broad church which will enable social enterprise to make it into the economic mainstream?
 - Rather than three sectors (public, private, voluntary) there would be two: the public sector and the private sector; with the private sector being further divided into those who make profit for private gain and those who make it (and call it a surplus) for the social good it enables. Some thinking has been done by SES here in its ‘Connecting social enterprises with the private sector’ paper. The TG may want to consider this at some point.
 - Since social enterprises do need to make a profit in order to survive and grow, what is the narrative the TG wishes to articulate in order to make it clear that ‘profit’ need not be a dirty word and at the same time assert the values of social enterprises that justify making those profits?
- Is it a *trade body*, like ABCUL which *represents* credit unions or Responsible Finance which *represents* not-for-profit ethical lenders? Here it *promotes* the views of its members, has mechanisms for *ascertaining* those views and has a function to ‘horizon scan’ and *alert* its membership to issues before they arise. In Scotland we could look at SCDI or the Federation of Small Businesses as examples in the private sector;

- Is it closer to SURF, whose role is to *facilitate a conversation* about regeneration, to promote and highlight best practice and shape policy? SURF, for example, doesn't have to have a position on everything to do with regeneration and can accept that its members may have different views, but it provides a way for its members to communicate with government and a way for government to communicate with a well-defined constituency. In the case of SURF, it also admits other intermediaries (such as the SFHA) and 'passports' membership to all SFHA members.
- Is it a *lobbying organisation* like Stonewall or Amnesty, seeking specifically to change policy in defined areas such as sex-based rights or around political freedoms and influence the general debate around a particular issue? One of the dangers arguably exemplified by both these organisations is 'mission creep' to follow funding streams. What would be the key issues the SEI would be lobbying on? Are they around *alternatives to current economic models* or about increasing the role of social enterprises in *broadening economic participation and wealth building*?
- Is it also about *accessing funds* for social enterprises whether that be from government, trusts, philanthropists or the private sector? In other words, it becomes a 'safe space' where funders can deposit money knowing that the SEI will have high ethical standards about guardianship and knows the constituency for whom the funds are intended. If so, should it have a role in distributing those funds? It needs to be aware that distributing funds requires a specific skill set and carries a liability if the funds are not spent correctly.

It needs to be careful that it does not compete with social enterprises for funding (SCVO got itself into this position with the wider voluntary sector either competing with members for EU and Scottish Government funds or trying to control the sector through its fund management). Nor should it compete with members to provide services to social enterprises.

- Should it deliver some *direct services* to social enterprises – there might be gaps in services provided by, say CEiS/Just Enterprise, or reasons to continue SENS Scot legal? Should direct services always be spun off to other social enterprises? Or is it reasonable for SES to generate income from such services itself, to enable it to fund other services, or to subsidise certain categories of membership?

All these options will have an impact when we come to discussing such issues as membership, types of membership and what income might be derived from membership as part of income generation, noting the constraints imposed by the current funding envelope and business plan.

Members are invited to consider the potential role of the SEI to help shape its functions and services in more detail. This could be Members are also asked to consider if there any additional information or analysis that it needs here to reach conclusions.

This might involve looking at social enterprise intermediaries in other countries or intermediaries with similar constituencies (SCDI, SFHA, DTAS, CDAS, CDS).

The table below illustrates how we might think about the role of the SEI.

Potential role	In scope or not?	Rationale
Provide direct business and funding support to social enterprise start ups	No	There are others doing this. Scottish Government does not wish the SEI to invest in this area as a condition of its grant.
Lobbying on behalf of social enterprises	Yes	SE needs a consistent and co-ordinated voice to share its concerns, promote its views and 'asks' from SG
Representing social enterprise movement in Scotland	Yes	As above
Intelligence and research	Yes	Need to 'horizon scan' and make evidence based case for social enterprise.
Accessing Funds (loans, capital/investment, grants) for social enterprises	Yes	To assist social enterprises grow and develop
Managing Funds for others wishing to invest in social enterprise	Maybe	But need to be careful about overstepping role and conflicts of interest.

Whatever the role, leadership will be important

All of this demonstrates the need for the intermediary to **show leadership** in the current climate. In consultations, social enterprises have said this is something they want and expect. Is it a role the SEI is willing to accept, knowing that this may involve criticism?

If yes, what is the **leadership style**?

Where might the SEI want to sit in relation to the views of social enterprises?

- More relaxed about who can be a church member or more dogmatic?

- How does the SEI keep informed about the views of social enterprises so it can adjust its leadership style and role and avoid becoming disconnected from the movement?

Enabling as well as doing

The existence of 6,000 or so social enterprises is a massive force for change in Scotland. The SEI can *do* things for them, but should it also have a role in *enabling* them to do things for themselves?

What should the SEI seek to **enable** – both for the social enterprise movement and individual social enterprises?

- Growth.
- More social enterprises as the business model of choice.
- Social impact.
- Community engagement/control.
- Growing social capital.
- Something else?
- How would we measure and demonstrate any achievements?

Relationship to Funding and funders beyond Scottish Government

Previously SES (and SENS Scot) engaged with the Scottish Government primarily through the Third Sector Division. How should the SEI **engage** with the Scottish Government in the future? Does it need to try and shift from the ghetto of the Third Sector Division into more mainstream departments such as those dealing with business, the economy and regeneration?

- How should we do this?
- How can we build a network of supporters within SG?
- Who are the other funders we need to engage with? – what do we know about them and what do they know about us?

At the same time as engaging, the SEI needs to demonstrate its *independence* from funders. Does this, for example, involve broadening the funding base so that no single funder contributes more than, say, 40% of income and the SEI could survive any one funder pulling the plug? If this is an aspiration it will take several years to achieve, but it can be done. The Wise Group is an interesting case study on this.

The existing business plan has financial targets, but it might be useful to revisit them and test them for realism and desirability. For example, the target for fees from membership is 50K (with a further 60K from associates and 25K from sponsorship) and this may be affected by discussions on membership types and membership fees.

Accountability is at the heart of the SEI and its relationship with social enterprises

How should the SEI be **held to account** (by members, stakeholders, government) for its actions and performance?

- Is accountability a box we tick by saying 'well, we have annual elections' or is it linked to the values we discussed earlier?
- Can it be made to run through the organisation?
- How can accountability be built into the future Board?

Members are invited to consider its views, and establish if it wishes to examine other organisations, we think do this well and are similar enough in size and structure to make the transfer of learning possible. We might want to invite people from such organisations and discuss with them the relative merits of different models.

Conclusions and Decisions

The TG has asked for an initial discussion focussing on **values and ethos**. Our conclusion is that if values underpin the SEI then the TG coming to a consensus on these issues (as outlined above) will help it to move more rapidly in the next meetings to agree about:

- Membership;
- Governance;
- The Voluntary Code and its role;
- The functions of the SEI;
- Services to be provided by the SEI;
- Strategic and critical partnerships.

We would ask the TG to:

- Agree the values of the SEI, adding additional values and subtracting values they feel are inappropriate;
- Agree which role(s) they think are appropriate for the SEI and identify what further information/discussions/inputs they require to 'formalise' them;
- Agree a view on membership, based on the additional paper from Kim Wallace;
- Agree which functions and services are required to deliver those roles and what information/discussions/inputs they require to 'formalise' them;
- Agree what work they need to be produced for the meeting on 19th August and if they want to invite any external input for that session.

Alistair Grimes

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