

Exploring Barriers Faced by Social Enterprises in Scotland

(Draft 3_28 August)

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1. Introduction

Social enterprises are a powerful driver of positive social and economic change in Scotland and beyond. According to the 2021 Social Enterprise Census, the sector in Scotland generated £2.63 billion in income and provided employment to over 89,000 full-time equivalent (FTE) workers in 2020¹. Each social enterprise in Scotland benefited an average of 434 people during the same year².

This research project contributes to a deeper understanding of the sector's needs and the key challenges affecting the growth of social enterprises in Scotland. It examines how social enterprises in Scotland engage with two sets of standards: the People and Planet First verification standards and the Voluntary Code of Practice for Social Enterprises in Scotland. Specifically, it identifies factors that make it easier or more challenging for social enterprises to meet these standards and explores differences in awareness, interpretation, and adoption of the two. Additionally, the research analyses the key barriers that hinder the growth and sustainability of social enterprises in Scotland. The findings inform practical recommendations that strengthen the sector in Scotland. The findings will inform practical recommendations aimed at strengthening the sector in Scotland.

The report begins with an overview of the research objectives, followed by an analysis and comparison of the People and Planet First verification standards and the Voluntary Code of Practice for Social Enterprises in Scotland. It then outlines the research design and participant profile before presenting the key findings, structured around awareness and engagement, comparison of standards, and challenges faced by social enterprises, alongside potential solutions. The report concludes with a discussion of the findings and practical recommendations.

2. Research objectives

One of the main goals of this research project has been to investigate how social enterprises in Scotland interact with the two sets of standards: the Voluntary Code of Practice for Social

¹ CEIS and Social Value Lab. (2021). *Social Enterprise in Scotland. Census 2021*. Available at: <https://socialenterprisecensus.org.uk/wp-content/themes/census19/pdf/2021-report.pdf>

² Ibid.

Enterprises in Scotland (the Code) and the People and Planet First (PPF) verification standards.

While similar in many respects, the Code and the PPF standards were created in different contexts. The Code was established by the Scottish social enterprise community as a set of common values and criteria through which social enterprises in Scotland recognise each other³. In contrast, the People and Planet First standards were developed under the stewardship of Social Enterprise World Forum (SEWF) to provide an umbrella framework for enterprises worldwide that prioritise positive social and environmental impact over profit maximisation but operate under different names across regions and sectors⁴.

This research project sought to understand why some social enterprises find it easier or more difficult to align with either or both of these standards. To what extent are social enterprises in Scotland aware of and familiar with these standards, and how do they apply and interpret them? If any, what challenges do they face in meeting those standards? What are the key benefits or potential downsides of aligning with either set of standards? Are the differences between the two affecting third sector organisations in any way, and if so, why? Is there anything in the two that might create obstacles to the growth of the third sector in Scotland?

Finally, beyond the Code and the PPF standards, the research aimed to investigate broader barriers to growth and innovation within the sector. In doing so, it examined regulatory, operational, and other challenges that social enterprises might encounter in their efforts to make Scottish society a better place to live.

3. Comparison of the two sets of standards

This section provides a brief analysis and comparison of the Code and PPF standards, based on the author's understanding of the two frameworks. One of the subsequent sections (Main findings) will show how participants themselves perceive and compare the two.

As mentioned above, **the Code** was created in Scotland to define the boundary between the social enterprise sector and the private sector.⁵ It has been 'developed by the sector, for the sector,' with the intention of adapting and evolving in line with the sector's needs⁶.

Unlike the Code which was created for social enterprises in Scotland, **People and Planet First (PPF)** is a global collective and participatory verification initiative that supports and

³ See the Social Enterprise Scotland's website: [The Voluntary Code of Practice for Social Enterprise in Scotland - Social Enterprise Scotland](#)

⁴ See the People and Planet First's website: [Home - People and Planet First](#)

⁵ See the Social Enterprise Scotland's website: [The Voluntary Code of Practice for Social Enterprise in Scotland - Social Enterprise Scotland](#)

⁶ Ibid.

speeds up the shift toward an economy prioritising people and the planet.⁷ Given that millions of enterprises worldwide prioritise people and the planet over profit maximisation, and that the full scope of this movement can be hard to determine due to its bottom-up emergence and the use of varying terminology across networks, regions, and sectors, PPF verification seeks to bridge these gaps by encompassing all enterprises that meet its five standards.⁸

These five standards include:

- “1. Purpose:** Exists to solve a social and/or environmental problem
- 2. Operations:** Prioritises purpose, people, and planet over profit in operational decisions
- 3. Revenue:** Has a self-sustaining revenue model
- 4. Use of Surplus:** Reinvests the majority of any surplus towards its purpose
- 5. Structure:** Chooses legal structures and financing that protect and lock-in purpose long term.”⁹

An internal point system ranging from 0 to 4 was created to assist with the verification process. To be verified, applicants must score at least one point in each of the five standards. Point totals are kept confidential to avoid comparisons between enterprises operating in different contexts and legal environments. “Enterprises are either People and Planet First Verified, or they are not.”¹⁰

PPF includes “social enterprises, cooperatives, fair trade enterprises, mutualist organisations, post-growth enterprises, nonprofit businesses, social businesses, regenerative businesses, steward-owned companies, benefit corporations, and any other enterprise that meets the 5 standards”.¹¹

Neither the Code nor PPF provides a definition of a social enterprise (SE). Instead, both offer a framework to describe the sector: PPF through a set of standards, and the Code through a set of criteria and values.

⁷ See the People and Planet First’s website: <https://peopleandplanetfirst.org/verification-overview/>

⁸ See the People and Planet First’s website: [Home - People and Planet First](#)

⁹ See the People and Planet First’s website: <https://peopleandplanetfirst.org/verification-overview/>

¹⁰ Ibid.

¹¹ See the People and Planet First’s website: <https://peopleandplanetfirst.org/get-verified/>

Table 1. Overview of standards, criteria, and values (as outlined in the Code and PPF).

People and Planet First Standards *	The Code Criteria **
Purpose: Exists to solve a social or environmental problem.	1. A SE is a business trading in the marketplace – selling goods and services – but whose primary objective is to achieve social and/or environmental benefit.
Operations: Prioritises purpose, people, and planet over profit in operational decisions.	2. Regardless of its legal form, the constitution of a SE will include the requirement that profits are reinvested in the business or in the beneficiary community – and not distributed to owners/shareholders/investors.
Revenue: Has a self-sustaining revenue model.	3. The constitution will always require that on dissolution, the assets of the SE are reinvested in another organisation with similar aims and objectives. Taken together Criteria 2 and 3 are referred to as the ‘asset lock’ – the defining characteristic of a SE – which distinguishes it from the private sector.
Use of Surplus: Reinvests the majority of any surplus towards its purpose.	4. SEs are different from those charities and voluntary organisations which do not aspire to financial independence through trading.
Structure: Chooses legal structures and financing that protect and lock-in purpose long term.	5. SEs are distinct from the public sector and cannot be the subsidiary of a public body.
	<p>Values:</p> <p>Value based: SEs are businesses founded on core values – that social fairness and the protection of the planet should be preconditions of all economic activity – with all business practices expected to be honest and fair.</p> <p>Good Employers: SEs are good employers – who continually strive to offer a dignified workplace experience; aiming to pay a ‘living wage’; and having flatter pay structures than the private sector. SEs do not pay inequitable salaries to senior management; a maximum ratio of 1:5 between lowest and highest is a useful guide.</p> <p>Democratic: From Co-ops and mutuals’, SEs have learned the benefits of common ownership and democratic governance.</p> <p>Empowerment: From the Development Trusts and Community Enterprise sectors, SEs have learned about bottom-up responses to social problems and how they empower local communities.</p> <p>Collaboration: Within the common sense of running a competitive business – SEs try to help and support one another. SEs will also, where possible, encourage the practice of intra-trading i.e. procuring local goods and services from within the sector itself</p>

* **Source:** The People and Planet First’s website: [Get Verified - People and Planet First](#)

** **Source:** The Social Enterprise Scotland’s website: [The Voluntary Code of Practice for Social Enterprise in Scotland - Social Enterprise Scotland](#)

What follows is a brief comparison of the main issues covered by the two sets of standards.

Purpose: Both the Code and PPF define the purpose of social enterprises (SEs) in similar terms: they exist to address social and environmental challenges. In addition, to gain more points in PPF's point-based system, SEs are required to publicly communicate (online) their mission, incorporate it into their governing documents, and monitor and report on their impact. The Code does not require either public communication of the mission or monitoring and reporting obligations.

Operations: The second standard covered by PPF relates to operations - SEs are expected to prioritise purpose, people, and planet over profit in decision-making. This includes meeting minimum sector standards (as defined by Good Market¹²) and monitoring and publishing social and environmental metrics related to workers, suppliers, communities, and the environment. To achieve the highest score, an SE must also hold "at least one recognised third-party verification of socially and environmentally responsible practices related to core operations"¹³. The Code also addresses operational aspects of SEs' work, but mostly through its section on values, and in a broader and more general terms than PPF. It also does not require monitoring and reporting obligations, nor third-party verification in relation to socially and environmentally responsible practices.

Financial sustainability: With respect to financial sustainability, SEs are expected to maintain a self-sustaining revenue model under PPF, or to aspire to financial independence under the Code. PPF requires that SEs' financial records show earned income from products, services, or reciprocal grant contracts covering up to 100% of expenses (though less is acceptable under its point-based system), alongside a plan for financial sustainability. The Code is less explicit about how financial independence should be achieved or measured, particularly as SEs are expected to aspire to financial independence. Additionally, the PPF standards include reciprocal grants as part of earned income, alongside income generated from products and services.

Profit distribution: Profit distribution is one of the key differences between the Code and PPF. According to PPF, SEs should reinvest the majority of surplus (more than 50%) towards their purpose, as shown in financial records, in order to score one point in the verification process. Higher scores require evidence of 100% reinvestment or purpose-related disbursement, embedded in governing documents or structures. The Code, meanwhile, requires that an SE's constitution mandate profits to be reinvested in the business or the beneficiary community, and not distributed to owners, shareholders, or investors — though it does allow for limited 'honourable exemptions' to its zero-dividend norm.

Structure: Finally, PPF requires SEs to adopt legal structures and financing that protect and lock in their purpose over the long term. At minimum, a SE must make a public commitment

¹² The minimum standards can be found at the Good Market website: [Minimum Standards | Good Market](#)

¹³ See the People and Planet First's website: <https://peopleandplanetfirst.org/get-verified/>

to lock in purpose, including plans to update governing documents, and demonstrate that its current financing and ownership structures do not prevent future lock-in. To receive the maximum four points, an SE must have “government-regulated structural arrangements or an embedded democratic governance model to protect purpose through periods of transition (e.g., registration under a protected structure, controlling shares held by a protected entity, or democratic member control)”¹⁴ According to the Code, the constitution of SEs “will always require that on dissolution, the assets of the SE are reinvested in another organisation with similar aims and objectives”¹⁵. The key difference between the Code and PPF is that, while the Code requires assets to be locked in, PPF requires purpose to be locked in. Moreover, whereas the Code refers only to dissolution, the PPF standard seeks to protect purpose through periods of transition, including changes in management and ownership, as well as dissolution.

Based on the previous analysis, it is difficult to draw firm conclusions about whether it is easier or more challenging to align with the Code or with the PPF standards. This is partly because PPF uses a point-based system, which allows for a certain degree of flexibility in meeting the standards, reflecting its international character and the diverse contexts in which it operates.

What could be said though is that the Code tends to be more stringent in relation to the asset lock, requiring a 100% asset lock, unlike the PPF standards. The latter, however, includes more detailed and specific requirements under each standard, including elements not found in the Code, such as obligations around monitoring, reporting, and publishing commitments. Moreover, the PPF has an annual verification process, requiring SEs to submit a verification form explaining how they meet the standards, alongside supporting evidence. In contrast, the Code is entirely voluntary and does not include any form of verification process.

3.1. Scottish SEs verified by People and Planet First

According to the PPF’s directory of verified social enterprises, there are 36 verified enterprises in Scotland.¹⁶

Out of the 36 verified enterprises in Scotland, 6 are not members of Social Enterprise Scotland (SES). People and Planet First and the Social Enterprise World Forum (SEWF) are also listed among the verified enterprises in Scotland, and they are also not members of SES. By comparison, Social Enterprise Scotland (SES) has a membership base of over 800 organisations.

¹⁴ Ibid.

¹⁵ The Social Enterprise Scotland’s website: [The Voluntary Code of Practice for Social Enterprise in Scotland - Social Enterprise Scotland](#)

¹⁶ See the People and Planet First’s website: <https://verified.peopleandplanetfirst.org/directory>

Most of the enterprises that are verified by PPF but are not members of SES are members of Social Enterprise UK.

Among the 37 survey participants, 10 are verified by People and Planet First. Among the interview and focus group participants' organisations, 3 have been verified by People and Planet First (PPF). Since there are 36 social enterprises in Scotland verified by People and Planet First (PPF), this means that approximately 35% of them participated in the study.

4. Research design

The analysis presented in this report is based primarily on data gathered through an online survey, interviews, and focus group discussions. The survey was distributed widely across the sector, targeting primarily social enterprises (SEs), including those that support the sector. To gain deeper insights, interviews were conducted mainly with representatives of SEs, along with intermediaries and support organisations and individuals. Additionally, focus groups were held to initiate dialogue among SEs and to explore both shared perspectives and areas of divergence.

4.1. Engagement invitations

Invitations to participate in the research were sent to all social enterprises in Scotland verified by People and Planet First (PPF), as listed on the PPF website¹⁷. The invitation was also distributed to network and umbrella organisations, as well as Third Sector Interfaces (TSIs), which collectively represent hundreds – probably thousands - of SEs. Members of Social Enterprise Scotland also received an invitation to take part in the research project. Additionally, invitations were shared with members of other organisations such as Scottish Borders and the Universities and Social Economy Forum (USEF), as well as with individuals involved in the sector, and via social media platforms.

The following table provides information about the recipients of the invitation to participate in the research project. Each organisation received at least two email invitations—a primary invitation and a follow-up—unless a response was received before the second message was sent.

¹⁷ The list of social enterprises verified by People and Planet First is available here: [People and Planet First](#)

Table 2. Recipients of the invitation to participate in the research project

Organisation	Data sources	Number
Network, umbrella, and membership organisations; Scotland’s Third Sector Interfaces (TSIs); Social enterprises and other organisations supporting the sector	(1) Social Enterprise Support Map Source: https://sesupportmap.scot/ (2) List of Scotland’s Third sector Interfaces Source: https://www.gov.scot/publications/third-sector-interfaces-contact-details/	77
SEs in Scotland verified by People and Planet First	Publicly available verified enterprise directory as accessed on the PPF website (selection criteria – location / Scotland, UK) Source: https://verified.peopleandplanetfirst.org/directory	35
Members of Social Enterprise Scotland	Invitation shared by Social Enterprise Scotland	More than 800
Members of Universities and Social Economy Forum (USEF)	Email invitations	73 members
Scottish Borders	Newsletter	400 organisations and individuals
Others (e.g., individuals involved in the sector)	Email invitations	13
Invitations shared via social networks	LinkedIn posts	

Six membership organisations and TSIs confirmed via email that they would share the invitation with their members or networks through newsletters, social media, or other channels. Others might have done the same, but without an explicit confirmation, the number of those organisations remains unknown.

4.2. Data Gathering

Research data were collected through a survey, semi-structured interviews, and focus group discussions conducted between April and May 2025.

The survey and interviews were designed to capture information critical to understanding the challenges social enterprises (SEs) face in aligning with the criteria and values of the Code and the PPF standards. The areas of focus included:

- 1) Familiarity and awareness** - SEs’ familiarity with and/or awareness of the Code and the PPF standards.

- 2) **Comparison of standards** - How SEs perceive and compare the two sets of standards.
- 3) **Extent of alignment** - The extent to which SEs align with these two sets of standards or how they perceive their alignment with them.
- 4) **Challenges and solutions** - Challenges SEs face in aligning with the two sets of standards, along with potential solutions. These challenges were categorised into five main topics:
 - a. Prioritising positive social and environmental impact;
 - b. Implementing ethical business practices;
 - c. Achieving a self-sustaining revenue model or financial independence;
 - d. Locking in assets or purpose over the long term; and
 - e. Reinvesting surplus into the mission.
- 5) **Other barriers** - Additional obstacles SEs might face, such as regulatory requirements or operational challenges.
- 6) **Support for the sector** - Social enterprises' views on the key organisations and mechanisms that support the sector.

The **focus groups** aimed to facilitate discussion about the Code and PPF standards, were organised around the following topics:

- 1) **General awareness** of the Code and PPF standards
- 2) **Perceived benefits and potential drawbacks** of being verified by the PPF standard or aligning with the Code
- 3) **Challenges** in meeting and implementing the standards, as well as broader challenges to growth
- 4) **Solutions** to these challenges, including:
 - a. The needed support;
 - b. Potential changes to existing criteria and values; and
 - c. Recommendations related to the verification process.

While structured around the topics above, interviews and focus group discussions also allowed a degree of flexibility in questioning to accommodate participants' varying experiences and familiarity with the two standards.

4.3. Participants

Overall, 59 individuals took part in the research project through surveys, interviews, and/or focus groups. In total, there were 72 instances of participation across all methods, as some individuals engaged in more than one form of participation (for example, completing a survey and taking part in an interview).

Table 3. The number of participants across all methods.

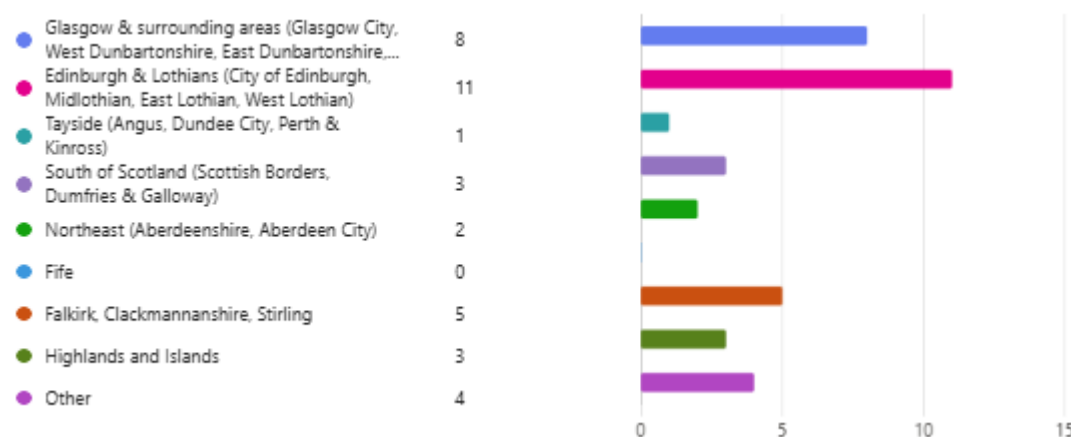
Participation	Number of participants
Survey responses	37 valid responses received
Interviews	21 interviews (+ 3 initial interviews)
Focus groups (FGs)	10 participants across three FGs
Overall number of participations across all methods:	71
Overall number of individuals participating:	59

4.3.1. Survey participants

An online survey was open for completion between April and the end of May 2025. In total, 37 valid responses were received. The graphs below present the social enterprises that participated in the survey, categorised according to several criteria, including location, legal structure, sector of operation, employment, and financial performance.

The largest number of SEs in the sample are from Glasgow and Edinburgh, which corresponds to the findings of the 2021 Social Enterprise Census¹⁸, although the survey's sample has a higher proportion of SEs from these two cities and surrounding areas (52%) compared to 26% in the Census.

Figure 1. Location of social enterprises in the survey sample

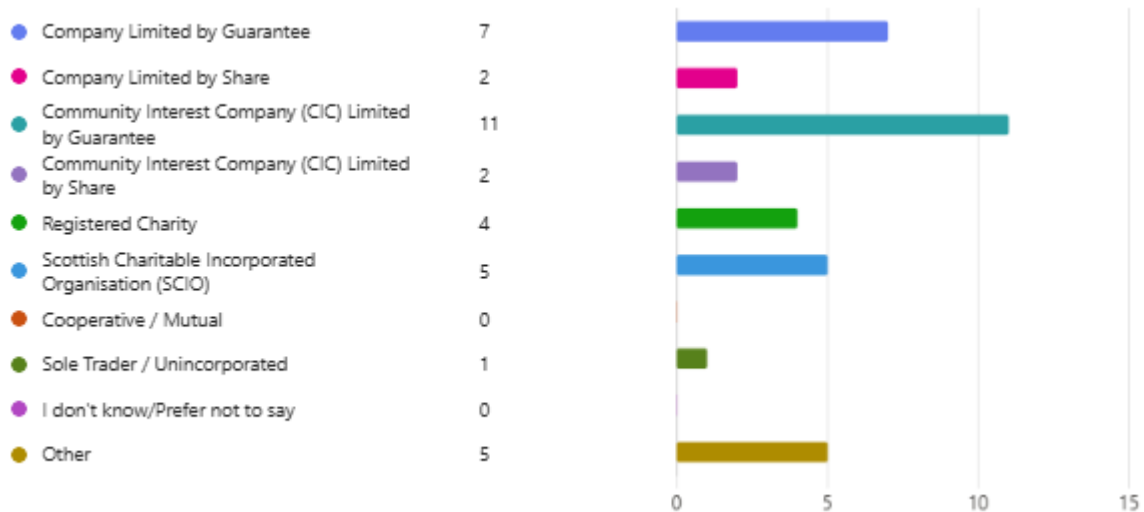


When it comes to legal structure, Community Interest Companies (CIC) Limited by Guarantee make up the largest share of the sample (30%), followed by Companies Limited by Guarantee (19%). In contrast, according to the 2021 Census, Companies Limited by

¹⁸ CEIS and Social Value Lab. (2021). *Social Enterprise in Scotland. Census 2021*. Available at: <https://socialenterprisecensus.org.uk/wp-content/themes/census19/pdf/2021-report.pdf>

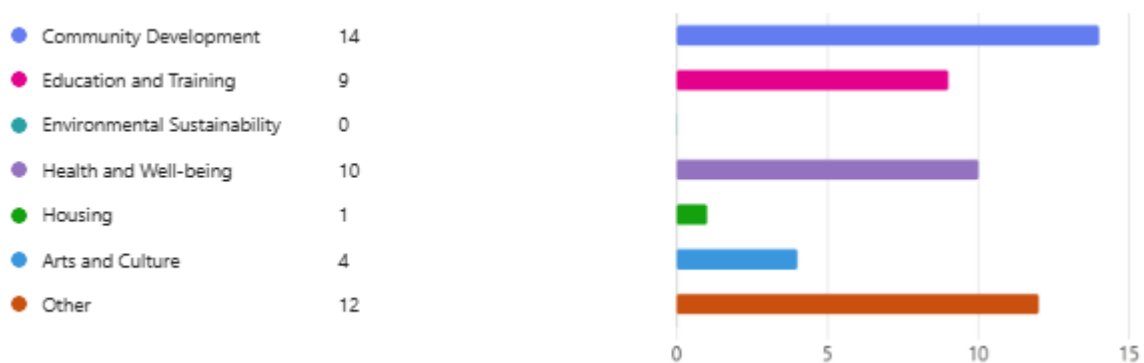
Guarantee represent the largest share (41%), while CICs account for 17%¹⁹. The percentage of Scottish Charitable Incorporated Organisations (SCIO) in the sample is similar to that in the Census - 14% and 13%, respectively.

Figure 2. Legal structure of social enterprises in the survey sample



The sectors with the largest number of social enterprises participating in the survey are community development and other, health and well-being, and education. In comparison, according to the 2021 Social Enterprise Census, the main fields of social enterprise activity are management of community facilities, creative activities, and health and social care.²⁰

Figure 3. Sectors or activities describing social enterprises in the survey sample



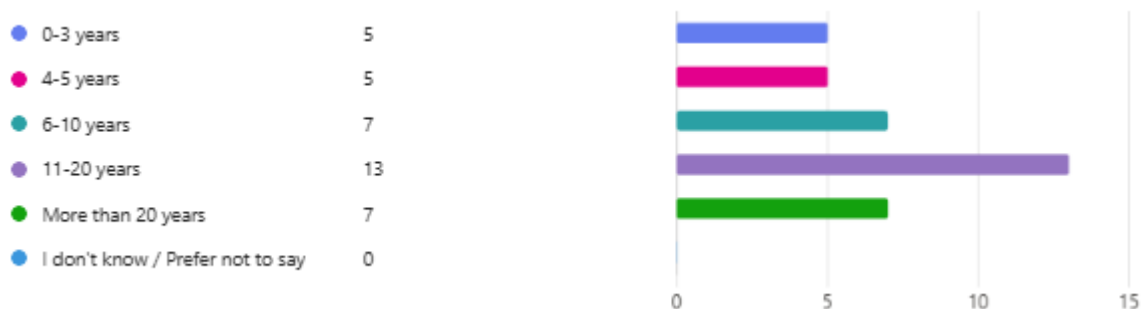
The largest number of SEs in the sample have been operating for between 11 and 20 years (35%), followed by those operating for 6 to 10 years (19%), and more than 20 years (19%).

¹⁹ Ibid.

²⁰ Ibid.

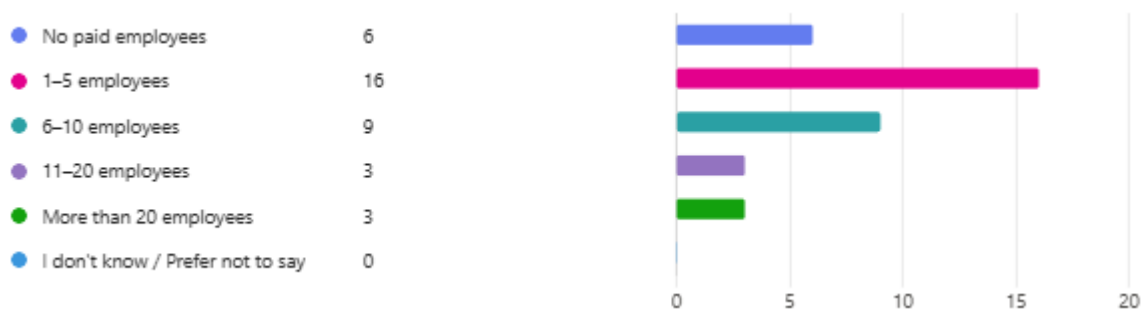
This matches the 2021 Social Enterprise Census findings, which show that most social enterprises (69%) have been operating for more than 10 years, with the average age of a social enterprise being 22 years.²¹

Figure 4. Age of social enterprises in the survey sample.



Regarding employment, the largest share of SEs in the sample employ between 1 and 5 employees (43%), followed by those employing between 6 and 10 employees (24%). Six organisations (16%) have no paid employees.

Figure 5. Number of employees in social enterprises in the survey sample.

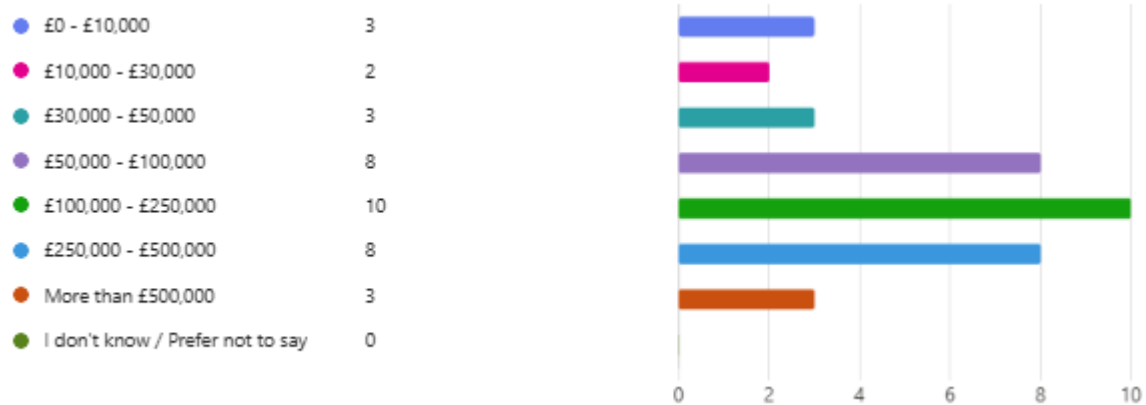


As for annual turnover, the largest proportion of SEs in the sample report an annual turnover between £100,000 and £250,000 (27%), followed by those with an annual turnover between £50,000 and £100,000 (22%) and between £250,000 and £500,000 (22%). In comparison, the 2021 Census data show that most social enterprises in Scotland (41%) have a turnover between £0 and £49,000²². Those with an income less than £50,000 account for 21% in the survey sample.

²¹ Ibid.

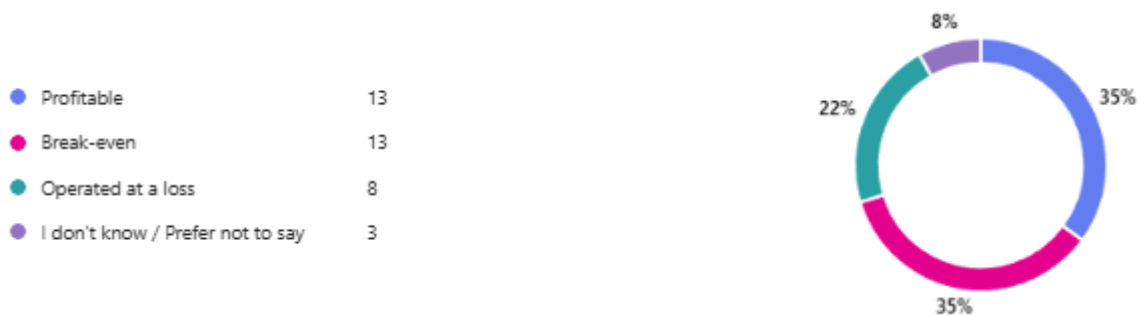
²² Ibid.

Figure 6. Annual turnover of social enterprises in the survey sample.



The survey sample shows an equal number of SEs that generated a surplus (35%) and those that broke even (35%), while 22% operated at a loss. In comparison, the 2021 Census data indicate that 66% of SEs in Scotland generated a surplus, over 30% operated at a loss, and only 1% broke even in 2020²³.

Figure 7. Financial performance of social enterprises in the survey sample.



Based on the data above, the survey sample aligns with the 2021 Census findings in certain respects (e.g., the age of social enterprises), partly aligns in others (e.g., the sectors in which social enterprises mostly operate), and diverges in some areas (e.g., financial performance). Therefore, it cannot be concluded that the survey sample is fully representative of the entire sector in Scotland. However, given the fluctuations in sector composition over the years, as indicated by the 2021 Census data, it is possible that when the most recent Census results are published (expected this year), the alignment between the survey sample and the entire population of social enterprises in Scotland may change.

In addition to the survey participants, some social enterprises also took part in the research through interviews and focus groups. These participants were not asked to provide information about their financial performance, annual turnover, number of employees, or

²³ Ibid.

other characteristics analysed in the survey. Instead, they were asked only to provide a brief description of their activities. Therefore, if data on the organisations represented in the interviews and focus groups were available and combined with the survey data, the representativeness of the sample might differ.

4.3.2. Interview and focus group participants

Based on the authors' own analysis interview participants represent social enterprises operating as Companies Limited by Guarantee and/or charities, in addition to Community Interest Companies (CICs), alongside two representatives from Third Sector Interfaces (TSIs) and an academic expert. Additionally, three initial interviews were conducted to inform the research design and provide a broader context for the social enterprise sector in Scotland.

When it comes to the focus groups, most of the 10 participants represent social enterprises operating as Companies Limited by Guarantee and/or charities, followed by CICs.

Regarding their activities, interview and focus group participants include representatives of social enterprises that provide support to other social enterprises (e.g., legal and financial support), Third Sector Interfaces (TSIs), and network organisations, as well as social enterprises operating in areas such as education, the arts, community centre management, and manufacturing, alongside those supporting and empowering minority groups, refugees and asylum seekers, marginalised individuals, those on low incomes, and others.

5. Main findings

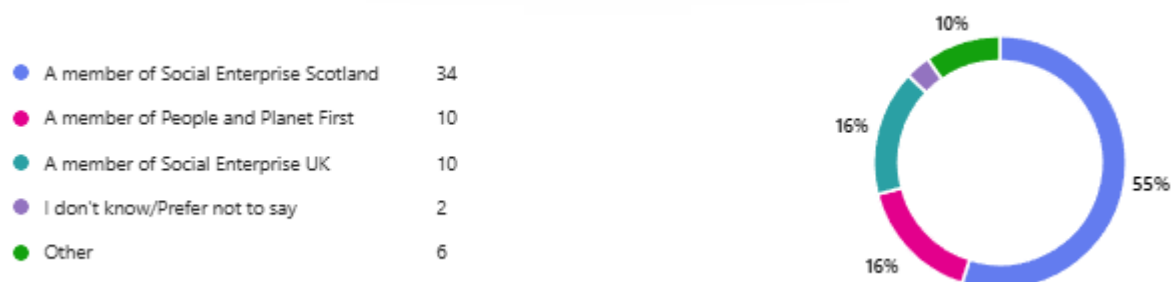
The results of the analysis presented in this section are organised into five categories, reflecting the research project's objectives. These include:

- Familiarity, awareness, and engagement with the two sets of standards
- Comparison of the standards
- Identifying challenges related to meeting specific standards and criteria
- Other barriers to the growth of social enterprises
- Proposed solutions

5.1. Familiarity, awareness and engagement with the two sets of standards

The overwhelming majority of **survey participants** are members of Social Enterprise Scotland (SES), while 10 participating social enterprises are members of People and Planet First (PPF) and/or Social Enterprise UK, either exclusively or in addition to their SES membership.

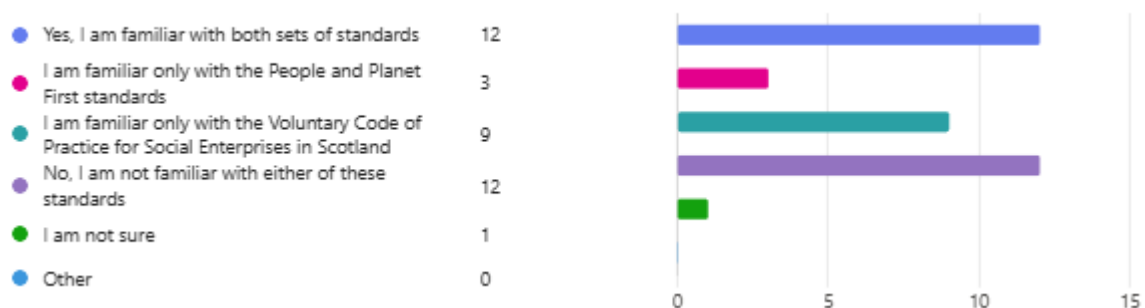
Figure 8. Affiliations of social enterprises in the survey sample.



Similarly, almost all social enterprises (SEs) participating in **interviews and focus groups** are members of Social Enterprise Scotland, with three of them also being verified by the PPF.

Furthermore, most **survey participants** are familiar with either one or both sets of standards (24 respondents), while 12 indicated they are not familiar with either (see below). Survey participants tend to be more familiar with the Code than with the PPF standards, with 9 and 3 participants aware of each, respectively.

Figure 9. Familiarity of social enterprises in the survey sample with the Code and PPF.



Similarly, **interviewees and focus group participants** tend to be more aware of and familiar with the Code than with the PPF verification standards. However, many are only briefly familiar with one or both sets of standards. Several participants observed that while the Code is generally more visible than the PPF standards, its prominence has declined in recent years compared to the past. Additionally, the Code is not something newcomers are routinely encouraged to engage with, even though they often already follow many of its principles without realising that these are formally written into it.

“People fall into being a social enterprise by accident. They don’t even realise they’re a social enterprise. They’ve just started out to do something. So, they’re not picking up this sort of coding going, ‘I must do this’. That comes later by accident, yeah.”

Ten of the social enterprises represented by survey participants stated that they have been verified by PPF.

Figure 10. The number of social enterprises in the survey that are verified by PPF.

14. Is your social enterprise verified by People and Planet First?



However, when asked to self-assess their organisations’ alignment with PPF, most participants responded that they fully comply with the verification standards.

Figure 11. Self-assessed alignment with PPF standards by social enterprises in the survey sample.

To what extent does your organisation align with the People and Planet First verification standards? Please rate your organisation’s alignment with each standard on a scale from 1 (not at all aligned), 2 (partly aligned), to 3 (fully aligned).



The criterion where almost half of the participants indicated only partial alignment is “revenue” — around 40% reported partial alignment, compared to 45% who fully align with this criterion. Regarding operations, 27% partly align, while 62% fully align. For all other standards, more than 78% of participating organisations stated full alignment.

Regarding alignment with the Voluntary Code, 57% of respondents indicated that their social enterprises fully comply with the Code, while 11% reported partial compliance. In addition, 30% of respondents responded that they do not know or prefer not to say.

Figure 12. The number of social enterprises in the survey that comply with the Code.

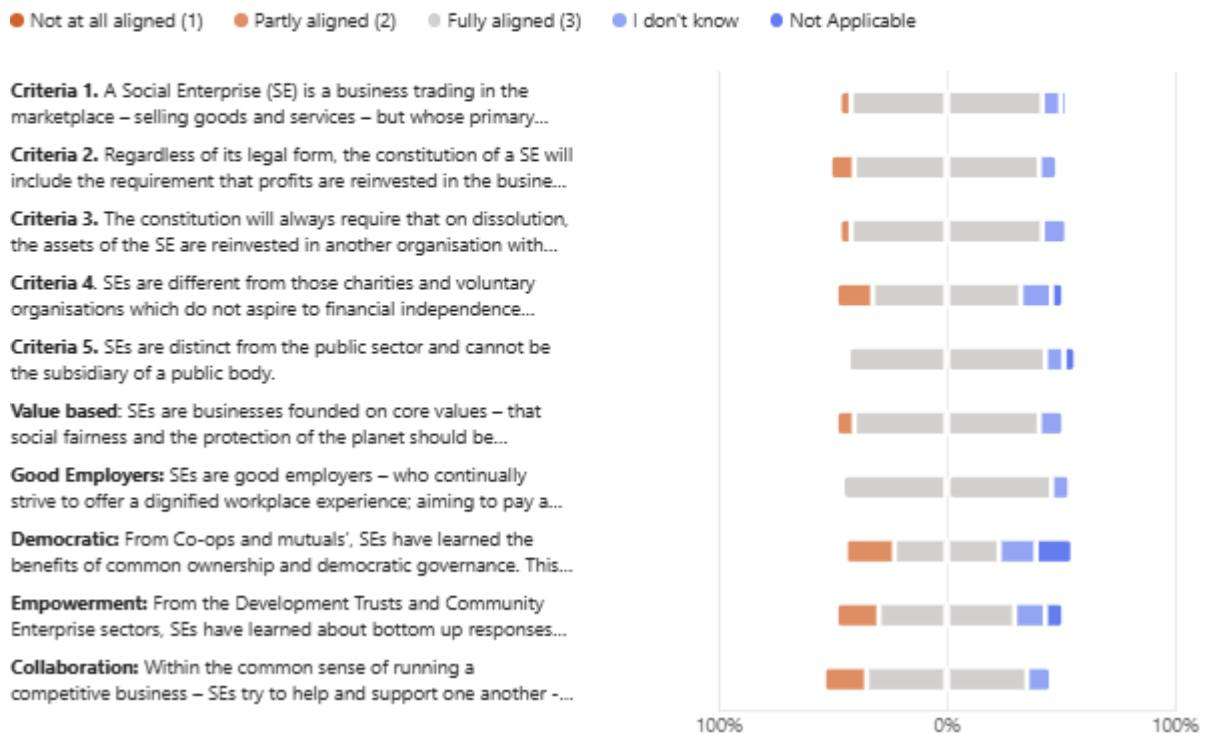
16. Does your social enterprise comply with the Voluntary Code of Practice for Social Enterprises in Scotland?



When asked to self-assess their organisations' alignment with the criteria and values of the Voluntary Code, most participants reported full alignment with all criteria and values, except for 'democratic governance'. For this value, 45% of organisations fully align, 21% partly align, and over 30% either do not know or find this value not applicable to their situation. 'Empowerment' is another value with varied responses: about 60% of respondents fully align, 18% partly align, and 20% either do not know or consider it not applicable. Results are similar for the value 'collaboration'. Regarding the criterion related to financial independence, nearly 65% fully align, while 16% partly align. For all other criteria and values, more than 80% of participating organisations reported full alignment.

Figure 13. Self-assessed alignment with the Code by social enterprises in the survey sample.

Does your social enterprise meet the criteria and values established by the Voluntary Code of Practice for Social Enterprises in Scotland? Please rate your organisation's alignment with each criterion/value on a scale from 1 (not at all aligned), 2 (partly aligned), and 3 (fully aligned).

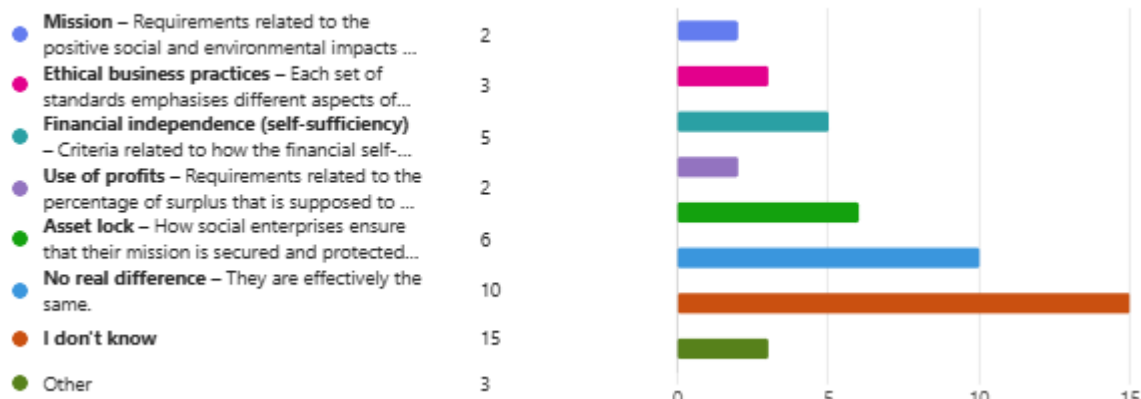


Most **interview and focus group participants** are from organisations that are members of Social Enterprise Scotland, meaning their organisations are aligned with the Code. Interview participants were asked whether they had adopted either of the two sets of standards – the Code or PPF – or any others, some responded that they did not know. Some said they had only recently looked into the Code and realised that they comply with it, not deliberately, but intuitively, based on their own understanding of what a social enterprise represents, without being aware of the specific contents of the Code.

5.2. Comparison of the standards by research participants

When asked about the differences between the PPF and the Voluntary Code, most **survey participants** (15) responded that they do not know. This was followed by 10 participants who did not see a significant difference between the two, while 6 mentioned the use of profits, and 5 cited financial independence as distinguishing factors.

Figure 14. Differences between the Code and PPF as seen by social enterprises in the survey sample.



When asked to elaborate on the differences and similarities between the two, survey participants provided the following responses:

- “PPF provide a bit more detail and it’s on a scale instead of Yes/No.”
- “People and Planet standards appear more prescriptive, requiring tick boxes against specific actions. The Voluntary Code is more accessible and easier to see where an organisation fits. People and Planet does not appear to require an asset lock, purpose is protected, but not assets.”
- “Code is more formal, detailed, operationally focused.”
- “One states that the majority of surplus is reinvested, and the other states 100% surplus is reinvested.”
- “People and Planet First allow limited profit distribution and structure flexibility whereas social enterprise have an asset and mission lock.”
- “People and Planet First is a global standard and therefore must align with a wide variety of countries, some of whom have very different legal definitions of a social enterprise in terms of profit distribution and engagement with the private sector. The Scottish code is more unifying in that it operates within a national context that shape all Scottish SEs.”
- “Mission PPF: Requires enterprises to have a social or environmental purpose, publicly communicate it, include it in governing documents, and monitor and report on impact. The Code: States that a social enterprise’s primary objective is to achieve social and/or environmental benefit, but does not mandate public reporting or impact measurement.
Ethical Business Practices PPF: Emphasises prioritising purpose, people, and planet over profit in operational decisions, including monitoring and publicly reporting social and environmental metrics. The Code: Highlights values such as honesty, fairness, and

democratic governance, but lacks specific requirements for monitoring or reporting ethical practices.

Financial Independence (Self-Sufficiency) PPF: Assesses financial sustainability based on earned income covering expenses, with a scoring system ranging from no earned income to full self-sufficiency. The Code: Asserts that social enterprises should aspire to financial independence through trading but does not provide specific criteria or thresholds.

Use of Profits PPF: Requires that the majority of surplus is reinvested towards the enterprise's purpose, with higher scores for full reinvestment and supporting evidence. The Code: Mandates that profits are reinvested in the business or beneficiary community and not distributed to owners or investors, with some exceptions.

Asset Lock PPF: Evaluates legal structures and financing that protect and lock in the enterprise's purpose long-term, including provisions for periods of transition. The Code: Defines asset lock as a requirement in the constitution that profits and assets are reinvested in the business or community, particularly upon dissolution."

Many **interview and focus group participants** are not aware of any differences between the Code and PPF standards, largely because they do not know the standards in detail. Among those familiar with them, the most commonly identified difference is the 100% asset lock required by the Code, which is not the case with PPF. Other differences mentioned, beyond those already noted in the survey participants' responses, are as follows:

- Asset lock (in the case of the Code) vs. purpose lock (in the case of PPF)
- Operations
 - PPF excludes social enterprises operating in extractive industries.
 - PPF pays more attention to operations, whereas the Code focuses more on values and is less detailed in this area.
- Revenue generation
 - PPF looks for concrete evidence of trading activity.
 - PPF includes output-based (reciprocal or results-based) grants as being revenue generating
- “*The Code is voluntary, it's about values and serves as a benchmark,*” whereas PPF involves specific, measurable criteria that must be met.
- Legal structure
 - PPF is less restrictive regarding legal forms but places strong emphasis on protecting purpose over time.
 - The Code is less detailed when it comes to structure, as it mainly refers to dissolution (what happens when a company closes). In contrast, PPF requires a

structure that protects the organisation's purpose through any kind of change – such as taking on new finance or management transitions, in addition to dissolution.

- PPF places greater emphasis on the planet and environmental impact and is considered more sophisticated than the Code in its understanding of these issues.
- People and Planet First accreditation is more open, seems more professional, less of Scottish focused and more of a global focused.

Some participants also noted the importance of the set of values embedded in the Code, such as cooperation, which are not apparent in the PPF standards.

When asked whether the differences between the PPF standards and the Voluntary Code influenced their organisation's decision to adopt one or both sets of standards, 11 out of 26 **survey participants** responded “no”. Those who said the differences did influence their decision cited the following reasons:

- *“YES, I remain unconvinced that People and Planet standards are robust enough because of their very nature they have to be flexible enough to encompass a wide number of countries with very different social and economic contexts.”*
- *“We've chosen to align with the People and Planet First standards because: They offer a more structured and externally verifiable framework. Their emphasis on measurement, transparency, and reporting strengthens our accountability to stakeholders. The scoring system helps us track progress in areas like financial independence and social impact. However, we would continue to reference the Voluntary Code as a values-based guide. It's embedded in the Scottish social enterprise context and remains useful for internal reflection and staff induction.”*
- *“We are in a slightly odd position as we are an Impact Hub and there is a global partnership between IH and P+P First, so we were always going to sign up to it. That partnership was instrumental in us signing up for it.”*
- *“People and Planet First Standards are simpler and easier to implement. However, we adopted these recently - we signed up to the Voluntary Code many years ago.”*
- *“Voluntary code helped shape legal documents.”*
- *“Hadn't heard of the Voluntary Code. We are a WFTO guaranteed member, and this is aligned with People and Planet.”*
- *“We didn't know about People and Planet First - so no. But happy to adopt too.”*
- *“No - we have naturally worked to the Voluntary Code and were not aware of People and Planet standards.”*

Focus group participants were asked which of the two – the PPF standards or the Code – felt more relevant to their organisations’ mission, and why. Most of those who responded favoured the Code, while some emphasised the value of having both sets of standards to reflect the different nature of social enterprises (Scottish-based vs. international). They noted that the PPF standards provide a framework for organisations seeking to prioritise a social mission while still extracting some private profit, which would make them compliant with PPF criteria but not with the Code.

Some **interviewees and focus group participants** expressed concerns related to with certain PPF standards, such as reinvesting only most of the surplus (rather than 100%) towards the organisation’s purpose and maintaining a self-sustaining revenue model. Others felt that these standards made no difference for their organisations, as their legal structure already requires them to reinvest all profits into their mission, rendering that criterion irrelevant.

Most of those who responded believe that the Code is better suited to the Scottish social enterprise context than the PPF standards.

“... I found the People and Planet one, although I like the term better, I like its title better, it felt like it was less obvious fit to me, from my understanding of social enterprise in Scotland particularly. And I felt that the other one was easier for me to sort of see how the social enterprise I work with fit with that and how we ourselves as a CIC fit with that.”

One interviewee’s view is that the Code has limited ambition regarding SEs’ growth, and that it tends to fit the needs of small SEs, whereas those seeking to grow and scale might find it restrictive. Aside from that, as pointed by another interviewee, one of the main obstacles to SEs’ growth is also what is seen as one of the best aspects of the Code - its emphasis on collaboration - since the logic of pure economic growth requires competing with others and expanding into spaces they once occupied, rather than cooperating with them.

5.2.1 Benefits and downsides

Participants expressed mixed views on the benefits of aligning with the standards. Some believe that having a third-party verification or “badge” as a recognised social enterprise is valuable, especially for gaining credibility with investors, government bodies, and customers. Others argue that having a legal structure which protects assets and mission is sufficient to assure those stakeholders, without the need for formal alignment with specific standards. Another perspective is that alignment with standards is secondary to the quality of the product or service offered and the positive social impact being achieved.

Most **survey participants** (more than 70%) agree that adopting recognised standards enhances the credibility of a social enterprise. At the same time, around 60% agree that external support and incentives from the government or associations make a significant difference in adopting standards. Around 36% of survey participants agree, while about 24%

disagree, with the statement that the requirements of most voluntary codes are too time-consuming compared to the benefits.

Figure 15. Comparison of the benefits vs. downsides of adopting voluntary standards by social enterprises in the survey sample.



Focus group participants were also asked about the benefits of being verified by PPF or aligning with the Code. The key benefits mentioned included helping others (e.g., funders, local authorities, the public) to understand what social enterprises are and what they do, providing recognition, enhancing positive perception, and affirming the values that social enterprises represent.

“From our perspective of my organisation we subscribe to the Voluntary Code, and I would say it is very helpful in terms of people understanding how we operate and what are some of our principles in terms of our values. And so, we do mention it and if we’re out giving talks or meeting with people, we will mention the Voluntary Code and explain particularly about the assets and dissolution and non-distribution of profits... It does help us to explain who we are and what we do as organisations (...) when we’re out (...) or meeting with funders, meeting with local government, when you’re doing policy influence, it can be useful to have that to refer back to. Also, I think for some funders, it’s the reassurance that actually the money that they’re giving is not being given straight to the pockets of directors or trustees of the organisation that it is actually going to the cause that they’re supporting. So, I think from that point of view, it’s helpful. Also, as an organisation, we have benefited from the dissolution of other social enterprises by being given their assets and on occasion some cash, so, I think from that point of view it’s helpful as well.”

“I don’t think it’s as important on an individual level for organisations, but I think it is important for the wider sector that there is a kind of (code of) conduct and that is done externally because it lends some credibility to what we’re all trying to achieve and it, you know, and it helps raise awareness of the sector as well by having a unified sort of status. (...) Otherwise, people could call anything a social enterprise, and then it would lose all meaning, they’d have to find a new name to describe it.”

Some focus group and interview participants believe that by choosing an appropriate legal structure, an organisation already meets all the necessary criteria without referring to particular voluntary standards. In addition, it is argued that providing services and goods that benefit the community, along with reporting on those positive impacts, should be sufficient reassurance for funders. Several participants also expressed the view that adopting these standards offers no clear benefits. At the same time, if voluntary standards can educate funders about social enterprises or provide a platform where SEs can consolidate and showcase all their activities for funders, then such standards would be considered helpful.

Research participants identified several downsides to adopting the standards:

- The presence of multiple organisations regulating the sector makes it more confusing and difficult for SEs to navigate, especially given limited time and resources.
- Aligning with the standards is time- and resource-intensive, which can divert attention away from an organisation's core purpose and trading activities.
- The rationale for having two separate sets of standards is unclear - some questioned the need for the PPF standards in addition to the Code.
- The existence of multiple standard-setting organisations may divert central funding away from SEs themselves and toward these organisations.
- The proliferation of labels can overwhelm the market, making it difficult for consumers to distinguish between them. As a result, any new label introduced should be clearly justified and add unique value.
- Doubts may exist regarding whether verified social enterprises genuinely fulfil the criteria.
- Given the lack of obvious practical benefits, as well as time and resource constraints, these standards are a low priority for many SEs.
- If SEs are required to evidence and measure themselves against all these different standards, it may become too time- and resource-consuming.

“Constantly increasing costs e.g. staff, energy and amount of time need to address things like these codes of practice which are going to make no difference to me but employ people to make hoops to jump through. Just give the money to SE instead.”

“... So, the drawback of these is sometimes for practical use, they're not always the priority, and they're not always the thing, and it's not like the Lottery would go, 'Oh, you people, you're People and Planet First verified, here we go, here is all the money you want'. It's never gonna happen like that. What they're gonna do is look at their criteria, look at your proposal and decide if yours is worth it in comparison with the other million that they've got in, rather than focusing on these as being part of their criteria...”

“I know there’s this sort of constant query and question that well, ‘Is it a social enterprise or not? How do you evidence what social enterprise is or not?... and it’s a scale; it could be one end or the other. So, trying to put everything in boxes I think is very, very difficult as it stands. And the harder you make those values, and the harder you make the criteria then the more difficult it is for anybody to start. And while they’re not compulsory, it’s a lot easier just to say, ‘no, I’m not going to do it’”.

“...If a monitoring process is just to evidence that you’re being a social enterprise and it takes a lot of staff time and therefore a lot of money, effectively, it’s probably not worth doing. (...) And I would put this into the monitoring side of things because if you are going to have to measure and monitor in order to evidence, to prove that you’re doing the social enterprise activity that you say you’re going, then it’s not a priority.”

5.3. Identifying challenges related to meeting specific standards and criteria

Survey participants were asked to identify the main challenges in adopting both the PPF standards and the Code.

Responses were similarly distributed across both sets of standards. The most frequently cited challenge was resource constraints, with nearly half of participants describing them as somewhat, significantly, or critically challenging. Another major barrier was a lack of understanding of what the standards entail, identified by approximately 47% of participants for both the PPF and the Code. Other commonly reported challenges included limited perceived value of the standards, difficulty in meeting the criteria, and complex or unclear requirements, each seen as a challenge by at least 30% of respondents.

Figure 15. The biggest challenges in adopting the PPF standards as seen by social enterprises in the survey sample.

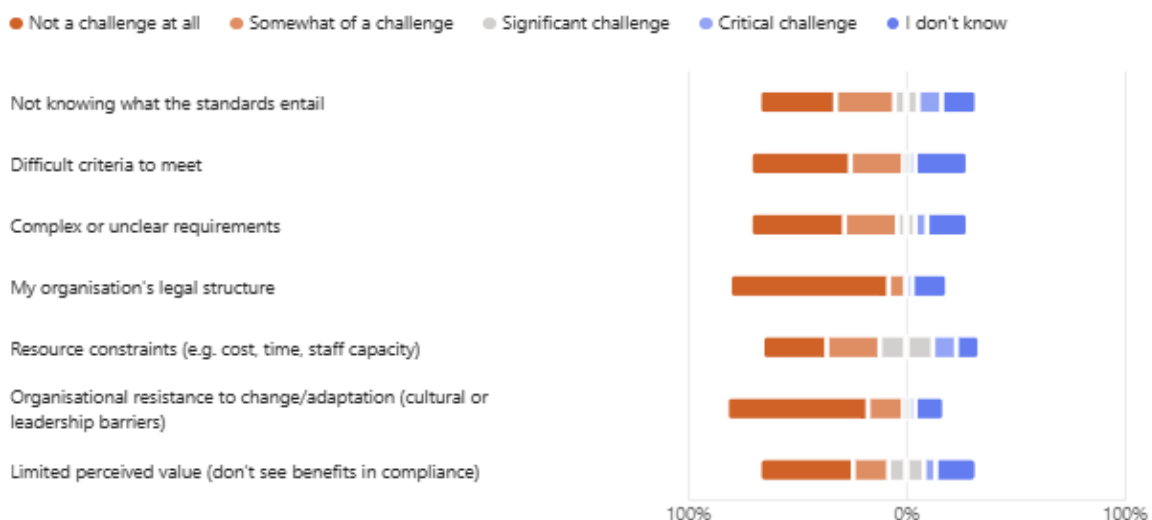
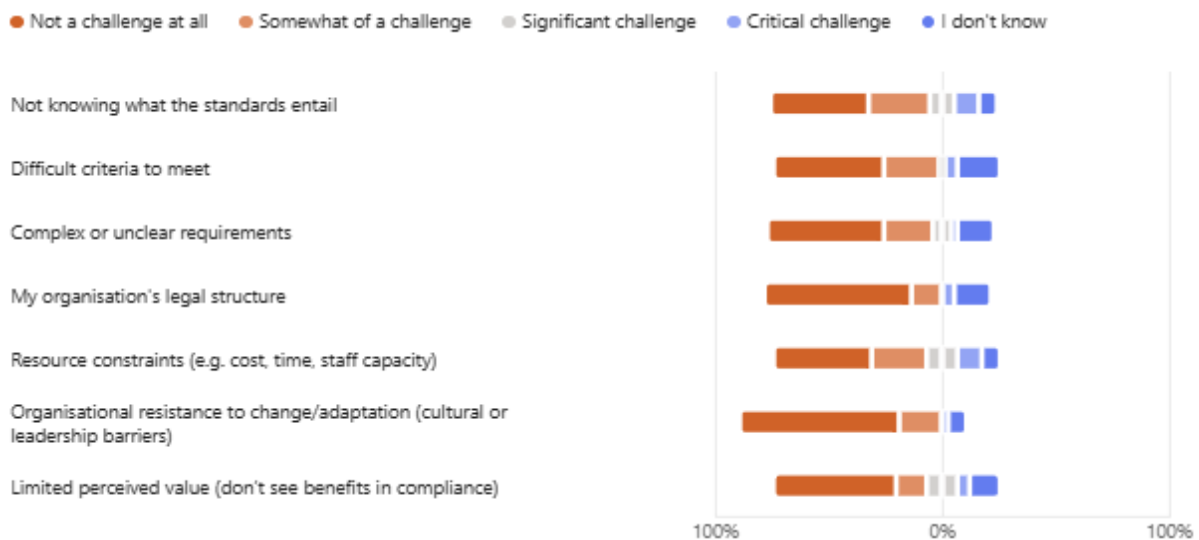


Figure 16. The biggest challenges in adopting the Code as seen by social enterprises in the survey sample.



Focus group participants were also asked to compare the challenges of meeting the PPF standards with those of aligning with the Code’s criteria and values. Some participants viewed PPF’s requirement for a self-sustaining revenue model as challenging, arguing that if an organisation aspires to address a social problem, it should be able to do so in the best possible way, whether supported by grant funding or business income. Related to this was the view that the Code instead uses the phrase ‘aspire’ to be financially independent, which they found more appropriate because self-sufficiency should remain an aspiration rather than an absolute requirement. Conversely, one participant noted that although the Code is better in framing financial independence as an aspiration rather than a requirement, achieving this remains a challenge, as not all SEs are in a position to aspire to financial independence. Ideally this may be desirable, but in reality, some organisations will probably always rely on grant funding, as this is the only way they can deliver grassroots community work.

Some participants also felt that there should be a degree of flexibility regarding the 100% asset lock in the Code. Others, however, contended that the PPF standard of reinvesting the majority of surplus funds into the organisation’s purpose should be tightened to mandate 100%, in line with the Code.

“And I think that the risk in terms of People and Planet First is probably the surplus point whereby if it’s what 49% can be taken in profit, I think that’s where you’re getting risky as to, OK, who else is going to become People and Planet First verified and will that dilute what it means to hold this label. So, I don’t know what terminology we’re using, like verified, certified, whatever. Yeah. So, I think that’s potentially risky.”

A broader issue related to adopting both the PPF standards and the Code is the substantial time and resources required, further compounded by a limited understanding of social

enterprises. Additionally, some felt that discussions about standards can divert attention from the development of social enterprises and the support they need.

What follows is an analysis of the challenges SEs face in meeting key requirements of the two sets of standards, along with potential solutions. These challenges have been categorised into five main areas: prioritising positive social and environmental impact, implementing ethical business practices, achieving a self-sustaining revenue model or financial independence, locking in assets or purpose over the long term, and reinvesting surplus into the mission.

5.3.1. Prioritising positive social and environmental impact

In general, participants view prioritising positive social and environmental impact, while also generating income, as a core feature of what social enterprises represent.

This is part of SEs DNA. “I would say the challenge is the enterprise bit of social enterprise, not the social.”

However, they also identified several challenges related to fulfilling this criterion (see the table below).

Challenges
<p>Financial aspect: competition for funding and related pressures; limited funding opportunities; lack of understanding what’s being funded; challenges in securing funding based on social missions; the need for more quasi-equity; difficulties in generating sufficient income; high, rising expenses (e.g., staff salaries, energy).</p> <p><i>“One of the primary challenges ... in prioritising social and environmental impact is the constant pressure to remain financially sustainable while staying true to our mission. Unlike traditional businesses, we often operate in markets where margins are tight, and we must compete with profit-driven companies that don’t carry the same ethical or operational commitments... This dual expectation can create tension, particularly when short-term financial pressures risk diluting our long-term social or environmental goals.”</i></p> <p><i>“Funding is perhaps one of the biggest challenges faced by many, including ourselves. Realistically it takes years to build up a social enterprise to become self-sufficient in terms of income generation to be less dependent upon funding. It’s not just funding, it’s the type of funding which needs to be available i.e. unrestricted, multi-year, decent feedback when unsuccessful in order to learn. Core funding to stabilise long term in order to grow and develop - we need to be in a position to meet criteria to apply for standards and charters - these often cost as well in terms of human and financial costs.”</i></p>
<p>Competing with the private sector: the third sector is often overshadowed and dominated by a profit-driven environment; trying to compete in commercial markets while prioritising impact is a significant challenge.</p> <p><i>“Competing with commercial businesses that don’t factor in social costs makes pricing difficult. Social impact may not be valued by mainstream customers.”</i></p>

Measuring impact: Defining what counts as impact and accurately measuring social impacts—especially for small social enterprises remains difficult (time- and resource- consuming).

“While financial performance can be clearly tracked, demonstrating and articulating social and environmental value is far more complex. Without sector-wide standardisation, impact measurement is time-consuming, resource-intensive, and often difficult to translate into language that funders or investors understand or prioritise.”

Lack of awareness and understanding of social enterprises (SEs) within the broader community.

“SEs are still not correctly understood. Because they try to operate within economies, there is an expectation that they will be competitive with private business, without any allowance for the additional costs of address social/environmental issues. They also operate where there is market failure and yet there is an expectation that they can be very competitive in those areas, whilst the private sector has exited them exactly because they are not profitable areas.”

Inadequate support from local authorities: Red tape imposed by councils hinders SEs from delivering what they want for their communities, alongside a reduction in local authority funding opportunities.

A lack of clear articulation of mission, insufficient focus on the mission, and finding the right balance between mission focus and income generation.

“Sometimes we see a lack of articulation of purpose or mission in SE, and therefore it is hard to achieve or measure positive impacts. It would be very positive if greater focus was put on this, rather than legal structure which should be designed to support the mission, and the business plan the SE has to deliver on the mission.”

“A lot of SEs in Scotland rely on grants, rather than trading. When they are more dependent on grants, it is hard to focus on their own mission, because they focus on grant providers’ missions – there could be overlaps, but they are not necessarily the same.”

Lack of promotion of social enterprises among minority and non-English speaking groups.

Employment: Some social enterprises recruit people who need employment as part of their mission rather than focusing solely on skilled workers. This leads to higher training costs and higher staffing levels compared to comparable businesses with similar outputs.

Difficulties in meeting environmental standards along the supply chain, as well as in creating net-zero economic value.

“But I think the supply chain element of things can often be left out of conversations around social enterprises and really thinking about if you know where products are coming from, what about producers or suppliers overseas in addition to the benefit that social enterprises bring to local communities, if that makes sense. So, I think that sort of international perspective is something that we'd always like to see in this...”

5.3.2. Implementing ethical business practices

It is widely understood that social enterprises are expected to follow ethical business practices and support positive impact not only through their mission but also in their everyday operations.

The main challenges that social enterprises face in implementing ethical business practices are as follows:

Challenges
<p>Resource constraints: Small SEs lack the staff needed to follow ethical business practices; instability of income makes it difficult to offer permanent, stable posts; adhering to ethical business practices can be costly – there are cost of living wage, national insurance increase, difficulties related to capital expenditure; other challenges such as higher sickness absence if a SE employs people with disability.</p> <p><i>“Most social enterprises are very small, have resource and capacity challenges and too much focus on growth programmes instead of sustainable programmes.”</i></p> <p><i>“Ethical practices such as paying the real living wage, investing in staff wellbeing, sourcing environmentally sustainable materials, or reducing carbon footprints often come with upfront costs... already balancing tight margins and reinvesting profits into our mission, these costs can be difficult to absorb — especially without the scale or purchasing power of larger commercial counterparts.”</i></p> <p><i>“Some SEs have only one core employee, who is also a director. Desire is there to be a good employer, but resources are constrained – it costs money to be a good employer. One of the key challenges is that those SEs that are small and those earning millions have to follow the same ethical business practices.”</i></p>
<p>Lack of standard and clear guidance</p> <p><i>“There’s also the challenge of navigating unclear or evolving standards. From environmental accreditations to employment policies, the landscape can be complex and time-consuming to interpret, particularly without in-house expertise.”</i></p>
<p>Competing with private businesses that prioritise profit over ethical business practices</p> <p><i>“Ethical practices can be a lot more expensive to stick to when competition can be cheaper.”</i></p>
<p>Lack of support from customers</p> <p><i>“Such practices often require additional resource/capital. Many social buyers are unwilling to buy at non-market prices.”</i></p>
<p>Lack of expertise and confidence</p> <p><i>“Staff may not be aware of what ethical practice involves, or how to implement it in their roles.”</i></p>
<p>Lack of accountability and transparency</p> <p><i>“I guess the challenge for any badge or hallmark is how, for People and Planet First, for example, how can they verify and ensure that those practices are actually happening and continue to happen. Because, with that,</i></p>

as I understand it, the Voluntary Code relies on self-certification. So, you can't know, neither initiative is set up in such a way they can actually... auditing those principles, it does rely on organisations operating on a good faith, and I guess for that does then do is a lot of potential for bed faith actor to become and say 'I've got accreditation using People and Planet First and getting access to social enterprises world' without actually having the principles in place that would qualify them to be so. I mean, it all relies on good faith."

Some of the solutions proposed to address the challenges of prioritising positive social and environmental impact while implementing ethical business practices include: better access to support networks for SEs; setting reasonable expectations based on SEs age, stage, and scale; stronger government support; improving impact assessment and measurement; enhancing cooperation among SEs; providing clear roadmaps or guidance on available support; greater engagement with peers and sector networks; and the creation of clear policies.

5.3.3. Achieving a self-sustaining revenue model or financial independence

Achieving financial self-sufficiency is considered the biggest challenge by most participants. In particular, the key challenges related to this are as follows:

Challenges

Limited access to funding and investment, especially long-term funding.

"I also think that it's easier to get funding for new ideas / new projects than for things that are ongoing. As a CIC coming into our 5th year it's much more difficult to get money for things that we know actually work, rather than for brand new projects that we're testing out - which is frustrating."

"The concept in and of itself is challenging for us. We want to deliver community projects as well as client work, but this is very challenging in the current funding environment. Like many CICs we work with, we aim for a mixed model of commercial activity and funded community activity, and this doesn't yet seem to be supported in many frameworks and funding criteria."

"We are fully self-sustaining and are not reliant on grants, however when trying to diversify / grow it can be challenging to access finance to do this which provides the time needed to become self-sustaining."

"Funders really need (in our opinion) to understand our business before making decisions. Multi-year grant funding would give some security to everyone in the organisation."

"Limited access to start-up or growth capital: Many funders are risk-averse or prefer proven models. Impact-first businesses may not appeal to traditional investors."

"There's always loads of money for start-ups and it's nearly all grants. And there's loads of money if you're successful (...) There's not support in the sense of this is a difficult, tricky transition from being small to actually finding the space and the time to continue to grow, to continue, to keep that on, the business going in the day-to-day basis, to find the space. So, there's very little at that point, but I think that's the same for small business, all businesses, I don't think it's unique to social enterprises."

Access to equity investment and debt

“Some SEs’ legal structures automatically exclude those SEs from equity investment (from a growth point of view). This has proven over time to limit options for SE which have a greater level of scale ambition. Without access to this type of growth capital, some SE have moved to becoming a normal Ltd Co and are delivering significant positive impact, while meeting or exceeding standards expected of SE. Others bend their model to a heavier grant reliance and others don’t achieve the scale they could.”

“There is significant debt available in Scotland, but take up has historically been limited by a preference to pursue grants or a lack of familiarity and experience of using debt in a business model on the part of SE leadership.”

Lack of financial skills

“I think one of the problems is people who start social enterprises do not start from a position of financial gain acumen. They start from a passionate position about a social or environmental issue.”

Lack of diversification

“I think social enterprise struggle when they can’t operate with diverse and dynamic revenue streams.”

Misconceptions about SEs

“Funders are often unrealistic and don’t understand an enterprise trying to be commercial. Often mistaken as a charity which causes problems.”

“A failure by state actors, private sector and customers in general to understand the additional costs of social enterprise. Also, the unwillingness of customers to pay those additional costs in comparison with private sector providers. The investment market for SE doesn’t work at all, it’s not what is needed in terms of patient, affordable finance, which in itself recognises that additional costs of running an SE. There is a failure by those in the mainstream financial industry to understand the legal structures and why those structures define a social enterprise and its difference from the private sector.”

“The social investment industry tends to look for SEs with professional leadership and is designed to support ‘best-in-class’, whereas SEs are often built to be patient businesses.”

Operating in areas with limited markets

“A lot of them (SEs) are providing key local services in areas where there is no other provision because of limited markets. They are therefore reliant on some grant income to bridge the gap as there are just not enough people/money to pay for the true cost of a service. I am talking specifically about rural areas here. Capacity to set up a cash cow to support the social purpose is limited.”

Lack of support from local authorities

“There is no tax support, and we have not received any council level support or relief which has made things more difficult than they need to be at times.”

Dependency on short-term contracts or grants

“Reliance on unstable funding sources undermines long-term planning.”

“I think the challenge I see with that, tends to be more groups that started out as grant dependent and are trying to have more autonomy, more flexibility, and more of a revenue-based model. That transition is hard.”

Lack of viable business models that generate sufficient income to cover costs.

Limited access to procurement contracts and opportunities at the government level.

Some of the proposed solutions include: having financial expertise on the board; operating more efficiently; exploring opportunities for growth; setting up funds designed specifically for SEs at a certain stage that would like to grow; working in partnerships; diversifying products or services; providing long-term business and financial support; developing clear financial plans; gaining customer support; creating separate teams for grant-funded and commercial activities; strengthening cooperation between SEs and local private businesses; improving investors’ understanding of the social enterprise ecosystem; ensuring better-designed government support; developing new instruments to ease capital constraints; helping SEs design and deliver more trading-based business models; and setting expectations that debt is a core component in driving growth.

5.3.4. Reinvesting surplus into the mission

Most participants regard reinvestment into the mission as a key defining feature of social enterprises (SEs) and do not see any challenges related to this.

“No real challenges, our social purpose runs through every decision we make as a business.”

However, a couple of challenges have been identified in this regard:

Challenges

Limited surplus

“A key challenge is the limited surplus we operate with. Due to our commitment to affordability, inclusion, and sustainability, profit margins are often modest, if at all! Rising costs (such as energy, wages, or materials) further reduce the available surplus, leaving little room for reinvestment in staff development, innovation, or community benefit.”

“Would be lovely to have profit to reinvest !!”

“This has been at the heart of huge debate in Scotland for many years. I personally would start by asking how many SEs actually generate a surplus or profit. The answer is very few. In that sense, this question could be academic or even ideologically based rather than practically based. Then I would ask how many SEs will generate surplus or profit in future. That could be a larger number of organisations, but then we need to ask which SE will do that. It is logically likely these will be larger SE and even then, it will be when they are at a more mature scale. All high growth organisations reinvest income into growth and often have

to in order to attract third party investment to help accelerate growth. So, again the surplus reinvestment question is possibly ideological.”

Balancing reserves and investment

“We reinvest our profits but then couldn't get funding because we didn't have enough financial surplus. Having reserves can be tricky when reinvesting - and again, looking for consistency in what we offer is important - which is difficult when profit margins rise and fall.”

“The need to balance reserves with re-investment can hinder innovative re-investment and growth.”

“So, if we've got a customer coming to us that, you know, every year they're making surplus, but they're reinvesting that, you know, that's OK. But it's a bit of a problem for us sometimes when customers are making a deficit and still reinvesting all of that, or even more into new projects. So, we, you know, we do encourage customers to keep a surplus in the bank because you can't keep reinvesting if you're not making a surplus. So, it does cause a lender a problem sometimes...”

Multiple investment needs

“There are so many aspects of the business that require the reinvestment. People, equipment, buildings and running costs are just a few so even just deciding on which aspects to focus on can be an extremely difficult task.”

5.3.5. Locking in assets or purpose over the long term

Similarly to the previous standard, locking in assets and/or purpose is considered an important feature of social enterprises by most participants.

“A social enterprise should never fail on asset lock.”

The key challenges related to this standard are as follows:

Challenges

Market pressures

“Market and policy pressures can exacerbate this — for instance, where external funding or partnerships require compromises in service design or delivery priorities. Additionally, asset protection can be complex for social enterprises without charitable status, especially if they grow quickly or seek investment.”

Mission drift

“Securing or “locking in” a social enterprise’s mission and assets over the long term is vital to ensuring that the organisation stays true to its founding purpose, even as leadership, funding environments, or markets evolve. However, this ambition comes with several significant challenges. One major risk is mission drift, which can occur when financial pressures or new opportunities tempt an organisation to prioritise income over impact. Particularly in competitive markets or when reliant on contracts with external bodies, there’s a danger of shifting focus away from the core social or environmental mission to stay afloat or expand too quickly.”

Governance and leadership transitions

“Governance and leadership transitions also pose challenges. If a founding leader steps down, or if new board members are brought in without a clear understanding of the enterprise’s values and social purpose, the risk of diluted focus increases. Without strong structures in place, long-term vision can become vulnerable to short-term decision-making.”

“Staff and board retention are both factors here.”

Financial providers’ requirements

“Financially, it can be difficult to lock in assets, as finance providers seek to take security over the asset when providing investment. Often that is an asset that has been purchased using public money and really should remain locked in for public benefit.”

“Difficulty in securing traditional investment, however, there are other lending models available. Maintaining a mission may not be appropriate in the face of external changes.”

Financial hardships

“Asset lock may not be financially suitable on a particular year.”

“Lack of financial support when things go wrong.”

“Staying focussed when you need to be agile and flexible to survive and flourish. Persuading market to do more than a superficial training course.”

Access to finance (e.g. banks might be reluctant to lend to SEs because of the asset lock)

“So, access to finance for certain types of businesses is a real challenge when you choose to protect your purpose like this and you choose to reinvest surplus.”

Many participants expressed strong views regarding the 100% asset lock. Most regarded it as a defining feature of social enterprises (SEs), setting them apart from profit-driven businesses. Some pointed out that the PPF standard, which requires only most of the surplus to be reinvested into the mission, should be revised.

“I think that the key thing that I’ve noticed here is, the real boundary that we’re putting around social enterprise has to do with ownership and governance in terms of (...) do they really exist for people and planet, or do they exist to extract finance right. Like the that’s the underlying distinction, is it for profit or is it for people on planet?”

However, a few participants suggested that introducing some flexibility to the Code’s 100% asset lock could be beneficial, as the current criterion discourages flexible investments that SEs need. For instance, if there was a greater tolerance for SEs to use less restrictive legal structures that could open up “access to appropriate equity investment to help drive mission aligned with growth”. A view was also expressed that, in certain cases, limited wealth extraction may be appropriate, particularly for younger people who should be able to earn a decent income for themselves while also achieving positive social impact.

“... it would be good to understand the real driver behind the asset locking. Is it a fundamental mistrust of people, or is it an attempt to distinguish SE from a standard Ltd Co? In charities, for example, asset locking was really in exchange for corporation tax relief – the idea being you pay no tax, then you have to use any surplus (which at 20% of the annual income would probably have been paid in tax otherwise) for the purpose of the charity. SE don't have this tax benefit, but some have the asset lock in Scotland. It leaves the door open to some (but not all) grants, which has a potential benefit, but as described above in many cases this has led to an over reliance on grants, underdeveloped trading models, mission drift and lack of resilience. Almost the very thing which the code uses to define an SE in Scotland could be argued to be at the core of the reason many SE have mission drift or fail. (...) ... it is clear to me that any purpose or mission can be written into standard company formation documents and safeguarded that way. I would like to see a day when SE were recognised for a clear articulation of their mission and a clear pride in tracking and reporting against their achievements. What legal structure is used should really just be a response to the strategy and business plan in place to deliver the mission. In the end, for an SE the model needs to show how it will help deliver the mission and the model needs to be financially sustainable. At the core of SE, sustainability has to come from trading rather than grant reliance. If we focus on mission and model, then structure to enable model, then we will protect mission and see more true impact.”

“... I think, that in some ways this is at the heart of the challenge. The Code in that perspective comes at social enterprise from a point of more of a socialist, left-wing perspective – ‘people shouldn't make any money’, and more modern models of social enterprise create a potential for ‘yes, community reinvestment and social impact, but also limited wealth extraction from a social enterprise model to its founders and its directors’ (...) So, I'm of the opinion that in certain cases limited wealth extraction is appropriate. And I think particularly about younger people that are coming into, that are making an active choice to establish a social enterprise and choose to build a carrier within a social enterprise because it aligns with their own personal vision and values that... just because of the nature of the world now some of these young people will also have a need to make money from sales and make, establish wealth for themselves because things are expensive, right. And they might not be able to survive on a limited salary that a social enterprise might allow them to take. So, I think that in order to be as inclusive as possible we need to acknowledge the fact that there is a range of different models. And, I think, sometimes a challenge for the people that were involved with the Code was that they weren't coming at it through looking at potential for a next generation of social entrepreneurs, there's more protectionisms rather than encouraging people and social enterprise.”

Some participants argued that the positive impact created is what truly matters, rather than the asset lock. While the asset lock may be appropriate in certain cases, it does not, by itself, demonstrate impact. What is most important is showing that an organisation is making a positive difference; the asset lock is of secondary significance.

5.3.6. Comparison of challenges

When asked which of the previously mentioned standards for social enterprises they find most challenging to meet, the overwhelming majority of **survey participants** identified the financial aspect, financial self-sufficiency or independence, as the key challenge.

Other challenges mentioned included implementing ethical business practices (2 responses), prioritising social and environmental impact (3 responses), securing assets and/or purpose (3 responses).

“The most challenging standard to meet is often achieving financial self-sufficiency. Why this is difficult: Unpredictable income: Trading revenue can be irregular, especially in sectors where customers have limited ability to pay or when social impact requires subsidised services. Thin margins: Delivering high-quality services while staying affordable and ethical often means low or no profit margins. Competition: Competing with commercial providers that don’t bear the same social or environmental obligations can limit market share or drive prices down. Limited access to capital: Many social enterprises can’t access mainstream investment and rely on grants or loans with conditions that restrict flexibility. Internal capacity: Smaller organisations often lack in-house expertise in business development, marketing, or financial forecasting—key for building sustainable revenue. Other standards—like ethical practices or reinvesting profits—can usually be phased in or maintained with good governance and values-driven leadership. But without a stable income base, everything else is harder to sustain. Addressing the challenge requires long-term planning, mixed income strategies, realistic pricing, and investment in commercial skills. Even then, some models may always rely on a blend of trading and grant income to be viable.”

Interview and focus group participants also identified financial self-sufficiency as the most challenging standard to meet.

“We struggle to prioritise our social impact whilst trying to remain commercial. Our services /goods are offered at a fair market value which makes us less commercially viable, if we increase costs we lose our impact.”

5.4. Other challenges

Participants were also asked to identify other challenges that might hinder the growth of the sector. The following table provides an overview of the key challenges mentioned.

Table 4. Other challenges that SEs commonly face, as identified by research participants.

Regulatory challenges	Operational challenges	Other challenges
<ul style="list-style-type: none"> • Complex and overlapping reporting obligations • Legal structure limitations that sometimes restrict flexibility <i>“For example, the traditional charitable structure may limit certain types of trading or investment activity without complex governance arrangements or separate trading arms, which add further administrative burden.”</i> • Numerous disclosure and compliance requirements related to data protection, health and safety, and sector-specific regulations • The choice between different legal structures can be confusing and carry trade-offs • Rising costs (e.g., the National Insurance costs) • Lack of a legal definition of SEs • Complex reporting duties required by funders 	<ul style="list-style-type: none"> • Limited resources for measuring impact • Resource constraints and burnout challenge • Lack of financial, commercial, marketing skills • Lack of staff and staff retention • Difficulties related to recruiting volunteers • Challenges in offering competitive salaries leading to talent loss • Lack of business acumen 	<ul style="list-style-type: none"> • Increasing requirements and paperwork from funders • Lack of support for disabled founders and wider social and structural inequalities • Lack of funding, particularly long-term funding, and limited investment to support growth. • Insufficient recognition of the role of SEs in public procurement • Insufficient recognition and understanding of social enterprises • Misconceptions about SEs’ ability to deliver high-quality products and services. • Policy inconsistency • Lack of consideration for the mental health and wellbeing of those running SEs • Lack of support for disabled founders • Lack of a single point of entry source of support for SEs • Difficulties related to being environmentally sustainable • Limited access to affordable premises • Insufficient public visibility and recognition.

Some of the proposed solutions to these challenges include: streamlining reporting mechanisms across regulators and funders through shared digital platforms or harmonised templates; providing clearer guidance and support for hybrid models of operation such as charities developing trading arms; increasing access to capacity-building funding for governance, compliance, and financial management; securing regulatory recognition of social enterprises as distinct legal entities; adjusting public sector procurement frameworks to weight social value alongside price; developing affordable and user-friendly impact measurement tools with accompanying funding and training; investing in wellbeing and peer support networks; creating a more welcoming ecosystem for start-ups and innovators; SE needs to be a more attractive and accessible career option for commercially minded people.

5.5. Identifying solutions

When asked about potential solutions to help overcome the challenges in meeting the PPF standards and the Code criteria, most **survey participants** agreed on the importance of public recognition tied to the standards, clear guidance on their implementation, and the provision of training and mentorship. Additionally, having dedicated staff to manage compliance was highlighted as a key factor. Changing the standards themselves was seen as somewhat important by 24% of respondents, important by 5% and critical by 8% of participants.

Figure 17. Solutions to the challenges of aligning with the Code and PPF as seen by social enterprises in the survey sample.



In elaborating on their responses, the survey participants emphasised the need for education, access to measurement tools and mentorship, availability of resources, and clearer communication of the real-world benefits of adopting the standards. They also stressed the importance of guidance and training, ensuring that investors understand the standards, securing support from funders, encouraging volunteer involvement, and achieving broader recognition for organisations that adhere to either set of standards.

“The most critical solution to overcoming barriers is the provision of clear, accessible guidance on how to implement the standards in practice. Clear guidance is critical because: Complexity of language and expectations: Both documents contain broad principles and technical language that can be interpreted in different ways. Varied organisational contexts: Start-ups, rural enterprises, or very small teams may struggle to relate the standards to their own operations without tailored examples. Lack of internal expertise: Many social enterprises don’t have in-house legal, environmental, or governance specialists. Good guidance should include: Plain English summaries of each criterion, avoiding jargon. Real-life case studies showing how different types of enterprises apply each standard. Checklists and self-assessment tools to track progress and identify gaps. Templates and examples for policies (e.g. reinvestment plans, governance structures). FAQs or myth-busting sections to address common misunderstandings (e.g. what qualifies as an “asset lock”).”

“1. Balancing Aspirational Standards with Practical Capacity Challenge: Both frameworks provide a powerful ethical and operational compass for social enterprises. However, smaller organisations like (...) may struggle to fully embed every element due to capacity and resource constraints. Potential Solution: Providing graduated pathways or tiered versions of the standards (e.g., bronze/silver/gold or startup/mature) would allow organisations to build towards full adoption at a manageable pace. Mentoring or peer-led implementation support could also be helpful.

2. Need for Support with Evidence and Documentation Challenge: Many of the standards involve demonstrating practices around environmental impact, reinvestment, stakeholder involvement, and governance. While organisations may be meeting these in practice, evidencing them systematically can be difficult. Potential Solution: Toolkits, templates, or light-touch self-assessment tools aligned with the standards would make it easier for organisations to track and document compliance, and build capacity over time.

3. Raising Awareness and Sector-Wide Buy-In Challenge: While many in the sector are aware of these standards, there’s still limited recognition across funders, customers, and some public bodies. This can reduce the incentive to adopt them rigorously. Potential Solution: Greater promotion of these standards as a mark of quality, perhaps supported by local authorities and funders, could help reinforce their value. Including the standards in funding criteria, procurement processes, or social enterprise directories could also incentivise wider uptake.

4. Recognition of Dual Identities (Charity and Enterprise) Challenge: (...) many (SEs), operates as both a charity and a social enterprise. Some elements of the standards—particularly those around governance or reinvestment—may not neatly apply to hybrid models. Potential Solution: Offering interpretive guidance or case studies specifically for hybrid organisations would ensure the standards are inclusive and relevant across the full diversity of the sector.

5. Encouraging Peer Learning and Collaboration Challenge: Adopting standards can feel like a solitary exercise, and smaller organisations often feel isolated in the process. Potential Solution: Supporting peer networks, regional workshops, and case-sharing platforms where organisations can reflect on their journeys and challenges would make adoption more accessible, social, and achievable.”

“Get funders onboard and committed not just to making us do things to get £ but support us to deliver and value this when assessing our impact.”

Interview and focus group participants were asked to identify the key supporters of the sector. The responses received vary to include a broad range of actors, such as customers, the community, peers, the government, support organisations (e.g., Just Enterprise, Firstport, Social Enterprise Scotland) and TSIs.

Focus group participants were also asked if they would change, add, or modify any standards, criteria, or values in the two frameworks.

Regarding PPF, some participants suggested changing the requirement for a self-sustaining revenue model, particularly in terms of wording. Others proposed changing the criterion of ‘most of any surplus to be reinvested in the mission’ to a 100% asset lock. One participant also suggested revising the wording of the first standard (‘SE exists to solve a social or environmental problem’), arguing that it feels like quite a big ask compared to the Code, where the purpose of SEs is framed as achieving social and/or environmental benefit.

In relation to the Code, one participant argued that inclusion and equality should be made explicit as part of its values. Although they felt these principles are ‘kind of implicit in things like being a good employer or providing a dignified workplace’, the Code could, in their view, be bolder in ensuring this. Additionally, some participants suggested that a governance standard should be incorporated into the Code.

“If we’re looking at a verification process as part of an ongoing membership, I would argue that meeting certain governance standards should be part of a verification process. Because again, that gives your board and your trustees confidence that you are actually keeping focused on the issues of governance that underpin their own responsibilities to the organisation (...) I don’t think the standards from People and Planet First go anywhere near that, and it’s not covered really under the Voluntary Code criteria or values, but the most important aspect is governance (...) OSCR is one of them and companies houses the other, but neither of them truly addresses whether or not you are fit to manage and govern properly. So, if you’re looking at verification on an ongoing basis, I would say surely that has to be part of the criteria.”

There was also a proposal that the Code introduce a threshold requiring at least 50% or 60% of income to be generated through trading. This is in addition to the suggestion from a couple of participants that the Code should introduce some flexibility to the 100% asset lock, as mentioned above.

Focus group participants were also asked whether there is a need to clarify (in the case of PPF) or introduce (in the case of the Code) a verification process, and to provide guiding documents that offer detailed explanations of each standard and how they are assessed. While most respondents were not very eager to implement a verification process for the Code, some did not completely reject the idea if it were linked to tangible benefits - for example, helping wider society better understand what social enterprises are. Some participants, however, emphasised the voluntary nature of the Code, stressing that this should not be altered. Many also pointed out that SEs have already fulfilled the requirements as CICs or charities and already have reporting duties to the CIC regulator and OSCR, so they do not see the point of duplicating this process through verifications related to voluntary standards.

One interviewee suggested that an accreditation process for social enterprises could instead be led by Third Sector Interfaces (TSIs).

“... Another, I suppose, another struggle that they have is to show the difference between a social enterprise and a commercial business as well to the general public, where people are more likely to purchase from social enterprise. And if there was an accreditation, a true accreditation, to show that this was a true social enterprise, I think that would benefit them as well. (...) one of the ways that that could be done would be for the Third Sector Interfaces

to monitor that accreditation, very much like, I don't if you've heard of the revolve accreditation from Zero Waste Scotland around companies that have a more environmental, social benefit to them. (...) But if you go back to what it what it was, and if you meet maybe five or the six type criteria around the Voluntary Code of Practise it no longer a voluntary code of practise that has to be a code of practise. And you meet these criteria, then you could be accredited as a social enterprise and that accreditation would be monitored on a maybe a two year basis or a three year basis or something like that where you would have the third sector's going back and looking at that again and accrediting them again just shows that they're keeping up with standards and keeping up with what is required for a social enterprise."

One of the participants suggested changing the language in which both standards are written to make them more accessible and understandable for SEs and the wider public.

6. Main conclusions and practical recommendations

This section presents the main conclusions drawn from the insights provided by research participants, along with practical recommendations and key steps going forward.

6.1. Main conclusions

Familiarity and engagement. Most research participants are aware of the existence of the Code and the PPF standards, though often only briefly, meaning they do not know the details of what these sets of standards contain. Participants tend to be more familiar with the Code, as it has been around longer, was created in Scotland, and is more frequently referenced within the sector. However, it was noted that the Code is mentioned less frequently today than in the past.

The overwhelming majority of participants' SEs are members of Social Enterprise Scotland, while a smaller number are verified by PPF. However, when asked to provide a self-assessment of their SEs' compliance with both the PPF and the Code, most of those who responded indicated that they align with both, though not necessarily intentionally, but rather instinctively or naturally.

Many participants are not aware of the differences and similarities between the two frameworks. Also, many believe that no significant differences can be identified between the Code and the PPF standards. At the same time, the differences between the two were a factor in some participants' decision to choose one over the other.

Benefits and downsides in comparative perspective. A large number of participants believe that the Code is more relevant to their organisations' missions than the PPF standards. There was also agreement that the Code is better suited to the Scottish context, though most

acknowledged that the PPF standards have a more international character, and thus a relevant rationale behind them.

The Code is perceived as being value-based, serving as a benchmark and helping to clarify what a social enterprise is, whereas the PPF standards were seen by some participants as more structured, transparent, and easier to implement.

When it comes to challenges, concerns were raised about certain PPF standards, such as reinvesting only most of the surplus (rather than 100%) toward the organisation's purpose, and the requirement to maintain a self-sustaining revenue model. Conversely, some participants felt that the Code should be more ambitious in supporting the growth and scaling of SEs.

Participants expressed mixed views on the benefits of aligning with both standards. Many felt that third-party verification or a "badge" of recognition as a social enterprise adds value, particularly in strengthening credibility with investors, government bodies, and customers. Others, however, argued that a legal structure protecting assets and mission, combined with delivering quality products and services is sufficient, and that external verification offers no additional practical benefit. From this perspective, aligning with either or both sets of standards brings no clear advantage.

Several downsides to alignment were also highlighted. Key among them were the lack of tangible benefits and the significant time and resources required to comply with the standards. Participants also noted that the existence of multiple standards contributes to confusion and market saturation, with competing labels making it harder for both social enterprises and the wider public to navigate the sector. Additionally, some felt that debates about standards can divert attention from the SEs' missions and the support they need.

Identifying challenges. Finance and achieving financial independence were identified as the key challenges by almost all research participants. Although other aspects, such as following ethical business practices and maintaining an asset lock, were also mentioned by some participants as critical challenges, the overwhelming majority believed that it ultimately comes down to resources and financial considerations.

Another major challenge across both standards is the lack of understanding of SEs by funders, investors, and the wider public. Measuring and reporting on SEs' impact, which often leads to underestimating the positive contributions they make, together with skill gaps in finance, business acumen, and attracting and appropriately rewarding SE staff, were also highlighted as particularly relevant by most participants.

While most participants agreed that the asset lock is one of the main defining features of social enterprises, a few found it challenging due to the limited surplus they generate, which restricts their ability to reinvest in the community. Additionally, asset locks were seen as a potential barrier because they can discourage the flexible investments SEs need to grow and scale.

Beyond the standards, participants also identified a number of regulatory, operational, and other challenges, including complex reporting obligations to funders, numerous disclosure and compliance requirements, resource constraints and burnout, misconceptions about SEs, and a lack of consideration for the wellbeing of those running SEs.

In addition, they proposed a number of solutions to these challenges, as listed in Section 5 above.

Identifying solutions. Most survey participants highlighted public recognition, clear guidance, and training or mentorship as key solutions to challenges in meeting the PPF standards and Code criteria. Dedicated compliance staff was also considered important. Changing the standards themselves was seen as somewhat important by 24%, important by 5%, and critical by 8% of respondents.

Participants suggested providing clear guidance, written in simple and accessible language, with real-life examples demonstrating how the standards are applied. Guidance should also consider SEs of different sizes and those with dual identities (both charities and enterprises), offering tailored examples. Graduated or tiered pathways (e.g., bronze/silver/gold or startup/mature), along with toolkits, templates, and simple assessment tools, were also seen as potentially beneficial. In addition, better promotion of the standards as a quality mark - supported by funders and local authorities - and engaging funders to use these standards when valuing SEs' impacts were considered very important.

When it comes to specific standards and criteria, some participants proposed changes to the PPF standards, including revising the requirement for a self-sustaining revenue model—particularly its wording—changing the criterion of “most of any surplus to be reinvested in the mission” to a 100% asset lock, and revising the wording of the first standard (“SE exists to solve a social or environmental problem”), as it feels like a big ask compared with the Code, where the purpose of SEs is framed as achieving social and/or environmental benefit.

In relation to the Code, a few participants proposed making inclusion and equality explicit as part of its values, incorporating a governance standard, introducing a threshold requiring at least 50% or 60% of income to be generated through trading, and allowing greater flexibility in the 100% asset lock.

6.2. Practical recommendations

- 1. Provide clear, simple and user-friendly guidance** on implementing the Code, including practical, real-world examples to support understanding and application. Consider differences in size, as well as the dual nature of some organisations, in guidance that provides examples of how these organisations can align with the Code.

2. **Consider introducing some kind of public recognition** for social enterprises that align with the Code, which could help enhance their credibility and visibility.
3. **Consider moving away from a one-size-fits-all approach** towards greater flexibility that reflects the diversity of social enterprises.
4. **Strive for the right balance** between the “social” and “commercial” aspects of the Code to reflect the dual mission of social enterprises.
5. **Develop and provide a toolbox and templates** to help social enterprises measure their impact and assess alignment with the Code.
6. **Showcase successful case studies** of social enterprises that have benefited from aligning with the Code, to inspire and guide others.
7. **Engage with investors, banks, and the broader public** to promote the benefits of alignment with the Code and positive impact that SEs, thereby improving overall understanding and support for social enterprises.
8. **Partner with other organisations** to improve the visibility of Social Enterprise Scotland members. For example, the PPF uses the Good Market platform to showcase verified social enterprises. This platform allows the general public to learn about the work of social enterprises in a comprehensive and systematic way, while also ensuring transparency, as anyone can raise concerns if the information provided by enterprises about their operations or impact is inaccurate.
9. **Develop collaboration with other organisations to help SEs reduce costs** and, as a result, deliver more. For example, partner with others to educate SEs how to make their operations more environmentally sustainable while simultaneously lowering expenses.
10. **Continue to explore potential for the Code’s improvements**, particularly by engaging with young people, newcomers, and financial actors developing new instruments such as blended finance, with the aim of supporting growth and innovation within the sector.
11. **Consider adjusting the Code to reflect contemporary priorities**, such as environmental protection, equity, and inclusion, by further expanding its values.
12. **Continue exploring ways to improve the wellbeing and mental health of SE staff and founders**, as many work under significant pressure, often stretching their capacities to the maximum.