

Research into Social Enterprises not identifying as Social Enterprise

Social Enterprise Scotland



Social Research



Service Design & Innovation



Strategy & Collaboration



Evaluation Support



Social Impact Measurement

29 January 2024



Introduction and background

Introduction

This is a report on the review of a consultation with organisations who completed the 2021 Social Enterprise Census but who did not identify themselves as a social enterprise

Social Enterprise Scotland (SES) was a key partner in developing the Social Enterprise Census. The 2021 census report indicated that only 56% of the social enterprises in Scotland identified themselves as social enterprise. This percentage is stable since the start of the census in 2015. This means almost half of the social enterprises¹ do not see themselves as part of the sector, and do not necessarily engage with SES to have their views and needs represented.

SES commissioned Social Value Lab to undertake research to better understand this part of the sector and gather views to help shape the Social Enterprise Strategy.

Background

Social Enterprise Scotland (SES) is an independent, membership-led organisation and is the voice of social enterprise in Scotland. SES helps create a supportive policy environment for social enterprises.

In that role they have played a key role in developing and implementing the Scottish Government's Social Enterprise Strategy 2016-26- and three-year Social Enterprise Action Plans setting out agreed actions, resource commitments, responsibilities and deliverables. Currently the third Action Plan is being developed and SES is keen to ensure the voice of the sector is represented.

SES has been asked to develop the thinking to underpin the final of three Action Plans (2024-2026), to be embedded in social enterprise's contribution to the new economy. The consultation will help SES build an understanding of what support organisations have received, from whom and what are their priorities for future support. how SES can support the sector.

Our Method

Based on a discussion with SES we proposed the following method:

-
- Desk research

 - Survey

 - Focus Groups, and

 - Interviews

¹ The census uses the definition of social enterprise as set out in the Voluntary Code of Practice.

Desk research

We looked again at the Social Enterprise Census data. We considered the survey group against the wider social enterprise population, who responded to the Census, across several characteristics.

Survey

We designed a concise electronic survey distributed to the target group, covering:

- The policy areas they contribute towards
- The support they have received against the three main priorities of the Social Enterprise Strategy
- Their specific needs and issues that they would like SES to address, and
- What SES can do to better represent and support them.

We contacted 455 social enterprises that responded to the last 2021 Social Enterprise Census. These had responded negatively on the question about sector enterprise identity. Over 300 people opened the survey and 50 completed the survey. People were slow to complete the survey, so we pushed regularly to get people to respond. We sent 4 reminders over 6 weeks to the contacts asking them to complete the survey. We extended the closing date twice to get as many responses as possible.

Focus Groups

In the survey we sought to recruit participants to one of three focus group discussions and agree to be interviewed. However, the numbers prepared to attend such a focus group meeting were low. So, we agreed with SES to contact those who agreed to be interviewed and speak to them one-to-one.

Interviews

People were slow to decide to be interviewed so we pushed for a date and extended the deadline for completing these to get as many as possible done. We extended the end date for interviews to 26 January 2024.

Analysis and Reporting

We submitted an interim report. No gaps were flagged up and no additional information requested.

We then completed further analysis of the survey and the interview responses we gathered after the interim report was submitted.

Key findings

In this section we will briefly outline the findings from the survey, completed by the organisations that had previously not identified themselves as a social enterprise. This will provide us with a clearer picture of the composition, scale and reach of this sub-sector.

We will also bring out some key points from the completed interviews.

Survey results

The organisations are supporting a variety of beneficiaries from young people leaving care to people with mental health issues to older people. And in addition, the priority areas they make an impact in are varied and include promoting cultural participation and supporting children in early years.

Numbers and types of employees

Surprisingly, when asked about the number of full-time staff the organisation has, 43% said none while the next largest staff complement was 13% with 1-3 staff. So, most responses (88%) have fewer than seven staff.

Figure 1 Number of FT employees

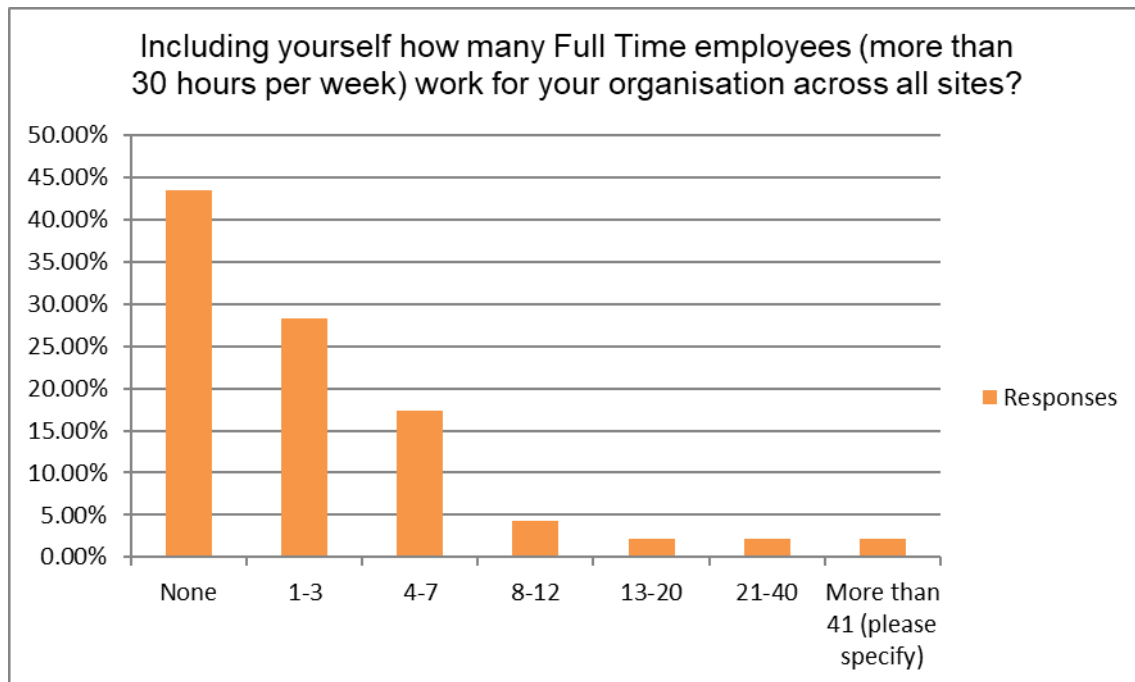
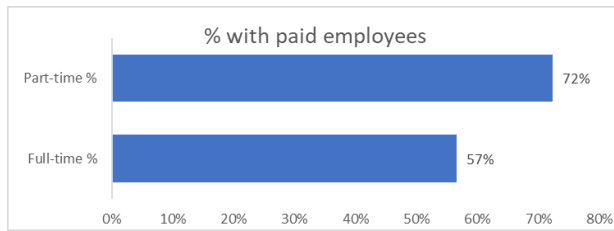


Figure 2 Full and part-time staff

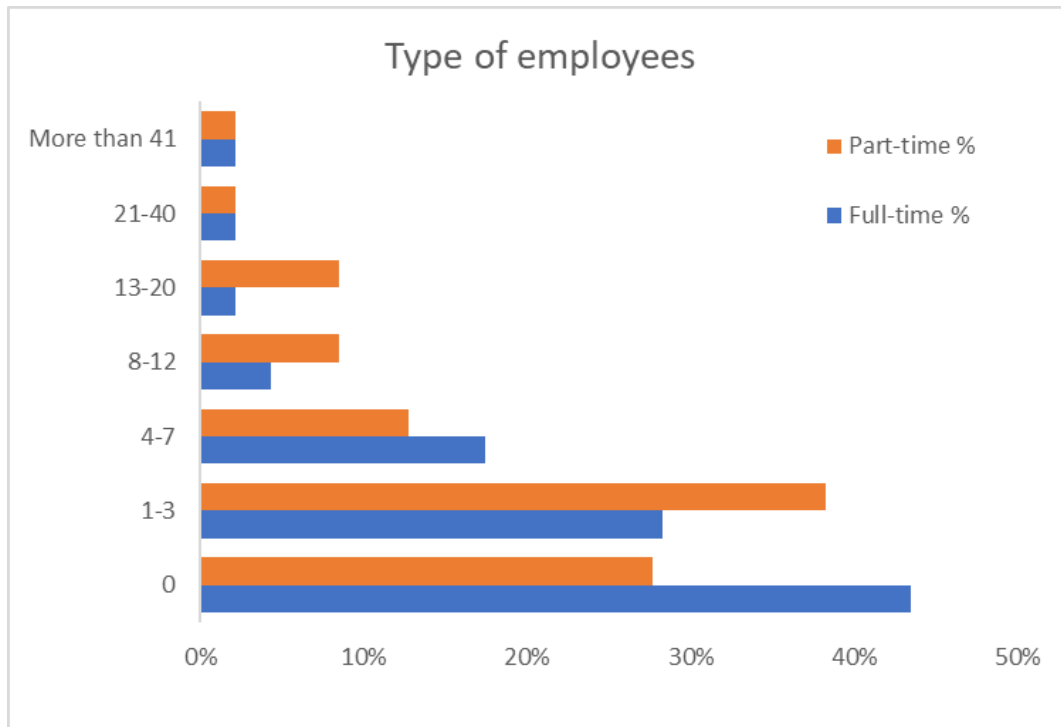


And for part-time staff:

- 27% of organisations have no part-time staff
- 38% have between 1-3 PT staff and
- 12% with 4-8 PT staff.

When we considered the percentage of organisations with more than 8 members of staff then as outlined in Figure 3 there was a high proportion of part-time staff employed.

Figure 3 Type of employees



Trading and turnover

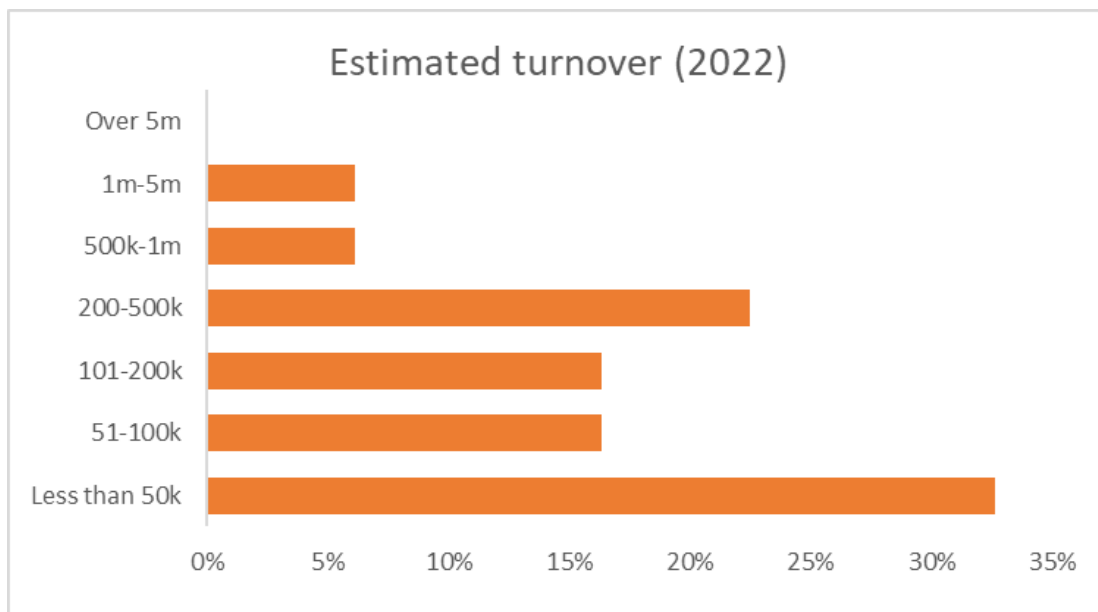
As can be seen in Figure 4 the respondents to the survey are mostly long-established. Most organisations have been trading for more than 12 years, many of which with a history of 15 to 120 years of trading.

Figure 4 Years of trading



Only 12% of responding organisations reported a turnover more than £500,00 with 32% turning over less than £50,000.

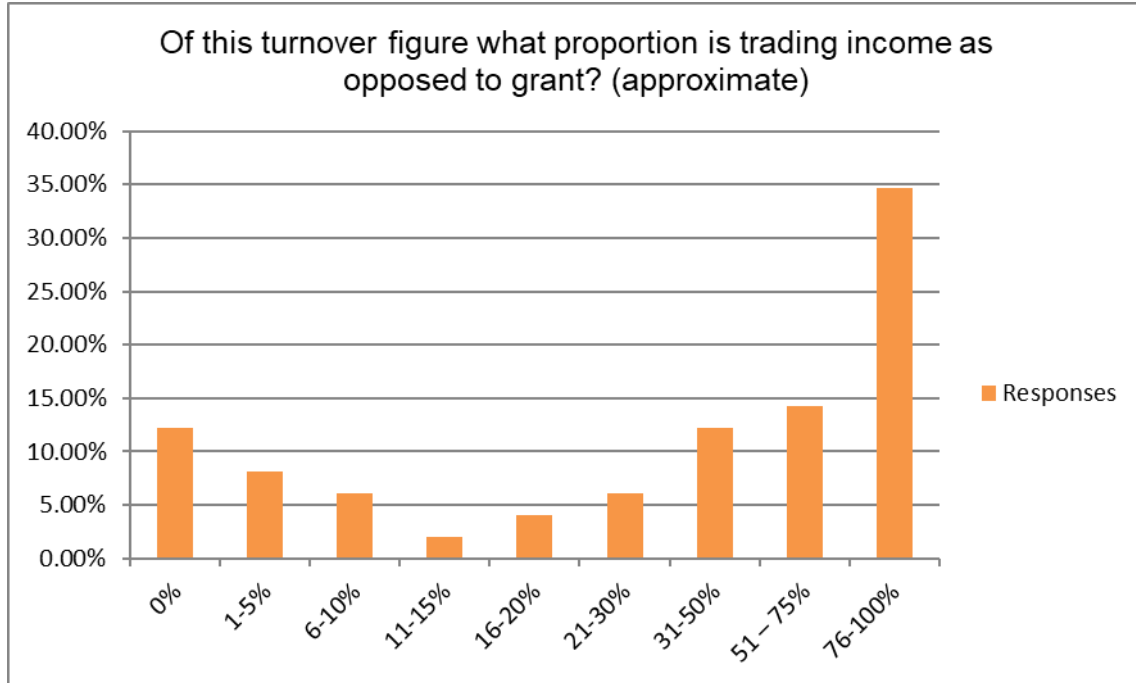
Figure 5 Estimated Turnover



Compared to the results of the Census 2021 the percentage of enterprises that have income below £50,000 is slightly less for this cohort (33%) as for the main census results (41%). For those with an income of over £1m-5m in this cohort there was 6% of the respondents as opposed to 9% in the Census. This group had a higher percentage of enterprises with a turnover of between £100-499,000 at 38% as opposed to 27% in the Census.

Of the 49 respondents who answered this question 35% achieve over 75% of their income through trade. However over 50% of respondents bring in less than half their income through trade. So, for a sizeable proportion of these social enterprises, they are some way from achieving financial independence through trading.

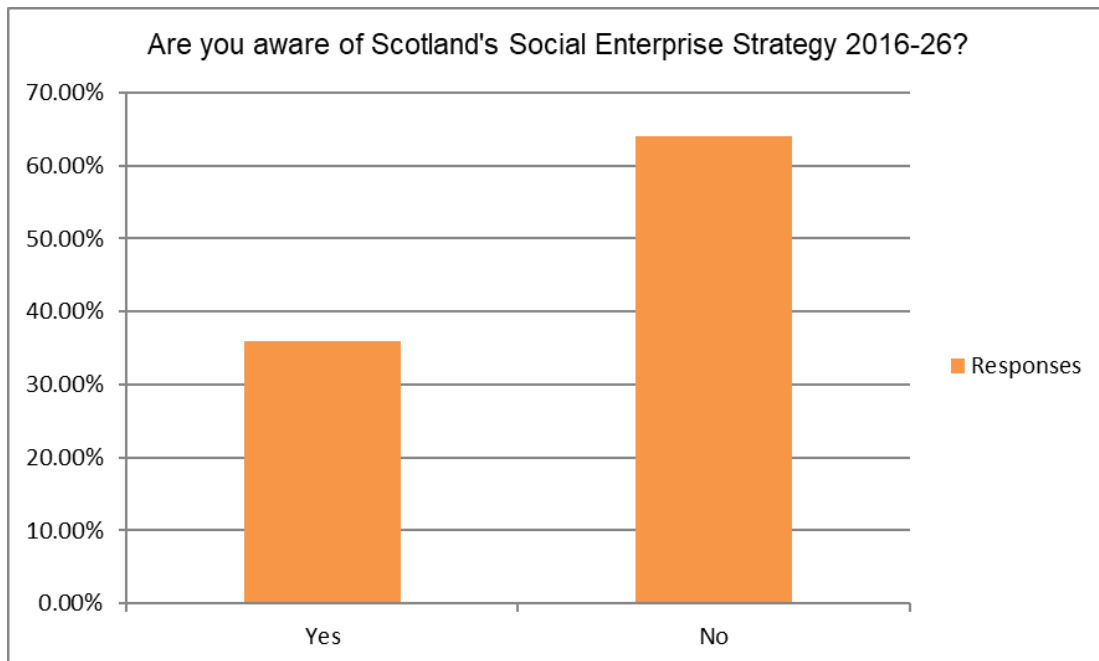
Figure 6 Proportion of trading income



Awareness of the Social Enterprise Strategy and support

More people were unaware of the Social Enterprise strategy 64% than aware 36%. As we will see later, during interviews the level of knowledge of the strategy detail is low.

Figure 7 Strategy awareness



Support received

A large majority (86%) have had no support to achieve Social Enterprise Strategy priority outcomes. Of those who did receive support this mostly came from Third Sector Interfaces (TSIs), followed by Highlands and Islands Enterprise and Just Enterprise.

Figure 8 Organisation offering support in last 12 months



The kind of support received by organisations varied however Funding-Grant as the most at 20%, followed by Governance support at 12%. For other types of support this was low and spread across several types.

Strategic Priorities

These Social Enterprise Strategy priorities are:

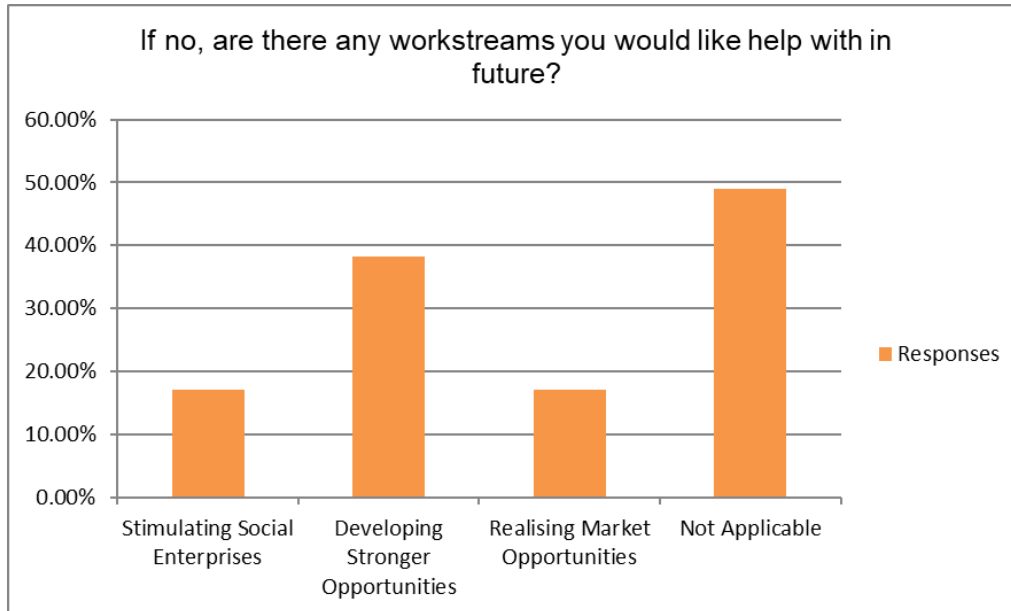
- Stimulating Social Enterprises
- Developing Stronger Opportunities, and
- Realising Market Opportunities

As stated above, 86% had no support to achieve their priorities and where support had been received by these organisations to achieve SE strategy priorities this was slightly higher, at 10%, who had help *Developing Stronger Organisations* than the other two priorities. Numbers receiving support from specific organisations was spread across the 50 organisations as outlined in Figure 8

Demand for and accessing support

Where no previous help has been received from support delivery organisations, more responding organisations wanted help *Developing Stronger Organisations* while the other two priorities were even at 8% as outlined in Figure 9.

Figure 9 Workstreams organisations would like help with

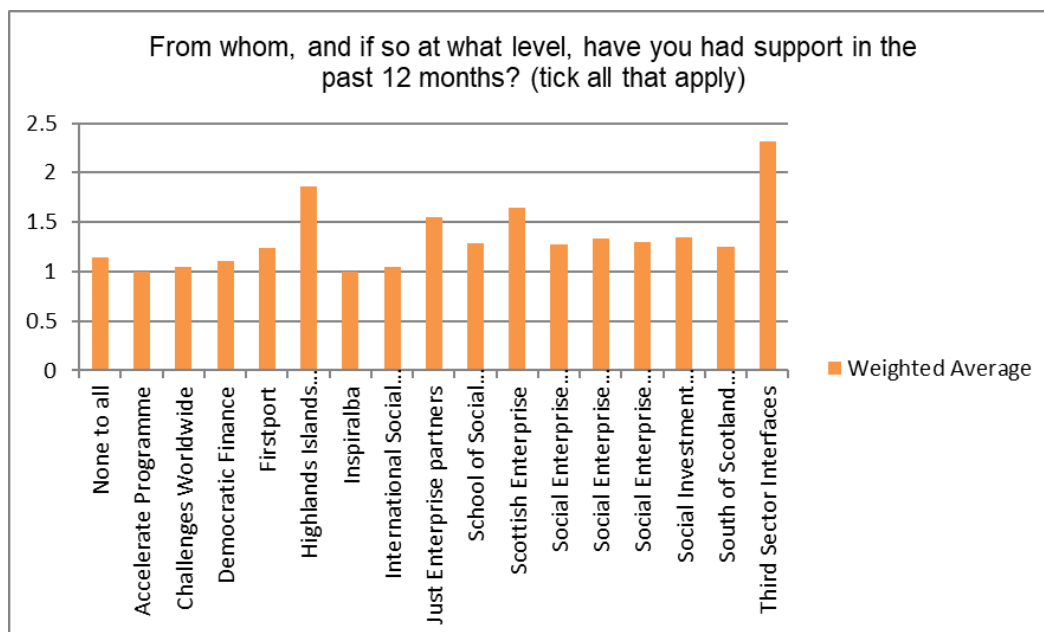


When we asked the organisations what would be important to include in the next Social Enterprise Action Plan (Q11) responses include ways of:

- Helping organisations gain further funding
- Stimulating collaboration
- Building strong governance within organisations, and
- Addressing additional needs in rural areas.

Few organisations had benefited from support, in the past 12 months, from any organisations identified in the survey (Q12). And, where organisations have received help, this was spread thinly across the supporting organisations.

Figure 10 Support over past 12 months



We heard in interviews, some respondents felt there was a crowded support landscape that confused people seeking support. We detail this in the following section.

For inclusion in the next Action Plan there were varied comments including:

- Resilience funding for the long-term future, including investment in staff, staff training, business development and mentoring.
- A reliable, updated list of funding opportunities, and
- Social Value procurement embedded into public sector contracts.

Interviews

We developed a topic guide and agreed this with SES. We have included this in the Appendix.

We had pushed regular requests out to the database asking people to complete the survey. Initially, as stated we hoped we would gather enough to bring groups together for online focus groups. However, the interest in this was negligible so we interviewed every organisation that was prepared to talk to us.

From a limited number of interviews (7) completed we found all interviewees considered themselves to be a social enterprise based on a discussion around the criteria within Social Enterprise definition in Table 1. While some described, or referred to themselves as Community Group, or charity they conceded they were also a social enterprise.

There is no legal definition of a 'social enterprise' in Scotland, and different stakeholder groups have their own views about what the characteristics of a social enterprise are or should be. A clear, workable and widely agreed definition has therefore been essential to the study.

The Social Enterprise in Scotland Census adopted a working definition for the purposes of the research based on the *Voluntary Code of Practice for Social Enterprise in Scotland*² and agreed by

² <http://www.se-code.net>

the Census Steering Group³. This Voluntary Code is widely accepted as the basis for a diverse, self-regulating community of organisations that includes well-established community and co-operative enterprise activity, the trading activity of community and voluntary organisations, and the work of social entrepreneurs.

The Census report used the term 'social enterprise' to refer to those organisations undertaking social enterprise activity.

The Voluntary Code of Practice for Social Enterprise sets out the criteria, values and behaviours by which social enterprises can be recognised and recognise each other. This is detailed in Table 1

Table 1 Social Enterprise criteria

1	A Social Enterprise (SE) is a trading business – selling goods and services – but whose primary objective is to achieve social and/or environmental benefit. (SEs are different from those charities and voluntary organisations which do not aspire to financial independence through trading.)
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 private owners, shareholders or investors.
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.
4	SEs are constituted and managed in an accountable and transparent way – particularly regarding the community they serve.
5	SEs are distinct from the public sector and cannot be the subsidiary of a public body.

All interviewees were either aware of the content of or at least had heard of the Social Enterprise Strategy 2016-26. This was a higher proportion than those who had responded to a similar question in the electronic survey. However, this was a self-selecting group, who may be composed of organisations more engaged in the strategy and policy related to social enterprise.

Priorities for next Social Enterprise Strategy and Action Plan

As we saw above the priorities of the strategy are:

- Stimulate Social Enterprise
- Develop Stronger Organisations
- Realise Market Opportunities

Broadly the responses indicated these priorities were correct. One interviewee said:

³ The Social Enterprise in Scotland Census Steering Group for 2021 comprises representation from CEMVO, Firstport, Highlands and Islands Enterprise, Inclusion Scotland, Inspiralba, Scottish Enterprise, Scottish Government, SENS Scot, Social Enterprise Academy, Social Enterprise Scotland and Social Firms Scotland.

I would like to see emphasis on encouraging ethical public service organisations to purchase services from social enterprises.

Another stated:

SES should be doing more to influence public bodies, promote the third sector as an integral part of the support infrastructure that they could purchase services from.

Valuable support

In general, from feedback from the interviewees was that organisations do not access support. The kind of help they indicated would be valuable included:

- ★ Getting additional funding
- ★ Governance issues
- ★ Selecting the appropriate business model, and
- ★ Pricing and costing services.

Interviewees reported that mentorship is invaluable as a method of delivering support. SES should seek to support or offer a matching service of mentors and then take a “hands-off” approach.

Mentorship from people with a proven record and industry specific knowledge would be helpful.

Another interviewee asked for more opportunity for SE managers to be mentored or supported by someone who can support them. They stated this is not only helpful from a management perspective, but it can be therapeutic.

It is a lonely place leading a Social Enterprise.

One interviewee feels that

Social enterprises work in silos and SES could look at ways of getting SEs to link and collaborate with leaders in other social enterprises particularly those who operate in other fields.

For example, an arts provider might find ways of collaborating with elderly care providers to provide services in their facilities.

Other support cited might be around legal structures and in particular what to avoid.

Improving the ecosystem

Interviewees feel support to the sector is piecemeal with a crowded support network in place that leads to confusion. One respondent stated:

There are too many support organisations and too many delivery organisations. People do not know who to ask for help from or where to go. HALF the number.

Another said,

There should be an intermediate body set up to ensure public sector opportunities get to social enterprises.

SES could provide a route map that helps increase awareness of what is available to social enterprises. And SES should advertise this widely.

SES should influence and change expectations of the public sector that social enterprises can provide services for free to them. One organisation now avoids engaging with education organisations as they will not pay full cost.

Specific issues that affect social enterprise in rural areas

In addition, there are additional issues and challenges facing rural communities so, SES should be picking up with the Scottish Government that any legislative changes that affects rural communities must be considered on how it affects SEs to operate and deliver services. Rural areas suffer from depopulation. School rolls in secondary have fallen by 50% in some areas over recent years.

Lack of housing is one reason for population loss but so too is the problem of lack of childcare.

Childcare in rural areas is a major issue to allow people to keep up jobs and training. That also includes people who work for social enterprises. It can be a long drive in an area with no public transport to get children into a nursery. For social enterprises that provide childcare after Foundation Apprenticeship training there is no funding to help young people get an SVQ level 3 necessary to work in a childcare centre. And as finding staff is a problem this leads to significant problems in sustaining services. This may be something that SES could raise in appropriate circles. At the same time even to run a nursery a childcare centre manager needs a degree in Childcare Practice. For some older people involved in childcare this can mean having to go back to education. In addition, staff in childcare centres are often just above minimum wage so cumulatively this leads not only to problems for the social enterprise but to local communities.

...nurseries are closing all the time due to unsustainable funding at a time when demand is increasing. The whole childcare industry needs to be completely re-designed, putting parents in control of funding and allowing social enterprise nurseries a fair chunk of the government funding.

Wider infrastructure needed to support social enterprise

In addition, social enterprises, like any other business operating in Scotland, need suitable infrastructure. Without housing, as we see above, recruitment to rural areas is difficult.

So, SES have a role to maintain their understanding of what issues affect social enterprises. Some of these issues are:

- ★ Difficulty in recruitment
- ★ Low pay in some sectors
- ★ Lack of housing
- ★ Lack of affordable childcare
- ★ Poor transport links in rural areas (support community transport)
- ★ Lack of affordable business units
- ★ Maintaining appropriate skills on boards (particularly finance skills)
- ★ Subsidise and support high quality learning/education for social enterprise staff

Membership of Social Enterprise Scotland

Where organisations were either not members of SES or unclear of their role and activities, we directed them to the Social Enterprise Scotland website. We advised them to seek to better understand what SES do and how they support the sector.

Conclusions and recommendations

Conclusions

While we had a limited number of responses to the survey and people willing to be interviewed there was valuable information provided by organisations. The respondents to our research were broadly similar to those who had replied to the 2021 Census. Although this cohort has lower levels of income with lower percentage of higher turnover organisations included. While a substantial proportion are long established over 50% are still not generating more than 50% of income through trade.

More must be done to raise the profile of the Social Enterprise and related Action Plan. While some organisations do not immediately describe themselves as a social enterprise but as community organisation or a charity, they are in fact social enterprises by the *Voluntary Code of Practice for Social Enterprise in Scotland*⁴. There was not the widespread understanding that they can be more than one type of organisation for example a Charity and a Social Enterprise.

There is the perception of a cluttered support network, and a confusing landscape people find difficult to navigate.

Where people seek help it seems to be to build their capacity and be a stronger organisation. There was also a voiced opinion that the public sector should do more to procure from social enterprises and that they be more strongly encouraged to do so by Government.

Social Enterprises are looking for support and, while they would welcome grant funding most, they also would welcome support with governance, pricing jobs, and business coaching for stressed executives. The more too that can be done to break people out of silo working the better.

Social Enterprises like any other business have issues around staff, housing for staff, transport (particularly in rural areas), affordable business units and maintaining appropriate finance skills at board level.

Recommendations for future action by SES

The key points raised during the survey and interviews include:

- ★ Address and promote the fact organisations can be both a charity and a social enterprise or some other type of organisation
- ★ Build on existing priorities and include the elements identified of funding, governance, business models and pricing
- ★ Promote and raise awareness of the Social Enterprise strategy and third action plan
- ★ Stimulate approaches that can lead to financial independence (links with *Developing Stronger Organisations*)

⁴ <http://www.se-code.net>

- * Flag up funding opportunities available to Social Enterprises to build their resilience
- * Encourage ways of opening silos and encouraging collaborative work
- * Stimulate collaboration across the sector
- * Consider the support infrastructure to make it easier to navigate and more accessible for SEs,
- * Encourage Scottish Government to take impact on social enterprises of legislative changes into account
- * Recognise the specific challenges and issues facing rural communities, and
- * Boost procurement of services from SEs by public sector organisations.

Appendix A – Survey questions

Social Enterprise Scotland survey

Email text

Social Enterprise Scotland (SES) is an independent, membership-led organisation and is the voice of social enterprise in Scotland. We have championed the sector for more than 15 years to help create a supportive policy environment for social enterprises. We are the first point of contact for the media and public and promote a positive vision for social enterprise

Additionally, we have been asked to develop the thinking that will underpin the final of three Action Plans (2024-2026), to be embedded in social enterprise's contribution to the new economy that we are collectively working towards. SES is keen to ensure the voice of the sector is represented.

[Link to SurveyMonkey](#)

Survey

Text introduction - Currently the third Action Plan is being developed and SES is keen to ensure the voice of the whole sector is represented. The following survey will take only 5-10 minutes to complete, and we value your participation.

Please provide contact details -

Registered name of organisation -

Name of main contact -

Email Address -

1. Including yourself, how many paid employees work for your organisation? (across all sites)
Drop down
Full-time staff (30 hours or more per week) Part-time staff (less than 30 hours per week)

1-5
6-10
11- 20
20+
2. Including yourself, how many paid employees work for your organisation? (across all sites)
Drop down
Full-time staff (30 hours or more per week) Part-time staff (less than 30 hours per week)

1-5

- 6-10
- 11- 20
- 20+

3. How many years have you been trading?

- 0-2 years
- 3-5 years
- 6-8 years
- 9 -12 years
- Other please specify _____

4. Turnover for past fiscal year (2022-23) (Estimate is acceptable.)

- Less than 50K
- 51 - 100K
- 101 - 200K
- 200 - 500K
- 500k - 1M
- 1M - 5M
- Over 5M

5. Of this figure in Q4 what proportion is trading income as opposed to grant?

Our proportion of income that is **trading income** is:

- 0%
- 1-5%
- 6-10%
- 11-15%
- 16-20%
- 21-30%
- 31-50%
- 51 – 75%
- 76-100%

6. Who are your key beneficiaries?

Tick key clients or the one whom you expend most resources on	
Young people leaving care	
People with mental illness or mental health problems	
Homeless / coming out of homelessness	
Alcohol or drug addiction / dependency	
Long-term unemployed	
Individuals with a physical disability	
Individuals with a learning disability	
Young parents	
Older people losing independence	
People with convictions	
Refugees and asylum seekers	
Veterans / ex-military	
Other (please specify	

7. What are your key areas of impact?

Select area that is your priority (only one or all that apply?)	
Promoting equality and human rights	
Promoting cultural participation	

Improving built or natural heritage	
Protecting or improving the environment	
Reducing waste	
Producing renewable energy	
Promoting rural development	
Improving urban neighbourhoods	
Tackling poverty and financial exclusion	
Providing affordable housing	
Supporting other organisations with a social purpose	
Addressing social isolation/exclusion	
Providing care to adults and older people	
Improving health and wellbeing	
Supporting children in their early years	
Providing opportunities for young people	
Rehabilitation of offenders	
Enable people to participate in local community	
Providing volunteering opportunities	
Creating employment opportunities	
Promoting learning or education	
Providing training for employment	

8. Are you aware of Scotland's Social Enterprise Strategy 2016-26 ([link to strategy](#))
Yes or No

9. Have you had any support to achieve SE Strategy Priorities (tick all that apply) -detail here [Link to Priorities](#)

Stimulating Social Enterprises	
Developing Stronger Organisations	
Realising Market Opportunities	
No (if no go to question 13)	

10. If no, then what workstreams would you like to receive help with in future?

Stimulating Social Enterprise		Developing Stronger Organisations		Realising Market Opportunity	
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11. Thinking of your own organisation, what is important to include in the next Social Enterprise Action Plan?

12. From whom, and if so at what level, have you had support? (tick all that apply) *in the past 12 months? where 1 is little and rarely and where 5 is often and strong*

	1 <i>Little and rarely</i>	2	3	4	5 <i>Often and strongly</i>
Accelerate programme					
Challenges Worldwide					
Democratic Finance					
Firstport					

Highlands Islands Enterprise					
Inspiralba					
International Social Enterprise Observatory					
Just Enterprise partners					
School of Social Entrepreneurs					
Scottish Enterprise					
Social Enterprise Academy					
Social Enterprise Networks					
Social Enterprise Scotland					
Social Investment Scotland					
South of Scotland Enterprise					
Third Sector Interfaces					

13. What kind of support did you receive from the organisations listed above (Q11)? (Tick all that apply)

Start-up advice	
Governance support	
Impact measurement support	
Funding - Investment	
Funding - Grant	
Business Support	
Collaboration	
Leadership Development	
Workforce Development	
Demonstrating social value	
Market advice	
Operational advice	
Export advice	
Marketing	
Other, please specify	

We are gathering information so we can pull policy levers and better support organisations with links to key stakeholders. To better understand what organisations, need and how the SE sector can work more effectively we would like to interview people and speak to people within a focus group.

14. Would you be happy to speak to us by telephone interview

YES/NO

(or if not you, then please suggest who we should contact)

Name and email of alternative _____

15. Would you be prepared to help us to help you by attending an online focus group (90 minutes) on any of these dates

Date	Time
1. 5 December 2023	11-12.30
2. 9 January 2024	11-12.30
3. 12 January 2024	3 - 4.30pm

If yes, to any of these then please supply us with your email and telephone number to contact you. Thanks for your participation - your views and valuable and will help SE Scotland support you and to support the sector.

Appendix B - Topic Guide

Social Enterprise Scotland

Introduction - Social Enterprise Scotland (SES) is an independent, membership-led organisation and is the voice of social enterprise in Scotland. SES help create a supportive policy environment for social enterprises.

SES has been asked to develop the thinking that will underpin the final of three Action Plans (2024-2026), to be embedded in social enterprise's contribution to the new economy that we are collectively working towards. SES is keen to ensure the voice of the sector is represented. The survey you responded to will help inform them, but these questions will help us build our understanding of how SES can support the sector.

This interview is anonymised, and we will not identify you, unless you are happy to be quoted. You can withdraw at any time. Are you happy to proceed?

This interview should last 20-30 minutes at most. Any questions before we begin?

Date of interview and time: _____

Registered name of organisation - _____

Name of main contact – _____

1. Would you consider yourself a social enterprise? YES/No/Do not know

If No or do not know the definition is:

- 1.** A Social Enterprise (SE) is a trading business – selling goods and services – but whose primary objective is to achieve social and/or environmental benefit. (SEs are different from those charities and voluntary organisations which do not aspire to financial independence through trading.)
- 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 private owners, shareholders or investors.
- 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.
- 4.** SEs are constituted and managed in an accountable and transparent way – particularly regarding the community they serve.
- 5.** SEs are distinct from the public sector and cannot be the subsidiary of a public body.

2. Against this definition would you still say you are not a social enterprise? If not, why not?

3. Are you aware of Scotland’s social enterprise strategy? (A ten-year, national social enterprise strategy, which sets out shared ambitions for social enterprise in Scotland, jointly developed with the sector.)

Yes/No

4. **Are the priorities, right?** These are:

- Stimulate Social Enterprise
- Develop Stronger Organisations
- Realise Market Opportunities

If not, what should they be?

5. Most people responding within our survey so far have not had support to:

- Stimulate Social Enterprise
- Develop Stronger Organisations
- Realise Market Opportunities

Would support be valuable to you? What specific help would be most useful and how would you prefer this was delivered?

6. Social Enterprise Scotland is an independent, membership-led organisation and is the voice of social enterprise in Scotland. They campaign on and influence on the issues and policies that matter. **What issues and policies are most important to you they could tackle?**

7. Do have feedback on how things can be better too related to the **ecosystem support.**

8. Would you be interested in membership of Social Enterprise Scotland?

9. Do you have any points to make you have not had the opportunity to express?

Thanks for your participation - your views and valuable and will help SE Scotland support you and to support the sector.

Find out more
www.socialvaluelab.org.uk

info@socialvaluelab.org.uk

Call us on **0141 530 1479**



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