

A Patchwork not an Ecosystem

Mapping the support system
for Inclusive and Democratic
Business Models (IDBMs) in
Scotland

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Introduction

This report maps and has recommendations for Scotland's Inclusive and Democratic Business Models (IDBMs)¹ support system. This work was developed by the IDBM Alliance with mapping assistance from Scottish Government. It feeds into the work of the Scottish Government's Economic Democracy Group.

This work has been developed through audit work, and a large-scale mapping dataset of support providers (See [here](#)²). It reviews the capacity of the current system and offers key recommendations to improve it.

The Independent Review of Inclusive and Democratic Business Models (IDBMs), and the subsequent report *Developing Scotland's Economy: Increasing the Role of Inclusive and Democratic Business Models*³, was commissioned by Scottish Ministers and published in 2024. Its headline call was to triple the number of IDBMs by 2034. That review triggered this mapping work, and picks up on 2 recommendations from that report:

Recommendation 3: *Investment in data and evidence on IDBMs is required to support policy and service design. There is a need to ensure that we have robust data on the number of enterprises operating currently as an IDBMs and that this data is available at appropriate levels, national, regional and local to ensure effective and evidence-based policy decisions are taken.*

Recommendation 10: *Map the current provision of support, identifying and assessing gaps in support. The provision of finance and advice throughout the life cycle of enterprises is crucial.*

Overall, the Independent Review highlighted the importance of IDBMs in Scotland's economy and proposed an approach to how they should be developed to achieve the 2034 target. The central message was that the key economic development role

1 Inclusive and Democratic Business Models include social enterprise, co-operatives, community enterprises, development trusts, and employee-owned firms. They are part of a wider Business model groupings which include, PLC's, private companies etc

2 For data sheet on mapping support. <https://docs.google.com/spreadsheets/d/1COlo4GeM4KfNVhkg2jvg2efILVdR6GD/edit?gid=1203756465#gid=1203756465>

3 *Developing Scotland's Economy: Increasing the Role of Inclusive and Democratic Business Models* (2024)

<https://www.gov.scot/publications/developing-scotlands-economy-increasing-role-inclusive-democratic-business-models/>

that IDBMs play is often overlooked and underplayed, compared to other business models such as PLCs and private companies with IDBMs more often perceived in strategic terms as playing into social and community development.

Furthermore, the Review identified a variety of different directorates, units and ministerial responsibilities across the range of IDBMs with varying funding lines, support and policy logics. There is a degree of confusion and lack of strategic heft when considering IDBMs as a whole.

This mapping report echoes the Review findings and re-asserts that we need a step-change in how IDBMs are supported and with greater recognition that IDBMs are core to creating a prosperous, innovative and dynamic economy, with significant local, regional and national economic multipliers.

IDBMs are economically important. Scotland, as in many countries, is experiencing overlapping and mutually reinforcing crises: climate breakdown, a shifting global geopolitical landscape and economic insecurity. Supply chains are fragmenting, economic blocs are re-forming and AI threatens wealth circulation.

IDBMs are significant in developing prosperous local and national economies, and protecting them against shocks, through stewarding capital and wealth within firms, sectors, places and communities.

By aligning ownership with long-term value creation, IDBMs can deepen productive capability by ensuring that investment capital and surplus value is productively used, land is effectively deployed for economic and social gain and labour is utilised as an intrinsic productive asset.



Key Findings from the Mapping

Strategic Overview

Our mapping demonstrated that Scotland's current IDBM support landscape is strategically inadequate and not befitting the objective for a sustainable and dynamic economy. Rather than functioning as a powerful ecosystem which drives dynamic economic pathways, the support landscape is fettered. Economic clusters are not systemically developed and opportunities for growth, dynamism and international opportunities are being overlooked.

Furthermore, the support architecture for IDBMs, whilst on paper is extensive (as the mapping reveals⁴), has grown incrementally and iteratively rather than strategically. Scotland has strong assets and proven models of support, but they are not yet connected, or resourced, in a way that matches the national ambition for IDBMs to triple in number by 2034.

There is a dense field of support organisations, programmes and interventions. However, and crucially, density is only a strength when support is effectively coordinated, and strategically focussed on growth opportunities and equity. Without that clear focus, the evident density partly serves to mask the weaknesses in support pathways.

Key to this is how the system is largely “pull-led”, with entrepreneurs, start ups and maturer businesses often encountering inclusive ownership models by chance rather than through intentional design.

Therefore, rather than functioning as a powerful ecosystem which drives dynamic economic pathways, the support landscape is fettered. Economic clusters are not systemically developed and opportunities for growth, dynamism and international opportunities are being overlooked.

This set up constrains transformative capacity and holds back Scotland's economic potential. As a nation we are missing a trick.

⁴ <https://docs.google.com/spreadsheets/d/1COlo4GeM4KfNVhkg2jvg2efILVdR6GD/edit?gid=1203756465#gid=1203756465>

Community Wealth Building: Ambition and Contradiction

The importance of these headline findings must be situated within the context of Community Wealth Building (CWB). CWB is a proven, strategic and practical approach to local economic development, serving to build dynamic and innovative economies through deployment of its five pillars, new and altered patterns of wealth, capital and investment. And with the new CWB Act, we now have the prospect of every Local Authority in Scotland producing a community wealth building action plan as a key part of their economic development strategy.

In CWB, IDBMs are core as regards ownership of productive assets and resultant wealth circulation, virtuous flows of investment allocation, generative use of land, local economic multipliers, and positioning of workforces as direct and active agents and beneficiaries of productivity. However, there is a risk that without the right support landscape, it will not be possible for CWB action plans to achieve objectives.

In this, public policy, finance, and the mobilisation of private investment is disproportionately oriented toward conventional enterprise development. The dataset illustrates this. Some entry points of support, including Business Gateway provide broad-based assistance, but have less emphasis on ownership models.

This approach to IDBMs, which downplays their significant economic and productivity role, is partly reflected in assumptions aligned with traditional ideas of shareholder-value and reveal how IDBMs are insufficiently understood in hard economic terms. There is a perception that mainstream economic development and agencies undervalue IDBMs and the significance of ownership and mission led business, more generally.

The result is a gap between Scotland's ambitions for comprehensive economic success and the structures of support designed to realise it. In short IDBMs are not peripheral to productivity and economic dynamism.





Quality of Support

The landscape of support gaps and problems are manifest in several interconnected ways.

Lack of consistent support across development lifecycle

There are no clear and consistent referral pathways, which link early-stage support to more advanced provision. This is particularly evident in areas such as cluster development, internationalisation and market intelligence. The support system is structurally imbalanced.

What we have discovered is, that whilst there is existing early-stage provision (albeit not for co-operatives or employee owned businesses), there is then a weaker and fragmented “missing middle”; with later-stage support dominated by commercial and investment-led actors. For example, only a minority of support organisations operate beyond early-stage support, with only circa 40 support providers offering growth or scale-up assistance. As enterprises develop and needs become more complex, support becomes both less accessible and patchy. There is an evident gap for enterprises that are on one hand too developed for start-up support but not yet ready for greater investment.

Lack of co-ordination

Support organisations tend to operate within geographical, sectoral, or thematic domains, with limited coordination across these. This creates a patchwork system in which expertise is unevenly distributed and is difficult for businesses to access and/or navigate.

Mixed Funding Assistance

The pattern of fragmentation is partly reinforced by funding structures. Early to mid-stage support programmes are typically a blend of public, university, and industry funding. By contrast, later-stage support is more fully commercialised, reinforcing a bias toward investor-led and shareholder-driven growth pathways.

Geographical Unevenness of Support

Provision is concentrated in urban centres, while rural and island areas rely on a smaller number of organisations delivering more generalist support. Although these rural support organisations play a critical role, their ability to offer specialist expertise in legal structuring, finance, and governance, is often limited.

Traditional High Growth Bias

A significant share of all business support provision is concentrated within innovation centres and accelerators focused on high-growth sectors such as technology, life sciences, and advanced manufacturing. While these sectors are of crucial importance to the Scottish economy, the dominant model within these environments prioritise scale and innovation, often without sufficient consideration of more discrete and latent innovative capacity of IDBMs, or potential for clusters or rapid growth from micro innovations.

Imbalance

There is a significant imbalance in support provided across the different IDBMs, with co-operatives and employee-owned businesses specifically affected by inadequate architecture, business and sectoral development support.

Overall, the challenge is not a lack of support, if we consider IDBMs as a whole (though clearly inadequate for co-operatives), but a lack of deep design. A more intentional architecture is needed to align institutions, pathways, and business models with long-term economic outcomes

Absence of national leadership for democratic ownership

Despite the centrality of cooperative and worker ownership within CWB, and its importance to productivity and innovation. Support for co-operatives and employee-owned businesses is limited, with limited overarching strategy to drive expansion of these models and their contribution to Scotland's economy. Co-operative Development Scotland has suffered from a lack of funding and direction, compounded by inappropriate positioning within Scottish Enterprise; a lack of strategic interest in co-ops and employee ownership, compounded by a lack of clarity as to where responsibility for these should sit in Scottish Government; and a lack of a development strategy for co-ops and EO comparable to the Social Enterprise Action Plans.

Without institutional leadership, IDBMs remain dependent on fragmented initiatives rather than forming a part of a coordinated economic strategy.

Mainstream systems default to conventional ownership models

Key entry points such as Business Gateway and mainstream enterprise support services operate on an ostensibly ownership-neutral basis. In practice, however, this neutrality is not impartial; it tends to favour and reproduce investor-led, shareholder-value business models as the default. This bias is reflected and reinforced by uneven levels of literacy, confidence and training among advisers regarding inclusive and democratic business models (IDBMs), resulting in inconsistent advice and highly variable experiences for businesses seeking support.

The audit highlights instances where businesses, seeking advice on ownership forms, are directed toward inappropriate IDBM models, ie. Community Interest Companies, due to a lack of detailed knowledge on the plurality of types. Businesses are also increasingly encountering models (especially employee ownership) late in their development, often through tax advice, mergers and acquisitions discussions, or independent research, rather than through proactive, mainstream support.

This pattern aligns with support being more focussed on pre-start, start-up and early-stage support, meaning the formative stages of business development are not consistently used to introduce or normalise democratic ownership pathways.



Recommendations: From Patchwork to System

Scotland does not need to start again. The mapping demonstrates substantial capacity already existing across public, third and private sectors. The challenge is not scarcity, but system design: how existing assets are aligned, coordinated and directed toward a shared purpose in relation to Scotland's economic future.

The following recommendations focus on restructure creating an enabling ecosystem, rather than simply adding new layers of provision.

1. Strengthen national infrastructure for Inclusive and Democratic Business Models

Scotland's current approach to Inclusive and Democratic Business Models (IDBMs) is characterised by institutional fragmentation and a lack of national coordination.

Addressing this requires the development of a more robust national infrastructure: one that provides strategic leadership, coordinates activity across sectors, and connects finance, policy, advisory support, and market development into a unified system. Such infrastructure would serve as the backbone for scaling IDBMs, ensuring they are embedded within broader economic policy and delivery frameworks.

Within this broader need, there is a particularly pressing gap in relation to co-operatives and employee ownership. Despite their proven contribution they are insufficiently resourced. Co-operative support is limited to Co-ops UK's Business Support for Co-ops programme, meaning Scottish co-ops are competing with organisations from across the UK for development support from a limited pot⁵. This is simply inadequate in scale for ambitions in Scotland. Establishing support within a wider co-ordinating framework would provide the focus and capacity required to drive forward a coherent strategy and accelerate growth.

Rather than duplicating existing provision, a reformed architecture would convene and integrate, strengthen, aligning and amplify what already exists. In doing so, it would help ensure that IDBMs and, especially co-operatives and other employee-owned firms, are more fully supported as central components of a modern, inclusive economy.

⁵ Currently solely funded by the Cooperative Bank

2. Align the System Explicitly with Community Wealth Building

There is a need to align the entire support system more clearly with the objectives of Community Wealth Building. At present, CWB sits alongside the ecosystem rather than being embedded within it.

This alignment requires:

- Embedding IDBMs within mainstream business support
- Incorporating ownership outcomes into performance frameworks
- Ensuring that economic development agencies actively promote democratic models

3. Build Lifecycle-Based Advisory System

The mapping highlights a system heavily weighted toward early-stage support, with weaker provision for succession and organisational transition. A redesigned advisory ecosystem should therefore be explicitly organised around the full enterprise lifecycle. This requires the strengthening of specialist support in areas such as legal structuring, governance and finance.

Crucially, mainstream entry points, particularly Business Gateway and local economic development services, should position IDBMs and the question of ownership models as a key facet of business growth. This means systematic investment in adviser training and integrated referral systems that connect generalist with specialist IDBM support within a unified navigable structure.

This is particularly important given the current structure where free and subsidised support dominates early-stage engagement, but paid and commercial services dominate later stages, creating a discontinuity in the advisory journey.

Policy also needs to respond to the fact that social, community and co-operative entrepreneurship, often arises outside the contexts that mainstream business support currently operates within. The key here, is that when this entrepreneurship arises, the mainstream resources must be employed to enable it.

4. Reconfigure finance and exploration mechanisms for ownership transitions

A reconfiguration is required that aligns financial instruments with the needs of IDBMs across their lifecycle.

This includes, in particular, the creation of:

- Early-stage funding to enable businesses to explore ownership options
- Dedicated and enhanced development funds for co-operatives
- Accessible finance mechanisms for employee-ownership transitions and scale up.
- Assistance with cluster development, including exporting and internationalisation

Such interventions would address a critical gap in support at the point where ownership decisions are made. Without targeted assistance at this stage, opportunities to secure transformational ownership outcomes, particularly through succession, will continue to be limited.

Equally important is the need for greater stability in funding flows. Multi-year settlements would enable support organisations to build long term planning - including capacity and expertise. This would enable a moving away from the short-termism that currently characterises much of the ecosystem.

5. More System Wide Specialist support

The mapping shows that there is some specialist support. However, it is limited in reach and depth and often sits outside mainstream systems, in the form of small intermediaries or commercial providers or membership organisations. This creates barriers to access and contributes to uneven service quality.



Expanding this capacity is essential, but expansion alone is not sufficient. Specialist knowledge must also be embedded within the wider system, ensuring that it informs and shapes generalist provision. This could involve co-location, secondments, shared training programmes or formalised networks that bring together practitioners across sectors.

The aim should be to move from a model in which specialist support is something organisations must actively seek out, to one in which it is systematically integrated into the support they receive from the outset.

6. Inequalities of Support Access

The mapping provides evidence of geographic unevenness and unequal access to expertise, especially in rural and island areas, where constraints are faced in not just the scale provision, but also in depth and specialisation.

Addressing this requires targeted intervention. This might include:

- Strengthening local and regional based hubs of expertise
- Investing in outreach and mobile advisory models
- Enhancing digital access to specialist support
- Developing and maintaining an improved user-friendly and dynamic ecosystem map/navigation platform.

There is also a need to address broader issues of equity within the system. This work highlights that marginalised groups often face disproportionate barriers, including a lack of culturally competent support and limited access to networks.

- Ensure the lived experience and expertise of equality groups are in the room when resource allocation and policy decisions are determined
- Require business support providers to collect and publish equity data across gender, sexuality, race, disability, class and geography
- Develop support programmes that address the specific barriers women and equality groups face (e.g., caregiving roles, access to networks, discrimination, confidence gaps shaped by experience)

An effective ecosystem would be more explicitly equity-led, ensuring that IDBMs are not only promoted but made genuinely accessible to all communities.

Conclusion

From Activity to System

The evidence points to a clear conclusion. Scotland possesses a significant and diverse set of organisations and support activity. The mapping dataset demonstrates both the scale and the richness of this provision. Yet while the system is dense and active, it is also structurally imbalanced: strongly resourced at the early stages through publicly funded and accessible provision, but thin and commercially oriented at later stages, with limited continuity between the two; and strongly investing in social enterprises while underinvesting in co-operatives and employee-owned business.

The challenge is therefore a strategic recognition that IDBMs are central economic infrastructure, and building a system explicitly structured around their development and scaling.

At its core, this means recognising that improving productivity is not solely a matter of inputs or efficiency, but of ownership and control.

IDBMs provide the institutional means to upgrade productive capacity across capital, land and labour simultaneously ensuring that investment is patient and place-based, that land supports production rather than speculation, and that labour is empowered to drive continuous improvement.

With that, Scotland has the opportunity to move decisively toward an economy in which democratic ownership is not marginal, but normal and central to its economic future.