Policy briefing

Improving the range, accessibility and quality of business support to social enterprise in Scotland

Social Economy Scotland

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1. Introduction

Social enterprises are dynamic businesses trading for a social purpose. The UK's social enterprise sector is growing and winning increased political support for its role in delivering public services, growing the economy and regenerating communities.

Current Scottish Government policy aims to grow and strengthen the sector, with a significant focus on providing better, more appropriate development support services to social enterprises or aspiring social enterprises.

Historically these services have been provided from many sources, including Scottish Enterprise and Highlands and Islands Enterprise through their respective local enterprise networks, local authorities, independent specialists, intermediary or 'second tier' organisations, councils for voluntary service (CVS) and other local infrastructure bodies.

However research[1] has identified gaps and inconsistencies in the provision for social enterprise development, including significant regional variations, a lack of strategic co-ordination and signposting, and inadequate resourcing of specialist support. The decline of EU Structural Funds which helped finance many specialist support services has provided added impetus to this issue.

The Scottish Government's recent Social Enterprise Strategy (2007)[2] seeks to address these gaps, primarily through clarification of the role of the enterprise networks and through a series of interventions aimed at aiding the progression of social enterprises to mainstream support. In particular it proposes a new 'pre-Gateway' support program for social enterprises across lowland Scotland. In total it commits £700,000 to business support activities for 2007/08.

Between July 2005 and June 2007 a number of approaches to providing specialist social enterprise development support were piloted under Social Economy Scotland, a development partnership funded by the European EQUAL Community Initiative. This paper presents lessons from these pilots which may have direct relevance to the design and delivery of pre-Gateway support programs proposed by the Scottish Government's Strategy and, it is hoped, longer-term commitment to appropriate support for social enterprise development.
The paper has been commissioned by the EQUAL Social Economy Scotland (SES) Development Partnership as part of its Mainstreaming Strategy. It is based on evaluation information gathered from pilots, interviews and round-table discussions involving pilots and strategic partners.

2. Background

2.1 Existing support to social enterprise

Existing business development support to social enterprise in Scotland can broadly be categorized as either mainstream (funded by central government and delivered through its enterprise networks) or specialist (funded from a range of sources and delivered by intermediary or infrastructure bodies on a regional or sub-sector level).

Mainstream support
Scottish Enterprise uses a segmentation process to identify organisations that are trading sufficiently and/or have growth potential to progress to its client or account managed support. General web-based tools are also available for all enterprises. Highlands and Islands Enterprise has a broader remit to support all levels of the social economy and provides business support to social enterprise through its local enterprise companies.

Scottish Enterprise research into network activity with social enterprises[3] reported that most organisations they supported were satisfied with the service they received and experienced positive impacts (e.g. increased turnover or business activity) as a result, whilst also areas for improvement. In response a number of actions have been developed within the Social Enterprise Strategy to improve access and provide greater consistency across the network's services.

Specialist support
There are a number of specialist support agencies operating on either a national, regional or sub-sector basis.

At a local level this included support services established by local authorities, local social economy partnerships, councils for voluntary service and regeneration agencies. Independent companies such as CEiS and Community Enterprise offer services over a wider area, and some intermediary or second tier organisations also provide specialist services for their members.

[1] *Support Needs in the Social Enterprise Sector, Senscot/Communities Scotland (2006)*
[2] *Better Business: A Strategy and Action Plan for Social Enterprise, Scottish Government (2007)*
[3] *Evaluation of Network Activity with Social Enterprises, TERU/Simon Clark Associates (2006)*

Nationally, a new organisation, First Port, has been established to provide a point of entry and signposting to support to pre-start up social enterprises, and more particularly aspiring social entrepreneurs, while networking body Senscot establishes local or specialist networks for peer support. Cooperative businesses, many of which are also considered social enterprises, are supported through a new development agency CDS, housed within Scottish Enterprise.

2.2 Scottish Government policy

The Scottish Government's Social Enterprise Strategy (2007) has as one of its key objectives to develop the trading capacity of social enterprises by providing better business support.

It proposes a range of actions to improve the availability and quality of support, including:

- Standardized Business Gateway contracts to improve the consistency and quality of mainstream support
- Development of support from Highlands and Islands LECs and assistance for HISEZ to provide complementary specialist support
- Research to identify gaps in business support that have growth potential but are not yet mature enough to access LEC support
- Piloting a specialist pre-Gateway support program across lowland Scotland
- Clarification of the role of local social economy partnerships
- Support for social entrepreneurs and early stage organisations through the First Port initiative
- Resources for learning and leadership development through the Social Enterprise Academy and other learning providers.

The aspiration is to provide a range of options for support and to reflect the different stages of social enterprise development. In particular the Strategy aims to support those organisations not yet developed enough to receive one-to-one support from enterprise networks. It recognizes the need to create a 'pipeline' of support which can capture organisations entering the social economy from a number of routes and direct them to appropriate support with the ultimate aim of growing and strengthening the sector and increasing the number of organisations progressing to client and account managed support through the Enterprise Networks.

2.3 EQUAL Social Economy Scotland

Social Economy Scotland is a Development Partnership bringing together key stakeholders from across the social economy. Funded through the European Community's EQUAL initiative, it has supported a number of pilot initiatives across five themes key to social economy growth; Access to Finance, Business Development, Quality and Impact, Partnership and Procurement, and Raising the Profile.

Between July 2005 and June 2007, five pilots were supported under the Business Development theme: three related to the provision of specialist business development support programs, while two facilitated the supply of graduates into social economy organisations to address skills shortages and promote the sector as a career destination.

This paper is concerned solely on the three pilots which developed specialist business support programs as they have the strongest links to national policy objectives around social enterprise development. The three pilots were: Enterprise Accelerator (developed by Development Trusts Association Scotland), Trading Up (developed by Community Enterprise) and HISEZ (developed by Social Firms Scotland).

This paper includes brief descriptions of the pilots and the most relevant issues emerging from them. Detailed analyses of each can be found in evaluation reports available from Social Economy Scotland[4].

[4] *Evaluation of Phase II of Highlands and Islands Social Enterprise Zone, Alan Johnson and Boundaries Unlimited (2007)*
Enterprise Accelerator Programme Evaluation Report, Development Trusts Association Scotland (2007)
Evaluation of the Trading Up Pilot, Community Enterprise (2007)

3. Social Economy Scotland pilots

3.1 Enterprise Accelerator

The Enterprise Accelerator program was conceived to support Development Trusts (community-led regeneration initiatives) that were looking to develop commercially-focused social enterprises.

It supported ten organisations using a two-stage model. The first stage was a needs assessment with a specialist business advisor which generated an action plan for the beneficiary organisation highlighting key areas for further development. From this six organisations were adjudged to be significantly advanced in their plans to progress to the second stage, which involved the brokerage of a bespoke tailored package of support for each client around general business issues such as HR, finance, law, market research or more specialist needs such as renewable energy development or ethical investment approaches.

The pilot was well received by beneficiaries. Key factors in its success included:

- Accessibility – the program was perceived to be easily accessible and not overly bureaucratic.
- Flexibility – the support understood the dynamics of social enterprise development and was able to plan for and adapt to changes in direction
- Strategic input – the support focused on taking a strategic approach as opposed to making isolated interventions.
- The role of DTAS – As a support provider DTAS were trusted and perceived to understand the needs of the sector. DTAS were also able to broker in support from the sector using its strong networks and good social capital.

3.2 Trading Up

Trading Up was a comprehensive business growth service for social economy organisations developed by Community Enterprise, a long-established specialist independent consultancy.

The pilot provided intensive, cross-cutting support to a large number of social economy organisations across lowland Scotland. Most beneficiaries were voluntary and community sector organisations looking to move towards social enterprise, though there were also some entrepreneur-led start ups.

The pilot aimed to provide beneficiaries with strategic support over a period of time rather than making one-off interventions and prioritized specialist one-to-one support over generic advice.

Direct support around issues such as market research, business planning, pricing and finance was complemented by a range of training and networking opportunities, an after-care service and a discretionary fund for providing 'kickstart' capital to ensure quick progress on emerging issues requiring extra resources

The pilot recorded significant attitudinal shifts, with 65% of organisations registering greater acceptance of social enterprise approaches and 67% saying they were more confident about business development.

Again the pilot recorded strong commendations from beneficiaries who identified it as high-quality support superior to most of the support they have experienced. Key factors cited included:

- Quality and expertise of CEL staff
- The hands-on approach
- Flexibility
- The importance of ongoing relationships
- The value of training and networking

3.3 HISEZ CIC

The **Highlands and Islands Social Enterprise Zone (HISEZ CIC)** is a Community Interest Company established as a partnership between Highlands and Islands Enterprise, Communities Scotland and Social Firms Scotland. It has a wide-ranging brief to provide a number of social enterprise services across the H&I region, including awareness raising, support, networking, training, information, and work on public procurement.

HISEZ's aim was to provide specialist expertise to complement mainstream support provided by Highlands and Islands Enterprise. It helped organisations by carrying out a needs assessment, backed up by direct intervention or signposting to other support providers or training and resources.

The majority of HISEZ's business support clients were voluntary or community groups interested in social enterprise approaches. The evaluation of HISEZ found that it was successful in raising the aspiration of beneficiary organisations towards social enterprise.

Key to this success was the project's accessibility and its staff's understanding of community development issues, vital in the rural and remote H&I region.

4. Common issues

The pilots demonstrate a number of common and consistent themes which can suggest some basic principles that should underpin any specialist business support provision for the social enterprise sector.

(i) It should be easy to access

All pilots were praised by beneficiaries for their accessibility – both in a straightforward physical sense and more generally in their ethos and approach.

Physically, the pilots all took a proactive, hands-on approach, and in many cases provided support on location at the beneficiary's premises. This not only addresses some of the practical barriers that may prevent an organization accessing support, but it also helps to engender a stronger relationship between support provider and recipient. Some of the most effective outcomes were achieved by using forms of mentoring or peer support. The HISEZ pilot demonstrated that overcoming these physical and psychological barriers to access is particularly important in remote and rural areas.

Another key issue of accessibility is identification with the support provider. Across all pilots very few beneficiaries had also accessed mainstream business support. This is linked largely to issues of business identification; many social enterprises, particularly those in the start-up or pre-start-up phase, do not readily identify themselves as businesses and are therefore less likely to attempt to access mainstream business support. Specialist support for social enterprises should therefore be clearly identifiable as such, and communicated and signposted using appropriate networks and media.

(ii) It should be flexible

It is generally accepted that the social enterprise development cycle generally takes longer than that of most conventional businesses – four or five years is often cited as a reasonable estimate. This is typically because of more complex finance arrangements, greater stakeholder involvement, and the need to balance social and financial concerns in developing and refining the business model.

Social enterprise support therefore has to be patient and able to adapt to set-backs or changes of direction. Equal pilots adopted a range of strategies to enable this flexibility.

Firstly they tended to use a brokerage model, which instead of attempting to build comprehensive skill-sets across in-house staff, sought to draw in the necessary expertise as and when required on a case-by-case basis. Often this support was brokered from within the sector itself, through consultancy or study visits.

Secondly their support generally focused on a beneficiary's strategic development rather than taking an intervention-led approach. This enabled both parties to understand and adapt to changes of direction.

Finally in the case of Trading Up they provided access to a fund of discretionary 'kickstart' capital to allow quick progress on potentially time consuming issues.

(iii) It should build on specialist expertise within the sector

The quality and expertise of staff was the most commonly cited positive response from beneficiaries across all three pilots. This is in marked difference to research carried out by Senscot and Communities Scotland, which identified a perceived cultural gap in mainstream business advice to the sector as a significant concern.

Crucially, all pilots were led by a well-known and trusted intermediary organisation within the social enterprise sector. This was beneficial for a number of reasons: the issues of identification and access already mentioned, greater feelings of empathy and understanding between beneficiary and support provider, and the ability to broker specific expertise cost effectively by utilizing networks within the sector.

5. Conclusions

The Scottish Government's intention to develop a specialist business support program for social enterprise is to be welcomed. TERU research for Scottish Enterprise has already demonstrated that mainstream support can be effective in delivering business growth for social enterprises, and so the Social Enterprise Strategy is right to target additional resources at increasing the numbers of social enterprises able to access mainstream services.

The three business support pilots commissioned by Equal Social Economy Scotland suggest some effective solutions for designing and delivering this kind of support.

They show that social enterprise development benefits from support that is more intensive, flexible and better integrated than that for conventional for-profit business and that there are specific and important considerations to be made regarding both the content of support and the style of its delivery.

It has already been established that a 'one size fits all' approach to support is not suitable for social enterprises. Research for Communities Scotland shows that 70% of organisations currently 'pick and mix' their support, i.e. they access more than one support agency. Developing a better model for integrating mainstream and specialist sector-led support will be key to the aspiration to create an effective support 'pipeline'. Closer working, improved referral processes and opportunities to share learning and experience will all be beneficial in this regard.

And while the EQUAL pilots focused mainly on social economy organisations in early stages of their development, there are indications that the distinctiveness of specialist support is important throughout social enterprise development. Research carried out by Rocket Science and incorporated into the UK Government's guidance for regional development agencies[5] supports this view.

Obvious concerns about delivering this kind of intensive long-term support focus on the likely level of resources required. Gaining a better understanding of demand within the sector will be key to effective planning and use of available resources, and this should be one of the central aims of the Scottish Government's planned pilot support programme. This is particularly important given that one of the problems the sector has historically faced is the vacuum created when time-limited support programs finish, leaving demand stimulated but unmet.

Planning for a specialist support program should therefore have a long-term focus and be prepared to adapt to increasing levels of demand which are likely, as long as political will, a changing funding environment and other push/pull factors continue to encourage growth in the sector.

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Social Economy Scotland (SES) *is a Development Partnership funded under the European EQUAL Community Initiative. SES has supported a number of pilot projects under the following themes: Partnership & Procurement; Access to Finance; Quality and Impact; Business Development and Raising the Profile.*

Steering Group partners include: *Careers Scotland, Communities Scotland (Scottish Centre for Regeneration), Forth Sector, Highlands and Islands Enterprise, North Lanarkshire Council, Scottish Council for Voluntary Organisations (Lead partner), Scottish Enterprise, Scottish Government (Social Enterprise Team), Scottish Social Enterprise Coalition, Social Firms Scotland, Social Investment Scotland and Volunteer Development Scotland.*

[5] *Social Enterprise Business Support: Guidance for Regional Development Agencies, Cabinet Office (2007)*