



Enabling the Flourishing and  
Evolution of Social Entrepreneurship  
for Innovative and Inclusive Societies



# Social Enterprise, Social Innovation and Social Entrepreneurship in Scotland: A National Report

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## Introduction: Social Enterprise in Scotland - The Most Supportive Environment in the World?

In February 2012, at the launch of *The Social Enterprise Exchange*, the self-styled 'world's biggest social enterprise event', Scotland's First Minister, Alex Salmond MSP, declared that he wanted to "continue to provide the most supportive environment in the world for social enterprise" (Ainsworth, 2012: 1), while announcing a new programme designed to support Scottish social enterprises to expand internationally. More recently, Scotland's Finance Secretary John Swinney MSP, prior to his appearance at a conference on social enterprise in Norway said that "Scotland has been recognised as the best place in the world to start a social enterprise and there is increasing international interest in what some are calling the 'Scottish Model'... an enterprising third sector is a vital partner in our economy, in civic society and in the creation of a fairer and more inclusive Scotland" (*The Scotsman*, 2014: 1).

Whether or not there is a supportive environment for social enterprise (SE) in Scotland requires further examination. If there *is* a particularly enabling SE ecosystem in Scotland then what can be learned by tracing the evolution of this institutional architecture and support? In particular, what are the critical pathways and significant junctures that have shaped the development of innovative policies aimed at addressing social exclusion in Scotland?

The report synthesises data from interviews with eighteen key academics, practitioners, Scottish government and trade union employees engaged in our social enterprise sector and presents an analysis of academic, policy and 'grey' literature on SE and social innovation in Scotland to explore these issues. The report examines the respective roles of the market, financial system, legal framework, educational curriculum and government policy in shaping the development of SE in Scotland. The first section of the report presents the main features of the SE sector in contemporary Scotland, while the second

part presents an overview of the historical background to this institutional and policy ecosystem.

## Part One: Concepts and Definitions

### A Scottish Definition of Social Enterprise?

Those outside the United Kingdom often refer to Scotland as a region. However, the UK is a union of four countries, with complex multi-level governance arrangements built up between them over many centuries. Scotland retained a number of separate institutions after the 1707 Treaty of Union which created the UK, and has a distinct political culture and social heritage. These distinctive Scottish institutions include a separate legal system, education system and church; and the devolved Scottish Parliament, re-established in 1999, assumed responsibility for the third sector. Because of these complex devolved political and institutional arrangements, social enterprise policy has never extended across the whole of the UK, and the distinctive cultural and historical backgrounds have influenced the growth and development of social enterprise in the different UK nations. Despite this some social enterprise scholars mistakenly refer to 'UK policy' in relation to SE.

However, one significant feature of social enterprise which Scotland shares with the rest of the UK is that there is no legal definition of SE. Nevertheless, many stakeholders would concur with the following conceptualization: a social enterprise is an organisation involved in selling goods or services primarily driven by an interest in having a positive social impact rather than making profit. SENSCOT (the Social Entrepreneurs Network for Scotland) provides an 'operational definition' of social enterprise which includes the following criteria (SENSCOT, 2013):

- A Social Enterprise is a business trading in the marketplace selling goods and

services whose primary objective is to achieve social and/or environmental benefit.

- Regardless of its legal form, the constitution of an SE will include the requirement that profits are reinvested in the business or in the beneficiary community and not distributed to owners/shareholders/investors.
- The constitution will 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 a conventional private sector enterprise.
- SEs are different from those charities and voluntary organisations which do not aspire to financial independence through trading.
- SEs are distinct from the public sector and cannot be the subsidiary of a public body.

In addition, SENSCOT proposes that social enterprises should exhibit the following values or behaviours:

- SEs are businesses founded on core values that social fairness and the protection of the planet should be pre-conditions of economic activity.
- All SE business practices should be honest and fair.
- 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 grossly inequitable salaries to senior management; a maximum ratio of 1:5 between the lowest and highest paid employees is a widely accepted rule of thumb.
- SEs have learned the benefits of common ownership and democratic governance from co-operatives and mutuals. This is the primary model of the social economy in continental Europe.
- SEs have learned about bottom up responses to social problems and how they

empower local communities from Development Trusts and the Community Enterprise sector.

- Within the requirements of running a competitive business, SEs provide mutual help and support to one another in the spirit of the Open Source IT community. Where possible, SEs will also encourage intra-trading, i.e. procuring goods and services from within the SE sector.

These criteria and behaviours are similar to the EMES definition of social enterprise (Borzaga and Defourny, 2001), although, in line with the rest of the UK, democratic governance and ownership is not stressed to the same extent in Scotland as it is in many other parts of Europe, which is not to say that democratic governance does not happen in practice.

Although the SENSOT code of practice is generally regarded as satisfactory by those in the Scottish SE sector and Government, some of those involved in this sector also believe that SE should encompass employee engagement so that such organisations are accountable and truly social. As one of our interviewees said:

“I think that the code is flawed, in some ways. There isn’t enough emphasis on how social enterprise works. It’s much more on its impact and change. I believe that social enterprises should be offering good terms and conditions for employees. And they should have some sort of employee participation in them. Although that is one of the behaviours of values attached to the code, it’s not one of the key elements of a social enterprise. I think it should be.” [Practitioner and Academic]

SEs face competing demands: on the one hand, there is an expectation of supporting service users and ensuring that the products or services delivered to them meets or surpasses the standards of other organisations. On the other hand, SEs are expected to be financially sustainable. Maintaining a balance between these potentially conflicting aims can be problematic; as one interviewee pointed out:



“The support to people is equally important as the market that you’re serving. And quality is important, so that you can make a profit... How do you balance the social mission of the organisation with the other market that you’re serving?”  
[Practitioner]

This challenge is unique to social enterprises, and it is perhaps unsurprising that there is as yet no definitive agreement within the Scottish SE sector about how best to reconcile the tensions which can exist between the social and enterprise functions.

### The Origin of the Scottish Definition

The SENSCOT definition partly came about in response to concerns that the term ‘social enterprise’ was being co-opted to legitimize certain neo-liberal policies of the UK coalition Government, (Demarco, 2012; Roy et al., 2014b). Certain parts of the National Health Service (NHS) in England have been ‘spun out’ of public ownership into ‘social enterprises’ (Miller et al. 2012; Roy et al. 2013), and some critics have argued that that the discourse of SE is merely being used as a ‘smokescreen for privatization’ in the context of NHS reform (see, for example, Addicott, 2011; Lister, 2012). It has therefore been suggested that the SENSCOT definition of SE has arisen partly to prevent the extension of the concept being stretched to include such measures (Jones, 2012; McHugh et al., 2013; Roy et al., 2013, 2014b).

Previously, the Scottish Executive had not especially embraced the language of social enterprise and social entrepreneurship with the same enthusiasm as the New Labour Government in Westminster, where social enterprise policy initially developed under the ‘hyperactive mainstreaming’ of Third Sector Policy (Kendall, 2000). Aspects of the New Labour agenda and associated ideas of the ‘Third Way’ (Giddens, 1998) were regarded with scepticism in some of the more ‘Old’ Labour parts of Scotland. In these quarters such terms as ‘enterprise’ were perceived as reminiscent of Thatcherism, a political doctrine which did not achieve mass appeal in Scotland (nor in several other parts of the UK,

particularly the former industrial regions). The phrase 'social enterprise' therefore did not appear in the policy documents of the Scottish Labour Party until 2007 (Scottish Executive, 2007) a full decade after Leadbeater's (1997) influential pamphlet *The Rise of the Social Entrepreneur* which had so influenced the Labour Party's agenda in England. Prior to this, the focus in Scotland had been on what was referred to as the 'voluntary sector' and subsequently the 'social economy' (Scottish Executive, 2003). However following its election as a minority Government in Scotland in 2007, the Scottish National Party (SNP) enthusiastically embraced what they described as the 'enterprising third sector', and introduced a raft of initiatives and significant financial support for SE (Scottish Government, 2008).

In addition to these political orientations, an individual's conceptual awareness and favoured definition of SE can depend on their position within the sector, and in particular whether their viewpoint is that of a practitioner or an academic. Opinions on the importance of clarifying the terminology of SE in Scotland vary:

"I think people attach so much importance to defining the words that go around it. For me, when you actually get to the nitty gritty of doing it the words are not the important thing. It is what is behind it, and it is about how you approach things and about your own values that you bring to it. For me, it is not about all of those terms." [Practitioner]

"I think the area of definition is one where you get a lot of practitioners who don't like it... because they see it as irrelevant, it is an academic argument... I tend personally to take quite a narrow view of social enterprise. The reason for that is I think that because there was no consensus as to what a social enterprise actually is or what a social entrepreneur is, the practitioner community have by and large said, 'Let's be as inclusive as possible and if anybody self-declares to be in a social enterprise or a social entrepreneur then who are we to say no?'. " [Academic]

Many practitioners, thus, have little interest in definitions of SE and instead focus on practical issues and grassroots delivery. The views of such practitioners may reflect their subjective experiences and area of practical expertise. Academics with an interest in SE

may be expected to take a broader perspective and use their understanding of the SE sector as a whole and trends within it to unravel terminological complexities. However, there is also reluctance among some academic analysts to be drawn into debates over the definition or meaning of SE. For example, one academic we interviewed replied to the question of how they define SE by saying:

"I don't. I always avoid that. I suppose most of my career has been around looking at how other people define social enterprise... My interest is in how politicians define it for their own ends, how definitions of social enterprise emerge particularly in the UK and how they've changed over time. I think generally it is seen as an organisation which trades for a social purpose. Then beyond that, there is a wide range of organisations within that category."  
[Academic]

Scots-based academics Jones and Keogh (2006) argue that one reason for the lack of a clear and agreed definition of SE in Scotland is because the notion of the social economy is itself continually evolving. Difficulties also stem from the varying forms which SEs take, their diverse funding arrangements, distinctive service users and their various ways of achieving their aims. A heavy reliance on funders can also compromise the social aim of an enterprise, as financial solvency can take priority over the social purpose, as one interviewee explained:

"Lots of social enterprises start off ... with a social purpose. So they try and maximise that. Then they start employing staff and so on. And so they grow, and then they may lose a contract or some crisis comes along as it always does, and they say 'Christ, we've got to survive, we've got to carry on'. So the emphasis is much more on financial commercial sustainability, and the social objective is lost quite often." [Academic and Practitioner]

Jones and Keogh (2006) also argue that the term 'not for profit' is misleading to describe SEs. In practice SEs operate to make a profit in order to stay in business to further their social mission. It is how this profit is *used* that is important. They suggest that the sector

should be described as ‘more than profit’, with traditional charitable organisations and those more reliant on public funding than trading in the market retaining the not-for-profit label.

## The Meaning of ‘Social Entrepreneur’

At a basic level, in Scotland a social entrepreneur is generally considered to be someone who addresses a social need using innovative approaches and involving the community concerned with the issue. This focus on social problems and community issues distinguishes the social entrepreneur from mainstream private sector entrepreneurs, although some of our interviewees emphasised the similarities in approach:

“I think the values that drive social entrepreneurs or the sector, is really key. Now the social missions might be different, but they are bound by making a difference to society, to equality of opportunity. All of those values are core, no matter whether your particular social mission is around the environment or climate change.” [Practitioner]

“Social entrepreneurs [are] no different in my view from entrepreneurs in any walk of life. Only their emphasis is on the social activity: ‘How can I solve that social problem in an entrepreneurial way?’ So again, it makes sense that people that run many social firms are indeed social entrepreneurs, whether they’ve started it up or they’ve moved from the private sector or public sector into the social economy. Then they apply those social values in an entrepreneurial way. And that’s what makes them different, it’s more than a job... Entrepreneurs are entrepreneurs: if barriers are put in their way, they want to overcome them; no matter what, they find solutions. It’s just that the motivation around the social entrepreneur is that they’ll find solutions to deliver on that social impact, or social mission. And I think there is an attitudinal difference.” [Academic and Practitioner]

“I would say a social entrepreneur is somebody who has the exact same drive as an entrepreneur in the private business - to be successful but who wants to change something. [Someone] who knows the way to do it is to set up a business and to trade, to make money and that makes them successful. It is a bit different to somebody who just wants to do voluntary work to change something. They understand the concept of business and they have got that entrepreneurial flair. Certainly, in my experience, what I have found with social entrepreneurs is the exact same as you would find in the private sector is that they are great at

stimulating ideas about making money and everything else but they are always looking for the next big thing.” [Practitioner]

There are difficulties in differentiating between a volunteer or community activist and a social entrepreneur as many of their activities are similar. However some respondents were quite emphatic that social entrepreneurs presented a distinctive approach to social problems:

“For my money a social entrepreneur is somebody that works in that area ... to try and achieve some kind of social or environmental positive impact and who will do that, not on a voluntary sector or necessarily charitable or grant-funded basis, but will try to make a business out of how that works... So that they operate on traded income rather than grants.” [Scottish Government]

In particular, some interviewees emphasised that what distinguished a social entrepreneur was the element of risk-taking rather than receiving grants and subsidies:

“Entrepreneurs classically will take risks before they have even got the resources in place. They will go off and do deals and they basically say ‘if I can get him or her to agree then I can sell that to someone else and before I know it I have got a portfolio of resources without telling the left hand and the right hand what is going on’. That is a good activity and an entrepreneurial task, skill, action which some social entrepreneurs share. If there is no commercial risk attached to services then I have an issue with that personally about the definitional side of things.” [Academic]

Social entrepreneurs were also regarded by some interviewees as those who identify an unmet social need which they act to fill. Two comments particularly illustrate this view point:

“The social entrepreneur is someone who comes along and takes that idea and generates themselves and uses the skills of management and risk taking, like an ordinary business, and will transform that into a value. So, rather than saying, ‘oh well then we can't have a playing field for the kids, that's too bad’, social

entrepreneurs need to step into the breach and think of solutions to deliver those in new ways, in order to maintain that social value.” [Academic]

“Social entrepreneurship, social enterprises - what I would understand by that is entrepreneurship is the idea, the inspiration. What I think of when we talk about social entrepreneurship is the individual... other people might not, but what it means to me that’s the individual social entrepreneur... that idea I have got a great idea, it’s going to address a social need, I can start up a business and do that.” [Scottish Government]

Some critics of this representation argue that focusing on the supposed characteristics of entrepreneurs portrays social entrepreneurialism as an individualised act and detracts from the collective and social qualities that distinguishes SE (for example, see Dey and Steyaert, 2010, 2012). An emphasis on the individual entrepreneur might highlight the resemblance with mainstream for-profit business, but when applied directly to social enterprise, some interviewees expressed concern that this may result in destructive competition between SEs rather than the co-operation and fellowship that others cherish. One of the interviewees expressed this concern as follows:

“If individuals set up a social enterprise then I don’t think they should be operating in competition with others. Or at least they should be aware that there is a different way of working together - not around competing and trying to beat other people, because in that form you’re actually undermining the sector. But to work together collectively and cooperatively and in collaboration in order to achieve social benefits.” [Academic and Practitioner]

## Social Innovation

The phrase ‘social innovation’ (SI) has yet to appear in any meaningful way in any Scottish policy documents or instruments, although the phrase is starting to penetrate the academic discourse in Scotland (for example, Roy et al., 2014a; Sinclair and Baglioni, 2014). Montgomery (2013) argues that the concept of SI can be understood to have a broad definitional scope and application, going beyond social enterprise, while also

being distinct from business sector innovation. Social innovation involves identifying and meeting social needs in a creative and co-operative manner to bring about sustainable improvements. Rather than limited or one-off inventions, such innovations should also be 'penetrative', i.e. they should be replicated and their impact diffused through both the social and mainstream economy. This dissemination and adoption distinguishes innovation from mere invention (Conger, 1996).

Our interviews found a mixed perception of the concept of social innovation among practitioners and academics in the Scottish social enterprise community. Occasionally SI was referred to as a 'culture', but overall it was considered to be a confusing concept:

"I've heard it as a term. What it actually means, I'm not entirely sure." [Trade Union Representative]

"I think social innovation is quite a spectrum as well. It's probably a bit like Social Enterprise. It's as wide as your imagination really can go, isn't it?" [Practitioner]

"Social innovation, I don't know... I suppose looking for ideas within the community that are going to make a difference. Innovation is all about new ideas, isn't it?" [Practitioner]

Some interviewees were more definitive in their understanding of the concept:

"Social innovation is concerned with the generation of new ideas. That's products, services and models that simultaneously meet social needs more effectively than alternatives and create new social relationships of collaborations." [Academic and Practitioner]

"It's innovation that's social in its aims and its means... I think the challenge is, in operationalising that definition, where it becomes muddy and confused, and comes across other agendas - most notably, social enterprise, where everyone gets confused about social innovation. To me, social innovation isn't a sector, or a thing... it's a process, and it shouldn't be a distinct or silo agenda - it should cut across public service reform, the development of the third sector, and various other policy agendas, whether that's social care transformation, or employability. It's a way of thinking about, and introducing change." [Practitioner]

"I can tell you what it's not. It's not necessarily about social enterprise and I think sometimes people can confuse that." [Practitioner]

Others were sceptical of the practical value of the concept:

"I am a bit sceptical about it, because I think it's banded around by certain people and I think it is, it's a fairly subjective thing, right? And if you mean it's new approaches to things or different ways of doing things it's happening all over the place." [Practitioner]

"In terms of social innovation that is, I think, for an academic. Because from a practitioner point of view these things are interesting but what does that mean to somebody in Easterhouse who has got an unemployment problem or whatever?... Is it important to talk about social innovation? No, it might not be; but I'll tell you what they're doing probably is, you know, innovative, different, unusual way of doing things, a different way of doing things: bringing lots of things together. Whatever it is, it's doing things differently... What is innovation? It's doing things differently. It doesn't say doing things better or worse, it just means different." [Practitioner]

"Well it's like one of these, particularly used in academia, social innovation. And I think it's one of these terms that wants to be all embracing. So any kind of social change that is innovative can fall into that bracket, of which social enterprise is one. It's an innovative way of doing business." [Academic and Practitioner]

As with the other concepts considered in this report the meaning of social innovation is contested. Nonetheless, the term has frequently been mobilised by practitioners and academics to illustrate a particular form of innovation - one that has social foundations and is primarily motivated by social purposes. Thus, a programme or policy initiative described as a 'social innovation' often requires a detailed evaluation framework, encompassing social value assessments to enable comparisons with traditional welfare schemes. Given the variations that can exist across and even within welfare regimes (Esping-Andersen, 1990), assessments of the impact of social innovations may be highly contextualised. In addition, some interviewees raised concerns about how the impact of SEs could be measured and evaluated:

"How do we assess success? So often... social enterprises believe that their success is if they grow - they grow in terms of turnover, in terms of staff... I'm much more interested in the social change that happens as a result of the social enterprise... You might be a small one that has a huge impact on people in a particular area, and



our idea of success has got to be really looked at... You've got to have parallel with your financial money coming in... and indications of business growth, you've got to have a growth of social profit, and you've got to be able to assess and account for that social profit" [Academic and Practitioner]

"There are some things that are not measurable I think... there are some things which are quite hard to measure especially if that's around preventative themes: you know, if it's trying to prevent people from [developing] poor health, or debt, whatever it might be - how do you measure that? I think that's something that probably social enterprises, especially some of the bigger social enterprises, need to get better at - to really quantify the impact" [Practitioner]

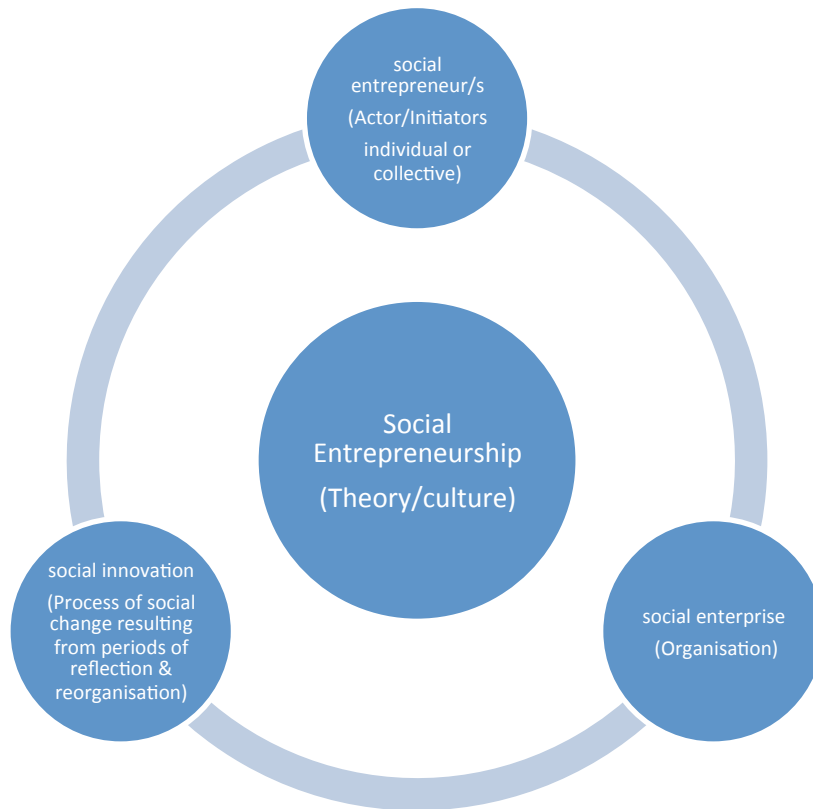
This requirement is one which academics and analysts may be able to offer a particular contribution, and in particular, where the EFESEIIS project can add value.

### Summary: Clarifying Conceptual Relationships

There are varying opinions concerning the nature of the relationship between the concepts social enterprise, social entrepreneur, social entrepreneurship and social innovation. Some of our interviewees argued that each concept is discrete but interconnected and can be different stages of a process, as illustrated in Figure 1. As one of our interviewees put it:

"I look at it on these three different levels... innovation is essentially the creative ideas that then can be transformed into actions that add value. If you add the social dimension to that it's about creating new ideas and processes that can solve a social problem in whatever way that manifests itself. The social entrepreneur is someone who comes along and takes that idea... and uses the skills of management and risk taking, like an ordinary business, and will transform that into a value. The social enterprise is essentially the organisation within which that happens. Now, you can separate them out, or they can all be together. But that's the way we look at those different levels of social enterprise, social entrepreneurship and social innovation, each of which are interconnected and together [they] can deliver, or potentially deliver some of the solutions to some of the more pressing problems we have." [Academic]

**Figure 1: Interviewee perception based model of the SE concept relationships**



However, other interviewees felt that viewing the relationship between each element as discrete individualised the process of entrepreneurship, and neglected to consider the collectivist principles that inspired these attempts at social change. These interviewees argued that there are other models to consider, and that a social enterprise does not necessarily need a social entrepreneur: many successful start-ups are collective endeavours.

It may be more useful to view the first process of Figure 1 – the ‘social entrepreneur’ – as a non-exclusive category that may refer to individuals or a collective group, and the transitions between each stage as the ‘collective process’. During these transitions, a process of regrouping and reflection takes place in preparation for the next stage. Stakeholders at various levels will go through a process of resource and network

gathering, which allows them to progress to the next stage of the cycle.

## Part Two: The Scottish Social Enterprise ‘Ecosystem’

The phrase the ‘Scottish social enterprise sector’ might imply that there are easily identifiable departments, discrete actors and clear policy drivers in Scotland. In fact, as one interviewee notes “Foreigners come [to Scotland] and I take them round these different organisations, and they say ‘Oh, it’s really complicated’.” [Practitioner and Academic]. It would be better to describe the complex mix of interacting SE agencies in Scotland as an *ecosystem*. Among the various SE organisations and networks interacting in complex ways in Scotland are the following:

**Social Enterprise Scotland (SES)** brings together and lobbies on behalf of social enterprises and their supporters.

**SENSCOT** (the Social Entrepreneurs Network for Scotland) maintains a number of geographic and thematic Social Enterprise Networks (SENs) to help social entrepreneurs become more effective.

**Social Firms Scotland** looks after the interests of those organisations supporting people with disabilities or other problems which impact upon their labour market participation.

The **Development Trust Association for Scotland** supports organisations owned and managed by local communities in community regeneration.

The **Community Business Network for Scotland (CBNS)** promotes and encourages community-owned enterprise, supporting communities to become more self-reliant and sustainable.

**Community Enterprise in Scotland** (CEiS) was established in the mid-1980s to provide training and financial support for community businesses.

**Co-operative Development Scotland** is a government-funded body that promotes and facilitates the development of Scottish co-operative enterprises. These are estimated to employ some 28,600 staff and produce over £4 billion in turnover (Scottish Enterprise 2012).

The **Social Enterprise Academy** provides training and development support for social enterprise leaders across Scotland and has started to expand into the rest of the UK and internationally. A small Scottish arm of the **School for Social Entrepreneurs** operates in several areas in Scotland (predominantly deprived former coalfield areas), providing skills development training for those interested in setting up a social enterprise.

There are also separate national bodies for credit unions - the **Scottish League of Credit Unions**) - and housing associations in Scotland (the **Scottish Federation of Housing Associations**).

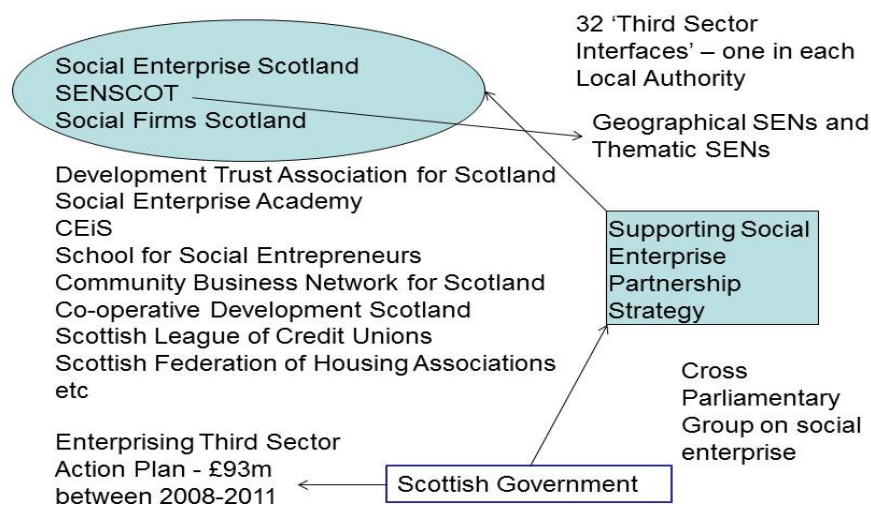
Support for other parts of the non-SE Third Sector is equally complicated, if not more so. Several interviewees recognised that such a range of agencies was perhaps not ideal:

"It's a bit of a messy support environment to be honest with you. I think everyone is aware of that. There are lots of organisations doing lots of things to support social enterprise and not always well co-ordinated. We've tried to improve on that... There's lots of overlap with organisations. Historically there has been no strategy, things have just spring up organically and independently and now its reached a point where people are questioning that again. There are a lot of organisations doing the same thing." [Practitioner]

"In the last few years... [we have sometimes seen] duplicating effort. I think what we want to do is try to co-ordinate activities as much as possible, rather than to compete with each other... I think that an important means of making sure that we're efficient and that we're collaborating together." [Practitioner]

More recently the Scottish Government has attempted to rationalise the support available to SEs by encouraging the development of a single 'Third Sector Interface' in every one of the country's 32 local authority areas. These have been tasked with supporting the development of Third Sector activity, including social enterprise, and ensuring that the Sector has a voice in community planning discussions. The Scottish Government has encouraged co-operation between SENSCOT, Social Enterprise Scotland and Social Firms Scotland, through a 'Supporting Social Enterprise' partnership strategy and Figure 2 provides summarises the range of support organisations for social enterprise, innovation and entrepreneurship in Scotland.

**Figure 2: The 'Supportive Architecture' for SE in Scotland**



Source: adapted from Roy et al., 2014b.

In addition to the public agencies there are various civil society SE support agencies and networks, some of which are involved in the wider Third Sector beyond SE. One interview illustrates the extent of this civil support network:

“We’ve had ones that are specific to the design and models of social enterprises. Snook, for example in Glasgow... A number of these types of organisations have sprung up and specifically support the concept of social enterprise in lots of different ways, whether it’s mentoring, peer support, just guidance, or giving a space - such as The Melting Pot. What they do is create the space for experimentation, knowledge sharing. All of that is actually a precursor to actually implementing social enterprise. All of these support agencies have a contribution to make - right from the Scottish Government, to Scottish Enterprise, SENSCOT, universities and so on. When you bring all that together you have quite an impressive record in supporting this sector.” [Academic]

## Scottish Government Support for Social Enterprise

In a recent letter, the Cabinet Secretary for Finance and Sustainable Growth, John Swinney (2014), outlined to the Chair of the Scottish Parliament’s Economy, Energy and Tourism Committee the considerable range of support for social enterprise and social entrepreneurship activity that the Scottish Government has provided in recent years. The **Social Entrepreneurs Fund** supports the development of new social enterprise activity across Scotland by providing finance to individual entrepreneurs who have ideas to start up new social enterprises. Since the Fund was established in 2009 it has helped more than 250 individuals test and develop their ideas. By the end of 2015 the Fund will have provided a total of £3 million to support social entrepreneurs. The **Enterprise Ready Fund** provides grants of up to £250,000 to help new, emerging and established SEs become more self-sustaining and grow. The Scottish Government has allocated £6 million between 2013 - 2015 to over 115 enterprising Third Sector organisations.

The **Scottish Investment Fund** was designed to build, capacity, capability and financial sustainability in the third sector. Between 2008-09 to 2010-11, the Scottish

Government provided £28.8 million from this Fund, with a further £3 million in 2011-12. Fund awards have taken the form of a mixture of grants, risk capital and loans, following successful application by third sector organisations. By 31<sup>st</sup> March 2014, the Fund had made nearly 70 investments in third sector organisations across Scotland totalling £31.8 million. With the Fund now closed to new applications, the focus has shifted from application, allocation and approval of applications to the long term management of the investment portfolio and monitoring its social impact. Earlier this year approval was provided by the Government to a proposal from Social Investment Scotland (SIS) to use up to £8 million in Scottish Investment Fund loan repayments over the next 3 years to match-fund a corresponding commitment from the UK Government's Big Society Capital to create a new £16 million Social Growth Fund for lending to Third Sector organisations. This Fund opened to applications in May 2014.

The Scottish Government supports the provision of advice and support to Social Enterprises through the **Just Enterprise** contract. Since 2011, Just Enterprise has supported over 5,000 organisations. Surveys of recipients of support have shown that 33% have new ventures, 19% have introduced new products or services, 21% have expanded their geographical areas, 24% reported growth in generated income and 20% growth in number of employees (Swinney, 2014).

Under contract from Scottish Government, the **Ready for Business** consortium works with public sector commissioners to encourage the use of community benefit clauses (CBCs) in public contracts, the creation of Public Social Partnerships and the delivery of social value through the commissioning process. This encourages local authorities in particular to give greater attention to the social impact of public sector contracting decisions, and incentivises private sector contractors to involve SE in the delivery of the 'community benefit' obligation involved in the delivery of the contract (Macfarlane and Cook, 2008). The introduction of CBSs allowed Unity Enterprise, a social enterprise that

supports people with mental health issues to gain employment, to win the catering contract for building sites for the 2014 Glasgow Commonwealth Games (Naysmith, 2010).

The Scottish Government supports the **Social Enterprise Academy** (SEA) in delivering learning and development to Social Enterprises focussed on leadership, enterprise and social impact. Since being established in 2004, SEA has delivered programmes to over 3,365 learners. The Scottish Government supports their work across schools, colleges and universities to raise awareness of social enterprise and encourage young entrepreneurs. SEA has worked with over 500 schools, 28,000 pupils and 1,200 teachers.

The Scottish Government also supports social enterprise national intermediaries such as Social Enterprise Scotland, SENSCOT and Social Firms Scotland to provide networking and peer support. This includes support for the **Social Enterprise Exchange Event Programme**, which provides opportunities for dialogue, sharing practice and exploring ideas. They also currently support five international social enterprises to base their global headquarters in Scotland and influence worldwide SE development. This includes support for the Social Enterprise World Forum, held in Seoul, South Korea in 2014. The Scottish Government is also supporting a group of Scottish SEs to help develop an international Social Enterprise Strategy.

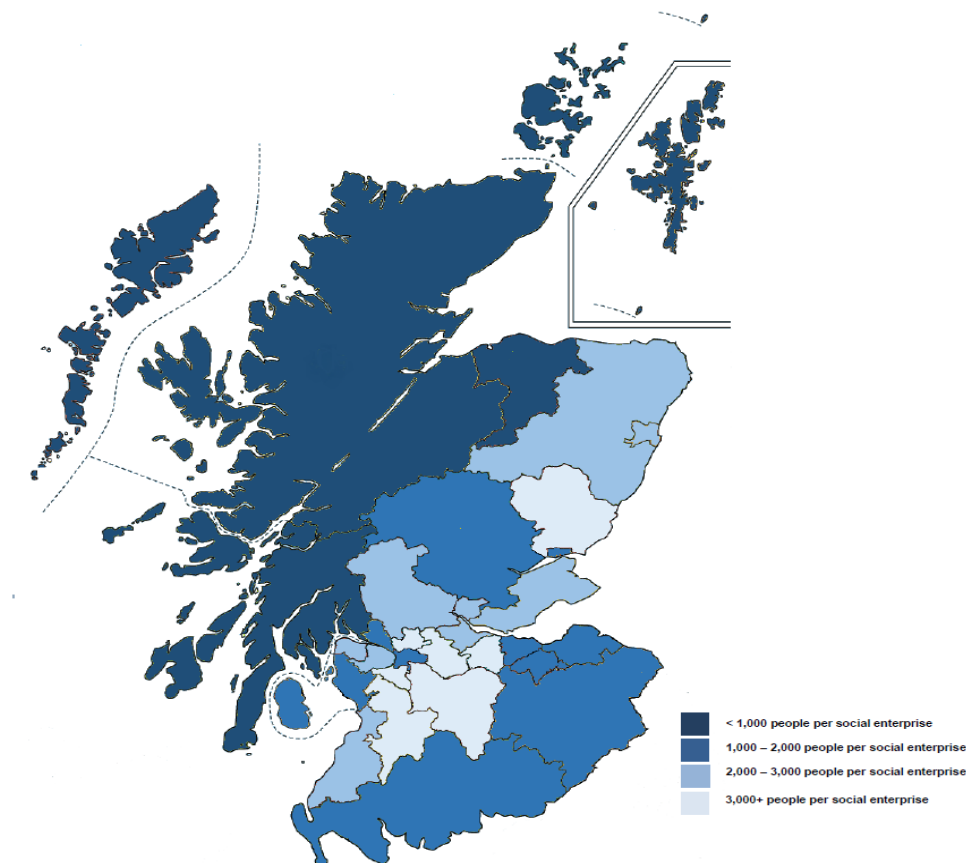
The prevalence and perceived success of social enterprises in Scotland has led to an increased interest in their capacity to meet a range of policy commitments. This increased interest in SEs as service providers has left some feeling that addressing key challenges, such as a lack of business advice support, difficulty in accessing of investment and expanding resources and additional funding would enable SEs to develop and grow (EKOS, 2014).



## The Scottish Social Enterprise Landscape

Currently, there are estimated to be 3,000 social enterprises in Scotland (EKOS 2014), with a remarkably exact figure of 509 in Glasgow alone (GSEN and Social Value Lab, 2013). 57% of Scottish SEs generate more than half of their income from trading, have been trading on average for 13 years, and employ some 120,900 FTEs. In total, they turnover £6.9 billion and hold £12.9 billion worth of assets (EKOS, 2014). Figure 3 shows the concentration of SEs in particular regions of Scotland. Although most SEs are located in the Glasgow and the Clyde Valley area, the sparsely populated Highlands and Islands of Scotland have the highest concentration of SEs per head, with less than 1,000 people per social enterprise.

**Figure 3: Social Enterprises in Scotland per head of population**



Source: EKOS, 2014

One estimate from over a decade ago suggested that there were just under 4,000 SEs operating in Scotland (McGregor et al., 2003). Reports of a veritable ‘explosion’ in the number of SE in the UK over recent decades thus appear to be political hyperbole, and the number of SEs in Scotland is likely to have been relatively stable in the past 10 or so years, notwithstanding a considerable escalation in interest in the subject of counting SEs at academic and policy level (see, for example, Teasdale et al., 2013).

There was a general consensus among interviewees that measuring the size and shape of the Scottish SE sector is problematic:

“In terms of evidence this is something we are working on at the moment... if you were to ask me how big is the social enterprise sector in Scotland we don’t have a figure for that... Part of the reason for that is related with its definition, what are you measuring, and then we are back to definitions again. There are talks with a lot of people around [whether] can we get a better handle of the size of the sector and the contribution of the sector.” [Scottish Government]

Company law extends across the whole of the UK, and social enterprises in Scotland can choose from among several legal forms (BIS, 2011). These range from private companies limited by guarantee (with or without charitable status, although the former is much more common); private companies limited by shares; Industrial and Provident Societies (the legal form for co-operatives); Limited Liability Partnerships; and the Community Interest Company (CIC) form. CICs are not as popular in Scotland as elsewhere in the UK (see Roy et al., 2014b for a discussion of this; for organisational structure breakdowns see GSEN and Social Value Lab, 2013).

As one interviewee observed, the SE environment in Scotland is “vibrant, exciting, dynamic and creative” [Practitioner]. Other interviewees shared this view, particularly in relation to the diversity of SEs in Scotland:

“It can be everything and anything, and the more you look into it, the more it is everything and anything: from clothes cleaning to recycling old tyres and making

fabulous garden furniture out of it. So it's varied, and there's some exciting stuff going on: from art stuff, environment stuff, to recycling stuff, so care services, to advice services, to sports, to whatever. It's such a vast animal of a thing; it's difficult to define because it's got so many different facets." [Practitioner]

Social enterprises in Scotland work across many economic sectors but are predominantly focused in health and social care (18%), employability (12%) and local economic development and regeneration (13%) (EKOS, 2014). In addition one interviewee commented on the importance of the arts and culture in relation to SE activity:

"The biggest sector in Social Enterprise in Glasgow is the Creative and Cultural sector... and the Arts Creative and Cultural sector, so that was really interesting... because that is a sector that is really important and probably doesn't get the recognition from other places that it should in terms of the size of it." [Practitioner]

One smaller but important sector of the economy that deserves specific attention is community finance, which has a long history in Scotland (McHugh et al. 2014). Community finance initiatives were in operation in poorer Scottish communities as early as 1804, offering secure banking and enabling lower income households to save. Contemporary community banking institutions evolved from these initiatives, including credit unions and Community Development Finance Initiatives (CDFIs). Glasgow has more credit unions (34 in total) and more credit union members (over 120,000) than any other UK city, and a financial asset portfolio of over £170 million (Credit Unions in Glasgow, 2012). The focus of credit unions (CUs) has principally been in fighting financial exclusion (McKillop and Wilson, 2008; Ryder, 2002). However CUs have often been regarded as a 'poor person's bank', which is unlikely to appeal to lower income households (Jones, 2008). Recent legislative changes have meant that more CUs now have an opportunity to become a more active part of the SE support structure than before (McHugh et al., 2013; Sinclair, 2014)

Although opinions vary it is evident that SEs in Scotland exist in order to meet a range of diverse and complex needs. Several interviewees commented that the dynamic nature of social needs means that there will always be diversity and fluidity in the SE sector:

“Social needs are always changing and evolving, as are economic circumstances. I think the combination of changing economic circumstances, and changing needs, have given rise and created the opportunity for social enterprises to become more prevalent and better known, over the last decade in particular. But social needs continue to change, and social enterprises, and indeed, charities and community and voluntary organisations will continue to respond to those in different ways. But the ways that those responses are organised will change, depending on the legislative frameworks, regulatory positions, and indeed, policy priorities and funding programmes.” [Practitioner]

## The Financial Situation of Social Enterprises in Scotland

The financial security and resilience of social enterprises concerned several of the stakeholders we interviewed. Both private sector and social enterprises continually face the challenge of financial stability, but many SEs are dependent upon institutional and political factors more than customer loyalty, and there is a potential vulnerability in this, as one interviewee commented:

“I think a lot of the weaknesses are they all rely on funding, like external funding. I don’t think there’s anything wrong with that, however, obviously, where you’ve got an organisations relying on central government or local government funding then there obviously going to be cutbacks in that, and there has been. So I think that’s a weakness.” [Practitioner]

In addition to public sector grants and contracts, some SEs in Scotland can access support and investment from civil society organisations and private sources:

“There’s not just grant funding, there is local funding as well. There are lots of social investors which help as well. You’ve got Social Investment Scotland - they’ve

done a huge amount to invest in social enterprise and help them to develop. You've got the ethical banks, like Unity Trust Bank, Triodos Bank and Charity Bank as well... There is lots of social investment vehicles you can choose [from]."  
[Practitioner]

However in response to the potential exposure involved in relying on existing public and social investment sources, several SEs were increasingly trying to develop alternative and innovative sources of revenue and financial support:

"What's happening more and more is [that] social enterprise is looking at innovative ways of funding. Crowd funding for example is one example of that, and The Melting Pot have been active in crowd funding for themselves but also demonstrating to many of the social enterprises they work with how to manage a crowd funding initiative. So that's one way in which they can extend the sources of funding and from that the collaborative networking effect kicks in as well."  
[Academic]

## Social Enterprise in the School system

There was a widely held belief among those interviewed that SE brings value to Scottish classrooms, and should have a role in the education curriculum. As mentioned previously, the Social Enterprise Academy (SEA) operates programmes with the support of the Scottish Government including SE education in Scotland's schools. The Academy holds an annual Social Enterprise in Education award ceremony, celebrating and showcasing the diversity of pupil-lead projects operating in many schools across Scotland. The SEA has produced guidelines and case studies for teachers to use in conveying the nature of and opportunities provided by the SE sector (Social Enterprise Academy, 2014).

The Scottish Government's *Determined to Succeed* policy framework and the Curriculum for Excellence are intended to support young people's transition into employment and both support teaching pupils about 'enterprise' in a broad sense, but give particular attention to the third sector, social enterprise and entrepreneurial skills. Indeed, several interviewees applauded the inclusion of SE in the education curriculum. One participant said:

“Education should not only be about values, about social enterprise, about running businesses, but also how we create a better society. How we actually try and do things, and use exchange of goods and services for the benefit of all. And not the benefits of people that are on the means of production.” [Practitioner]

## The Role of Trades Union

In several respects the needs and ethos of the trade union movement intersect with those of the social enterprise sector. The understanding of SE among trades union is broad, and encapsulates co-operatives, private, public and third sector organisations, local authority support and social enterprises. In the Scottish context, some interviewees proposed that one key juncture in the relationships between SEs and trade unions was the experience of Thatcherism, and the trade union reforms introduced in the 1980s.

“The other thing that Thatcher did was to destroy people’s confidence in their own ability to collectively change things. I think that’s the thing that, predominantly, needs to be addressed, if social enterprise, common ownership, cooperative ownership, is to come back on the agenda - we have to recognise that people’s confidence in their own ability to do this, is extremely low. Therefore, when companies are facing redundancy, if somebody comes up with the notion you could actually rescue this place yourselves, workers see it as too big a risk.” [Trade Union Representative]

Some also see a role for trade unions to support SE participants become involved in social movements and political campaigning, and developing confidence and self-esteem as a result. One interviewee from a trade union outlined this contribution:

“Growing personal esteem. It would enhance productivity. It would enhance health and safety. It would enhance the working environment. It would enhance society. Largely, because you’ve got happier people; you’ve got more confident people, who are going to, as citizens... contribute to the wider democracy, beyond that [of] ticking a box every four or five years - being involved in community campaigning, being involved in having a say, being involved politically.” [Trade Union representative]

However the awareness of social enterprise within the trade union movement in Scotland seems generally low. There was also a perception among some interviewees that sections of the trade union movement might be sceptical about the concept of social enterprise, and that their principal interest is with ensuring that SEs maintain terms and conditions of employment. One participant summarised this view:

“The trade unions I think have been a bit more sceptical... probably because they think that, let’s say, the councils will farm out services to social enterprises and their members are in danger of losing their jobs... it’s a difficult one for them in a way. But I think you would like to see them looking a bit further forward. I know they want to protect the jobs of their members, but it has got to be balanced with what is better for the local community.” [Academic and Practitioner].

## European and International Organisations

There was a general feeling among interviewees that the SE discourse and ideas have been developed indigenously and disseminated outwards from Scotland rather than being copied from Europe or elsewhere. There was an overall sense that Scotland has a leadership role in knowledge and understanding of SE, but further progress was still possible, as pointed out by several of interviewees:

“Scotland is seen very much as one of the world pioneers of social enterprise... Scotland is held up as an example of case study for social enterprise and how to do it well. That’s not just in terms of social enterprises themselves but it’s also in terms of the support infrastructure... The business development organisations and support organisations - the general framework for supporting social enterprise - are very strong in Scotland.” [Practitioner].

“Scotland seems to be way ahead of most other countries even though I am saying we have a lot more to do.” [Scottish Government].

Another participant outlined how European policies are perceived to relate to UK and Scottish SE policy:

“Well the Scottish government have been really proactive in supporting all of this, and it featured as part of the Lisbon Treaty. So when it’s coming from Europe then into UK [and] Scottish Government, it will filter down, and there will be resources following that... and with it a whole raft of policy, much of which has got to align with European directives. But essentially, the Scottish Government have been putting in place... that support... whether it’s SENSCOT or whatever.” [Academic and Practitioner]

There were a number of participants who were unaware of the impact of European and international institutions upon the financial and policy Scottish SE context. Others particularly valued the resources received from European sources and the partnerships within Scotland which this had facilitated:

“I think the EU’s money and programmes have been absolutely essential... [to] its growth and development. I think without that money half the stuff that is out there just wouldn’t exist anymore. What it allowed was all of the various programmes that they have had over the last 20 or 30 years in an area of social and economic regeneration. It came through local authorities, as they looked for partners, partners emerged, charities, voluntary organisations, social enterprises they evolved, the relationships developed, the language got more ambiguous, complicated. But with that money from the EU I don’t think that process would have been as strong.” [Academic]

The influence of, and funding provided by, the European Union and Commission has been significant in the development of SE in Scotland. The Highlands and Islands Development Board (HIDB) was established in 1965 to reduce the socio-economic barriers faced by those in rural and sparsely populated areas. Community co-operatives, such as tourism centres, were encouraged to operate in these remote areas, an idea that the HIDB had imported from the west coast of Ireland. The aim was to create employment for and within the community and reinforce community cohesion. The Urban



Programme was utilised to spread this model into urban areas of high unemployment (Pearce, 1993, 2003). Since then, various European Structural Fund and European Regional Development Fund programmes have been utilised to support the development of the social economy in Scotland.

However, some concerns were expressed that some European Union strategies may come into conflict with those in the UK and devolved nations, as one of the interviewee explained:

“I am critical of some of the things that comes with the European Union. I do think they’re guilty, in some respects, of seeing this as just another... type of free market, private industry strand. They’re also, obviously, tied by European Union treaties that, I think, contradict the ethos... For example, there’s a limitation of government borrowing, in terms of qualifications for the Euro. There’s the duty of some of the treaties coming out of the European Social Fund... It’s about profit making... it’s pro-competition... things that they see as anti-competitive, often means state intervention, and I think state intervention is required, especially in the UK, because individualism has rooted so deeply. State intervention is required to do the reverse, to begin to re-establish collectivism, and collectivism is key to establishing social entrepreneurship and social enterprise...The European Union might say it’s in favour of social enterprise, but that contradicts some of the things that it does.” [Trade Union Representative]

## Part Three: The History of Scottish Social Enterprise

### Introduction

Roger Spear (2001) argues that the birth of social enterprise in the UK cannot be properly examined without an historical perspective charting the development of the Third Sector from the industrial revolution onwards. While it is our intention to focus upon the period after the Second World War, investigating this earlier period supports understanding of the broad trajectories of social enterprise development in Scotland to the present day. Several critical junctures in the history of SE in Scotland are identified: an early period from the Scottish Enlightenment and the Industrial Revolution (from the mid-1700s); a

middle period that takes in the post-war creation of the welfare state; and a later period following political devolution in 1999.

## The Early Period: Enlightenment and Industry

Scotland's history of social innovation and social enterprise can be traced at least as far back as the period known as the Scottish Enlightenment in the 18<sup>th</sup> Century. The Act of Union in 1707 created the United Kingdom. This encouraged a very fertile period of intellectual development, of which David Hume and Adam Smith are the most famous examples (Herman 2003; Buchan 2007), and built upon a universal education system established following the Reformation (Allan, 1993; Young, 2009).

The technological advances of industrialisation were able to capitalize upon these intellectual assets. Throughout the nineteenth century resources were shifted from rural areas and the agricultural sector to heavy engineering in the central belt of Scotland. The development of mass manufacturing methods, applying new technology largely imported from the north of England, and the growth of the factory system, particularly in textile manufacture, encouraged labour and social movements to flourish as defensive reactions to the harsh conditions of early industrialisation (Borzaga and Galera 2012). Early industrialists, such as Robert Owen, a textile manufacturer and mill owner based in New Lanark, some 40 km southeast of Glasgow, played a critical role in the development of the co-operative movement and thus the early social enterprise movement (Polanyi, 1944; Pearce 2003).

The origins of the co-operative movement can be traced back to other parts of Scotland. The Fenwick Weavers' Society - the world's earliest documented co-operative organisation - was established in East Ayrshire in 1761 (BBC 2011). By 1769 storekeeper societies were found across Scotland (Harrison 1969), predating the Rochdale Pioneers by some 75 years, and several Scottish co-operatives from that period, such as the Galashiels and Hawick Co-operative Societies founded in 1839, trade today as part of The Co-

operative Wholesale Society, still the world's largest consumer co-op (Cowe and Williams 2000).

1834 saw the introduction of Poor Law reform in England and Wales, the Elizabethan Poor Laws which predated industrialisation, being unfit for a changing economy and industrial society. However these changes were not enacted in Scotland, primarily because Scottish political leaders saw no need for a sweeping reform, as the challenges in Scotland were felt to be different from those in England (Mitchison, 2000). However, the need to address extreme poverty in Scotland was evident, particularly deprivation among the elderly, the very young, those with disabled and the very considerable number of Irish immigrants who arrived in Scotland during this period. This 'early period', and in particular the pioneering development of co-operative provision of mutual welfare support independent from the state, forms the background to the development of the modern welfare state in the 20<sup>th</sup> Century and subsequently.

## The Middle Period: Creation of a new Welfare State

The publication of the *Report of the Inter-Departmental Committee on Social Insurance and Allied Services* (Beveridge, 1942), more commonly known as the Beveridge Report, marks the second critical juncture in the development of SE and social innovation in Scotland. The Beveridge report was published in December 1942 and proposed widespread reform to the system of social welfare to address five 'Giant Evils' plaguing society: squalor, ignorance, want, idleness, and disease. These reforms included the expansion of National Insurance and the creation of a free-at-the-point-of-delivery National Health Service (NHS), throughout the whole of the UK. The period immediately following the Second World War was also marked by a number of industries being nationalised by the Labour Government, alongside the introduction of increased taxation and a state regulated economy informed by Keynesian theory. The Labour Party

introduced the National Insurance Act 1946, which provided limited support for those unable to work for reasons such as unemployment, illness or pregnancy. Those not entitled to such support were subsidised by non-contributory National Assistance.

Beveridge was sceptical that the state could (or should) provide *all* of the social and welfare services outlined in his report (Oppenheimer and Deakin, 2011). He had envisaged pluralist provision moderating the centralist and bureaucratic tendencies of statist social democracy (Beveridge, 1948). In this context third sector organisations could work at the interface between communities and the state as specialist providers, innovators and monitors of the excesses of both the state and market (Maxwell, 2007). Nevertheless, the establishment of the post-war welfare state created something of an identity crisis for the Third Sector (or the Voluntary Sector, as it was known then), which had chiefly occupied the role now assumed by the state. Numerous civil society groups, such as churches, voluntary associations and charities had been built up over a century or more, many of which were founded in response to the harsh conditions imposed by the industrial revolution.

From the 1950s, slowly at first but accelerating from the mid-1970s, the political makeup of Scotland and the north of England started to diverge from the south of England (Curtice, 2002). Another critical juncture in the historical development of SE and SI in Scotland can be dated to the election in 1979 of the Conservative government led by Margaret Thatcher, shortly following the first referendum on Scottish devolution in 1978<sup>1</sup>. This era of Thatcherism represented the end of post War Keynesian demand management and the beginning of a new phase of macroeconomic policies based upon monetarism, influenced by the ideas of Hayek and Friedman, known more commonly these days as neoliberalism.

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<sup>1</sup> This resulted in a vote in favour of devolution but by less than the 40% threshold imposed as a condition by the UK Parliament.

## The Late Period: Political Divergence and Devolution

The 1950s and 1960s saw a marked decline in parliamentary representation of the Conservative Party in Scotland. This, coupled with a rapid de-industrialisation and resultant economic, social and political dislocation which continued throughout the 1970s and 80s, emphasised the perception of 'democratic deficit' in Scotland. Scottish policy preferences were perceived to be marginalised or ignored, particularly during the years of the Thatcher government after 1979 (Keating, 1996). The combination of neo-liberalism and social authoritarianism embraced by both Thatcher (and after 1990 her successor John Major) were deeply unpopular in many parts of the UK, but in Scotland they were reinforced by the perceived unrepresentativeness of the UK parliament.

In this period in Scotland, interest started to grow in the idea of community business - an idea that originated in rural Ireland to stem the migration of mainly young people to towns, cities and elsewhere. Multi-functional community co-operatives were established to create jobs that could be filled by local people and provide services to the community. The Highlands and Islands Development Board was attracted to the Irish model and imported the concept into small rural communities. Community co-operatives were often established with seed-core grant funding matched with share capital collected from local residents, allowing small businesses such as heritage centres, salmon hatcheries, visitor cafes, and holiday bunk houses to become established.

The idea soon spread to the lowland urban areas of Scotland, and led to the creation of community businesses based upon open membership to residents and voting on a management committee of local people (Pearce, 1993). These flourished in the early 1980s as local authority services faced rapid cuts and unemployment reached record levels. In Scotland, the Scottish Office was able to prioritise Urban Programme funding to support the development of community business, and each area in Scotland was

provided with a community business (or enterprise) support unit. Some of these original community businesses are still trading and thriving. However in the early 1990s, following several widely publicised failures in the community business sector and some critical evaluations, the popularity of community business declined among local authorities and central government. The term 'community enterprise' became more widely used (Pearce, 1993, 2003) and these came to form part of what are now understood to be social enterprises (Kay, 2003). In England, Urban Programme funding was not utilised to develop community businesses to the same extent, and thus their growth was less impressive than in Scotland.

Labour's UK election victory in 1997 led to a second referendum on Scottish devolution the same year, and following an emphatic vote, the re-establishment of a Scottish Parliament with tax varying powers in 1999. For the first time since the Union of Scotland and England in 1707, Scotland had its own national elected executive determined by elections in Scotland (Curtice, 2006). The devolution settlement for Scotland is relatively complex, but, broadly speaking, a number of key areas were 'reserved' to Westminster, most notably defence, foreign policy and macro-economic areas such as taxation and most areas of social protection. Among the devolved subjects several are of interest for the SE sector, such as health, education, local government, social work, housing, and the local environment and planning. Therefore most areas of policy (except, crucially, welfare) that touch upon the Third Sector, including support for social enterprise, were devolved to the new Scottish Executive. In theory at least, the new Scottish Parliament was not constrained by the pressures of 'path dependency' which shaped UK Government, and was able to craft new approaches across a whole range of policy areas. While policy divergence was relatively minor in the early phase of devolution, as Labour was in power in both Edinburgh and London, the degree of difference accelerated when the SNP took power as a minority Scottish government in 2007 (subsequently winning an outright

majority in 2011) and a Conservative - Liberal Democrat UK coalition government was elected in 2010.

Several of our interviewees expressed supportive of the measures taken since devolution in 1999 and in particular by the SNP Scottish Government since 2007. The responsiveness of and support infrastructure facilitated by the Scottish Government were commended:

“For sure the social enterprise sector is by far in a stronger position and well supported because of the government that we currently have. Our voice is louder. We’re a small country, so it’s not hard to rally the troops around this.” [Practitioner]

“In Scotland in particular there’s a very extensive infrastructure of support that’s been built over the last ten years, driven by willingness on the part of the Scottish Government to support, stimulate and encourage social enterprise. So [the] government has been willing to listen, and it’s been willing to support quite heavily the infrastructure of support.” [Scottish Government]

Recent examples of Scottish Government support for SE cited by some interviewees included the Community Empowerment Bill, and the 2014 Procurement Reform (Scotland) Act, which is intended to enhance the opportunity of SEs to win lucrative public sector contracts to supply goods and services. One interviewee summarised the implications of these reforms:

“There is going to be all of these opportunities, and as a result of the Procurement Reform Bill, opening up tendering opportunities for social enterprises. So there is a bit [of], not *pressure*, but the Government has said ‘We hear what you are saying and we are trying to open up opportunities for you guys’. So can we take advantage and demonstrate we are up to doing that? There is a danger... we have to bear in mind that the vast majority [of social enterprises] are small organisations just seeking to get by.” [Practitioner]

A potential price of support and success for the SE sector may be that expectations and obligations to deliver increase. The capacity of the sector to meet these expectations and

offer a genuine feasible alternative to conventional public and private sector provision will come under increasing scrutiny and test.

## Part Four: Theoretical Development and Areas for Future Focus

The historical trajectory of social enterprise in Scotland has resulted in a distinctive character and composition of the sector from that in England. It is important not to over-emphasise the differences between Scotland and the rest of the UK: in many respects there are obvious constraints on just how different things *can* be within a single nation state. Divergence is constrained by national macroeconomic policy, the limited powers of the Scottish Parliament, UK-wide company law, and many ties and overlapping areas of culture and politics. Notwithstanding such constraints, Teasdale's (2012) typology for social enterprise in the UK would suggest that the 'community business' discourse and organisational model is the most common form in Scotland; the form which, he argues, is most common in areas that have experienced market failure. This situation describes the deindustrialisation and continued underinvestment in many areas of Scotland. However this theory requires further empirical testing, and is one of several hypotheses that the EFESEIIS project will explore.

A second issue which EFESEIIS should address is the relationship between gender and social entrepreneurship. This is underexplored in Scotland, just as in many other countries (Fotheringham and Saunders, 2014; Teasdale et al., 2011). One participant we interviewed spoke at length on this, and raised some of the key issues which likely require further examination.

"not enough is known about gender and social entrepreneurship... It is a simple observation, lots of women doing the work, lots of old white men on the board... certainly lots of women are in the social enterprise field, but why is it when I go to events is it men who are the speakers? ... is entrepreneurship actually a masculine activity and does the female entrepreneur have to adopt masculine traits, characteristics and behaviours to be taken seriously?... This notion that



entrepreneurship as we talk about it, as we mythologise it, as we stereotype it has a masculine characteristic. Yet if you look at social entrepreneurship I think that -I don't know - but my anecdotal evidence is that I see more women in the social entrepreneurship field but I wonder why they don't always get into leadership positions." [Practitioner and Academic]

## Conclusions

It should be recognised that while the Third Sector is able to influence the policy debate to a certain extent in Scotland (Alcock, 2012), Scottish Third Sector organisations have negligible influence the over discourse and policy at a UK level. This is reflected in the lack of any significant contribution from Scottish Third Sector and SE organisation to UK level debates about austerity and the associated restructuring of significant areas of public services and welfare provision.

It could be argued that the historical evolution of social enterprises activity and policy in Scotland resembles in many respects that of other industrialized western countries, especially those that offer strong institutional support. Nevertheless, Scotland is characterised by a highly developed and complex array of support institutions developed over many years and a significant and explicit commitment of support for SE from Government. The decisive factors in shaping the development and likely future of this complex and distinctive ecosystem require further analysis

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