1. Understanding the scale and growth of social enterprises and employee-owned businesses in Scotland;

The sector needs to grow, not rapidly as a sector but each social enterprise needs to have a mind-set of growth to secure robust sustainable position. There is currently a large culture which is in the mind-set that there will always be a grant to fund their operation or indeed that there should always be a grant to fund their operation and that the trading income should be subsidised because of the social aspect of their mission statement, and I have to question why these organisations call themselves social enterprises when just social would do. Whilst this is a cosy and safe environment to work within there are a number of problems with this toxic attitude.

Firstly we need to look at how this will affect the expansion of the sector and how the rest of the business community looks at social enterprise when it comes to working together through supply chains or collaboration. If any company cannot pass a reasonable test for business credibility then how is that business able to expand its model to generate the required income to become a long term sustainable operator. If the majority of social enterprises are only sustainable through grant funding then this depicts to other operators within the business communities that all social enterprise is the same and this will cause social enterprise as a sector to falter through a lack of opportunity.

Whilst we can consistently ask for support and assistance as a sector, the sector stakeholders themselves must question their own reasons because the model continually asked for is one which primarily consists of grant funding or soft loans to assist activities directed to the delivery of individual company’s social aims and objectives. This model is counterproductive to driving growth forwards. It is fairer to say that support for growth would be better directed towards the representative organisations, and a business development structure which could credit and award strong performances with skilled and expert assistance to assist those organisations making headway to continue to do so.

The issue with a model such as this is that there is a culture layer of organisations which would rather create lots of non-sustainable micro scale social enterprises because they themselves can only sustain their own existence through grant funding and reporting their success within those funding parameters. This is an early stage indicator of why the sector has small growth performance. Couple this with a lack of vision for and fear of growth and expansion, which is reflected in an insular individual community perception creates a divide which means the sector fails to engage with potential private sector mentors from appropriate backgrounds who could assist with resilience and growth, and not because of a lack of understanding which is often cited by many social entrepreneurs.
Impact of social enterprise is often being questioned and it is my belief that at the current scale and ambition of the majority of social enterprises in Scotland suggests that there is no requirement to question this because there isn’t a defined impact being made by many of these organisations due to the fact that many are simply spending the grant funding that is offered and the only difference in that spend is the distribution has been streamlined by the public sector by outsourcing it to social enterprise, and although there is a need for these services there is a fundamental need for the provider to be able to be self-sustainable whilst delivering on the service requirements and for that sustainability to be defined as a return measured against the providers social aims and objectives.

2. Hearing examples of innovation from businesses, for example employee involvement in developing new products, services or processes and innovative partnerships within communities;

Innovation does not need to mean advances within the tech industry as so many people think, but it does instead indicate thinking outside the box applying a different model of business to a tried and tested industry. In August 2012 GTS Solutions CIC began to do this by taking a different approach to the private security industry. The company was the first social enterprise in the private security industry and to this day stands alone as the only social enterprise operating in the sector. This choice was made by Chris Thewlis (founder) because he believes that there is a need to improve the standards of the industry as a whole, and it has successfully delivered on its social aims and objectives although these have shifted through the use of innovative thinking. The social aims and objectives in the original articles set out that GTS Solutions CIC would reinvest its profits into assisting low paid workers in the hospitality industry to improve their skills through training. Following an approach by the Princes Trust to become a training partner for their failing Get In to Security Program GTS Solutions CIC identified the opportunity to make a huge difference to the skill shortage within the industry by delivering a desired set of qualifications instead of the basic requirement to the young people who were within the Princes Trust’s ward. The developed model allows GTS Solutions CIC to raise the populace of highly skilled workforce members within the private security industry, grow its own business services, and fulfil its new social aims and objectives to assist eighteen to twenty five year olds into sustained employment. The partnership is now hugely successful with a retention rate of 97% and an outcome rate for sustained employment of 93% a percentage which is achieved by using recognised industry partners who are involved in the training process.

Further innovation has seen GTS Solutions CIC become an accredited Living wage employer the only one on the 08-14 Excel framework for security services, GTS is committed to the use of guaranteed hour’s contracts wherever possible, and is the only security company in Scotland to be accepted on to the Scottish Government’s Business Pledge. Other innovation delivered by GTS Solutions CIC within the industry are simple but prominent, the company does not charge its employees for costs that its competition does. These may only be small but as the company grows it is the
hope of the directors that these changes become seen as the industry standard. Organisations within the private, public, and the third sector seeking to work with a more ethical supply chain have seen GTS Solutions CIC become the ethical choice for security services.

GTS Solutions CIC recently replicated a similar model to the Princes Trust by opening the Southside Social in Edinburgh the Capitals first social enterprise public house and the first Licenced trade business model of its kind a model which offers training and work experiences within the venue for eighteen to twenty five year old and then assists them into employment in the hospitality industry this time using Heineken as a primary partner to provide potential outcomes, with a live working venue delivering a shop window where prospective employers can see trainees at work, and a selection of Trust’s and charitable organisations as referral partners.

3. Assessing the sources of funding and support available;

As a social enterprise profits are returned in to the delivery of each company’s social aims and objectives. A social enterprise should have a cap on distributable profits, an asset lock and a dissolution clause this means that it is often extremely difficult to gain funding from traditional banking sources and until recently for companies who have chosen a Community interest company formation (dividend cap of 35%) the charity funding streams were not available. This makes this option less appealing than the other traditional company formations such as CLGs. There has been a move to more flexible funding for social enterprise with successes like Resilient Scotland a partial grant partial loan fund with a flexible approach to security and lending from Social Investment Scotland but the interest rates on the lending percentages of these funds tend to be above prime market rates which can disadvantage the possibility of growth for the prospective borrower.

Seed capital tends to be linked to programs and are limited in timings and availability and often due to the complexity of social enterprise funding rules those applying for these early stage funds need to learn much more, gather more information than those applying for funding models through the private sector. This can be a serious game changer when taking the decision on company formation.

Venture capital and private investment tends not to be an option because the returns are either too low or the company formation type will not allow a return mechanism and the tax benefits of SITR are not as attractive as SEIS although it could be argued that there is potential in a mix of SITR and CIC’s with a dividend option.

Traditional business support lacks the skills, knowledge and mechanisms to effectively support social enterprise in Scotland. There are simply too few business advisors within SE and business gateway with the expertise in the field and other organisations which have been setup to assist and support social enterprise have to spend a lot of their time on resourcing ways to finance their own existence. Support and interest from the banking sector is minimal and generally concentrated on assisting representative bodies rather than the actual businesses. It is important to point out that the traditional measurements used by the SE growth pipeline to managed accounts often do not fit
the social enterprise model and this can hamper enterprising growth which in turn causes a knock on effect with regards to resilience issues.

4. What public bodies are doing and should be doing to encourage these business models;

It is unfair to say that the Scottish government isn’t doing enough to encourage social enterprise but we can say that Scottish government isn’t doing the right things to encourage the growth and sustainability of social enterprise business models. First and foremost I believe there has to be better tests to ascertain if indeed many of the organisations who portray themselves to be social enterprises are indeed that. Many are social and seek to fulfil social aims and objectives, but many are not or never will be enterprising, and this in turn asks the question how do we test or measure enterprising?

The test or measure of an organisations enterprising possibilities needs to come from an analysis of its product or service, its route to market, its potential market size and the realistic obtainable share of that market. This should also be offset against the organisations social aims and objectives, the need for those social aims and objectives within the scope of the organisations environment and geographical coverage. It is fair to say that any social enterprise which seeks sustainability should be able to provide a well prepared plan which can show a strong route to 50% + trading income whilst delivering on its social aims and objectives within a 3 year cycle. If this is not achievable then it could be argued that this tipping point will never be achievable and the organisation will be dependent upon grant funding to survive. This is not an enterprise.

There is then a definite need to assess each social enterprise in a manner that allows us to both see the social aims and outcomes as a realisation of each organisation, and that the organisation will be sustainable and able to deliver on those social aims and objectives through generation of their own funds which can subsidise the action or pay for the action in full. I would therefor propose the following implementations.

- A separate organisation which has a business support network and profession aimed at the social enterprise sector. This organisation should run in a similar style to SE in as much that there should be different levels of support at different stages of an organisation’s journey. There is a need for early stage support and a definite need to identify those start-ups which if managed correctly can become resilient enough to be dynamically contributory to their social aims and objectives which will create better opportunity for real impact which in turn creates economic and environmental prosperity. This measurement though does not fit with the current growth pipeline tests as many social enterprises will not grow as quickly as private sector business due to the spread of focus across more activities within the organisation, i.e. the delivery of its social aims and objectives and the mechanisms which surround that. So there should be a different set of tests that take into considerations outside of growth and turnover and add into the consideration the achievable outcomes
and their impact. In social enterprise scale is not always the most important KPI which needs to be measured. It is also important to point out that the set of products on offer by SE are often not as relevant to the needs of social enterprises due to the structure of the organisations and the way that they undertake day to day operations.

- There is a definite need for mentoring within the sector and this mentoring needs to be driven in partnership between the success in the sector and the private sector successes of Scotland. This is after all social enterprise which means the clue is in the name “enterprise”. There is a raft of skills knowledge and ability that can be learnt from both sides of this type of partnership and by combining the two sectors we can propagate potential business to business growth with CSR fulfilment.
- It would also be hoped that a network which worked strongly underneath such a mentoring program could further facilitate business to business across the two sectors. There are currently networks for these sectors separately but very few venture into each other’s sector and this is limiting the growth potential within Scotland.
- There should be robust monitoring mechanisms within such a support system and I believe that a milestone procedure should be utilised which could define the levels of social impact required as well as the actions to reach a point of growth which attains sustainability and resilience for the future. This can then be measured as agreed KPI's.

Chris Thewlis Director of Operations and founder of GTS Solutions CIC.

Chris has successfully guided GTS Solutions CIC since its incorporation in August of 2012 and the company has successfully achieved a strong status within its environment. It is the only social enterprise to operate within the private security industry in Scotland delivering guarding and event stewarding services alongside compliance training. The company is the only Living Wage accredited employer on the 08-14 Excel framework for public procurement of security services in Lots 1 and 2. GTS solutions CIC holds accreditations for SIA ACS (Guarding, Door Supervision, and CCTV) ISO9001, SQA Centre, and HABC Centre. GTS Solutions CIC is a non-grant funded, self-sustainable organisation, which successfully fulfils its social aims and objectives of assisting 18-25 year olds into sustained employment, whilst returning an annual profit.

Chris is the proprietor of the recently opened Southside Social the capital’s first social enterprise licenced premises

Chris is also a board member at Social Enterprise Scotland

Chris has recently been nominated as the Scottish IoD’s Emerging director of the year and Third sector director of the year.

“Through inclusion we grow”