



## Scottish Expert Advisory Panel on the Collaborative Economy Social Investment Scotland (SIS)

### **Who are Social Investment Scotland (SIS)?**

Social Investment Scotland are Scotland's largest, and one of the UK's largest, Responsible Finance Providers. A social enterprise and charity itself, SIS makes loans and other repayable investments (from £10k up to £1.5m+) in charities, community organisations and social enterprises where they find this challenging. SIS's growth has supported the growing social enterprise sector in Scotland and beyond, with the organisation also able to take advantage of a range of UK wide policy interventions and market mechanisms to support its capital base. Since 2001 SIS has made almost 300 social investments with a value of £60m.

SIS's mission is *'to connect capital with communities, to make a real, measurable and sustainable impact on peoples lives'*. This connection happens in two ways; primarily creating connections between organisations looking to access social investment, but also between an emerging community of investors, looking to make investments that create a financial return but more importantly a social impact. SIS is undoubtedly the leading social investor in Scotland and is well respected across the UK. SIS reports annually on its social and financial impact, with a copy of the 2017 report available [here](#). This report highlighted that over one million Scottish people in one way or another benefited from the activities of SIS customers, around one third of these in our most deprived communities.

SIS is working towards the achievement of a set of 20 strategic priorities in its current framework known as 'Twenty/2020'. The organisation is widely recognised for its innovation and operates across the impact spectrum- supporting everything from traditional charities right through to some of the most innovative forms of mission driven business.

The organisation works closely with the Scottish Government and in particular the ten year vision for social enterprise published last year by Third Sector Division where SIS are involved in the delivery of a number of the priorities in the initial action plan.

### **What is a social enterprise?**

Social enterprises are organisations that trade for the common good. They address social needs, strengthen communities, improve people's life chances and protect the environment. The recently published social enterprise census 2017 highlighted that Scotland has 5,600 social enterprises, up 600 in two years. Although the average social enterprise is 20 years old, about one third are less than ten years old. The significant support for the social enterprise ecosystem from the Scottish Government over many years has been a key driver of this.

Scottish activity reflects broader movements globally towards responsible business models. SIS would consider social enterprise to be a business model of choice for today's entrepreneurs- key to creating an inclusive economy. Evidence from a multitude of studies



and sources highlights the importance of purpose driven business to millennial workers, entrepreneurs and consumers. For example, a 2016 report from HSBC Private Bank highlighted:

- Millennial entrepreneurs (those aged under 35) are running businesses with turnover +141% higher than businesses run by older entrepreneurs (USD11.5m vs USD4.8m).
- 69% of millennial entrepreneurs say that having a positive economic impact was a factor in their decision to go into business, with 59% saying they wanted to have a positive impact in their community.
- Nearly half (47%) of all millennial entrepreneurs are female, compared to 26% of over-55s.
- Among successful young entrepreneurs, 89% were actively involved in philanthropy in 2015.

The collaborative economy is part of the trend, and Scotland is right to consider how it should respond to these trends. SIS would suggest that, in line with its strategic priority to 'put the social into enterprise' and alongside the Scottish Government's aim for an inclusive economy, there is a significant opportunity to try to integrate purpose with these innovative new business models.

### **1. Where have you seen the best examples of a collaborative economy servicing a social challenge or achieving direct social impact?**

Not all organisations in the collaborative economy are social enterprises. Whilst many may claim to have a social aspect to their activities, the best examples will be those where the relationship between impact and business performance is symbiotic. Nor do they have to be operating at scale, some may be very local- all be it part of wider local, national or international networks.

SIS would suggest that in Scotland the market is still nascent, with very few examples. Organisations like the [Edinburgh Tool Library](#) identify as a social enterprise providing shared access to tools and equipment, based on international models. Other good UK examples include a community fridge from [Adventure Frome](#) in Somerset where excess food can be redistributed via a social enterprise, something that is attracting the interest of the main supermarkets.

There is perhaps nothing new about neighbours sharing tools or food, what is new is the enabling impact of technology on these transactions.

### **2. What are the challenges to these platforms operating at scale? That might be about access to finance, but there will be other challenges – what are they?**

The challenges facing social enterprises in the collaborative economy are no different to other organisations in the space; and probably no different to other social enterprises looking to scale. There is undoubtedly tension between some social enterprise practitioners who believe social enterprises should always be small and remain focussed on local issues and those social entrepreneurs that set themselves up with an explicit focus on scale.

SIS would consider these challenges to be as follows:

- **Access to finance** via appropriate and patient capital that supports growth and scale, be that patient debt or mission aligned equity;
- **Business support** from the national or specialist agencies that understand the needs of social enterprises looking to scale, whether in the collaborative economy or not;
- **Preserving impact:** how can the enterprise be scaled without compromising impact, particularly where the socially excluded may be involved in the operations of the organisation;
- **Organisational operations:** recognising and investing in organisations to support their operations including their infrastructure, systems and HR.
- **Failure:** recognising, accepting and learning from those organisations who do not succeed.

That said, where the collaborative economy may make a real difference to social enterprises looking to scale is the enabling power of technology. SIS would suggest innovations and networks like [Tech for Good](#) and [Impact Hub](#) are interesting developments worthy of attention, as ways of sharing knowledge and expertise and creating new networks. The entrepreneurial networks themselves could be the greatest drivers of collaboration.

### 3. Where could these platforms be most effective? (Transport, care...?)

### 4. Where do you see the most potential in Scotland to advance this agenda?

Early examples of socially responsible collaborative economy organisations have a common theme related to the reduction and prevention of waste. However, there is perhaps no social issue that could not be touched with innovation. SIS would suggest that other opportunities could exist in the following:

- **Transport**, particularly community transport in remote areas;
- **Professional services and networks**, allowing charities and social enterprises access to professional advice and expertise for pro bono support and mentoring;
- **Funding and finance**, with the pooling and sharing of finance and capital.

In the broader sense, however, like any other part of the economy, new business models should not be exempt from operating in line with explicit responsible business principles. Growth and scale should not be at the expense of responsibility and impact.

### 5. What might/can the government do?

SIS believes that the government is already doing the right thing via establishing the expert advisory panel on the collaborative economy. SIS would suggest that its findings must be addressed to and implemented across the entrepreneurial ecosystem and infrastructure, rather than creating something new.

Specific suggestions from SIS would include the following:

- Encourage the best of the global networks and platforms to Scotland. This might include support for a Tech for Good accelerator or continuing to support SIS's efforts to establish an urban Impact Hub (likely in Glasgow);
- Engage and encourage Scotland's universities in an effective and co-ordinated way in pursuit of this agenda, particularly with a social focus;



- Ensure that their social enterprise strategy and corresponding action plans continue to reflect innovation in business models, with support and advice for social enterprises that could take advantage of them.

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