It’s time to talk about scale

How to get more social enterprises to scale and why we need to

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About Big Society Capital

We exist to make a difference. To help create a fair society by improving the lives of people in the UK, and the lives of generations to come.

Working with expert partners, we seek to understand people's needs first. Then, using our knowledge and capital, we collaborate and invest with fund managers who also want to create a better, sustainable future.

They, and the social enterprises and charities they invest in, create the impact. Our role is to bring the most relevant experts from our network to the table, generating ideas and connecting capital to where it's most needed.

We want to give more people and communities the chance to have an impact on the issues they care about – from affordable homes to vulnerable older people, and preventing mental ill health.

We have a vision where every investment helps improve people's lives, and where others can achieve an impact way beyond our investment.

We are building a movement with real momentum.

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Executive Summary

Capitalism has lifted many people out of poverty[1], but now needs rethinking to achieve more. I believe the most pragmatic way to achieve a fairer, more inclusive and more equitable society is by using existing structures in better ways. In essence, making markets work for everyone.

Social enterprises have a critical role to play in delivering this ambition. They do this by intentionally creating positive change to people's lives and the planet (impact) through their business models in a range of ways. Although not all social enterprise business models deliver impact through earning income (versus those who donate surplus profits or employ vulnerable people), for many, scaling up the size of their organisations could result in substantial growth in their impact.

Scale is a choice. It is not and should not be the goal for every social enterprise. In its 2015 article, "What's Your Endgame?" the Stanford Social Innovation Review identified six 'End Games' for non-profits to ensure impact at scale: Open Source, Replication, Government Adoption, Commercial Adoption, Mission Achievement, and Sustained Service[2]. Scaling an organisation's size is only explicitly mentioned in one of these six: Sustained Service. However, some other end games may not happen without a certain level of organisational scale, such as adoption by government or corporates. I believe that if organisational scale is achieved in the cases that merit it, while ensuring impact fidelity at scale, this would be a good thing.

I started my career in the UK social sector in 2010 as an On Purpose Associate placed at HCT Group, one of the UK's most influential and well-known social enterprises. At that time, it was turning over around £20 million. It now has turnover greater than £60 million, and is going from strength to strength. When I ask people to name their favourite large social enterprises, HCT inevitably comes up alongside three or four others.

Why is it that people struggle to name more scaled social enterprises? Is it because there aren't many to name? Is it because we don't 'count' very large trading charities, like Turning Point, as social enterprises? It actually could be caused by a few things: their relative small number and scale as compared to the commercial sector, inconsistent definitions as to what constitutes a social enterprise, B2B or B2G social enterprises with lower brand awareness (i.e. Housing Associations and NHS spinouts), and a lack of awareness of social enterprise as a movement in general.

Social enterprises contribute 3% of the UK's GDP – what might the UK look like if they had more market share? If we believe it would be a substantially better place, unified efforts should be made to support more social enterprises to scale up successfully. This report takes an in depth look at what is needed to get more social enterprises to scale, comparing them to their commercial counterparts and making recommendations to create the best conditions for success.

Definitions

This paper looks at how to support existing social enterprises to scale, rather than start-ups – a different challenge altogether. The UK, in fact, has a vibrant start-up ecosystem but ranks 13th in the OECD for scaleups[3]. It is evident that the UK needs to provide more support to its scaleups, and ensure that a fair proportion of that support is designed specifically for ones intentionally delivering social outcomes.

Starting with definitions, this report uses the Social Enterprise UK definition of a social enterprise.

> A social enterprise has the following common characteristics:
>
> - An enshrined primary social or environmental mission, through legal form, governing documents or ownership for instance;

[1] Between 1990 and 2010, the number [of people in extreme poverty] fell by half as a share of the total population in developing countries, from 43% to 21%—a reduction of almost 1 billion people. https://www.economist.com/leaders/2013/06/01/towards-the-end-of-poverty

[2] https://ssir.org/articles/entry/whats_your_endgame

[3] ScaleUp Institute: Annual Scaleup Review 2018, p5

> Principally direct surpluses towards that mission;
> Independent of government;
> Primarily earns income through trading, selling goods or services; and
> *Has a commitment to strong Environmental, Social and Governance performance*

This paper adds a requirement for those businesses to have proper Environmental, Social and Governance (ESG) policies, practices and procedures in place. As businesses intending to generate positive impact, they should be setting an example of holistic approaches to improving people's lives and the planet throughout their operations and governance.

Social enterprises deliver impact through their business and operating models. This can be achieved using the following impact models, with many social enterprises employing more than one:

1. **Value proposition.** The product or service itself intentionally addresses a social or environmental challenge, often in line with one or more of the Sustainable Development Goals (SDGs) (e.g. education and care providers, housing associations, Polipop, HCT Group, social impact investing fund managers)
2. **Impact through Customers.** The product or service is designed for, affordable and accessible to, and purchased by low-income, vulnerable or disadvantaged customers, or with those groups identified as key target customers among other segments (e.g. Unforgettable, Fair For You, Base-of-Pyramid models)
3. **Impact through Employment.** A proportion of staff are vulnerable or disadvantaged people, with fair working conditions and benefits (e.g. Auticon, Goodwill Solutions, Social Bite, HCT Group)
4. **Impact through Supply Chain.** Ensuring fair pricing and safe working environments for social enterprise suppliers or vulnerable direct producers, or repurposing or diverting waste (e.g. Fair Trade, Café Direct, Rubies in the Rubble, Elvis & Kresse)
5. **Impact through Profits.** Surplus profit is reinvested into solving social challenges. This includes cross-subsidy models where profitable activities pay for unprofitable ones – 92% of social enterprises use the majority of their profit to further their social or environmental goals (e.g. Buy-one-give-one model like Toms Shoes or Stand4Socks, Equity for Good - Toast Ale). In addition, 12% gift profits to a separate cause (e.g. Belu Water) while 12% are the trading arm of a charity, returning profits to parent organisations (e.g. HCT Group).[4]

By scale, this paper refers to those social enterprises with greater than £10m annual turnover or more than 50 employees. And by being ready to scale, we mean businesses with at least £1m turnover, and annual turnover or employment growth of greater than 20% sustained for three years, indicating an ambition to scale and exposure to the stresses of building a high-growth business.

Findings

Even for commercial companies, scaling is really difficult and needs specific skills and incredible focus to achieve.

> "Let's look at the data, only 0.4% of all companies reach $10 million in sales and but only 0.04% sell more than $100 million. So most start-ups fail and of those that do get past the initial stage, most fail to scale. It's climbing Mount Everest, winning the lottery, playing up front for Manchester United kinda numbers. Peter Drucker´s chilling words from his book "Innovation & Entrepreneurship" are as true today as when he first wrote it. "Entrepreneurship is risky mainly because so few of the so-called entrepreneurs know what they are doing.""[5]
>
> Professor Haslam, Director of Owners Scaleup Program at IE Business School, Madrid.

[4] SEUK State of Social Enterprise Survey 2017

[5] https://intertradeireland.com/insights/blog/is-scaling-up-harder-than-starting-up/

Composition

There is surprisingly little difference between how social and commercial SMEs look, other than social enterprises not expanding internationally as much. In fact, social enterprises are doing pretty well as a sector, and delivering higher profits than their commercial counterparts on average. There is a surprising amount of activity, including 123,000 mission-led businesses[6]. But there is a worrying lack of data on social scaleups. A key finding is the inadequacy of the data being collected by existing government surveys particularly on social enterprises, with small sample sizes and no data at all on high-growth social enterprises. The self-selection nature of many sector surveys may also contribute to skewed data and findings.

In the private sector, only 6% of SMEs are considered high growth businesses (defined as having at least 10 employees, three years old and achieving 20% growth in turnover or employee numbers three years in a row) alongside a raft of slower and no growth SMEs[7]. Very few use institutional investment to grow. The Longitudinal Small Business Survey tells us that equity finance was used by only 2% of SME employers, with only 45% of those getting it from an external organisation like another business or a venture capitalist. This means that only 0.9% of SME employers in the UK use venture capital. The reasons for this are numerous, including reluctance to give up control or ownership of their businesses.

One area in which social enterprises do struggle compared to commercial SMEs is obtaining finance, particularly in the amounts of between £100k - £250k, and over £1 million. We expect funds coming online in the last few years through the Access Foundation to have gone some way in addressing the first gap, however further quantitative research is needed to fully understand the nature of this finding.

The Patient Capital Review identified a gap in capital availability for commercial SMEs looking for greater than £5m of investment. This will be a barrier faced by social scaleups as well as their commercial counterparts, potentially at a lower investment threshold. The government is implementing a series of measures to address these findings: it should ensure complementary measures are designed for social businesses as well as commercial ones (e.g. adapting comparable but relevant changes to EIS and VCT tax reliefs to SITR, their social equivalent).

Given the similarities between these groups and the impressive £60 billion contribution of social enterprises to the UK economy, social enterprise policy, currently sitting within the Department for Culture, Media and Sport (DCMS), should be moved to the Department for Business, Energy & Industrial Strategy (BEIS). This would help address many of the data inconsistencies identified, and ensure social enterprises have seats at the right tables.

KEY FACTS

> Social enterprises contribute £60 billion to the UK economy, representing 3% of GDP

> Only 6% of SMEs are considered high-growth businesses

> Less than 1% of SME employers in the UK use venture capital

Barriers to Scale

There are barriers to scaling which are common to both commercial and social businesses. These need to be addressed for them to have a fighting chance at reaching scale, given how difficult it is to achieve. The most important barriers across all businesses are access to talent, building fit-for-purpose infrastructure and access to finance.

In particular, accessing talent with experience of having scaled a business previously is very important, as is maintaining their motivation and mental health. Different skills are required at different points of a business' growth cycle. Establishing high quality, formal and structured learning and development programmes to support existing employees to develop scaling skills is critical. The skills needed across the different phases of growth include[8]:

[6] https://www.bigsocietycapital.com/latest/type/blog/pursuit-impact

[7] In 2017 there were around 11,000 [high-growth] firms in the UK, accounting for around 6 per cent of the eligible population of SMEs - STATE OF SMALL BUSINESS BRITAIN REPORT 2018, Enterprise Research Centre (2018)

[8] Tom Ebbutt email, 26 August 2019

Start-up	Crafting a vision, storytelling, prototyping, sales and marketing, developing customer-facing technology, financial modelling, and capital fundraising
Growth	*All of the above, plus:* Operations, processes, replication & standardisation, operational technology, back office and enabling-function development – particularly commercial finance, people management and development, governance
Scale	*All of the above, plus:* Internal communications, capital allocation, managing through others, leadership at scale, developing people without progression as a core driver

As social enterprises grow, they face the dual challenge of growing their operations sustainably and making a financial profit, while simultaneously maintaining and improving the quality and quantity of impact they are delivering. As well as the scaling challenges a commercial business would face, social enterprises may also face a combination of ten additional barriers specific to them:

- Limited market sizes
- Increased operational cost and complexity due to impact models
- A lesser ability to attract and develop top talent due to low sector pay, inability to offer equity compensation, and poor talent development
- Perception of low quality coupled with less focus on branding and marketing
- Competition policy issues (i.e. State Aid)
- Lack of access to risk capital, such as equity, grant or concessionary finance
- Inconsistent service levels and being slow-to-move due to dependency on volunteers or community engagement
- Sector-specific skills gaps, like systems thinking and impact measurement and management
- Lack of incentive or motivation to scale (i.e. large sums of money are the prize for scaling commercial businesses – is the impact prize worth it without the same monetary incentive?)
- Heropreneurship (i.e. idolising those who start new ventures rather than focusing on growing what already exists) [9]

> Certified B Corporations are businesses that balance purpose and profit. In the US, they are legally required to consider the impact of their decisions on their workers, customers, suppliers, community, and the environment. Many successful B-Corps are B2C brands who serve the general population, appearing on supermarket shelves and retail shop racks, giving them a wide appeal, large market presence and unique ability to grow while still delivering impact at scale. They have expanded their market sizes by employing 'value proposition' impact models that allow them to serve mainstream customers.

There are three additional barriers specific to scaling the *quality,* or fidelity, of impact while simultaneously growing organisational size.

1. **Ineffective impact measurement, data collection and learning.** The ability to measure impact, learn how it is created so as to be able to replicate it, and implement changes to improve performance is critical to scaling the quality of impact alongside business growth.
2. **Dependency on individuals with unique expertise.** If impact creation is dependent on individuals – founders or key employees – with skills, experience, a certain manner or personality and knowledge that is hard to teach or replace, it will be more difficult to scale the quality of impact through growth by finding or training more of these people.
3. **Interventions that are one-to-one, face-to-face and/or intensive.** To scale up social enterprises that create their impact through intensive, often face-to-face support, a lot more time, specialist skills and money will be needed to reach each additional beneficiary. Ensuring the right level of expertise of each individual staff member delivering a service is crucial and can be costly.

This final barrier in particular poses a risk: do all social scaleups need to be tech-based, and have broad rather than deeper, more life-changing impact?

[9] https://ssir.org/articles/entry/tackling_heropreneurship Daniela Papi-Thornton 2016

Not all social scaleups will face all of these barriers, but are likely to face at least a few. Some can be addressed using non-financial approaches, while others need investment. There are many existing support programmes, accelerators and incubators that support commercial SMEs to scale. There are also social-specific programmes, however they are much fewer and at a much smaller scale. "Scale readiness" is critical to addressing these barriers. Scale readiness is having the right team, systems and processes in place to be able to grow, and respond to ever growing sales opportunities. Most support providers identified it as crucial – much more so than investment readiness. **To see more successful social scaleups, scale readiness support is a vital ingredient.**

Sectors

Certain sectors should have an overrepresentation of social enterprises given the inherent public benefit of the good or service, and the attractiveness of that sector from a financial and competitive point of view. Social enterprises are well represented in some target sectors, either by number or size or both (e.g. health and housing), while other sectors should have more (e.g. environment, education, employment, retail grocery, recreation, regional finance).

Dedicated support needs to be provided to social enterprises operating in education, housing, grocery & food, regional banking and finance, green & renewable energy, recreation and health & social care as a first priority. One way to do this could be through sector alliances, with funders, customers and social enterprises all working together and sharing learning on what works, as well as providing necessary funding and contracts.

So what's the vision?

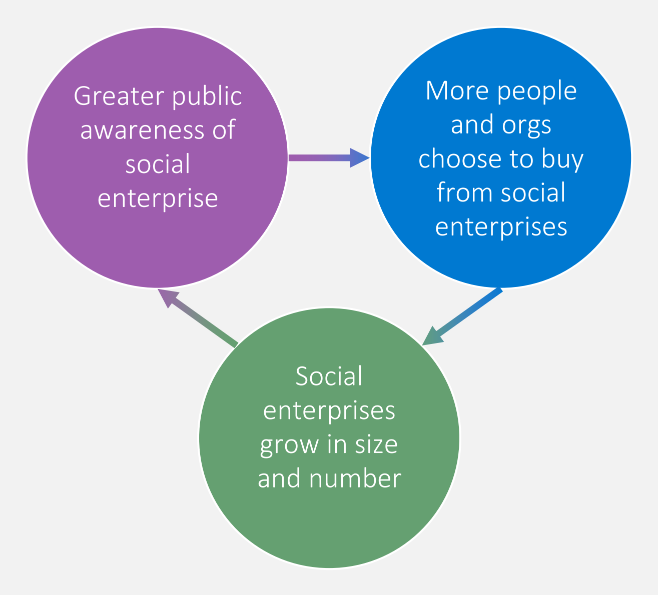
The data tells us social enterprises are doing better than we think – scaling more of them is an achievable goal. This paper puts forward a compelling and achievable vision for the future as seeing **one hundred additional social enterprises reach scale (>£10m turnover or >50 employees) across a range of priority sectors in the UK over the next five years**. This will require a shift from promoting entrepreneurship to scaling what works.

Eight areas of support are critical to see this vision through to fruition – helping social enterprises to:

1. Build, or attract, scaling skills and experience in management teams (including financial, operational and impact management)
2. Find and retain great talent through developing more effective recruitment practices and stronger talent development programmes, offering better sector wages without stigma, and seeing macro policy changes make it easier to recruit globally[10]
3. Expand to new markets, not only geographically but also reducing reliance on one or two large contracts, to a more diverse and global customer base
4. Strengthen organisation infrastructure as standard (e.g. implementing HR, CRM and finance systems, policies and procedures that can respond to drastically higher volumes of sales)
5. Ensure high quality products and services, and a skilled practice in marketing and branding, to help change market perceptions of social enterprise
6. Easily access sector-specific support to develop scalable business models, attract investors willing to pay for impact in a sector, and share resources like talent and procurement networks
7. Maintain good mental health in the entrepreneur and management team, and healthy and effective workplace cultures
8. Share and learn from successful scaling peers across sectors to help overcome challenges

A key part of the vision is to build a stronger movement around social enterprises, making it clear who they are, what they do, and how they benefit society whilst delivering high quality products and services. In this way we can create a virtuous circle of growing numbers of socially-minded businesses, all procuring from each other, and thus growing in scale themselves.

[10] ScaleUp Institute: Annual Scaleup Review 2018



Some ideas for ways to deliver the eight identified areas of support include:

- Designing a social enterprise scale-readiness programme that addresses all eight critical support areas, with a focus on barriers unique to social enterprises. This might engage a cohort of ten social enterprises per year, focused on a different priority sector each year. Depending on their needs, each would receive between £50k - £100k of grant funding per year for up to two years to allow them to purchase new systems, pay consulting fees, procure research and cover implementation costs. Assuming programme delivery costs of £200k per year[11], a total recurring annual budget for this programme would be £1.7m. **Over ten years, this programme would see one hundred social enterprises operating at scale (>£10m turnover) and creating diverse, measurable, tangible impact in the UK for a total cost of £17m.**
- Create a talent pool for candidates with proven scaling experience (addressing support areas one and two). It could identify and carefully select excellent people with track records in scaling businesses who are interested in working in social enterprises. This might also allow progression between social enterprises, enticing ambitious talent to join.

Scaleup investor BGF's Talent Network is one of the largest groups of board-level non-executives in the UK. BGF has a team dedicated to developing the Network, who match-make the most relevant non-executive directors, advisors, and experienced interim managers into the companies it backs.

- Create networks of scaling social enterprises so they can share and learn from successful peers (addresses support areas five, six, seven and eight). This could range from informal networks, to setting up new formal networks, to using existing networks like B-Corps or E3M, taking advantage of existing brands. A social enterprise scalers peer-to-peer network could be created within existing B-Corps infrastructure. This could provide leadership development opportunities, as well as a network of like-minded businesses who could procure from each other, refer others to potential clients, etc.
- In addition, local networks could be created to help scalers develop local supply chains, building and strengthening local economies. This helps create genuine impact at scale through all areas of a business' operations.

E3M is an initiative that promotes social innovation in the way public services are run. In particular, it supports the growth, scale and impact of over 30 of the UK's top social enterprises that trade in public service markets, providing them legal, financial and other expert support from partners.

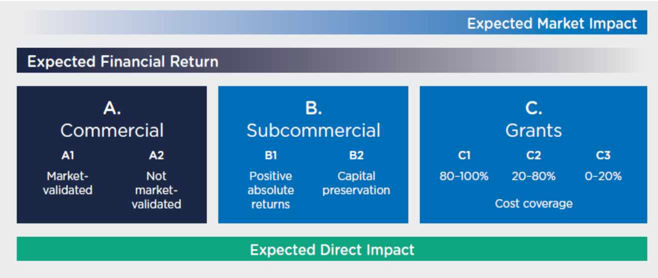
- Partner with organisations like Mind, and other ScaleUp Institute endorsed leadership programmes to provide coaching and mental health support for management team members.

Capital required to support the vision

To achieve parts of this vision, appropriate finance is required. To grow, social enterprises need capital. Risk capital allows social enterprises to take the risk of scaling up their operations ahead of being able to take on or tender for large contracts.

[11] Programme costs assumed to cover a managing director post at £90k (£110k including on costs), one programme directors at £60k (£75k including on costs), and £15k allocation for administration and office costs, assuming the programme could be hosted at a partner organisation's premises. The resulting caseload of each employee would be supporting no more than five businesses to scale per year. All consultancy and research costs would come out of each business' grant funding.

Omidyar Network has developed and made public a useful framework, the Returns Continuum, to help itself think more clearly about investing with a dual purpose of profit and impact. It identifies different segments of social enterprise, each with different characteristics, each requiring different kinds of capital:



Segment	Description of social enterprise model	Access to Finance
A1[12]	Potential to deliver market-rate return, and already has market-rate investors	Market operating properly: likely significant access to potential investors
A2	Potential to deliver market-rate return, and does NOT have equity market investors	Market-rate equity investors could invest, but have not yet due to lack of track record, and information asymmetry, mainly on the impact of the social model on the risk-return potential.
B1	Potential to deliver positive but *less* than risk-adjusted market-rate returns	Market-rate equity investors will not invest; requires catalytic capital or other intervention to access capital. Depending on model, debt-like market-rate capital may be available such as bonds and leasing.
B2	Potential to return only initial capital	Market-rate equity investors will not invest; requires catalytic capital or other intervention to access capital. Unlikely debt investors will be available.
C	No ability to return initial stake	Grant funding required

In practice, businesses will rarely fit wholly in one segment, and might move between segments at different points in their lifecycles. Nevertheless, this is a useful framework for considering financing solutions across different business models. The focus of this research was Segments A2, B1 & B2.

For businesses in Segment A2 that have the potential of delivering market-rate returns, capital can be made available to validate their models, subsequently attracting in commercial capital. Impact investors are a good fit for this segment, but will still need to be convinced their capital will have both a big impact and sizeable returns to compensate them for taking a higher risk on a not-yet-validated model. Other mechanisms that can encourage investment include guarantees, and raising catalytic capital from investors willing to take junior positions to ensure deals go ahead. Investment from institutional and professional investors gives confidence to potential investors that proper due diligence has been completed and robust decision-making has taken place.

In addition to these investment interventions, de-risking the ventures themselves will increase their chances of success, theoretically crowding in more capital. Four components together can de-risk social scaleups:

1. Strong infrastructure in terms of team, systems, sales processes, and controls
2. Shared talent pools & stronger people strategies
3. A stronger social enterprise movement
4. Market-side initiatives, such as smaller contract sizes and strengthening the Social Value Act

Finally, making capital available across longer investment time horizons is crucial. Finding investors that do not expect an exit within five to ten years will ensure more social scaleups achieve investment.

For those social enterprises in Segments B1 or B2, the picture is not quite as clear. To get investment, by definition they will need to find concessionary capital willing to accept sub-market rate returns. Concessionary capital should, in fact, play a critical role in supporting social scaleups across every segment. Four types of investors might be willing to provide this kind of capital: Government, Foundations, venture philanthropists, and individuals.

[12] Segment A1 is excluded from the analysis in this paper as capital is already available. Segment C is also excluded because of the continuing reliance on grant funding, with no apparent role for repayable finance. Models in Segment C are able to scale, but will be ever-dependent on large grants from donors.

An example of government providing concessionary capital is the British Business Bank's (BBB) Enterprise Capital Funds (ECF) programme. Through this scheme, the BBB invests into venture capital funds on terms that improve outcomes for private investors if those funds are successful. It works by giving up a portion of its pro-rata upside to private co-investors, while securing a preferred return to limit its losses. It aims to increase the supply of equity to UK growth companies and to lower the barriers to entry for fund managers looking to operate in the VC market. Since inception, more than £1.2bn has been committed (£700m by BBB) through the ECF programme (at end December 2018). The ECF programme is a significant part of the UK venture capital industry, with 28 funds facilitating finance to more than 480 SMEs (as at end September 2018).

Concessionary capital is the scarcest of all resources, and is complicated for individual businesses to access alone. Investors might only make it available to businesses addressing specific causes that align with their missions, thus blanket solutions become harder to design. One solution might be to create sector-based alliances of funders, commissioners and enterprises to define shared goals and approaches between them.

A good example of this happening at a systemic level is Fair4All Finance, a new organisation created to improve access to affordable credit by building capacity in the affordable credit sector with a combination of financial support, capability development and ecosystem development programmes. It is funded through unclaimed dormant assets in the UK, and is taking a systemic view on how to bolster the affordable credit sector as a whole, while also pumping investment into a number of ready-to-scale affordable credit providers.

Conclusions

Social enterprises have the potential to change the world. They are already some of the way there, but need more support to realise their true potential. It is feasible to imagine scaling up one hundred more social enterprises in the next five years with a lot of collaboration, imagination and patience.

Recommendations Summary

Government

1. Ensure all SME support programmes are accessible to social enterprises, and designed with them in mind – particularly initiatives borne out of the Patient Capital Review.
2. Move social enterprise policy into BEIS from DCMS. This will help ensure data collection on this segment is more rigorous and aligned to existing SME policy:
    - Align research on High-Growth Social Enterprises to match what is already collected on commercial SMEs in the Government's Social Enterprise: Market Trends future reports.
    - Increase sample sizes in future Social Enterprise Market Trends reports to provide more statistically significant data.
    - Do more research to understand the nature and needs of mission-led business.
3. Increase promotion of the existing positive level of activity of social enterprises and mission-led businesses, and support their continued growth.
4. Ensure consistency in the way the Social Value Act is being adopted by making learning, sharing and doing resources widely available.
5. Help build legitimacy of investing in social enterprise by enabling investing in social funds. This could be done by earmarking a portion of the British Business Bank's Patient Capital money for social enterprise-focused VCs and funds; or making concessionary capital available to social enterprises, funded by further Dormant Assets money or the Shared Prosperity Fund.

Wholesalers of social investment (including Big Society Capital, Access Foundation, and other Institutional Investors)

6. Identify achieving more social scaleups as a strategic aim across key sectors.
7. Focus on sectors prioritised by impact potential and need, and create sector-based funding alliances.
8. Conduct quantitative research to determine the size and nature of the capital need across

segments A2, B1 and B2 to be able to better design future funding.

9. Publish research on the use of catalytic capital in the UK, highlighting where it has and has not been successful, in order to better understand and disseminate learning about how this capital can best be deployed, as well as inspire more owners of capital that could be catalytic of what's possible. This could demonstrate to asset owners the potential of investing in uncertainty.
10. Partner with catalytic capital providers to make capital available to segments A2 and B1 by blending grant and social investment. Connect them to opportunities to deploy catalytic capital by taking junior positions in funds struggling to close fundraising rounds. New financing structures may be required to enable achievement of financial risk/return objectives. This will work to crowd in much larger amounts of capital for this segment.
11. Make more capital available to segment A2, particularly with long time horizons for repayment and realisation, allowing social investors to 'back our winners properly'.
12. Consider designing specialised funds to invest in B-Corps or Community Interest Company scaleups. This could have the potential to deliver market-rate returns, with little need for concessionary capital.
13. Support platforms that make it easier for individuals to find and invest in the causes and businesses they care most about.
14. Continue being as transparent as possible and sharing data about the market, impact and due diligence on deals to encourage others to co-invest. Enable the sector to better share and use "big data".

Concessionary Capital providers (including foundations, high-net worth individuals, government and venture philanthropists)

15. Identify achieving more social scaleups as a strategic aim across key sectors.
16. Create sector-based alliances of funders, who collate best practice approaches to maximising impact, and, taking a systems-based approach, can test and pilot new initiatives. These alliances could result in targeted, sector-focused funds that provide a blend of concessionary and commercial capital to get to a viable scale quickly. The priority sectors identified in this paper would be good places to start.
17. Create a permanent £1.7m annual scale-readiness grant fund that supports ten social enterprises to scale-up with up to £200k of grant funding across two years. The programme should address all eight critical support areas, with a focus on barriers unique to social enterprises.
18. "Grant funders should increase funding amounts (to greater than $500k) to support growth and diffusion; act as long-term partners (>5 years), not just a funder; fund core costs; and take informed risks when deciding who and how much to fund - go bigger on riskier bets when they're ready to scale." [13] Consider replicating the Catalytic Capital Consortium in the UK to chase scale with scale.
19. Purposefully design blended capital programmes that reach more of the UK's social enterprises. This would help bridge mainstream capital to the needs of enterprises in segments B or C.

> Convergence is the global network for blended finance, launched in January 2016. It generates blended finance data, intelligence, and deal flow to increase private sector investment in developing countries. There is a $2.5 trillion annual funding gap to realise the Sustainable Development Goals through philanthropy and development aid sources alone. Using grant capital to blend with traditional investment, they hope to see trillions mobilised.

20. Design a guarantee scheme, modelled on the British Business Bank's Enterprise Finance Guarantee, which reduces the risk in investing in social enterprises with scaleup potential that have not yet proven their models.
21. Depending on the results of the research on capital need in recommendation eight, consider investing in an A2-specific social

[13] https://ssir.org/articles/entry/why_proven_solutions_struggle_to_scale_up#

scaleup fund, catalysing it and attracting in commercial investors.

22. Concessionary capital can be used to support large social enterprises wanting to bid for stretch contracts and tenders by providing pre-bid scale readiness finance and support and guarantees to support their bids.
23. Continue being as transparent as possible and sharing data about the market, impact and due diligence on deals to encourage others to co-invest.

Social Investors (including intermediaries)

24. Support businesses you back to develop structured learning and development programmes specifically to build scaling skills in existing employees. Ensure a focus on good mental health in the entrepreneurs and management teams you back, and healthy and effective workplace cultures.
25. Consider designing specialised funds to invest in B-Corps or Community Interest Company scaleups. This could have the potential to deliver market-rate returns, with little need for concessionary capital.
26. Ensure sharing and learning from successful scaling peers across sectors.
27. Partner with concessionary capital providers to make capital available to segment A2 and B1 businesses. New financing structures may be required to enable achievement of financial risk/return objectives.

Support Providers (including scaling programmes like UnLtd and Impact Hub)

28. Prioritise getting social enterprises scale-ready, over investment-ready, including helping businesses understand how best to develop scaling-specific skills in their existing talent.
29. Provide more support to social enterprises to expand internationally, and obtain amounts of finance over £1 million.

Umbrella & Infrastructure Bodies (including SEUK)

30. Coordinate sector-specific alliances between social enterprises, funders and commissioners.
31. Continue building the movement around social enterprise – particularly encouraging more collaboration including shared talent pools, shared supply chains, and encouraging and enabling procurement from within the sector.
32. Develop a shared commitment with other support organisations to build scaling skills in employees of social enterprises.
33. Consider creating a scaling talent pool specifically to help social enterprises identify candidates with proven scaling experience.
34. Highlight the scaling efforts of entrepreneurs – turn scalers into heroes.