



Inclusive and Democratic Business Models Briefing

Summary

- Both the UK and Scottish Governments have made bold commitments to grow the size of their social economy, doubling or tripling its size respectively.
- The Community Wealth Building (CWB) model, and the CWB (Scotland) Bill will mean local authorities and public bodies will need to develop actions under the 'Inclusive Ownership' pillar.
- The term 'Inclusive and Democratic Business Models' (IDBM) refers to business structures **giving employees and communities a genuine stake in decision-making processes and profits, fostering a shared sense of responsibility and investment in long-term success.** Inclusive democratic business models focus on economic **democracy, inclusivity and sustainability**".
- There is a significant body of evidence demonstrating the economic and social value of IDBMs across Europe, the UK and Scotland.
- The impact of IDBMs extends far beyond just economic impact, intersecting with a wide range of policy areas including Fair Work, Community Empowerment, Sustainable Procurement and Community Wealth Building.
- By providing tailored advice, access to finance, and signposting to specialist support, local authorities can help businesses transition to more democratic ownership structures.
- Some best practice examples p5-6
- More information and specialist support p7

Introduction

In the vision set out in National Strategy for Economic Transformation (NSET), the Scottish Government outline the aim that Scotland will be recognised at home and throughout the world as the best place to start and to grow a business **or social enterprise [1]**. NSET identifies alternative business models such as cooperatives, social enterprises and community-owned businesses as able to deliver strong outcomes on fair work and benefits to local communities.

NSET committed to undertake and publish a review of how best to significantly increase the number of social enterprises, employee-owned businesses and co-operatives in Scotland, supporting regional regeneration and wealth of local communities.

This review, 'Developing Scotland's Economy: Increasing The Role Of Inclusive And Democratic Business Models', [2] was published in September 2024 and makes 17 recommendations to support the transformation of the Scottish economy including the commitment to **triple the number of Inclusive and Democratic Business Models (IDBMs) in the Scottish economy by 2034.**

In parallel to these Scottish commitments, The UK government has opened a call for evidence on business support for co-operatives and non-financial mutuals [6]. This call for evidence focuses on gathering insights on the experiences of co-operatives and non-financial mutuals in



navigating the business landscape throughout the business lifecycle. The purpose of this call for evidence is to build an evidence base which can be used to inform policy proposals that can help meet the manifesto commitment of doubling the co-operative and mutuals sector [7].

Both Scottish and UK ambitions to expand the number of IDBMs directly aligns with the inclusive ownership pillar of Community Wealth Building (CWB). The Scottish Government is progressing legislation [8] which, if passed, will create a duty for local authorities and named public bodies to work in partnership to develop local CWB plans, including actions to advance inclusive ownership [3].

It is therefore important and timely to outline:

- a. What Inclusive and Democratic Business models are,
- b. How they fit into the existing policy landscape,
- c. Why they are an important part of the economy to grow,
- d. What role local authorities are playing in supporting IDBMs to thrive, and,
- e. Where to access specialist support.

What are Inclusive and Democratic Business Models (IDBMs)?

“An Inclusive and Democratic Business Model (IDBM) is a business model which refers to business structures **giving employees and communities a genuine stake in decision-making processes and profits, fostering a shared sense of responsibility and investment in long-term success.**”

Inclusive democratic business models focus on economic **democracy, inclusivity and sustainability**” [9]

Employee-owned business: An employee-owned business is one in which the employees, rather than external shareholders, hold a significant stake (majority of shares) in the company [10].

Co-operatives: To be recognised as a co-operative, a business should follow seven key principles outlined by the International Cooperative Alliance [11]. These are:

- Voluntary and open membership
- Democratic member control
- Member economic participation
- Autonomy and independence
- Education, training, and information
- Co-operation among co-operatives
- Concern for community

Worker co-operative: In a worker co-op, the co-op is run for the benefit of the people who do the work. Worker co-ops are democratically owned and collectively controlled by the workers, who



all participate in decision making. These types of co-ops tend to have very flat structures and no hierarchy – some even pay all the staff equally no matter what their role. The workers are involved in decision making and how any surplus is shared out or reinvested in the business. How this works in practice depends on what the co-op has written in its rules [12].

Social Enterprise: while there is no single set of words that adequately define the diversity of organisations that can be described as a 'social enterprise', there is broad agreement within the social enterprise community on the benchmark criteria and values by which social enterprises can be identified and recognise each other. These are set out in a Voluntary Code of Practice for Social Enterprises in Scotland [13]:

- A Social Enterprise (SE) is a business trading in the marketplace –selling goods and services – but whose primary objective is to achieve social and/or environmental benefit.
- Regardless of its legal form, the constitution of a SE will include the requirement that profits are reinvested in the business or in the beneficiary community – and not distributed to owners/shareholders/investors. *(see endnote)
- The constitution will always 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 the private sector.
- 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.

Development Trusts: A development trust is a community-owned and led organisation, working to combine community-led action with an enterprising approach to address and tackle local needs and issues. The aim of a development trust is to create social, economic and environmental renewal in a defined geographical area, creating wealth within that area and keeping it there [14].

Community Enterprise: A community enterprise is one that sells products and services and reinvests its profits into the local community [15].

Why grow IDBM's?

There is a significant body of evidence demonstrating the economic and social value of IDBMs across Europe, the UK and Scotland [4]. Research shows that employee-owned firms tend to weather economic downturns better than other companies [18]. Community-owned assets contribute nearly £220 million to the UK economy every year [16], and, more social enterprises are led by women and people from ethnic minority backgrounds than is the case for the wider business community [19].

The most recent Scottish Social Enterprise Census (2024) showed that Social Enterprise added £2.89bn Gross Value Added (GVA) to the Scottish economy, employing 90,050 full-time equivalent employees in the sector, with the net worth of Scottish social enterprises estimated at £8bn [17].



From the census, we know that 88% of social enterprises report paying at least the real living wage, and 60% are led by women [17].

These figures will be underestimates of the combined value of the IDBM group yet nevertheless demonstrate the scale of the social economy and its significant contribution to the broader Scottish economy.

“They [IDBMs] have an intrinsic and dynamic capability to aid economic transformation, distribute wealth, support workers and communities and be purposeful in ways that serve people, place and the environment” (IDBM review, p4)

IDBM’s help create:

- More productive and responsible businesses.
- Greater investment and re-investment opportunities.
- Resilient communities and supply chains.
- Fairer distribution of power and wealth.
- Improved social and environmental outcomes. [2]

The IDBM Review

The IDBM identified the need to:

- Support the mainstreaming of inclusive and democratic business models as a “golden thread” throughout all of Scotland’s economic strategies and work of economic development agencies.
- Support entrepreneurs and wider society by helping to forge and embed a culture where the benefits of enterprises operating with a non-traditional business model are readily perceived and acknowledged.
- Enhance the existing eco-system of support, possibly in the form of a ‘Centre for Excellence’ to stimulate the creation of new enterprises, and strengthen employee-owned businesses, co-operatives and social enterprises, enabling them to flourish and recirculate their surplus in a purposeful way which benefits both their organisations and local and national economies.
- And crucially, **tripling of the number of IDBMs in the Scottish economy by 2034 - representing a shift from circa 7000 to 21000.**

How IDBMs fit into the Scottish policy landscape

As the evidence illustrates, the impact of IDBMs extends far beyond just economic impact, intersecting with a wide range of policy areas. The evidence shows that the impact of IDBMs extends well beyond economic outcomes, intersecting with a wide range of policy areas. They are central to building a fairer, greener economy which is the core priority of the National Strategy for Economic Transformation and key components of CWB. Census data confirms that IDBMs perform strongly on Fair Work. Their frequent use of community assets also supports Community Empowerment. In addition, through CWB and initiatives such as



Buy Social (see box 1 and 2), as well as public–social partnerships, they contribute meaningfully to sustainable procurement.

BOX 1: Procurement of IDBMs to support Community Wealth Building

Over the three years to 2023-24 alone, £256m of profit was made in the delivery of public sector-funded care services in three English regions. In this time, over a third of all profits (£87.7m) were made by care providers owned by private equity companies, with parent companies based in tax havens, or both [5]. This illustrates the scale of extraction of wealth from the public sector which can be mitigated through commissioning provision of care (and other services) from IDBM providers.

For example, Highland Home Carers are a major independent provider of home care and support services in Scotland, and have been employee owned since 2004. Men and women are paid equally for doing equivalent jobs across the business and minimum pay is greater than the National Living Wage.

Through commissioning care from employee-owned provider more wealth is retained in the local economy.

BOX 1: The Buy Social Pledge

The Buy Social Pledge is a values-led initiative bringing together private businesses, SMEs, academic institutions, and public sector bodies who are looking to make a commitment to bring social enterprises into their supply chains.

The Buy Social Pledge recognises the huge role supply chains can play in driving positive change. It aims to make it easier for businesses, the public sector and SMEs to engage with a range of social enterprise suppliers and to embed corporate responsibility and diversity into their core operations, while helping social enterprise organisations to grow their revenues and in turn, the positive social and environmental impact they deliver in communities.

The Economic Democracy Group

To strengthen collaboration across the IDBM models, Social Enterprise Scotland have convened the IDBM Alliance Scotland. This new alliance brings together membership and representative bodies to:

- share intelligence and evidence across the IDBM landscape;
- advocate for supportive policy and funding environments;
- champion pluralism and protect the distinctiveness of each model; and
- collaborate on practical actions that grow impact across Scotland.

The role of Business Support



Local authority business support plays a crucial role in delivering the recommendations outlined in the IDBM report because councils are uniquely positioned to influence the business model an entrepreneur will chose. By providing tailored advice, access to finance, and signposting to specialist support, local authorities can help businesses transition to more democratic ownership structures. Crucially, business support functions can identify opportunities for transition of business type at start-up or at succession planning stages.

Best Practice

North Lanarkshire – Social Enterprise Accelerator North Lanarkshire Social Enterprise Accelerator Programme

This programme aimed to support the development and growth of social enterprises across North Lanarkshire.

This was to be achieved through a combination of one-to-one support, group sessions, and structured programmes. The support was designed to focus on key areas essential to social enterprise success, including governance, funding, trading, and income generation, tendering and procurement, marketing, recruitment, and business planning.

In addition, the programme sought to identify previously unlisted social enterprises, facilitate the creation of 30 new enterprises, support the development of the North Lanarkshire Social Enterprise Network (NLSEN), and deliver four themed sector events aligned to current sectoral needs.

The programme successfully supported:

- 82 organisations supported, including 48 not previously recorded
- Over 120 individuals engaged
- 8 SEs created, with 11 more in the pipeline
- 5 sector-themed events delivered

Participants reported increased confidence, enhanced business knowledge, and a clearer understanding of the resources and support available to them. Many applied this learning directly, resulting in improvements to key operational areas such as funding strategies, internal systems, and marketing approaches.

North Ayrshire supporting transitions to Employee Ownership

North Ayrshire Council has played a key role in supporting Booth Welsh, an engineering firm based in Irvine, as it transitioned to an Employee Ownership Trust (EOT). This move secures the company's long-term future, safeguards over 300 jobs, and ensures wealth remains within the local economy – a core principle of the Community Wealth Building (CWB) model.

The Council's partnership with Booth Welsh extends beyond this ownership change. Together, they have collaborated on several initiatives that strengthen local economic resilience:

- Employability Support: Booth Welsh works closely with the Council through the EQUAL Specialist Employability Support (SES) programme, helping individuals with



tailored support to enter or progress in the workforce.

- Innovation and Growth: The Council partnered with Booth Welsh on the Digital Process Manufacturing Centre (DPMC), located within Booth Welsh's i3 facility in Irvine. This hub, part of the Ayrshire Growth Deal and the National Manufacturing Institute Scotland, accelerates digital adoption in process manufacturing, supporting net-zero goals and boosting regional economic growth.

Additionally, Booth Welsh is a Living Wage Scotland accredited employer, reinforcing its commitment to fair work practices and employee wellbeing.

Perth and Kinross - Growbiz

Growbiz is the leading independent provider of enterprise support services for micro-businesses, social enterprises and the self-employed in rural Scotland. Over fourteen years, GrowBiz has developed a unique approach to community-based support for rural enterprise - which has been cited as a model of best practice by the European Network for Rural Development.

GrowBiz's unique approach draws on the principles of Ernesto Sirolli who believes that the growth that comes from within the community is the best and most sustainable type to have. Building on this GrowBiz services are anchored on local neighbourhoods helping to create vibrant thriving communities across rural Scotland.

They offer a range of services including:

- One-to-one meetings
- Mentoring programme
- Networking events
- Peer Support Meetings
- Online and downloadable learning sessions
- Funding Assistance

In Perth and Kinross, Business Gateway primarily focuses on business growth and upscaling, whereas GrowBiz provides support for those who are looking to maintain and nurture small enterprises.

More information and support

The **Centre for Democratic Business** provides **Inclusive & Democratic Business Models Advisor Training**.

The plural ownership pillar is at the heart of the Community Wealth Building agenda, running through each of the other pillars to deliver real impact. November's CWB Stage 1



hearing at Parliament highlights the evolving landscape, making now an ideal time to focus on CPD, build knowledge and enhance advisory capacity ahead of legislation.

Their advisor training is designed to address the knowledge gap that exists across inclusive and democratic business models and provide:

- **an introduction to Inclusive & Democratic Business Models** and how they can be supported
- **a deep dive on Governance and legal structures** used by these organisations
- **a deep dive on Finance**, exploring specific options available to them

The course will leave colleagues with the knowledge and confidence to guide conversations, spot opportunities and provide more and better options when in the process of advising.

For more information and booking click [here](#).

More information can be found here:

[Cooperative Development Scotland \(CDS\)](#) – CDS can help businesses’ considering succession plan, employee ownership, or a co-operative business model

[Social Investment Scotland](#) - A social enterprise and charity offering loan funding and business support for social enterprises, charities and community groups.

[Co-operate](#) – advice and support for co-operative or community business.

[Social Enterprise Scotland \(SES\)](#) – the representative body for social enterprise in Scotland

[Economic Development Association Scotland \(EDAS\)](#) – CWB Centre for Excellence

[Centre for Local Economic Strategies \(CLES\)](#) – the curators of the community wealth building movement in the UK

[Development Trust Association Scotland \(DTAS\)](#) – member-led organisation that promotes, supports and represents development trusts across Scotland.

[Cooperative Councils’ Innovation Network](#) - a collaboration between local authorities in the UK who are committed to finding better ways of working for, and with, local people for the benefit of their local community.

[Improvement Service](#) – provide secretariat to a peer-learning CWB network and offer bespoke support to Scottish local authorities, training materials available for elected members.

[Living Wage Scotland](#) - aims to increase the number of employees in Scotland who receive the real Living Wage

[Supplier Development Scotland](#) - helps Scottish SMEs find and bid for public and private sector contracts, through its free training, networking events and website.



Endnotes

* This Code does not exclude that certain types of social enterprise could be ‘honourable exemptions’ to the zero dividend norm. But this number is very small.

[1]<https://www.gov.scot/publications/scotlands-national-strategy-economic-transformation/>

[2]<https://www.gov.scot/publications/developing-scotlands-economy-increasing-role-inclusive-democratic-business-models/>

[3]<https://www.parliament.scot/bills-and-laws/bills/s6/community-wealth-building-scotland-bill>

[4]https://www.oecd.org/content/dam/oecd/en/publications/reports/2025/12/social-economy-in-europe_2599a910/3432de93-en.pdf

[5]<https://cles.org.uk/publications/ending-extraction-in-the-uk-care-system/>

[6]<https://www.gov.uk/government/calls-for-evidence/business-support-for-co-operatives-and-non-financial-mutuals/call-for-evidence-on-business-support-for-co-operatives-and-non-financial-mutuals>

[7]<https://employeeownership.co.uk/Site/Site/content/News-and-Insights/News/gov-reaffirms-commitment-double-mutuals-sector-no-10-reception.aspx>

[8]<https://www.parliament.scot/bills-and-laws/bills/s6/community-wealth-building-scotland-bill>

[9]<https://ruralsehub.net/inclusive-democratic-business-models/>

[10]<https://www.scottish-enterprise.com/how-we-can-help/business-strategy/business-models>

[11] <https://ica.coop/en/cooperatives/cooperative-identity>

[12] <https://www.uk.coop/understanding-co-ops/what-co-operative/types-co-ops>

[13]<https://socialenterprise.scot/wp-content/uploads/2024/03/The-Voluntary-Code-of-Practice-for-Social-Enterprise-in-Scotland.pdf>

[14] <https://dtascot.org.uk/about-us/>

[15]<https://www.tnlcommunityfund.org.uk/media/insights/documents/Power-to-Change-Economic-Contribution-Final-Report-v2.pdf?mtime=20250626170926&focal=none>

[16]<https://www.powertochange.org.uk/wp-content/uploads/2019/07/Assets-Report-DIGITAL-1.pdf>

[17] <https://socialenterprise.scot/wp-content/uploads/2025/08/2024-report.pdf>

[18] <https://www.hbs.edu/bigs/employee-owned-companies-weather-economic-downturns>

[19]<https://www.socialenterprise.org.uk/seuk-report/diversity-at-work-leadership-demographics-and-outcomes-in-social-enterprise/>