



Acquiring Business 4 Good: Lessons Learned

Report to Social Firms Scotland
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Executive Summary

A corporate acquisition occurs when one business buys another and ends up controlling it. Along with merger and franchising, acquisition is a typical route to business growth that doesn't involve building up a new business from scratch.

This report examines the progress and learning arising from the Acquiring Business 4 Good (AB4G) programme; a pioneering Scottish initiative that supports third sector organisations to acquire small businesses and to convert them to social enterprises. The programme has been conceived and delivered Social Firms Scotland.

The AB4G programme assists potential third sector purchasers through a structured and supported process. This is designed to reduce the complexity of corporate acquisition into a number of manageable and guided steps.

Since its launch in 2009, AB4G has steadily gathered pace, interest, and profile. The programme has been roundly welcomed by third sector purchasers, business sellers, professional advisors, as well as third sector support bodies.

The programme has made good progress in a relatively short period of time. At the time of writing it has supported three third sector organisations to acquire a small business, and there are many more deals in the pipeline. Even where deals have not yet been concluded, AB4G has had a positive effect in opening up a new route to growth for client organisations, introducing new commercial insights, and putting in place the knowledge and networks required to successfully take on and run an established business.

AB4G has a number of basic design features that are critical to the ongoing success of the programme. Its ability to play the role of 'honest broker'; the use of highly experienced staff to deliver the programme; the development of a structured support process; its pool of trusted professional advisors; and its strong partnerships with other third sector intermediaries.

The programme was, however, established at the onset of one of the deepest recessions that the UK has faced and the corporate acquisition market has contracted greatly since then. This has meant that the 'deal flow' created by the AB4G has not been as rapid or strong as initially anticipated.

Nonetheless, there have been more opportunities evident to buy businesses than there have been third sector organisations that are ready and able to capitalise on these. Organisational scale, capacity, and commercial experience, together with access to finance have been particular limiting factors for prospective third sector purchasers.



AB4G is clearly pioneering – the first such approach in the UK – and as such a sense that the programme is ‘bleeding edge, rather than cutting edge’. The challenge for Social Firms Scotland and partners has been both to educate the market and to simultaneously stimulate and support acquisition activity.

Now more than two years into the programme, Social Firms Scotland has accumulated substantial learning about business acquisition by the third sector; what it takes to support successful acquisition activity, and the conditions that need to be in place for this to occur.

A profitable target business

It is critical that any target business in strong shape and trading profitably prior to acquisition; an ailing business can quickly go into terminal decline.

Organisational Scale and capacity

The purchasing organisation must have the capacity in place to take on and manage a new business, and the ability to slot it into an established organisational structure.

A position of financial strength

There must adequate funds to enable the acquisition to proceed and sufficient working capital to put the acquired business on a strong footing.

Commercial experience

The third sector organisation must have an appetite for taking calculated risks, a willingness to explore commercial opportunities, and the necessary business acumen.

The right area or sector

While mergers and acquisitions can occur in any industry or sector, there are some forms of third sector organisation better able to take on acquisition e.g. housing associations.

Strategic alignment

The purchasing organisation must be clear where it wants to take the newly acquired business and how the acquisition will help deliver on its social mission and will align with its offering.

Industry knowledge

It can be important for the target business to be ‘close’ to the purchaser’s field of expertise, requiring the relevant skills to take on and run a business in a competitive industry.

Shared values and co-operation

The third sector purchaser and current business owner should have similar value systems and trust in order to conclude the right deal and to ensure a smooth transition in management.

The experience of AB4G is that not all of these factors need to be in place at the outset, but that most need to be developed, and quickly.



It is still early days to conclude with certainty that AB4G, at its current scale, can stimulate and support a large volume of business acquisition activity by the third sector. There is a steep learning curve for the sector and those that support it before business acquisition is routinely considered as an option for growth.

Based on the feedback received in compiling this report, however, there are a number of suggested ways in which the programme might accelerate progress and impact.

A sharper focus In order to strengthen deal flow and impact, the next phase of the programme should promote and package support towards identified sectors of opportunity.

Building awareness AB4G must do more to raise its profile and educate the market; however, any effort to encourage the supply of acquisition opportunities must be proportionate to the capacity within the third sector to respond.

Process improvements The AB4G acquisition process has now been tested in a variety of circumstances but requires some further simplification and refinement.

Linked to investment In the current constrained financial environment, the success of the programme will depend on its ability to work in an integrated way with partner investors in order to unlock the capital for acquisition activity.

Embedded into wider support Opportunities should be created to re-engineer social enterprise support programmes with acquisition in mind as an option, and where possible to embed specialist AB4G support into delivery mechanisms.

Adequately resourced Any future phase of the project will need to ensure that the resources of the programme are consistent with the scale of its ambitions and the level of emerging demand that can be demonstrated in the remainder of the pilot phase.

Branching out As an initiative unique to Scotland there is the opportunity to roll out the AB4G support model to other parts of the UK, and to commercialise on the learning already accumulated.



1. Introduction

This report examines the progress and learning arising from the Acquiring Business 4 Good (AB4G) programme; a Scottish initiative, unique to the UK, which supports third sector organisations to acquire small businesses and to convert them to Social Firms/Enterprises.

AB4G is a programme that has been conceived and delivered by Social Firms Scotland.

The programme was established in 2009 as a pioneering approach to growing the Social Firms sector in Scotland, and will be delivered until the end of June 2012.

Now more than two years into the programme, Social Firms Scotland has accumulated substantial learning about business acquisition in the third sector; what it takes to support successful acquisition activity, and the conditions that need to be in place for this to occur.

About Social Firms Scotland

Established in 2000, Social Firms Scotland is a national third sector intermediary organisation. Its purpose is to grow the Social Firm sector in order to support job creation for people who are disadvantaged in the labour market.

Its vision is for Social Firms: to be widely recognised as an innovative business model that combines enterprise, employment and empowerment; and to support large numbers of severely disadvantaged people excluded from the open labour market into work in sustainable businesses.

Social Firms Scotland has also identified the wider relevance of the programme to the many enterprising third sector organisations in the UK that are now attempting to become more business-like in approach, that are pursuing a variety of new commercial ventures, and that are seeking to make use of the full range of business strategies at their disposal.

Social Firms Scotland has therefore commissioned this first Lessons Learned report to help take stock of the work of AB4G to date.

The report has been compiled on the basis of interviews with a range of key actors in the AB4G programme and a survey of those that have come into contact with it in some way (a survey that yielded 112 responses). In doing so the report has incorporated the views of programme staff, third sector purchasers, business sellers, professional advisors, social investors, and other interested intermediaries.

The Lesson Learned report that follows is structured in a way that is intended to answer some of the main questions relating to the progress of the programme and the learning that is arising on the part of all involved.



2. Why Business Acquisition, And Why Now?

The third sector is going through a tough time, and for many organisations more of the same is no longer an option; new ways of thinking, new strategies, and new business models are increasingly required. The experience of AB4G has highlighted a number of reasons why it is timely to consider acquisition as a development option.

Shrinking options

In tough economic conditions the room for manoeuvre of many third sector organisations is becoming more limited. Cyclical grant funding is increasingly uncertain or in decline, income from investments is shrinking, and funding support for new activity is now more difficult to secure. This means it is becoming more difficult to fulfil social objectives through traditional ways of operating. Third sector organisations are becoming increasingly enterprising; they recognise that commercial trading activity is an important route to being able to deliver on social and financial objectives.

A limit to organic growth

Many enterprising third sector organisations have grown steadily over many years and can now find themselves in highly saturated markets, subject to intense competition, and spending more time defending their turf than expanding their organisation. They recognise that there is a limit to the organic growth that can be achieved, and that further expansion can only come through acquiring added skills and capacity. They recognise that strategic acquisition can accelerate growth, often through buying out the competition.

Uncertainty and upheaval

Over coming years public spending cuts are likely to accelerate and deepen, with increasing pressure to cut costs and improve efficiency. The public service markets that many enterprising third sector organisations operate in are therefore subject to great uncertainty and upheaval. Organisations in the same sector or location are increasingly recognising that their long-term survival might best be achieved by combining resources to reduce costs, eliminate duplicated functions, and increase revenue.

Emerging opportunities

After a lengthy period of favourable economic conditions, opportunities are now arising where small privately owned businesses are becoming available for sale. Often this occurs as business succession becomes more prominent in the mind of owner-managers during changed market conditions, and alternatives to a 'trade sale' become increasingly attractive. This creates a potential win-win situation for exiting owners and for enterprising third sector organisations.



3. What Are The Pros And Cons Of Acquisition?

A corporate acquisition occurs when one business buys another and ends up controlling it. Along with merger and franchising, acquisition is a typical route to business growth that doesn't involve building up a new business from scratch.

The experience developed by AB4G to date suggests that, for the third sector, there can be many good reasons why buying an existing company can make good business sense. There are also a number of downsides, however, that must be fully considered.

The Pros	The Cons
<ul style="list-style-type: none">* A market for the product or service will have already been demonstrated.* There may be established customers, a reliable income, and a reputation to capitalise and build on.* There is the ability to acquire the valuable industry knowledge, experience and contacts that exist within existing employees.* Most of the groundwork to get the business up and running will have been done, and many problems discovered and resolved.* There is the opportunity for economies of scale through shared marketing budgets, increased purchasing power and lower costs.* Strategic acquisition can assist the speed of entry into a new market through established channels.* Buying up new intellectual property, products or services can eliminate important sources of competition.* The acquisition of new products or services can improve and enhance the existing offering to customers.* It may prove easier to obtain finance as the business will have a proven track record.	<ul style="list-style-type: none">* Substantial upfront investment will be required to purchase a successful business, and professional fees can be high.* Additional investment in the business together with sufficient working capital may be required to ensure success.* The acquired company may not perform as expected or there may be undisclosed liabilities, risk factors, or contingencies.* The role of the previous owner and their reasons for selling up must be considered and may impact upon takeover.* The transition to a new management culture, if handled poorly can, lead to uncertainty and employee attrition.* The departure of the former owner manager can lead to a loss of key connections and clients, leading to a drop in turnover.* Many acquisitions result initially in above-normal levels of client attrition.

The AB4G project has sought to transfer as much learning as possible from the world of corporate acquisitions and to reduce the potential downsides and risks for prospective voluntary sector purchasers.



4. What Is Acquiring Business 4 Good?

AB4G was conceived as a new approach to growing the Social Firms sector in Scotland. It was recognised that the sector was still in its infancy and that there was not yet the critical mass of Social Firm activity required to meet the level of demand from severely disadvantaged seeking to move into employment.

What is a Social Firm?

Social Firms are a type of social enterprise that focus on work integration for severely disadvantaged people. They are commercial businesses driven by the social purpose of creating employment opportunities within a supportive working environment for people who are severely disadvantaged in the labour market.

Social Firms aim to generate at least 50% of their income from sales of goods and services. They are non-profit distributing, with any surplus being shared by employees or re-invested in the business or community in order to meet the social purpose.

At least 25% of a Social Firm's workforce consists of people who are severely disadvantaged in the labour market. Social Firms have a 'family business' atmosphere, providing an environment where team working and participation in the business are paramount.

Definition from Social Firms Scotland

It was recognised that if the sector was to achieve its full potential then Social Firms would need to scale to a size where they generate sufficient revenue to cover both business and incremental costs associated with their social mission. Acquiring private sector businesses and converting them to Social Firms/Enterprises was seen to offer one way of doing this.

At an early stage Social Firms Scotland commissioned research into the potential for business acquisition as an alternative route to Social Firm development. This examined emerging practice in Europe and Australia, and the subsequent report – Acquiring Business for Good (2007) – concluded that there was clear potential for an acquisition-based approach to Social Firm/Enterprise development in Scotland.

Social Firms Scotland acted on this recommendation and in 2008 was successful in securing Big Lottery funding for a three-and-a-half year national pilot programme – Acquiring Business 4 Good – to test the potential for business acquisition within the third sector.



The programme set out to support enterprising third sector organisations to acquire small businesses that are in private ownership and to convert them to social enterprises. The programme sought to achieve four main outcomes.

AB4G Target Outcomes

- * Outcome 1: 10 businesses successfully acquired through the process of developing a new methodology and sustainable infrastructure for supporting the acquisition of businesses and conversion to viable Social Firms.
- * Outcome 2: As an intermediary, Social Firms Scotland will acquire enhanced capacity (skills, experience and resources) to develop frontline organisations' ability, understanding and effectiveness in establishing sustainable Social Firms through business acquisition.
- * Outcome 3: Strengthening of Social Firms Scotland's ability to effectively engage support, expertise and knowledge from the private sector into social enterprise development in the longer term.
- * Outcome 4: 10 social enterprises will report being better supported, connected and able to access investment to expand their business portfolio through acquisition.

The Lottery funding has supported AB4G programme management and delivery – staffing, partnership engagement, business support, resource development and a small fund for initial investigation and valuation.

The programme is guided by a group of core advisors, which brings together a highly experienced group of professional advisors with extensive experience in supporting business acquisition (financial advisors, solicitors, accountants, etc.).

AB4G is delivered by a Programme Manager and a part-time Projects Officer assisted by the full range of people, skills, and resources within Social Firms Scotland. The programme was launched in 2009 and will run up to the end of June 2012.



5. How Does The AB4G Model Work In Practice?

AB4G assists prospective third sector purchasers through a structured and supported process. This is designed to reduce the complexity of corporate acquisition into a number of manageable and guided steps.

“We approached the acquisition process with a mixture of fear and excitement ... the process explained to us provided a straightforward route map.”

AB4G client organisation

The AB4G support process starts with the signing of a 'Participation Agreement' that clarifies the expected roles and responsibilities during the acquisition process, and is intended to ultimately end with the successful transitioning of an acquired business into a social enterprise. The main phases involved in the support process are illustrated.

Figure 1: The AB4G Support Framework



Phase 1: Strategy Social Firms Scotland assists interested purchasers to develop a sound Acquisition Strategy which is aligned to their Business Plan and which includes clear Acquisition Criteria. At this stage an initial investment proposal is drafted to cover the full Acquisition Process from planning to integration.

Phase 2: Planning During this stage a deal team is created including a director and operational key person from the purchaser, relevant independent industry expert(s), mentors if required, tax experts, accountants and solicitors. This team has access to the shared online Deal Forum where the Business Plan and Acquisition Strategy are placed. The search for target companies begins, using the Acquisition Criteria as a guide, with support provided in the screening of targets.



Phase 3: Execution The exchange of confidentiality agreements and initial discussions with targets are necessary before a social review is conducted, the output of which assists in the evaluation of synergies between the organisations. Initial due diligence and valuation occurs once it is agreed that the target is suitable.

Phase 4: Negotiation The next stage involves drafting of the 'Heads of Agreement', also known as the 'Heads of Terms'. This provides a framework for the moving forward in negotiation, including a deal structure and price.

Phase 5: Completion The Completion Meeting tends to cover at least a day and involves the signing of the deal papers which include various warranties and indemnities, and facilitating the payment of any initial monies. In some cases payment to the exiting owner will be phased over an agreed period, using 'earn-outs' or other mechanisms.

Phase 6: Integration At Integration it is important to communicate clearly with all stakeholders for both organisations about the acquisition and future developments. Since the programme entails enhancing acquired businesses through investment alongside transitioning into a social enterprise, a good plan is needed in advance of the deal being completed.



6. What Progress Has Been Made In Implementing The Programme?

The AB4G programme has made a good start and is progressing well. However, in a difficult economic climate, the key challenge is in converting interest into completed deals.

“AB4G has been nibbling away at an elephant ... this is only the start of what looks like a very promising programme.”

Professional advisor

Engagement

The AB4G programme has steadily gathered pace, interest, and profile since its inception.

The programme launch and associated events and publicity were helpful in raising the profile and gaining some early traction. Continuing press coverage has been secured in both the national media and specialist business press.

Social Firms Scotland has delivered workshops, seminars and presentations, and correspondence that have reached in excess of 1,200 people. Targeted both at the business community and third sector, the ‘Get ready to Buy’ and ‘Get Ready to Sell’ events have generally been very well attended and received. Increasingly these events have been tailored to specific needs and delivered in partnership with other third sector intermediaries and private sector partners.

Generally the reaction of those touched by the programme has been positive although, as one consultee has commented, the programme in its current form is only resourced to reach the “tip of the iceberg” when it comes to engaging meaningfully with the business community and third sector in Scotland.

Relationships

Time spent by the AB4G team on engagement appears to have been time well spent. Strong and productive relationships appear to be in place with three main categories of partner:

- ★ **Professional advisors.** The depth and breadth of involvement and support from private sector partners has exceeded initial expectations, and been valuable in spreading awareness of the programme.



- * **Third sector intermediaries.** Social Firms Scotland has carried out the groundwork to inform and involve other third sector umbrella organisations and support bodies. Interest is growing and productive partnerships are being formed.
- * **Social investors.** Productive working relationships have been formed with mainstream banks, social lenders (e.g. Big Issue Invest, Social Investment Scotland) and philanthropic investors (e.g. Inspiring Scotland). These relationships will be instrumental in securing the flow of capital required facilitate purchases.

Support arrangements

The process of supporting acquisition has been steadily tested and improved in light of experience. It is based on a standard corporate acquisition model.

The model process created is robust and attempts to facilitate deals based on common values with Social Firms Scotland playing an 'honest-broker' role. This balances support for the third sector purchasers with the needs of private sector sellers. Enhancements to the brokerage model have been examined. For example, the potential to create an online database of sellers was systematically investigated, although did not prove feasible.

The AB4G programme has become firmly embedded within Social Firms Scotland, and is being integrated across the functions of the organisation. This is generating significant learning and benefit for the organisation (see Section 13).

Deal flow

The pipeline of acquisition opportunities, or 'deal flow', created by the AB4G has not been as rapid or strong as perhaps initially anticipated. As of July 2011:

- * 31 organisations had been advised but their interest has not yet resulted in concrete opportunities to buy a business.
- * 3 deals have been aborted following initial investigation or later due diligence.
- * 16 deals were in progress, a number of these at a relatively advanced stage in negotiations.

There is confidence on the part of Social Firms that this pipeline will continue to grow as the market becomes better educated about the opportunities.

At present there appear to be more opportunities for acquisition in the marketplace than there are third sector organisations that are ready to capitalise on these.

Commonly reported constraints relating to the acquisition-readiness of the sector



include: a lack of entrepreneurial leadership; inadequate in-house commercial experience; a continuing dependence on grant funding; and a cultural aversion to risk and debt

AB4G is clearly pioneering – the first such approach in the UK – and as such a sense that the programme is 'bleeding edge, rather than cutting edge'. The challenge for Social Firms Scotland is both to educate the market and stimulate acquisition activity.

Acquisitions

AB4G has now supported three completed acquisitions. This is some way short of the target of 10 expected over the lifetime of the pilot (up to June 2012), but explained both by the immaturity of the market and the current economic climate (see Section 7).

An overview of the three purchased businesses is provided on the next page.



Acquisition 1: The Fruit Mart

AB4G assisted **CFINE**, an Aberdeen-based social enterprise, to acquire a small Aberdeenshire-based family business called The Fruit Mart. Part of its rapid expansion, for CFINE, the purchase of the grocery business has provided a new geographical distribution outlet, additional capacity, a complementary service offering, and the opportunity to generate a profit that can be reinvested back into its charitable services. For the former owner, whose expertise has been retained in the business, it has provided the type of succession that she hoped for together with an ongoing and meaningful role for her in the shop. Importantly, the deal has also kept the grocery business in the rural village Longside, where it continues to trade well, providing healthy food options to the local community. The Fruit Mart continues to provide supported employment for 17 people with learning disabilities as it makes the transition to a fully-fledged Social Firm.

Acquisition 2: Pentland Energy Advice

AB4G assisted **Pentland Housing Association** to acquire the Community Energy Advice service from Ormlie Community Association in early 2011. The renamed Pentland Energy Advice (PEA) was restructured as a Community Interest Company and became a trading subsidiary of the Housing Association. For PHA the acquisition provided the opportunity to retain an important service that can tackle the fuel poverty faced by tenants, protect valuable employment within a deprived rural community, and to grow a business with significant potential. For the staff at PEA, now under the wing of the Housing Association, this provided the organisational back-up required to bolster operations and addressing 'growing pains', offered increased job security, and provided a platform for future business growth. PEA continues to grow and now works across the North Highlands including Caithness, Sutherland and Rosshire, with some contracts in Orkney and Shetland. As a CIC, all of PEA's profits and assets will be used for community benefit through the Housing Association.

Acquisition 3: The Aspire Golf Centre

The **Bread Maker** in Aberdeen is expanding its catering services by taking over the catering at the Aspire Golf Centre, Aberdeen. The Bread Maker will run the eatery independently at the golf centre, which boasts a nine-hole course, state of the art driving range and golf shop. The Bread Maker has been running an award winning coffee house and artisan bakery in Aberdeen since 2006. The move comes after a two-year search by the charity for a new outlet to operate from within the city. The AB4G programme provided initial investigation and contract negotiation support to this joint venture development. The new joint venture at Aspire will allow for continued growth and give the charity a second base to offer its produce across the south side of Aberdeen City and Deeside as well as providing more opportunities for adults with learning disabilities. The Bread Maker currently employs 17 staff and provides some 24 placements for adults with learning disabilities. Over the coming year, the move is hoped to create real job opportunities for adults with learning disabilities who have developed real work skills through training at the Bread Maker.



The businesses continue to trade and develop well, and are integrating well into the social enterprises that acquired them. The next 12 months will provide further learning on the process of integration, and surrounding any additional support required to ensure business success.

There is confidence on the part of Social Firms Scotland that other acquisition deals will come on line soon, and at close of the current pilot phase of the programme, that the target of 10 acquisitions will have been achieved.

Emerging directions

While the original intention was for AB4G to focus entirely on assisting the conversion of Scottish companies to Social Firms, the work of the programme has subsequently broadened in three main respects:

- * The focus of the programme widened at a very early stage from Social Firms to include conversion to social enterprises of any form. This shift reflects importance of responding to the wider potential and demand evident within the sector.
- * In the last year the programme has begun to support mergers as well as acquisitions. This is regarded as a sensible extension of AB4G and has again been in response to demand.
- * Social Firms Scotland has responded to enquiries for support from elsewhere in the UK (England) as well as internationally (Jersey). The uniqueness of the programme has generated considerable interest from elsewhere.

These represent a natural progression of AB4G and point to future opportunities as part of any further phase of the programme.



7. What Influence Is The Difficult Economic Climate Having?

AB4G became established at the onset of one of the deepest recessions that the UK has faced and the programme has operated in an extremely tough climate since.

The market for small business acquisition/transfer has slowed dramatically over the last 24 months. According to the industry experts the overall market is being constrained by:

- * The cautious lending policy of banks, which are seeking to rebuild after the financial crisis, and the associated difficulty buyers find in accessing the capital necessary to fund acquisition activity.
- * The reluctance of small business owners to sell their company at a low market valuation dictated by the current trading conditions, and who are now in most cases are seeking to 'ride out the storm'.
- * The desire of prospective buyers to consolidate their core business rather than grow in the current market, and generally exhibiting great caution.

On the face of it, this would appear to create opportunities for those third sector organisations that have access to capital for acquisition:

- * The market is 'slow', with limited competition for acquisitions, which plays well to the somewhat slower decision-making cycle of third sector organisations.
- * Valuations tend to be lower in what is generally regarded as 'buyers' market', with purchase prices having halved in many cases in the last few years.
- * As time goes on business owners are becoming more realistic about the long-term prospects and more willing to accept a staged exit, or 'earn out' from the business.

Overall, however, the challenging economic environment has tended to create difficulties for AB4G and served to constrain deal flow:

- * Third sector organisations have become even more risk-averse in the current economic climate, where financial reserves are shrinking, grant funding is uncertain or in decline, and public contracts are being squeezed.



- * Deals are also faltering due to the unrealistic valuations from business owners, whose expectations do not yet seem to reflect current market realities.
- * There is no ready stream of funders willing to commit capital to acquisitions; grant funders and social lenders, as well as the mainstream banks.

While it is difficult to predict future market trends with certainty, there is a general acknowledgement that market prospects will not pick up quickly.



8. What Has The Reaction To AB4G Been?

The reaction to the AB4G programme has been extremely positive. The programme has been roundly welcomed by third sector purchasers, business sellers, professional advisors, and intermediaries.

The concept of acquisition has generally been accepted by those involved in events, presentations, or that have received information in some other way. Around one-third of those engaged by AB4G believe that the concept to be 'highly relevant', while most others have reported some level of relevance.

Q: From what you have heard, how relevant is business acquisition/transfer to your current circumstances?

Answer Options	Response
Highly relevant	32%
Somewhat relevant	52%
Not relevant at all	7%
Not enough information to judge	9%

Based on 99 responses

Likewise, most of those touched by the programme are positive about it. Around half of respondents (49%) regard AB4G as 'very helpful', with most others considering it 'somewhat helpful', and only 2% 'not helpful at all'.

For those able to comment in more depth, the knowledge of AB4G advisors and relevance of the support in particular have been regarded as 'highly effective'.

Q: From what you have heard, how relevant is business acquisition/transfer to your current circumstances?

Answer option	Highly effective	Somewhat effective	Ineffective
Relevance of the support	54%	44%	2%
Structure of the process	24%	72%	4%
Knowledge of AB4G advisors	64%	31%	4%
Quality of seminars/events	45%	48%	7%
Usefulness of the materials	38%	60%	2%
Availability of follow-up advice	37%	53%	10%
Quality of follow-up advice	46%	46%	7%
Role of professional advisors	47%	47%	6%

Based on 81 responses

Clearly the programme has many strengths. Typical comments received about the programme include the following.



“The idea and concept is fantastic. Very relevant to the way third sector and private business need to adapt and change to future circumstances.”

“Approachable yet knowledgeable. Great programme, the opportunity was just a step too far for our board at that time.”

“Knowing the process and being able to facilitate discussion, it’s a win-win’ for both sellers and buyers.”

“A concept which is very timely and a good process that has been established to facilitate acquisition.”

“Forward thinking, responsive, bespoke, niche support. Not duplicating other provision.”

“Impartial guidance through the process and the world of professional advisers.”

However, the programme is still not perfect and some refinement is required. Weaknesses identified tend to relate to a lack of resources available to educate and support rather than underlying weakness in the model. Typical feedback includes:

“Ahead of its time. The sector is not ready for this just yet.”

“Possibly rather too stand-alone and perhaps better if more integrated with other social/community enterprise support”

“Lack of awareness of the programme in the sector.”

“Not enough communication”

“They are based in Scotland! We need more of it in England. I hope they are able to develop and roll out their programme ...”



9. What Are The Critical Design Features Of The Programme?

AB4G has a number of basic design features that have been identified as critical to the ongoing success of the programme.

Playing the role of 'honest broker'

AB4G is committed to doing the right thing; both for third sector buyers and business sellers. It operates in the interests of ensuring a good deal and plays the role of 'honest broker' well. Where required it helps to foster relationships, deflate tensions, overcome obstacles, and keep negotiations on track. The solid, independent counsel provided by AB4G has ensured that third sector organisations are not left feeling exposed, isolated or pressured due to their inexperience in corporate acquisition processes.

A credible staff lead

Experience tells us that the success of any project or programme is usually dependent on the people that deliver it. In this case Social Firms Scotland has put in place a programme manager with significant credibility, who holds: experience in establishing and growing Social Firms and social enterprises; expertise in corporate mergers, acquisitions, and franchising; as well extensive commercial and industry experience. Various referred to by AB4G client organisations as astute, knowledgeable, commercially aware, responsive, and businesslike, this appointment has been instrumental in building relationships and driving the programme forward.

A structured process

The AB4G programme is built around a structured and guided process. This has been helpful to third sector trustees and managers in navigating the complex corporate acquisition process and in aiding effective communication between the deal team, trustees, staff, sellers, and advisors. AB4G has made checklists and templates available to guide interaction at key stages of the processes. This is balanced with sufficient creativity and flexibility given that every deal is different.



A pool of trusted advisors

Critical to the success of AB4G has been the willingness of private sector partners to share their commercial experience of corporate acquisitions. The pool of professional advisors developed brings a blend of industry experience, a track record in brokering SME acquisitions, an understanding of the ethos of the third sector, and a willingness to act in the interests of securing a good deal for all. The mix of pro bono and solid independent commercial advice owes much to partners buy-in to the ambitions and values of AB4G.

Strong Links within the third sector

Social Firms Scotland has actively sought to connect the AB4G service with the offering of other specialist agencies supporting the third sector. It has conducted joint marketing, seminars, conferences, and advisory support with a range of key bodies including: Development Trusts Association Scotland; Senscot; Scottish Federation of Housing Associations; HiSEZ, etc. This has connection has provided added value to the AB4G programme and to partners.



10. What Has Been Learned About The Acquisition Process?

AB4G is still at a relatively early stage in its development, and has not yet had time to broker a long track record of successful acquisitions. Nonetheless much knowledge has been acquired by the programme team, advisors, sellers and purchasers about how to effectively navigate the acquisition process. In many cases the greatest learning has arisen from deals that have been aborted for various reasons.

Planned The extent and quality of the research and planning carried out before an acquisition deal is likely to largely determine the outcome. Third sector organisations must prepare themselves for the complexity and cost of the acquisition process, the time that will be required, have their funding in place well in advance, and be fully prepared for the point at which they will eventually assume full control of the business. AB4G has sought to ensure that upfront research is thorough, and that a robust business plan is in place for any substantial acquisition (this in itself is a necessary pre-requisite for agreement by lenders).

Confidential Anonymity and discretion during the initial stages of a sale are important in order not to jeopardise business performance or complicate negotiations. AB4G has introduced Participation and Confidentiality Agreements which Social Firms Scotland expects clients to subscribe to. However, there is a tendency among third sector organisations towards a culture of open communication and accountability, which can often cause tensions regarding issues of disclosure.

Streamlined The costs of a corporate acquisition process can prove high if not efficiently managed. AB4G has attempted to ensure a rigorous process regardless of the size of deal, in order to fully guide and minimise the risks to third sector clients. This has been balanced with an attempt to standardise and streamline the process as much as possible. For example, an online deal forum, checklists, and templates have been used where possible to cost down on paperwork, bureaucracy and associated professional fees.

Pragmatic The process of acquisition can be lengthy, time-consuming and costly. Without careful management, the costs of professional advice can quickly escalate. From painful experience, prospective purchasers through the AB4G programme have learned about the importance of accurate cost estimates and projected timescale(s) at the outset. They have also learned that sometimes it is better to pull out of a negotiation and cut



their losses, rather than continue to invest in attempting to force through a deal that is likely to be ultimately unsuccessful.

Co-ordinated Continuity, control, and effective decision-making are critical to what can be a complex negotiation process. AB4G has attempted to ensure that a deal team must be in place on the part of the purchasing organisation, with a champion from among the trustees and at least two senior staff members. This should be a collaborative process, but with a single main point of contact to aid effective communication.

Resourced It is critical to ensure that adequate financial resources are in place at an early stage in the process. Seedcorn funding is helpful in funding the early costs of research, valuation and due diligence. A full financial package to fund acquisition should pre-agreed together with adequate provision made for working capital. Loan funding should be central to any funding package to ensure that commercial disciplines are in place on the part of the purchasing organisation from the outset and the business does not become reliant on grant subsidy.

Diligent By taking a complete look at all the relevant sources of value and risk, the chances of a successful acquisition are likely to increase significantly. AB4G has sought to ensure that due diligence processes are rigorous. This investigation of the target company should extend to important accounting and financial data; pertinent legal documents such as exclusive contracts, patents, and trademarks; the current management team; the market for the service or product; the competition; the long-term prospects of the industry; and the value of any company assets that are to be acquired. Full information is required to ensure that prospective purchasers make a fully informed decision.

Realistic An objective and realistic valuation of the target company is important to establish if the deal is to progress. This is a crucial point in the process and if mishandled can lead to significant tension and misunderstanding between parties. Experience suggests that sellers need to be realistic and flexible over their asking price; this can be difficult given their emotional attachment to the business. AB4G has sought to ensure that company valuations are as independent, objective and transparent as possible.

Creative In a tough economic climate, it is clearly very difficult to make deals happen – a challenging trading position can create greatly divergent views and expectations between buyers and sellers. AB4G has recognised the need to inject some pragmatism and creativity into the process in order to help bring the right solutions for both buyers and sellers. This has



included innovation in the way that deals are financed (e.g. blended packages of grants and loans) and structured (e.g. 'earn outs' that can provide a phased exit for owners).

Guided Successful acquisition processes are dependent on sound advice and accurate and timely information from specialist advisors. AB4G has attempted to involve advisors early (perhaps earlier than would otherwise be expected in large corporate acquisitions) and to bring the right team of advisors around the third sector organisation to expedite the process. It has been flexible where required to accommodate organisations that seek to bring in their own advisors, although not always recommended by the programme.

Timely Some deals have given rise to frustration at the necessarily slow pace of decision-making on the part of prospective third sector purchasers. AB4G has therefore attempted to bind parties into a process that moves at an appropriate pace, and to ensure momentum. This means agreed timescales and deadlines that need to be adhered to by all parties. This recognises that the prospects for a successful bid can diminish over time, and that a protracted sale can damage business performance due to the time spent on the deal and a mood of uncertainty surrounding it.

Trust-based It is important to build a solid relationship between parties; one that is based on trust. This can be difficult where a 'clash of cultures' exists, and where respective parties appear to 'speak a different language', have divergent interests, and have differing decision-making processes. AB4G has attempted establish whether personal chemistry and shared values exist between parties and to cultivate these. Skilful brokerage on the part of the AB4G team has been required from time-to-time to bring parties together and build or rebuild trust.

Transitioned While the process of acquisition is vital, it is the post-acquisition period of integration/transition that will ultimately determine the success of the business. This being the case AB4G has sought to structure deals in a way that ensures a smooth handover; one where the previous owner is able to manage their exit in a timely way and the third sector purchaser is able to assume full control with minimal disruption. Without adequate succession planning there are risks that the target business will not do as well as expected, that expected cost savings do not materialise, that key staff or customers leave, and that incompatible business cultures arise.



11. What Conditions Need To Be In Place To Ensure Success?

Through its match-making role, AB4G has learned much the conditions that are generally required to ensure successful business acquisition and conversion to a social enterprise.

A profitable business A critical but often ill-considered requirement is that any acquisition target must be operating in a profitable manner. Businesses in unopposed or less competitive markets, with a niche position or unique assets, are rare in the current economic climate. It is more common for companies to be struggling in current conditions, perhaps with limited access to credit and low levels of working capital. The viability of the business along with a clear route for the purchaser to add value and increase profitability is crucial.

Scale and capacity The purchasing organisation must have the 'infrastructure' in place to accommodate an acquired business. This can be a matter of scale, where too large an acquisition can have a destabilising effect on the purchasing organisation. Adequate managerial expertise and capacity; in-house financial legal, and technical expertise; and appropriate corporate services and systems can be vitally important. The ability to strip out costs from the acquired business, and to benefit from shared services across a Group structure, can also be an important success factor.

Financial strength Access to adequate funds to enable the acquisition to proceed is a vital pre-requisite as is the availability of sufficient working capital to put the acquired business on a strong footing. In some cases third sector organisations benefit from an established asset base (e.g. housing associations), have the capability to borrow (often at favourable rates), are prudent and have built up considerable financial reserves, or can access grant funding for social enterprise activity. The financial package must be explored and agreed at an early stage.

Commercial acumen The acquisition readiness relates in part to the commercial orientation of the third sector organisation – this includes its appetite for taking calculated risks, willingness to explore all commercial opportunities, internal business acumen, and internal entrepreneurial capacity. This culture and capability is required among trustees and managers. In many cases prospective purchasers assisted by AB4G good have been on the acquisition trail previously and have a strong track record in



managing successful businesses; this provides a strong platform for taking on new business activity.

The right area or sector

While mergers and acquisitions can occur in any industry sector, there are some parts of the third sector that may be more ready for this opportunity. This can occur in relation to particular types of organisation, for example, housing associations where it may be attractive to internalise parts of a supply chain to reduce costs. It can occur within particular sectors, such as social care, where mergers or acquisitions can be helpful in achieving scale. It can occur in particular locations, such as remote rural communities where community buy-outs can be important in protecting local jobs and services.

Strategic alignment

The purchasing organisation must be clear where it wants to take the newly acquired business and how the acquisition will help deliver on its social mission. A clear and long-term strategic plan driving the purchasing organisation is important, with acquisition an embedded part rather than opportunistic add on. It can also be helpful for there to be a strong synergy between the target business and the third sector organisation's wider portfolio of services.

Industry knowledge

It can be important for the target business to be 'close' to the third sector purchaser's area of expertise or 'comfort zone'. This may mean buying a business within the organisation's current industry or at least with a strong supply chain linkage, perhaps acquiring a key competitor or supplier. Preferably the knowledge of how to run a business successfully within that industry will already be available to the purchasing organisation. However, in some cases this insider knowledge can be retained through a phased exit of the current owner, where the purchasing organisation is afforded time to 'learn the ropes'.

Shared values and co-operation

In order to maximise the chances of success, it is helpful for the third sector purchaser and current business owner to have similar value systems and for their relationship to be based on trust and mutual respect. This means that the current owner must also be ready to 'let go' of the business, and co-operate with the third sector purchaser. Good communication between both parties is important in overcoming any potential stumbling blocks.

The experience of AB4G is that not all of these factors need to be in place at the outset, but that most need to be developed, and quickly.



12. Is AB4G A Useful Catalyst For Business Acquisition Activity?

It is still early days to conclude with certainty that AB4G, at its current scale, can stimulate and support a large volume of business acquisition activity in the third sector. It is an intensive process to educate, stimulate, and support such activity in a challenging market.

“We were always clear what we wanted, but before AB4G were ‘babes’ in the wood’ when it came to knowing how to get there through acquisition.”

Social Enterprise Manager

The evidence to date suggests, however, that AB4G is having a beneficial effect in equipping third sector organisations, business owners, and intermediaries to take forward plans for acquisition activity.

Survey feedback indicates that those engaged generally have a better awareness of acquisition, and that the programme is having an effect on attitudes and confidence in relation to acquisition. This is discussed further in Section 13.

Q: Which, if any, of the following benefits have arisen from your engagement with the AB4G programme?

Answer Options	Response
A better awareness of the business acquisition	52%
Signposting to additional information/resources	40%
An understanding of the relevance of acquisition	33%
A different attitude to business acquisition	29%
More confidence in dealing with acquisition issues	20%
A clearer plan of action in relation to acquisition	16%
None of the above	18%
Other benefits	4%

Based on 77 responses

Nonetheless, the survey feedback suggests some difficulty in translating interest into action, with only 15% of those introduced to the programme having progressed their interest in business acquisition.

Where progress has been reported, organisations are either:

- * Seeking funding to investigate and test the feasibility of acquisition
- * Identifying potential target businesses to acquire
- * Building acquisition into strategic planning processes
- * Actively undertaking due diligence in relation to target businesses



While this is encouraging, five main barriers to progress have been reported:

- * Lack of funding to explore business acquisition and to finance the deal
- * Time pressures and lack of capacity to devote to exploring acquisitions
- * Uncertainty and fear at board level relating to the risks of acquisition
- * A perceived lack of suitable businesses available to acquire
- * Changing circumstances, direction, or priorities of the organisation

But what would help the conversion rate of interest into activity? The single most important factor identified was that support is at hand when an appropriate opportunity arises, and that more regular communication is available to keep the option of acquisition on the radar of the organisation. Suggestions included:

- * Occasional newsletters with articles on successful and failed acquisitions
- * Participation in regular third sector forums and networks
- * More regular e-bulletins, blogs, and updates to the AB4G website
- * Further written guidance material together with helpful contact details
- * Additional introductory seminars to help unpick the process

In essence, for AB4G to keep 'planting the seeds'.



13. What Have Been The Benefits Of The Approach?

Although there have been few completed acquisitions at this stage, it is clear that the AB4G has benefited each main stakeholder group.

For prospective third sector purchasers

While AB4G can never guarantee that the organisations being supported will go on to successfully buy a business, the process has brought some form of benefit in each of the cases reviewed.

In those cases where deals have not yet gone through or faltered at some point along the way, prospective purchasers have pointed to a number of main benefits. AB4G has:

- * Put the potential for acquisition more firmly 'on the radar' and whetted the appetite of organisations to find the right target company.
- * Built a much better understanding of business acquisition, its potential benefits, limitations, costs, risks, and its potential role in any future growth strategy.
- * Introduced important commercial disciplines and useful insights into the organisation's current business model, its viability, its limitations, and the various routes to growth.
- * Created a body of in-house knowledge and skills that now provide the capacity required to navigate the acquisition process.
- * Provided the practical 'resources' (i.e. connections to skilled professional advisors, best practice templates, etc.) that will be critical in concluding any future purchase.

In addition, in those cases where deals have now successfully been concluded, both of the purchasing organisations are confident that AB4G has greatly assisted the acquisition process and helped them to make the right decisions. There is also great confidence that the programme has helped to equip these organisations for future acquisitions and growth.

For business sellers

Any successful acquisition process depends on the ability of both buyers and sellers to achieve a satisfactory outcome.



In those cases where deals have been explored, are currently in progress, or have faltered, the business owners have taken some positive things from the process (although not always satisfied with the eventual outcome). AB4G appears to have:

- * Opened the eyes of business owners to the scale and economic significance of the third sector.
- * Greatly increased knowledge and understanding of the process and associated complexities of selling a business.
- * Provided greater clarity on the value of their business, its limitations, and the owner's options for making an exit in the current economic climate.

In the two cases where businesses have been transferred to new third sector owners through the programme, the former owners/managers/staff have remained in the business in some capacity. While new arrangements are bedding in, the former proprietors have welcomed the back office support, certainty, security, and boost to business that has come with the handover.

For professional advisors

Private sector partners have also remained committed to, and engaged with, AB4G although not all are actively involved in supporting deals. Their ongoing involvement has given rise to a number of reported benefits:

- * Developing insights into the social enterprise community in Scotland, and forming useful relationships with Social Firms Scotland and other intermediaries.
- * Becoming involved in smaller-scale deals, and working with third sector clients, which would not have happened in the absence of the programme.
- * Developing a more collaborative style of working and being able to test new technology (the online deal forum) through the AB4G process.
- * Becoming more aware of the market opportunity, and better equipped to, provide tailored services to the third sector.

For third sector and business intermediaries

Social Firms Scotland has deepened its relationship with a number of intermediary organisations. This includes third sector intermediaries such as Development Trusts



Association Scotland as well as business organisations such as the Scottish Family Business Association. According to these intermediaries:

- * AB4G is a relevant and helpful service for members – of equal value to members in the third sector and the business community.
- * Engagement through AB4G activities and events has helped to raise awareness among staff of the opportunities for acquisition and better equipped them to signpost members to appropriate support.
- * Further opportunities are available to deepen the relationship with AB4G and to take a co-ordinated offering to members.

For Social Firms Scotland

In part, AB4G was a pilot programme intended to provide enhanced capacity within Social Firms Scotland; enabling it to better support the emerging social firms sector. This appears to be happening:

- * The staff team at Social Firms Scotland is developing the confidence, knowledge, and skills to better support acquisition activity. All of the team have had active involvement in supporting AB4G deal-making, events, and online forum activity and as a result report being better equipped as a result.
- * The tools and resources created through the programme are proving useful to Social Firms Scotland, enabling it to support members and other social enterprises to take on new ventures through acquisition and other routes.
- * The uniqueness of the project, and interest it has attracted across Scotland and beyond, has helped to raise the profile of Social Firms Scotland. It is engaging with new clients and members now that would not otherwise have been the case.
- * The enhanced relationships with professional advisors is benefiting Social Firms Scotland, helping it to change the way that it supports Social Firms, and widening the range of the resources that it has at its disposal to do so.



14. Can Business Acquisition Become A Mainstream Option?

Although it is still early days for the AB4G programme, there is some optimism surrounding the potential of the concept.

"If social enterprise is to be a mainstream business sector, then we must use mainstream business strategies"

Social Enterprise Manager

The body of opinion is that 'fairly strong' potential exists for business acquisition activity by the third sector. Although opinion is divided, with around one-in-five survey respondents believing prospects to be 'very strong' and a similar proportion believing them to be 'limited or weak'.

Q: More generally, what do you consider to be the future prospects for business acquisition by the third sector?

Answer Options	Response
Very strong prospects	22%
Fairly strong prospects	58%
Limited or weak prospects	20%

Based on 77 responses

But can acquisition become a mainstream route to growth rather than something that occurs at the margins? There are a number of reasons to be confident that an underlying growth in demand is likely over the longer term:

- * The current status quo for the third sector is not an option, with shrinking funding opportunities, a limit to the organic growth that can be achieved, and continuing uncertainty and upheaval in public service markets. This suggests that strategic acquisition might be increasingly viewed as an option.
- * There is growing interest in social enterprise. Hybrid organisational structures are also becoming more common and there is a growing blurring of the dividing lines in the UK between private business and social enterprise. A growing body of commercial experience in the sector will potentially lead to a more favourable view on mergers, franchising, and acquisition activity.
- * With challenging economic conditions likely for some time to come, further opportunities are likely to arise to buy out private companies. As time goes on small business owners may become more willing to take their exit where they can and become more realistic in their valuation. Small and family-owned businesses represent the bulk of business in Scotland and in general have closer affinity with



social enterprise than large corporate entities. This is a substantial and as yet largely untapped market for the third sector.

Nonetheless, there is some scepticism regarding the extent to which this be become established as a major market, at least quickly, given the low baseline and resistance to private sector practices among the third sector at large. Cultural change takes time.

The scale of market and the likelihood of acquisition to be considered a mainstream opportunity will be dependent on the:

- * Level of commercial expertise flowing into the third sector
- * Cultural shift and attitudes to risk among third sector trustees
- * Level of growth in mainstream bank lending
- * The attitude of social lenders to fund strategic acquisitions
- * Attitude and flexibility of grant funders to support acquisition
- * Level of resistance to private sector practices in the sector
- * Willingness of intermediaries and advisors to promote the approach
- * Prevailing economic conditions and prospects for companies
- * The level of continuing public sector support for social enterprise
- * Funders attitude and sensitivity to issues of 'displacement'

The reality is that much will depend on the level of resources available to AB4G, its ability to build acquisition as an option into mainstream support, and the momentum that it can built in the short to medium term.



15. Where Can The AB4G Approach Go From Here?

While AB4G has been roundly welcomed and shown great promise, it is a pilot programme that is still in its infancy.

“A national resource for business acquisition is vital for the third sector ... Acquiring Business 4 Good is certainly worth extending.”

Manager

Social Enterprise

Based on the feedback received in compiling this report, there have been a number of suggested ways in which the programme might be further strengthened and developed.

A sharper focus In its early phases, AB4G has taken a reasonably open and pragmatic stance, advising and supporting interested organisations where it can in order to test the approach (although many of these leads have not come to fruition). Over time the team have identified certain types of organisations (e.g. Housing Associations) and projects (e.g. rural community buy-outs) that appear to yield relatively greater promise. In order to strengthen deal flow and impact, it would be advisable for the next phase of the programme to promote and package support towards identified areas of opportunity.

Building awareness With relatively modest resources and time behind it, there is still much that AB4G needs to do to raise its profile and educate the market. This might mean even greater emphasis on: the use of relevant media to stimulate debate on the role of business acquisition; even deeper relationships with the main business and third sector intermediaries; an extension of the successful 'Get Ready to Buy' and 'Get Ready to Sell' events; the use of case studies that can inform and inspire; and further action to equip 'social enterprise' advisors to present business acquisition as an option. However, any effort to encourage the supply of acquisition opportunities must be proportionate to the capacity within the third sector to react.

Process improvements The AB4G acquisition process has now been tested in a variety of circumstances and is subject to continuing refinement. Although working well, the process would lend itself to further simplification and explanation, perhaps supported by further 'how to' guidance material, checklists, and templates intended to demystify and cut through



complexity. Also, where deals are in the pipeline, more might be done to expedite the process and to ensure that timescales are adhered to and momentum maintained. In some cases only a 'light touch' input is required on the part of AB4G and therefore different levels, packages, and intensities of support might be considered.

Linked to investment

At present AB4G is delivered as an advisory programme and in itself cannot provide access to the capital required to buy businesses. In the current constrained financial environment, the success of the programme has therefore relied largely on the more conservative attitude of lenders or the ability of deals to become self-financing. Where possible, AB4G would benefit from closer or more integrated relationships with partner funders. This should ensure that they are educated about the opportunity, are willing to commit funds earlier in the process, have the financial instruments necessary for acquisition by the third sector, and in the end are able to make investment packages more readily available for the right deals. This integrated financial offering should be a design feature of any future phase of activity.

Embedded into wider support

During its pilot phase AB4G has built up significant expertise and sought to make connections where possible with other third sector support bodies. In future, opportunities should be created to re-engineer social enterprise business support programmes with acquisition in mind, and where possible to embed the specialist AB4G support package into delivery mechanisms. This would ensure that the resources of AB4G are used to best effect, where others are able to support strategic planning and building the acquisition-readiness of organisations, and the AB4G team is better able to focus on the conversion of leads into successful acquisitions.

Adequately resourced

The current AB4G pilot is being delivered on a relatively modest budget, with funding support from the Big Lottery in Scotland. There are real limits to the ability of the programme to reach or engage directly with the third sector and business community at large. In complex and intensive deal-making processes there is also the potential for the team to be stretched across projects. Any future phase of the project will need to ensure that the resources of the programme are consistent with the scale of its ambitions and the level of emerging demand that can be demonstrated in the remainder of the pilot phase.

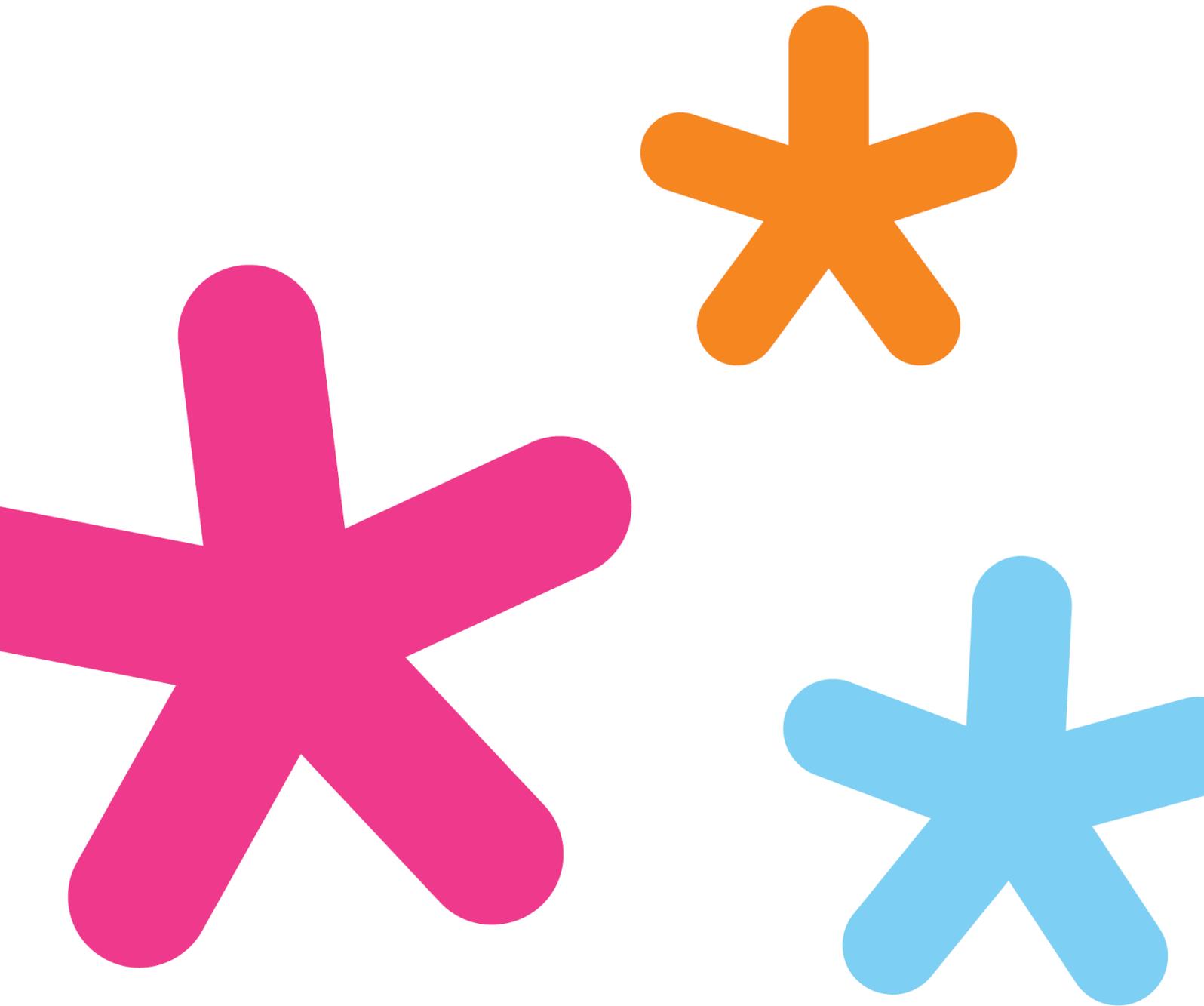
Branching out

The current design of AB4G means that it is largely constrained to delivering support to enterprising third sector organisations in Scotland. However, interest from elsewhere in the UK and internationally has enabled Social Firms Scotland to 'test the



market' for acquisition support provided on a consultancy basis. In order to eventually move AB4G onto a self-sustaining footing, Social Firms Scotland should further develop partnerships with UK-wide funders and support agencies that would see AB4G delivering business acquisition support throughout the UK at a charge.

The challenge more generally is for AB4G to make the transition from being a very promising pilot initiative to being part of the fabric of how social enterprise is supported in the UK.



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