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How do Western Australia's Social Enterprises meet their Financial Challenges?

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The Bankwest Foundation has partnered with the University of Western Australia Centre for Social Impact (CSI UWA) to undertake a research program **Supporting Development and Growth in the Community Sector in Western Australia.** The aim of this program of research is to increase our understanding of the difference community programs make and what factors can enhance the resilience and long-term financial viability of Western Australia's emerging social enterprise sector. Improving the evidence base on the measurement of outcomes of community programs and of the financial sustainability of WA's social enterprises will support growth and innovation in the community sector and build community resilience.

Outcomes of the research program will be delivered through the **Social Impact Series** and through community workshops and forums. The present paper **How Do Western Australia's Social Enterprises Meet Their Financial Challenges?** is the fourth Issue of the **Social Impact Series.**

INTRODUCTION

This is the fourth publication from the Bankwest Foundation Social Impact Series and includes analysis of the first wave of data collection from the Social Enterprise Financial Resilience project.

Significant interest in this project from social enterprises arose following the public presentation and delivery of Snapshot Report 2 (Resourcing Social Enterprises: Approaches and Challenges, August 2015). Several participant organisations mentioned that this initial report sparked their interest in participating in the research project as case studies.

The purpose of this report is to present initial findings from the first wave of data collection from participant case studies. It builds upon the findings of the initial review, digging deeper into the issues it raised and re-telling the 'lived experiences' of social enterprises and social entrepreneurs in Western Australia. This report thus deepens our understanding of the significance of broader issues identified in the literature to social enterprises in Western Australia. It reports on how these organisations resource their businesses and respond to resourcing challenges. In particular, the findings suggest that social entrepreneurs and managers devise a series of formal and informal strategies to obtain and sustain finance and support from various sources.

Social enterprise boards also play a key role in ensuring due process and financial probity, checking business plans (where appropriate) and supporting managers and social entrepreneurs. We also found that nearly all of the social enterprises covered in the case studies rely on mixed revenue streams irrespective of organisational size, industry and stage of growth. Both bootstrapping and bricolage are part of an ongoing resourcing process for many of the organisations participating in this study. We hypothesise that further data will show the patterns of both activities, alongside formal strategies to access external finance. In the absence of appropriate sources of finance for social enterprises, many of the social enterprises examined rely on multiple financing options to serving short and medium term business needs.

In 2016-2017, we will collect further information from participating cases, in order to drill down into the findings from Wave One and to examine social enterprise resourcing behaviours over time.

[1]Bootstrapping refers to "the process by which firms avoid the need for external financing through reducing overall costs of operation, improving cash flow, or using financial sources internal to the company" (Ebben & Johnson, 2006, p.851-2). Bricolage refers to making do, a refusal to be constrained by limitations, and improvisation (Baker & Nelson, 2005). For further details on these concepts, please refer to Snapshot Report 2, p.9.

SECTION ONE:

RESOURCING SOCIAL ENTERPRISES: A SUMMARY OF APPROACHES AND CHALLENGES

Snapshot Report 2 provided a thorough review of existing evidence of social enterprise resourcing strategies. This was supported by data from key informant interviews and an engagement workshop held in 2015. See box 1 below for the key findings.

BOX 1:   KEY FINDINGS

1. Like other types of business, social enterprises seek a range of tangible and intangible resources.

2. Their success at resourcing their organisation is driven by:
   - The presence of a supportive policy environment
   - The origin of the social enterprise
   - Legal form and governance
   - The type of purpose of the social enterprise
   - Skills and experiences of founders and managers
   - Organisational identity

3. The main sources of finance for social enterprises include:
   - Funding from government
   - Contributions from members
   - Philanthropic grants and bequests

4. Several barriers exist to accessing external finance:
   - Information asymmetries
   - Transaction costs
   - Skills and experience
   - Formal business structure
   - Legitimacy challenges
   - Board structure

5. Social finance and impact investing have an important role to play in developing a supportive social enterprise ecosystem (shown in Figure 1, below).

Figure 1: Key outcomes from Snapshot Report 2

1. Review resourcing strategies	2. Bootstrapping and bricolage
Resourcing Social Enterprises: Approaches and Challenges	
3. Role of boards and governance models	4. Financial products/services for social enterprises

Approach

The methodology was divided into three phases: case selection; key informant interviews; and document analysis.

Phase One – Case Selection

Cases were selected based on willingness to participate and with the explicit purpose of establishing diversity–of size, stage of business development, location and industry–within our sample. Appendix Table 1 summarises the characteristics of the sample.

A list of WA-based social enterprises was compiled using the Centre for Social Impact's networks and publicly available resources (such as the Social Enterprise Finder database, hosted by Social Traders). The organisations were contacted by email to request their participation, and interested parties were contacted by telephone to discuss the study requirements. Twelve organisations agreed to participate in the research. One participant subsequently withdrew for organisational reasons.

Phase Two – Key Informant Interviews

Initial interviews were conducted in November 2015 at Spacecubed in Perth, WA, and by telephone in January 2016. Interviews lasted up to 1 hour, and participants fielded questions regarding their organisation's history, business activities, core beneficiaries and their approaches to organising the financial and non-financial resourcing needs. Fifteen interviews were conducted, and interviewees included business founders, CEOs, and managers of social enterprises. The data arising from the interviews were processed and analysed using qualitative data analysis software, NVivo.

Phase Three

Phase three involved a desk-based analysis of resourcing documentation. This involved participant organisations securely uploading digital copies of financial and non-financial documentation for analysis. Document analysis allowed for more fine-grained insights into organisational processes, illustrating how resourcing planning, activities, and decisions are presented to internal and/or external stakeholders. The secondary data were analysed using qualitative software and both data sets thematically analysed .

Case Study Characteristics

Table 1: Case study participant characteristics (see Appendix1)

The majority of the case study organisations are based in and around the Perth metropolitan area, with a small number active or located in regional, rural and remote areas, serving a range of defined beneficiary groups (see Appendix Table 1 for a full table of case study characteristics). They are largely engaged in the provision of services to the general public, and, in some cases, engaged in structured programs funded by government. The social enterprises which are the subject of our case studies, whether stand-alone businesses or part of a larger parent organisation, lie between start-up/survival and growth development stages.

Findings

We used the main issues identified in the literature (see Figure One and Snapshot Report #2 for full details) to organise our findings.

SECTION TWO:

REVIEWING RESOURCING STRATEGIES

In this section, we deal with the issue of resourcing reviews, specifically whether social enterprises engage in them periodically to audit and improve resourcing strategies. The case study data suggest that both formal and informal strategies are used by social enterprises in their early development stage. With regard to formal resourcing strategies, some of the larger case study organisations have clearly designed internal processes for auditing how they use resources to achieve the broader organisational mission. Three of the case studies had very clear processes in place for the internal acquisition and organisation of resources. These include:

- Presenting business cases for internal stakeholders, including financial projections, rationale and proposed impact on key beneficiaries.
- Ongoing, regular auditing and business operations reports back to senior executive / the board.

These processes have a dual function. First, they enable responsible managers to obtain the necessary resources to sustain the social enterprise in the short- to medium-term. Second, they help to legitimise the social enterprise, its performance and goals, among colleagues and especially senior executives. By following reporting and requisition protocols, social enterprises that are nested within larger non-profits can compete strongly for internal resources.

Formal processes are complemented by the production of structured business plans and annual reports, which are communicated to potential funders/financiers, government, and wider communities. These documents explain how the case study organisations present themselves to external audiences. In our initial review, we ask whether existing processes, based on needs arising from day-to-day operations, might help or hinder the development of effective strategies. For example, for Case Study B, in which a social enterprise is run under the auspices of a large non-profit, the internal processes are critical to ensuring fair access to resources between departments and business units:

> "…if we wanted to do something with [the social enterprise], the General Manager would put a business case to the CEO and then to the Board…[and] would have equal access to resourcing and resourcing decisions."
>
> **Case Study B**

These formal processes reflect efforts to ensure transparent and accountable governance, as well as meet internal and external reporting requirements. They have a direct impact on resourcing, requiring planning and the presentation of requests to legitimately access resources. This is especially the case where start-up social enterprise business units can request resources internally. This also helps to reduce information asymmetries between internal entrepreneurs and decision-makers.

We also find that resourcing strategies undergo periodic reviews. These are driven either by a sense of strategic drift, or by a need to reconnect with values, or a concern over the sustainability of the social enterprise.

² It is important to note that data collection is an on-going process, with new documents and interviewee availability requiring continuous case study engagement. A comprehensive account of all data analysis will be provided in the final report at the culmination of the study.

> "I had to just go through and completely revamp and relook at our policies and procedures…turning all of that around has been a long hard struggle. We did a lot of strategic planning with my Board, really consolidating where we were up to. We actually had a massive consensus between the staff and the Board, which is great."
>
> **Case Study A**

> "I guess I tend to look at things now a little bit differently. So when I just started doing that the barriers became quite low because you work out just how to do that and the income for the business is what makes that all possible."
>
> **Case Study D**

Formal strategies often take different forms depending on the nature of the social enterprise's core business and beneficiaries, as well as organisational size. For example, smaller stand-alone social enterprises seem able to respond more rapidly to funding opportunities than social enterprises that form part of much larger non-profits. This may be the result of the former having flatter organisation structures and shorter decision-making chains. This allows them flexibility in seeking out and obtaining resources from internal and external sources, including self-funding, donations (financial or in-kind), grant funding and earned income. Conversely, larger organisations find the formality of internal processes slow down responses to resource needs and requests.

SECTION THREE:

BOOTSTRAPPING AND BRICOLAGE

Alongside the formal processes, we explored whether the case studies pursued bootstrapping or bricolage behaviours and, if so, how these approaches could impede growth. The current data shows us that, irrespective of organisational size, social enterprises frequently engage in forms of bootstrapping and bricolage. While it is commonly understood that social enterprises and entrepreneurs at early development stages will engage in these behaviours, it was also notable that our data shows the behaviour is ongoing, irrespective of organisation size, industry, and source of revenue and stage of business development. We describe these behaviours as informally strategic, in the sense that they form a significant part of the day job for the case study organisations. However, they lack the formal strategic information contained in annual reports, for example.

A common experience across the case studies was the constant search for financial resources to initiate and sustain the early development phase of the social enterprises. In the case of start-up/small social enterprises, resource scarcity requires a continual search for resources and/or making do with what is at hand. These organisations also almost exclusively focus on the acquisition of externally-funded resources when access to personal financial resources is limited. Frequently, these approaches are informal, and we see a strong reliance on personal and professional networks to obtain the necessary resourcing:

> "It's probably more towards the informal end of the spectrum. I'd say that we have more of a rough timeline for how we see a pilot being run, and the work that we have to be doing, right into the sustainability of it, the stuff that starts from the beginning of the pilot basically. So looking at the long term, right from day one."
>
> **Case Study C**

In the case of one small social enterprise start-up, the scarcity of start-up funds accelerated a change in marketing direction, altering the mode of service delivery to cut upfront costs and allow the business to start trading. For some of the larger case study organisations, we find bricolage is more common, with internal change agents demonstrating remarkable agility in identifying, securing and using a range of resources from internal and external sources. We see social enterprises that are part of larger non-profit organisations, requiring considerable financial backing from their parent board. They engage in resource sharing with other departments and business units within the non-profit organisation, and support seeking from both internal and external stakeholders:

> "…it's a commitment from the board to keep the social enterprise going so that's the challenge, my objective is to make it financially sustainable in the future."
>
> **Case Study F**

Furthermore, we see bricolage evident where social enterprises are 'making do with what is at hand'. In many cases, this relies heavily on the work of volunteers with attendant difficulties in transitioning to paid employees to cover organisational needs:

> "Up until about two years ago it was completely run by volunteers. So within the last couple of years the need is for people power that have been our greatest need…they've gotten beyond the capacity of what a volunteer could manage. So I guess as we continue to grow it is the - our need is for money to grow in terms of being able to employ staff, so that those programs can be sustainable and to run effectively."
>
> **Case Study E**

In another example, we find that obtaining necessary tangible resources, such as a suitable location for the business to operate, is a key challenge. One respondent vividly described how they go about resourcing this need, resolved through bricolage on an on-going basis:

> "We've never been in a financial position to afford rent on any sort of space. So we've always been hosted by other organisations. We've had different community organisations that have been able to give us some office space, that we've been able to access under different sorts of arrangements."
>
> **Case Study C**

The entrepreneur's ability to think creatively under pressure is brought to the fore here, and illustrates the continuous work that goes on to identify sources of support, beyond financial support. For some of the smaller businesses in the study, the bootstrapping and bricolage behaviours can increase the sense of risk associated with new ventures. For example, we see a level of team resilience emerging and a high level of resource agility:

> "… I think for the individuals, particularly earlier on, there was definitely more anxiety, more uncertainty around; we get access to a great opportunity, maybe some funds, so that we can do the pilot that we wanted to do. We're thinking well we want to see more than a one-off project… There can be a lot of stress related to that, but I think what we've – maybe because we have been through that process a number of times now, we've learnt that it will be okay. We'll always find a way of being able to adapt."
>
> **Case Study C**

Invariably, the skills of founders and key personnel are critical to the type of resources sought, and the strategies deployed to obtain them. In some cases, key individuals bring their previous experiences from other sectors to bear on how they approach resourcing. Case Study B explores the power of experience and influence over the securing of internal financial and human resources:

> "I think legitimacy is a great word… [the GM] has that legitimacy. I think it is a respect for [the GM's] experience and skills, but proven track record as well. You can't buy that in."
>
> **Case Study B**

A recurrent theme among some of the smaller business was the need, provision and value of support and advice during start-up, and early growth stages. Several of the participant case studies reported the benefits of strong relationships with mentors. These individuals offer motivational support in addition to the benefit of their experience and business acumen:

> "Faith that it's having an impact and that it's growing. Mentors who provide advice and support…My mentor actually because he's helped me be really clear about what I'm doing so that what I'm forming is actually quite coherent; it's not just random stuff. The other thing I suppose in this case has been working with healthcare practitioners has given me a reputation."
>
> **Case Study D**

SECTION FOUR:
THE ROLE OF BOARDS AND GOVERNANCE MODELS

The third area of focus relates to the importance of boards and governance models, where applicable, in guiding, supporting and controlling many aspects of the social enterprises' financial resourcing strategies. Some participants reflected on the influence of governance, particularly the importance of both parent (non-profit) and stand-alone boards in assisting the search for resources to support the enterprise. For example, Case Study A, which auspices a social enterprise, makes clear:

> "[the social enterprise] has required a lot of investment by our Board. They have been great in supporting that. We did secure Government funding…but struggled to make money."
>
> **Case Study A**

> "the Board have invested a lot of money to get us this far but we're at the point now where they're saying it can't go on. So the dilemma is what do we do? So money is a major factor and like any Board, it comes to a point where they say well we can't keep propping it up. It has to make money for itself. It has to be self-sufficient."
>
> **Case Study F**

The traditional role of the non-profit board, that of control and direction, is evident in social enterprises that are supported by 'parent' non-profits. Social enterprise boards also fulfil multiple additional roles; for example, boards are seen as critical to initial start-up resourcing. The findings show that, alongside the traditional view of the board, the board acts as a resource, the nature of which alters depending on the organisational and industry context. A strong theme in the data is that Boards need to be 'hands-on' and have some formal or informal capacity to advise and access resources (including networks) to assist in the achievement of strategic goals:

> "I don't know how many times the Board have had this conversation, hey we need to go for this grant, have we got any money to pay someone to write it? No. So we can't go for it. Then it's like well can someone on the Board write it? So that's what I've been strongly pushing is that the Board of a not for profit is not a Board that just reads the monthly reports and turns up to a meeting. Like my Board is hands on. They have to be. They have to be out there trying to obtain sponsorship and any kind of support."
>
> **Case Study G**

In contrast to this view, and in support of a more dynamic, skills-oriented Board, some organisations report challenges of working with Boards and non-profit decision cultures. Typical challenges include lengthy lead-times for funding support and slow decision-making:

> "So there are opportunities throughout the year at which to apply for funds for [the Board's] support, if our contract is coming to an end, to go back to them and say, this is where we're at. With the time-lining of our projects, it hasn't matched the timeline of their decision making, which has meant that there have been times when…I've just had to be in limbo for one to two weeks until the board makes a decision."
>
> **Case Study C**

SECTION FIVE:
RESOURCING REPORTING BEHAVIOUR

Resourcing strategies and processes are often debated, progressed and communicated accompanied by the production of internal reports which are used to inform the decision making process of management and the consequential allocation of the resources within the organisation. External reports, primarily annual reports, are used to communicate resource strategies processes and outcomes to external audiences, including potential investors and other stakeholders. In order to gain further insight into their resourcing behaviour, this section examines the content of the internal and external reports generated by the social enterprises. This will aid in better understanding the resourcing governance and the communication of formal and informal resourcing processes to internal and external stakeholders.

Resourcing strategies and processes also involve the best use of all resources and relationships that can help an organisation achieve their objectives. Many reporting models have historically relied on financial capital, but it is recognised that, for social enterprises, consideration of all resources and relationships is required. Financial resilience is not restricted to the achievement of financial aims, but extended to the sustainability and management of various resources and forms of capital. Therefore, the communication about a social enterprise's position and performance requires an extended framework that covers both financial and non-financial aspects.

A current structure to achieve this is Integrated Reporting, incorporating Integrated Thinking, which is defined as enhancing the way organisations think, plan and report the story of their business (IIRC 2013). Integrated Thinking focuses on how organisations make business decisions that best utilise all their available resources and relationships (not just financial but including their staff, intellectual property, environmental, and supplier and customer relationships) to implement a strategy for long-term benefit. Integrated Reporting then focuses on how to communicate (both internally and to external stakeholders) a social enterprise's unique value creation (social benefit) story.

Reporting behaviour is not only connected to formal resourcing processes, but also to the informal processes of bootstrapping and bricolage. As these strategies rely heavily on personal/professional networks and volunteer work—or the human and social resources of the organisations, the reporting of these resources and processes is relevant for both internal and external audiences. Also, given the emphasised role of the board and overall governance in directing and controlling resources, the information on governance issues is critical for decision making in regards to resources.

A coding scheme was developed by the research team to capture the reporting elements in the internal and external documentation of social enterprises, based on the components of the Integrated Reporting Framework (2013). The coding classified all information in minutes of meetings (internal documents) and external reports (annual reports and other reports for people external to the organisation) into the following classifications:

1. Financial considerations and performance

2. Non-financial considerations (important for discussion and disclosure under Integrated Reporting)

- Organisational overview and operating context
- Governance
- Opportunities and risks
- Strategy and resource allocation plans
- Business model
- Non-financial performance and outcomes
- Future outlook
- Other

Expectations:

Historically, it would be expected that organisations will focus equally on financial and non-financial matters in internal reporting documents, but this shifts to a two-thirds focus on financial matters and one-third non-financial in external documents. This may differ along dimensions such as size, life-cycle stage and governance considerations.

Preliminary Results:

Based on the classification of the minutes of meetings (internal documents) and external reports for those case studies examined to date, annual reports primarily contain information on the organisation and its activities, non-financial performance, and financial performance. There is currently little information presented on business models or opportunities and risks facing the organisation. There is a very small amount of information presented on strategy, governance and the future outlook. Generally, the outlook is focussed on service delivery and implementation, and how to achieve this. There is little "big picture" information currently contained. It is possible that social enterprises are so busy focusing on how to obtain funding and maintain services that there is no time for strategising, and/or they feel no need to review or change their strategy. For internal meetings there is still a focus on financial considerations, although there is more documentation to support discussions around strategy and risks, but not much documentation to support discussions around non-financial reporting and the future outlook. In summary, this preliminary analysis of resource reporting behaviour suggests that the social enterprises in the study primarily focus on their activities around financial resources in regards to funding and allocation of the funds. The internal and external documentation revealed their lack of emphasis on longer term related issues around maintaining a sustainable business model and non-financial performance outcomes, and discussions around the future outlook for the organisations.

Figure 2: No. of operational documents from case study social enterprises

Internal Documents	No. of Documents
Minutes from meetings	4
Budgets/forecasting	5
Financial reviews	2
Operational profiling/review	4
External Documents	**No. of Documents**
Tendering opportunities	8
Annual reports	5
Financial statements	9
Strategic plans	6
Year book	2
Total	45

SECTION SIX:

FINANCIAL PRODUCT/SERVICES FOR SOCIAL ENTERPRISES AT GROWTH AND EXPANSION STAGES

The final stage of analysis for Wave One involved exploring case study organisations' experiences of barriers to accessing external finance, as identified in Snapshot Report 2. The findings show the common types of finance sought by social enterprises in the study, as well as the typical barriers that are faced, some of which are more prominent than others listed in the initial review.

For example, in two cases, we found that the non-profit organisational form was considered helpful in accessing grant funding which otherwise would have been out of bounds. When it comes to issues of growth, many case studies at this stage were frustrated by the confusing mix of sources available, and restrictions on which type of organisations can apply for the funding. Those social enterprises in the study that are seeking further growth identify different sources of external finance they have obtained:

> "I know the conversations for social bonds are starting to happen in Western Australia…I think local and state government do have a role to play – are they going to put the same sort of compliance onto us as at the moment if they support us?"
>
> **Case Study F**

> "I guess one of the things we're struggling with is we want to duplicate this in other places, we want to help people do that but we are just not funded to do it by anyone. Once we've got a cash surplus - so at the end of this financial year we'll have a reasonable cash surplus, then the Board can think about investing."
>
> **Case Study G**

Some small social enterprises report the challenges of obtaining finance due to unrealistic expectations on behalf of financiers. This appears to cause some significant issues either when starting-up or initiating growth phases, and specific funding for social enterprises at different scales is one way to overcome this barrier:

> "My goals weren't quite as high as [the funding body] were aiming for so they were suggesting a minimum of $100k in their grants operating as my own as a sole trader as opposed to having a not-for-profit status which is one of the first most common knock-backs for accessing these grants."
>
> **Case Study E**

Building on this theme, some case studies found government and philanthropic grant-making award criteria restrictive, creating challenges in fully costing for the required financial resources. This creates further issues when combined with other resource needs that require, for example, obtaining and signing leases for work space, recruiting volunteers and ensuring the availability of short-term debt to ease cash flow constraints.

> "The problem with grants is that unless you do something around differential in rates for staff - so I'm going to put in the grant that there's 100 hours towards delivering this grant program. I'm going to put in the grant that the staff are paid $80 an hour but I'm only going to pay them $40 [to cover] my insurance and rent and all the rest of it."
>
> **Case Study G**

Many of the case studies reported a willingness to diversify their revenue streams in order to meet the resource needs of their businesses. This covered social enterprises within larger non-profits, as well as small independent social enterprises. In both scenarios, organisations that have limited access to further internal funds, have turned their attention to developing the business to attract investment.

> "In terms of where our money comes from, it's a bit of a mix really. So we have access to some grant funds…might be through donations, it might be through sales. We work alongside community organisations that often have that client base, so often they're the ones that are applying for grants almost on our behalf. So they obtain funds in a whole range of different ways for their clients to access [our service], and then they purchase that service from us."
>
> **Case Study C**

Implications

The findings uncover new insights into how formal and informal resourcing strategies are developed and operationalised in social enterprises. We found that, as expected, each organisation reports a series of formal and informal processes through which resources are sought and obtained, which are used in tandem. Importantly, these processes are strategic, in the sense that they form part of a formal business plan linked to mission fulfilment, and/or how informal networks are identified, recruited and utilised to access or provide resources. Also, the processes reported by the key informants were nuanced by organisation type (especially if the social enterprise is under the auspices by a parent non-profit/charity), and stage of business development. Broadly, it is clear from the Wave One interviews that all participants report the use of, or seeking access to, all of the tangible and intangible resources summarised in the initial review (see Snapshot Report #2). Case study organisations seek out a range of tangible and intangible resources, and utilise their relationships with collaborating and/or supporting organisations to leverage resources where possible. Figure 3 illustrates the interplay between social enterprise resourcing strategies, the mediating role of the social enterprise board, and the availability and provision of external resources.

Figure 3: A dynamic model of resourcing strategies among social enterprises

External provision of resources
 - Tangible and intangible
 - Financial and non-financial

Interface between organisation and external environment
 - Role of boards
 - Governance, management culture

Resourcing Strategies
 - Formal processes
 - Informal processes (bootstrapping and bricolage)

BOX 2: FOUR KEY FINDINGS

1. Social enterprises partake in reviews of resource strategies, which help improve their ability to source and secure the resources they need to operate.

2. Bootstrapping and bricolage behaviour are present in all case studies, and are in continuous use. These are informal strategies and complement formal processes by creating opportunities for engaging with key audiences, encouraging new business development, external financing opportunities, new customers and profile-raising activities.

3. The social enterprise board acts as a resource, as well as a gatekeeper. The evidence indicates that tensions between oversight and operational support are common, and also supports the development of the skills-based boards.

4. Depending on stage of business development, social enterprises have different resourcing needs, and require accessible external support from government or significant financial institutions. They also lack of structured financial support of an appropriate scale specifically for social enterprises, combined with non-financial support, such as mentoring and business advice.

There are four implications arising from the analysis of Wave One data. First, is the finding that several of the case study organisations, irrespective of organisational size, partake in reviews of their resourcing strategies. To date, very little evidence exists that illustrates this occurs, or the dynamic interplay between resource planning and action among social enterprises (Mason and Doherty, 2015). Wave One data shows that resourcing strategies can be improved by regular reviews, involving collaborative approaches to identify ineffective processes. Indeed, reviews appear to be critical to ensuring social enterprises are effective in identifying and acquiring new or latent resources. Collaborative reviews can take the form of open, reflective dialogue with key stakeholders, often with senior colleagues, executives, the Board, or mentors. This reflects how transparency and coordination can reduce information asymmetries and improve business processes (Huybrechts and Nicholls, 2013). This contributes new evidence to support the development of social enterprise decision-making models that reflect their unique context and the tensions they face.

Second, we now have access to significant and detailed accounts of how social enterprises access their resources. This illustrates that patterns of bootstrapping and bricolage behaviour are present in all case studies, and are in continuous use. Bootstrapping is more common in start-ups, often relying on personal finance for turning ideas into businesses. In the case of social enterprises under the auspice of larger non-profits, bootstrapping is evident in efforts to increase revenue through diversification and new service development. In addition, there are processes for legitimately requesting seed funding and on-going support from boards. Building on this, we see there are informal strategies used to overcome barriers and challenges to the ongoing viability of the enterprise. Bricolage is evident across the cases, and is often illustrated by the creative spark that allows social enterprises to circumvent perceived barriers. This includes frequent internal and/or external networking to win support for the social enterprise, its mission and impact. The informal strategies complement formal processes by creating opportunities for engaging with key audiences. Outcomes of this include new business development, external financing opportunities, new customers and profile-raising activities. Although social enterprises are often run in a similar way to traditional businesses, the data shows that both bootstrapping and bricolage are in continuous use. There appears to be a core tension surrounding the tactical use of these approaches, alongside a broader, strategic organisational approach to obtaining longer-term finance.

Third, a strong theme emerging from the data concerns the role of the board as a resource, as well as a gatekeeper. Existing studies of social enterprises, and their governance, suggest that as hybrid organisations they adopt and adapt flexible structures and processes to cope with organisational tensions (Smith, Gonin and Besharov 2013; Mason and Doherty 2015). These tensions are often seen as the struggle to balance commercial focus alongside social mission, or in mission drift (Ramus and Vaccaro, 2015; Mair, Mayer and Lutz, 2015). Our evidence indicates that boards are also subject to some tensions, while playing a key role in alleviating others. While this is similar to existing knowledge (Cornforth 2001) it also provides new insights. For example, some cases explore the idea that business needs require the board to play a 'hands-on' role. This includes:

1. Supporting resource acquisition:

   • Utilising external networks and expertise

   • Legitimising resource strategies among stakeholders

   • Assisting with grant writing, obtaining latent resources.

2. Ensuring transparent governance and organisational accountability:

   • Establishing and enforcing reporting requirements

   • Regular auditing processes

   • Upholding fiduciary duties to core stakeholders.

The evidence indicates that tensions between oversight and operational support are shared across many of the case studies, and that board members appear receptive to their role as a 'resource'. This seems to take place on an informal basis, and is strengthened by the quality of relationships between staff. We also see support for social enterprises adopting current thinking around the skills-based, or novel, board (Doherty, Haugh and Lyon, 2014). This encourages the selection of board members with particular expertise to strategically guide and support the social enterprise based on the skills needed. Yet, it also indicates a changing governance structure and culture, away from traditional non-profit models. We need to understand the implications of these tensions as they relate to resourcefulness, as well as the conflict with traditional board roles.

Finally, it is clear from the data that for social enterprises in start-up and growth stages, a high level of creativity and flexibility is required in order to access the required resources. Although bootstrapping and bricolage are a common feature of setting up any business, there are implications for the development of more formal, structured financial resources. Many of the respondents refer to the need for accessible external support from government or significant financial institutions. These include social impact bonds, Social Enterprise Development and Investment Funds (SEDIFs) and innovation grants. A secondary theme emerging from the data was the lack of structured financial support of an appropriate scale specifically for social enterprises, combined with non-financial support, such as mentoring and business advice. We know that this type of structured support has been used to develop social enterprises, as seen in other countries. These include the United Kingdom (e.g. Social Impact Bonds and targeted social investment tax relief), Canada (e.g. Patient Capital Fund) and in Australia (i.e. SEDIFs).

WHERE TO FROM HERE?

Based on the findings from Wave One, the study will now proceed with the secondary data collection and analysis, followed by the second round of interviews as part of Wave Two. In particular, we shall map the patterns of bootstrapping and bricolage closely, alongside the frequency of applications and requests for external finance from traditional channels. This will provide a clear view of which external events prompt particular formal and informal strategies to be deployed. It will also encourage further debate among financiers concerning the structure and deployment of finance for social enterprises. If key interventions and support are typically required for social enterprises at a given stage of development, products and services can be designed to accommodate this. Also, the needs of social enterprises at varying stages of growth and maturity will differ, and evidence of their particular needs will likely emerge from Wave Two.

We also need to ask more questions of the importance of particular governance arrangements that promote resourcefulness. Understanding this will allow us to see whether the 'board as resource' plays a significant role in connecting internal needs with external opportunities. Finally, we will use the collection of secondary data to analyse changes in formal reporting over the term of the project. This will enable us to link together how processes are explained through interviews, with the way that performance is reported to key audiences. The findings from wave two will be presented in Snapshot Report 7 (forthcoming, April 2017).

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APPENDIX – TABLE 1

Case Study	Type	Business Activity	Location	Legal form	Stage of Growth[3]	Beneficiaries	Example sources of revenue
A	SE within non-profit	Retail	Metro, Regional	Pty Ltd Company	Take-Off	Unemployed, young people, disadvantaged women and men.	Fees, grants, interest, sales, rental income.
B	SE within non-profit	Healthcare Services	Metro, Regional	Incorporated Association	Success	People with disabilities, older people.	Government subsidies, grant income, donations, commercial revenue.
C	SE	Networking	Metro, Regional	Incorporated Association	Take-Off	A particular geographic community.	Event income, grants, sales and donations.
D	SE	Healthcare services	Metro, Regional	Sole Trader	Survival	People with disabilities, people with mental illness.	Sales.
E	SE	Retail	Metro.	Sole Trader	Existence	Disadvantaged women and men.	Grants, fee for service.
F	SE within non-profit	Food retail	Metro, Regional	Company Limited by guarantee	Survival	People with disabilities.	Grants, donations, interest.
G	SE	Business support	Metro, Regional	Incorporated Association	Growth	A particular geographic community, other organisations.	Fee for service, grants.
H	SE	Training	Metro.	Incorporated Association	Survival	Young people	Grants.
I	SE	Retail	Various	Company Limited by guarantee	Survival	Environment, young people.	Fee for service, grants, donations.
J	SE	Training	Regional, Rural	Company ltd by guarantee	Survival	Young people, Aboriginal and Torres Straight Islanders.	Grants, fee for service.
K	SE	Food retail	Metro.	Company Limited by guarantee	Growth	Environment, unemployed people, homeless people.	Trading income, donations, grants.

[3]These categories are based on the Lewis and Churchill (1983) model of business growth and development. Please note that the categories are approximates, and only reflect the status of business as described by participants.

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#1 - March 2015

Flatau, P., Zaretzky, K., Adams, S., Horton, A., & Smith, J. (2015). Measuring Outcomes for Impact in the Community Sector in Western Australia, Bankwest Foundation Social Impact Series No. 1, Bankwest Foundation, Western Australia.

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