Finding Australia's Social Enterprise Sector 2015 Interim Report

June 2015

Jo Barraket

FASES 2015 Interim Report

Table of Contents

FASES 2015 Interim Report

This working paper is published by **the Centre for Social Impact (CSI) Swinburne**. **CSI** is a collaboration of three universities: UNSW, Swinburne University of Technology, and the University of Western Australia. CSI's mission is to improve the delivery of beneficial social impact through academic and applied research, teaching, measurement, and the promotion of public debate.

About the Paper

This is the interim report of the Finding Australia's Social Enterprise Sector (FASES) 2015 project. FASES 2015 is a research initiative conducted in partnership with Social Traders. CSI Swinburne working papers are unrefereed, published to disseminate research in progress that stimulates discussion and advances knowledge about progressive social impacts. Download available at www.socialtraders.com.au/FASES

The correct citation for this paper is: Barraket, J. (2015) *Finding Australia's Social Enterprise Sector 2015 Interim Report*. Working Paper 2015.1. Centre for Social Impact Swinburne & Social Traders. Melbourne, Australia.

About the Author

Jo Barraket is Professor and Director of CSI Swinburne. She has been researching social enterprise for 21 years and was the principal research designer and author of the first FASES project.

FASES 2015 Interim Report

ACKNOWLEDGEMENTS

FASES 2015 Interim Report

EXECUTIVE SUMMARY

This report details the findings of a series of 13 workshops conducted with 75 participants as part of the Finding Australia's Social Enterprise Sector 2015 project. The purpose of the research was to explore participants' experiences of the barriers and opportunities available to Australian social enterprises. The major themes identified across the workshops were:

- The opportunities and challenges for increasing markets and impacts of Australian social enterprise through social procurement;
- The challenges of adapting staff profiles and governance arrangements as social enterprises move through different stages of development;
- Opportunities for growing impacts through supply chain development between social enterprises and between social enterprises and other business types;
- Challenges associated with accessing suitable social finance, particularly at consolidation and expansion stages of development;
- Challenges associated with demonstrating value, related to lack of consensus about the veracity of different metrics and methodologies and the overall value of undertaking this work; and
- The need for coordinated advocacy – to both governments and the public – of the benefits and needs of social enterprise.

While these themes were the most consistently articulated, various factors determine the experiences and needs of social enterprises. Table One below summarises the differences observed in workshop discussions.

Table One: Organisational Differences in Dominant Themes

Distinguishing Factor	Dominant themes
Stage of business development	- Need for networking and peer support (start-up social enterprises) - Challenges accessing expansion capital (established social enterprises)
Origin of social enterprise	- Need for networking and back-office support (founder-led social enterprises) - Challenges of effective governance (non-profit owned social enterprises)
Business model	- Challenges establishing legitimacy with funders/investors/existing social enterprise networks (profit distributing social enterprises) - Customer perceptions of lower quality and related price sensitivity (non-profit owned social enterprises) - Challenges and opportunities of balancing growth with beneficiary/member involvement (cooperatively owned social enterprises)
Customer base	- Challenges and opportunities of social procurement and quasi-markets (business to business/government social enterprises) - Opportunities of ethical consumption and challenges of limited public awareness of social enterprise (business to consumer social enterprises)
Industry and/or mission	- Market opportunities specific to industry - Regulatory impediments specific to industry - Challenges of customer perceptions of the capabilities of workers/beneficiaries
Geography	- Challenges of limited access to formal peer support/ intermediaries and opportunities arising from organic response to these gaps (regional social enterprises) - Challenges of increasing competition and opportunities for supply chain development between social enterprises (metropolitan social enterprises) - Challenges and opportunities related to social finance specific to state policies and presence of intermediaries

FASES 2015 Interim Report

1.0   BACKGROUND

The second wave of the Finding Australia's Social Enterprise Sector (FASES) project was initiated by Social Traders in partnership with Centre for Social Impact (CSI) Swinburne in late 2014. From September 2014-April 2015, 13 workshops were conducted across six states to discuss the challenges, opportunities and needs of Australian social enterprises as part of the first stage of this study. In mid-2015, a national online survey will be opened to collect further information about the current locations, practices and activities of social enterprises in Australia.

For the purposes of identifying participants for the study, social enterprises were defined utilising the definition from the first FASES study as organisations that are led by an economic, social, cultural, or environmental mission consistent with a public or community benefit; trade to fulfill their mission; derive a substantial portion of their income from trade; and reinvest the majority of their profit/surplus in the fulfillment of their mission. Social enterprises exist for a variety of reasons, including: to provide goods and services in response to an unmet community need; to generate revenue to reinvest in a charitable purpose; to create employment or pathways to employment for people facing barriers in the open labour market (sometimes referred to as Work Integration Social Enterprise); and to innovate in responses to a complex social or environmental issue.

2.0 METHODOLOGY

A purposive sample of 75 people participated in the workshops. Potential participants were identified through the networks of Social Traders and CSI Swinburne and augmented with web searches for social enterprises in specific locales. Workshop participants included: founders or senior managers of start-up social enterprises; founders or senior managers of established social enterprises; CEOs or senior managers of not for profit organisations engaged in some enterprising activities; and representatives from social enterprise intermediaries, government, and philanthropy with specific experience in or responsibilities for policy and strategic development of social enterprises in Australia. Those who agreed to be named as having participated in the workshops are listed in Appendix A.

Table Two summarises the workshop types, locations and number of participants.

FASES 2015 Interim Report

Table Two: Summary of Workshop Composition

Group Type	Location	Number of Participants
Mixed	Hobart	4
	Brisbane	9
	Bendigo	4
	Adelaide	4
	Perth	5
	Thirroul	6
Established SEs	Sydney	4
	Melbourne	10
Start-up SEs	Melbourne	6
	Sydney	4
Policy and Development Intermediaries	Sydney	9
	Melbourne	5
Enterprising Not for Profits	Melbourne	5
Total		**75**

All workshop discussions were transcribed and coded using Nvivo 10. Thematic analysis was used to identify core themes and differences in participants' responses. A summary of the results is presented below, based on themes that emerged from the analysis.

3.0 RESULTS

The themes identified in the analysis are categorised according to challenges and opportunities related to: organisational development; market development; mission development; and the operating environment. The process effects of the workshops are then briefly reflected on, and an analysis of difference in experiences across the sample is then presented. The strength of particular themes is noted in the text.

3.1 Organisational challenges and opportunities

3.1.1 Staffing for hybridity and organisational change

Participants at seven workshops identified staffing issues as a challenge and an opportunity for social enterprise development. Challenges included attracting high quality staff with minimal incentives, 'bringing staff along' when transitioning from a grant funded to an enterprising organisational culture, and difficulties recruiting staff with the necessary mix of social development and business skills suitable to the hybrid nature of social enterprise:

FASES 2015 Interim Report

[In social enterprise] You've got to move through the NGO sector, the private sector and the government sectors. That's a mammoth task. Of course we don't have the right people working for us. Who are the right people?! (Enterprising not for profit workshop, Melbourne)

Several participants from organisations that were moving from start-up to consolidation or expansion also reflected on the challenges – both practical and emotional – of changing staffing profiles as organisations matured, acknowledging that staff brought on at start-up did not always have the right skills and values mix for more established organisations:

So getting those right people on board is really difficult. If you make a mistake - and I did make some early mistakes regarding people - you pay the price for it. Compromise on who you get, because you can get them rather than them being the right people, means you go backwards in your culture. (Start-up social enterprise workshop, Sydney)

While it was generally agreed that this was an issue that affects all organisations as they mature, some participants suggested that the newness of some social enterprise models meant that they were charting unknown territory in terms of the staff competencies required for future success. Participants in workshops in Adelaide, Sydney, Brisbane, and Perth also identified current societal interests in combining work with having social impact as a potential opportunity for social enterprises:

I think the sector is attracting a lot of people from the private sector. I'm one of them. I was working in law firms and questioning why I was doing what I was doing. The only impact I could see was my boss getting a better Mercedes. (Mixed workshop, Adelaide)

3.1.2 Governance and Organisational Culture

Challenges associated with governance were a dominant theme of discussions, raised at nine of the workshops. Participants from social enterprises that operate within larger not for profit organisations observed that they experienced difficulties in legitimising their work in the eyes of staff from other units of their organisations, suggesting that the overarching organisational culture was not always supportive of social enterprise practice.

Changes in skills mix and organisational culture to support maturing social enterprises was further identified in relation to governance processes and board compositions. Participants at five workshops noted that 'bringing the board along' as a social enterprise grows can be a challenge:

I think the difficulty with a governance board...is that in a start-up they have to be a little more hands-on. They've got to have their fingers on the operational as well as the strategic and risk management. It's that blurring of lines in a start-up that becomes very tricky. (Start-up social enterprise workshop, Melbourne)

FASES 2015 Interim Report

Participants whose social enterprises were located within larger not for profit organisations observed particular challenges in operating responsive businesses, where the organisations' boards were primarily oriented towards charitable and/or service-delivery cultures consistent with the 'primary' work of the organisation. Participants at two workshops whose social enterprises were located within not for profit organisations that had recently undergone mergers or substantial organisational restructuring indicated that lack of knowledge of social enterprise needs and operations within their boards substantially limited their capacity to grow their activities or their impacts.

> *But all of a sudden we've got a Collins Street board that's managing us now. We've got extra layers of management. They haven't got any social enterprise. They don't even know what social enterprise is (Mixed workshop, Victoria)*

> *The board have been largely absent from lots of decisions, and so I guess when I think of governance I have to look at what direct [effect] they have on an enterprise when you're sitting with in an organisation, and to a large extent they don't. They don't really get it. They waver between are we a business, are we an opportunity for young people…to get some education? And they [prevaricate] between the two. (Start-up social enterprise workshop, Melbourne)*

3.2 Market challenges and opportunities

3.2.1 Social Procurement & Supply Chain Development

The most dominant theme and frequently identified opportunity for social enterprise market development – raised at all 13 workshops – was social procurementi. Social procurement by governments was the most commonly discussed opportunity, although the potential for social procurement by the corporate sector, small to medium enterprises and the not for profit sector was also raised.

> *I think probably the best way to activate government without asking government to put another dollar on the table to support or cultivate a sector is actually say why don't you just repurpose the money you already spend… - the billions of dollars that you spend buying products or commissioning roads or building roads or building trains, building whatever and actually try and activate social enterprise through traditional procurement laws of government? (Policy and Development Intermediaries Workshop, Sydney)*

Some participants from rural and regional areas saw social procurement as a source of survival for locally-oriented organisations and described pro-active approaches they were taking to raising awareness with prospective purchasers:

> *We go into the [local council of a rural town] and say: 'this is what we want to do. By the way, if we tender for your services and you give it to us; you are actually giving back to your*

community by the projects that we are funding through your money'. (Mixed workshop, Bendigo)

A number of participants from policy development backgrounds agreed that social procurement by the public sector represented a real opportunity for social enterprises. However, they noted that there were challenges for governments in integrating different institutional demands on procurement processes, which needed further attention if this opportunity is to be fully realised, with one policy professional reflecting:

…social procurement is very important to us…We are also required to maximise participation opportunities for small business. We're also required to achieve environmental outcomes. We're required to achieve - I won't be able to remember all of them, but there will be 10 or 15 policy outcomes that we're required to achieve in addition to the one that is close to our heart which is social procurement. (Mixed workshop, Adelaide)

Participants from social enterprises active in developing social procurement opportunities, particularly with local governments, noted that the practice was ad hoc, with success typically based on relationships rather than guided by clear policy and practice imperatives:

Finding that person, that right person to build that relationship, to collaborate and co-design the process of procurement. It's very difficult, it's like a needle in a haystack (Mixed workshop, Brisbane)

Even where there were policies in place to support social procurement, participants felt they were having limited success due to price sensitivity of local governments:

… we have one council which I won't name, who are a leader of promoting social enterprise and we lost a tender over 10 cents apiece…overall it would have been an impact of less than $10,000 but they said that they had 70 per cent of the weighting was the scoring on the price point… (Mixed workshop, Thirroul)

Other participants were more focused on the market development opportunities afforded by social procurement through private for profit businesses, suggesting that there was typically greater flexibility of decision-making amongst private firms, and commercial potential to partner with private for profit firms in tendering processes:

But does the opportunity lie within building a relationship with government or building the relationship with corporates who are winning these tenders to pick up that five per cent? (Mixed workshop, Brisbane)

Participants from social enterprise, government and corporate philanthropy also suggested that developing procurement opportunities and supply chain relationships with the corporate sector could increase social impacts by influencing corporate behaviour. A number of participants from the corporate sector and

philanthropy reported increasing awareness and practice of social procurement within their organisations and saw this as an opportunity for social enterprises that could be further developed.

Some participants noted that the private for profit sector comprises a great many small to medium enterprises (SMEs), which are often overlooked in favour of large corporate firms when thinking about social procurement. At two workshops, developing supply chain relationships with SMEs was identified as a potential opportunity for developing markets through social procurement and deepening impacts by purchasing within the local community.

The potential of the social enterprise field and the social economy more broadly as a source of social procurement and supply chain development was also discussed at four workshops, with a number of participants observing that social enterprises themselves were not strong social procurers. With regard to the not for profit sector, a culture of under-costing and under-valuing was widely observed as a limitation of the sector as a source of social enterprise market development:

> *Not for profits are our worst customers because they want it free* (Established social enterprises workshop, Melbourne)

One participant from a social enterprise located within a larger not for profit also noted that competitive pressures faced by the host organisation sometimes limited their options with regard to collaborative approaches.

3.2.2 Consumer demands and public perception

Public perceptions and changing consumer needs were identified as both an opportunity and a challenge for social enterprise, both in deepening their impacts and growing their markets. On balance, participants felt that there was greater public awareness of social enterprise than there was five years ago, but this awareness was still relatively limited. Lack of sector-wide marketing and awareness raising of social enterprises was nominated by participants in Adelaide and Brisbane as a limitation to growth.

Participants in Brisbane, Bendigo and Perth identified growth in ethical consumption as both a mission and a market opportunity for those social enterprises whose primary customers are individuals in the open market.

Challenges of public perception and consumer behaviour raised by participants included: misperceptions that social enterprises are predominately subsidised by government funding; lack of public understanding about the need for philanthropic support where social enterprises require a proportion of mixed-resourcing to fulfill their missions; limited public appetite to pay a premium for social value creation, with price sensitivity as critical to social enterprise as it is to any commercial enterprise; and public misperceptions about the quality of goods and services – and thus the suitability of charging market prices – provided by social enterprises. It is notable that the latter observation was made at three workshops by participants representing social enterprises whose primary beneficiaries were people with a disability.

FASES 2015 Interim Report

Some participants – particularly those from social enterprises owned by not for profit organisations and competing for government contracts – suggested that industry competitors at times exploited client prejudices about social enterprise capabilities:

> *If [competitors] want to poo-poo us, literally, they can get away with it because we have this - we've got this tag of charity, not very efficient business. (Mixed workshop, Thirroul)*

3.2.3 Quasi-market development

At least 25% of workshop participants represented social enterprises whose primary or major clients were governments. Quasi-markets – that is, markets created by governments to introduce competitive principles to service delivery - were thus identified as both an opportunity and a challenge by these participants. The most frequently discussed emerging quasi-market was the National Disability Insurance Scheme, which was characterised as both a great opportunity for social enterprises and a great challenge, particularly for existing disability services organisations:

> *we've got approved provider status for everybody and we're just watching, but there are a lot of people that are not happy with the current status quo so we're hoping to change. (Established social enterprises workshop, Sydney)*

 Education services – related to national curricula developments and post-secondary investment in international student mobility programs – were also identified as market opportunities in one workshop. In two workshops, participants whose social enterprise clients were primarily governments noted that stability of demand is challenging to plan for in volatile policy environments where program investments are redirected or abolished at short notice.

3.2.4 Marketing and communications

Participants in three workshops identified that their organisations made limited investment in and had limited knowledge of marketing and communications, and viewed this as a constraint on developing markets. This also relates to challenges of measuring and demonstrating social value, which is discussed in relation to mission fulfillment below. Improving the general brand equity of social enterprises through regulation or certification processes was raised at five workshops; this is considered further in relation to policy and regulation.

Participants from social enterprises located within larger charitable organisations noted that the charitable brand could be an enabler or a constraint on market development in different circumstances. For those seeking to scale their businesses nationally, a national charitable brand was seen as beneficial. For those whose social enterprises were operating in industries for which the charity was not known, association with the charity was viewed as limiting market opportunities in some instances.

3.2.5 Opportunities and Constraints on Innovation

Advances in online and mobile technologies were identified as an emerging opportunity for those social enterprises that trade in non-local markets or serve beneficiaries across geographic locales:

FASES 2015 Interim Report

I think that technology means that we actually look beyond our back door too. We sell all over the world. We don't need to have a shop front now. We can do most of our sales through the web. (Mixed workshop, Bendigo)

Advances in renewable energy technologies were nominated as an area for market development and business leadership consistent with the ethos and resource capabilities of social enterprise. Identified opportunities to grow the social impacts of social enterprises included new partnerships and new combinations of resources between social enterprises and across sectors. This is discussed in 3.3.2 below.

Participants whose social enterprises or enterprising non-profit had government as a principal client generally identified lack of risk appetite as a significant inhibitor of social or business innovation. Participants from community service organisations in two workshops observed that government contracts were an important financial instrument through which innovation could be incentivised, but noted that this was typically not the case:

There are a whole lot of limitations that are in those contractual agreements that actually stop an innovation. I think the real potential of social enterprises is to promote innovation in new ways of doing things because we're going to a much more tightly regulated purchase for service approach by government that they're really specifying exactly. (Policy and development intermediaries workshop, Melbourne)

3.3 Mission Development Challenges and Opportunities

Running a sustainable business and fulfilling the social or environmental purpose for which the business exists are typically considered as indivisible in social enterprisesii. Thus, issues related to mission fulfillment were closely interrelated with issues related to business development in workshop discussions. Areas where mission considerations were considered in detail related to demonstrating value and scaling impacts.

3.3.1 Demonstrating Value

The issue of measuring social impacts and being able to demonstrate social value to beneficiaries, financiers and other stakeholders was raised at ten workshops. This was typically articulated as a challenge, with participants noting that: there are no agreed metrics or methods for measuring social impact in Australia; different stakeholders have different information needs with regard to social value produced; social impact measurement is expensive and its value to the organisation not always clear:

I mean we've actually worked with [a social enterprise which is an accredited assessor of a particular impact measurement method]... The way in which social outcomes is measured. I couldn't explain it to you ... So if [the provider, which is a social enterprise] is unable to explain a not-for-profit, who is about social impact in a meaningful way, how are we able to actually get that message out to the rest of the world about impact or social outcomes? (Mixed workshop, Adelaide)

FASES 2015 Interim Report

At four workshops, participants expressed a desire for an overarching framework for measuring and demonstrating (social and local economic) value, suggesting that the social enterprise field – or industry sub-sectors within it – would benefit from an aggregate approach to measuring and demonstrating social value:

> *...it just seems to be people are measuring impact in so many different ways. There are tools out there to use but they're expensive and even in terms of talking about philanthropic grants and many organisations aren't interested in or will only give a small proportion to monitoring evaluation and so I think there's a challenge there and how to articulate what our social impact is in a way that maybe it would be great to have some kind of overarching framework that we could all feed into in order to articulate our cases. (Established social enterprises workshop, Melbourne)*

Others were more inclined to emphasise the value of communications – through storytelling – rather than common metrics in growing impacts, policy support and markets:

> *the best way of actually explaining what a social enterprise can achieve is through story telling. When you hear the story of Soft Landing mattresses down at Wollongong or the Resource Recovery guys on the Mid North Coast in New South Wales, that's where you actually begin to get understanding essence of what social enterprises are trying to achieve. That's probably much more effective through human storytelling ... rather than a policy paper or trying to lobby government in a technical way. (Policy and development intermediaries workshop, Sydney)*

Participants whose social enterprises were exploring new opportunities for social procurement – discussed above– suggested that rigorous academic analysis of the cost-benefits of some iconic social enterprise-government initiatives made widely available would be of greater value to them than individual attempts at measuring their impacts.

3.3.2 Scaling impacts

Practices of scaling social enterprises to scale their impacts were described as opportunities by participants at eight workshops. Approaches to recognising and using opportunities for scale differed across social enterprise business models and purposes. The founder and CEO of one work integration social enterprise described plans for replicating their activities across multiple national sites in order to serve a wider range of beneficiaries:

> *So yeah, for us it's about scaling the number of young people [we help] just by building more and more businesses, but businesses similar to the ones that we're already running and we've been testing for quite a few years. (Established social enterprises workshop, Melbourne)*

The representative of a social enterprise cooperatively owned by its workers described a spin-out model to increase the reach of the business and people's opportunities to participate in it while minimising operational burden on the original business:

FASES 2015 Interim Report

We want to be the best, but we don't want to be big. So the idea is … when there's a need for a new team and once they get to breakeven point, we're going to say goodbye, get your own ABN, there's your manuals, we'll train you for a week, see you later…(Established social enterprises workshop, Sydney)

A number of participants observed that having a national partner – in the form of the auspicing body of the social enterprise, a commercial partner who was subcontracting work to the social enterprise, or a social financier – was beneficial in operationalizing plans to scale nationally. However, participants whose non-profit auspices were national charities also noted limitations in scaling their impacts based on the mismatch between board decision-making timelines and commercial opportunities:

So …right now we've got an opportunity to… [take over the operations of a] good company, they went into receivership through some pretty bad decisions…We could be up and operating but the board direction is, okay, raise the [money] then we'll go and have a look at this program. But the tender closes this afternoon… (Mixed workshop, NSW)

While scaling the business to scale impacts was viewed as an opportunity by some, a number of people whose social enterprises operated within rapidly growing or changing industries – including IT and renewable energy - described challenges in managing growth and anticipating changes in industry direction. The general observation here was that pursuing commercial growth opportunities could undermine mission fulfillment if the resulting growth changed those aspects of the business operations that supported beneficiaries' social and economic participation. One participant described this as the balance between achieving 'shallow horizontal' and 'deep vertical' engagement with the people they seek to serve. This was a particular challenge for work integration social enterprises.

3.4 Operating Environment Challenges and Opportunities

3.4.1 Policy and Regulation

Much of the discussion about policy issues related to social procurement and contractual instruments, which are addressed above. With regard to regulation, the issue of legal forms for social enterprise was raised at three workshops, with some participants suggesting that a new legal form might assist in mobilising finance and distinguishing social enterprises in the market:

Some of the things that keep our social entrepreneurs awake at night are access to finance and the legal structure that works…So they start with being a sole trader and then lump into a company limited by guarantee and don't know where to go and find themselves boxed in and actually don't move into action because there isn't a clear pathway for that. (Policy and development intermediaries Workshop, Sydney)

Distinct from legal forms, participants at five workshops raised the question of whether certification of social enterprises by a legitimate third party might be beneficial in distinguishing social enterprises as social-benefit providers in the open market. In those workshops where questions were raised about either legal forms or certification processes, consensus about their value was not reached.

CENTRE for SOCIAL IMPACT | SWINBURNE UNIVERSITY OF TECHNOLOGY | SOCIALTRADERS

FASES 2015 Interim Report

A number of participants noted the difficulties of settling on key policy and regulatory issues affecting social enterprises, given the variety of industries in which they operate, suggesting that industry imperatives and related regulatory developments were more significant than generic challenges or opportunities for social enterprise development per se:

> *So, in the energy fields a lot of the social enterprises that have gotten up so far and the social projects that have gotten up so far, I think access to finance or new financial models would be useless because the departments that have become involved aren't actually doing it for the money... They're doing it to create community bonds, community connection, particularly in rural Aboriginal areas, but also in urban areas. (Policy and development intermediaries workshop, Sydney)*

One participant identified policy vacuums created by lack of political leadership in some substantive areas as a significant opportunity for leadership and consequent market development by social enterprises:

> *...it probably applies to other sectors as well, but we've seen the absence of political leadership is actually creating opportunity because everyone is frustrated and they want change. So by empowering those people to be part of change, there's an opportunity to have that latent demand. (Mixed workshop, Bendigo)*

At eight workshops, the absence of coordinated policy advocacy for social enterprise in Australia was noted, with several participants raising questions about whether there is a need for a peak body for social enterprise and, in Melbourne, Adelaide, and Hobart, whether Social Traders could appropriately fulfill that role. The need for a peak body was also mooted in relation to networking and peer support needs discussed below.

3.4.2 Networks, intermediaries and developmental support

Participants in five workshops expressed a desire for greater opportunities to access peer support and/or developmental assistance from people who understand social enterprise:

> *I'm also aware in Adelaide that there is...no organisational group or networking group where we can just get together and say what do you do? What do I do? How can we share skills or how can we share a space or just have a Facebook group or whatever. (Mixed workshop, Adelaide)*

These comments were strongest amongst those from nascent profit for purpose businesses that were not squarely located within the social enterprise domain, and in geographic areas where there is no strong social enterprise intermediary presence. It must be noted, however, that in locales where recognised social enterprise intermediaries did not exist, participants described a variety of arrangements – including established organisations auspicing or incubating new organisations and individuals initiating peer support networks – that were organically emerging in response to this gap. There was, however, general agreement that more coordinated support would accelerate social enterprise development:

I suppose the role of the intermediary…is often just to point at these things and say 'look, there's this thing over there, check it out'. I feel like maybe that's something that we're missing to some extent…it's really just finding the people who can point in the direction of something that's already happening, or someone that's passionate and someone was working in the space that you're interested in. (Mixed workshop, Hobart)

In some cases, however, intermediaries were experienced as drawing on the resources of social entrepreneurs without providing demonstrable benefits in return:

[We're asked by intermediaries] will you do this, will you do that but there's never any reciprocation of well, let us help you make that connection, find those people who are going to help you along your way so that I find really frustrating. (Mixed workshop, Perth)

The potential to grow the impacts of social enterprise through resourcing networks was also observed by those in strategy and development roles, who noted untapped potential of social enterprises to accelerate their (social and commercial) value added through clustering and network development. Participants from these groups suggested that there was a role for philanthropy to play in supporting the development of this network infrastructure.

3.4.3 Access to Finance

Participants at nine workshops expressed frustrations about the availability and appropriateness of social finance in Australia. Some experienced a mismatch between their financial needs and the availability of social finance particularly when seeking expansion capital:

But getting the right money at the right time, in the right format has been phenomenally difficult. In our case we've found that often we kind of fit between. There might be small pots of money or really, really large pots of money but we're kind of in the middle. So there're not enough zeros to talk to big players, but there's too many zeros to talk to little players. So it's just this in between space. (Established Social Enterprises Workshop, Melbourne)

Other participants, who were seeking equity investment through a variety of channels suggested that the social investment market is immature, resulting in disproportionately high transaction costs of sourcing investment due to lack of precedent, lack of certainty and lack of understanding about social enterprise amongst prospective social investors. One participant suggested there was a divide between the reality if impact investing and the image of these opportunities being projected by social enterprise intermediaries:

We're cranking people out of things like the School for Social Entrepreneurs, the Centre for Sustainability Leadership, the Centre for Social Impact, the new social entrepreneur courses at UNSW, UWA and other places around the country. So we're getting all these people really excited. At the same time, they're beginning to hear about this thing that is happening called impact investing where investors are prepared to do what they themselves are doing which is modify their personal goals as you have done and as we've all done probably, not maximising

our personal profits in life but look to make a social impact as well. Then they get incredibly disappointed, because there's no one who's funding the kinds of social enterprises (Start-up Social Enterprise Workshop, Sydney)

In one workshop, there was a dominant view that local social enterprise intermediaries were acting as gatekeepers, limiting rather than enabling connections between social enterprises seeking finance and prospective social financiers:

You've got the gatekeepers, the [intermediaries]… all of these people who kind of keep you apart from the ones who actually have the money. (Mixed Social Enterprise Workshop, Perth)

It was also noted, however, that the way a social enterprise has resourced itself in start-up can become a significant inhibitor when seeking new sources of finance:

…by conventional investment metrics, we're probably not investable in some ways… as a result of incentivising people with equity at every stage along the path, so we have a bunch of people who've left and are now dead equity. Investors hate that so much. (Start-up social enterprises workshop, Sydney)

Another participant observed that current focus on impact investing has not addressed the potential of mobilising community capital and this is a potentially lost opportunity:

If you can get the community to invest directly into a social enterprise for a community investment, as we do in the cooperative sector, you can actually set up a whole range of social enterprises that don't need to access finance from other organisations. (Policy and development intermediaries workshop, Sydney)

3.5 Beyond content – the workshop process

Multiple participants in the workshops reflected that they gained value from coming together with others in similar situations to discuss the issues experienced in their organisations. This suggests that there is intrinsic value simply in the act of talking with others with related experience, which reinforces the demand for peer engagement and support discussed in relation to development needs above. The research team also observed that at least one new arrangement – whether a new commercial opportunity, access to a new business service, a new commitment to share resources, or a new agreement to cross-promote activities – was made between participants at at least 11 of the workshops conducted. This suggests that peer-to-peer and peer-to-prospective client engagement can assist social enterprises to strengthen their businesses and increase their impacts.

3.6 Accounting for differences of experience

The social enterprise field is highly diverse and, while there were common experiences of challenges and opportunities amongst workshop participants, there were also differences. The drivers of these differences included:

Stage of business development – there was greater commonality of experience amongst start-up social enterprises and amongst established social enterprises than there was between these groups. Access to social enterprise development support and peer-to-peer networking was a more commonly expressed need amongst start-up social enterprises and, as discussed in relation to financing above, both groups expressed different needs and challenges in relation to financial support.

Origin of social enterprise – social enterprises established within existing not for profit organisations, social enterprises collectively established by communities, and social enterprises established by individual founders have different experiences of social enterprise challenges and opportunities. This may be attributable to the different organisational cultures and regulatory constraints in which they are operating, the different values they bring to social enterprise development, and differences in their dominant skill sets and past experiences of developing organisations.

Business model – differences – legal and operational – in business models generate different opportunities and challenges for running and resourcing social enterprises. There was greater commonality of experience between participants from social enterprises incorporated as or within not for profit entities, between those using a profit-distributing structure, and between participants from cooperatively or collectively owned business models than there was across these types. While certainly not true of every organisation represented, it was generally observable that non-profit distributing organisations had a higher tolerance for grant and donated income as a long-term feature of their resource mix, and cooperatively or collectively-owned organisations had a relatively more explicit interest in involving beneficiaries in their organisations than was expressed by those from other organisation types.

Customer base – related to the issue of business model, there are clearly significant differences in experience between those social enterprises whose customer-bases include 'upstream' (government) purchasers of their services and 'downstream' service users and those whose customers are individual consumers.

Industry and/or mission – participants from social enterprises operating in the same industries – particularly housing, food retail, education, cleaning and maintenance – had stronger common experiences of market opportunities and constraints than were expressed across the wider participant group. Social enterprises whose markets were predominately in business-to-business supply were experiencing different challenges to those whose primary markets were individual consumers. With regard to the former, social enterprises whose primary clients were governments identified the greatest barriers and opportunities for market development, while those with primary clients in the not for profit sector were most negative about the volatility of this market. Social enterprises that serve common beneficiaries reported similar challenges and opportunities; this was particularly true of those social enterprises whose beneficiaries were people with a disability, reflecting both historical and new issues arising from: public policy frameworks; quasi-market development and public attitudes and institutional effects of social exclusion.

FASES 2015 Interim Report

Geography – geography affects institutional arrangements, social needs, access to markets, finance, supply chain possibilities, and availability of peer support. It can also affect attitudes and practices in distinct ways. Participants from social enterprises located in rural and regional areas typically identified poorer access to intermediary and philanthropic support, and more limited opportunities to build supply chain relationships with corporates that were not present in their regions. By nature of what is absent in their operating environments, some of these participants also described a more conscious experience of collective self-help (that is, amongst local residents and within and between organisations in the local economy) than their urban counterparts. In metropolitan areas, challenges of market saturation and difficulties finding points of differentiation between social enterprises was more strongly expressed.

Across states, there were some differences in experience of the availability of social finance in general and the types of finance available due to public policy prescriptions regarding what constitutes social enterprise, and governmental priorities for investment. For example, in Western Australia, the dominant experience was that expansion capital was a greater access problem than start-up capital, whereas access to start-up finance was more strongly emphasised as an unmet need in Sydney. Market development opportunities through social procurement by governments was also more widely discussed in states – particularly South Australia and Queensland – where there are articulated state government commitments and a concentration of local government activity in this area.

4.0 CONCLUSIONS AND NEXT STEPS

The workshops conducted for FASES II reinforce the original FASES findings that the field is highly diverse in its missions, business models and industry operations. The themes and debates emerging from the workshops reflect the challenges of a field, which – although not new when FASES was first conducted in 2009-10 – is experiencing a new wave, both locally and internationally. As this wave of social enterprises grow and change, they experience challenges in navigating organisational identity, staffing and governance cultures that adapt with them. Significant differences in the operating environment between 2010 and 2015 include: the increased but still uneven presence of social enterprise intermediaries; relatively greater recognition of and ease with the social enterprise label leading to stronger organisation to organisation relationships; new quasi-market developments; an emerging but still immature social finance market, and growing awareness of the potential of social procurement to stimulate markets for social enterprise. Public policy and regulation specifically concerned with social enterprise development, and public policy advocacy for social enterprise development, remain limited in Australia relative to other jurisdictions.

The next stage of FASES II will include a national online survey of Australian social enterprises to further test some of these themes and improve our understanding of the scope and activities in the field. Drawing on the workshop input, the survey will aim to distinguish differences in organisational practice based on industry, enterprise origins, enterprise model, stage of development and geography. It will include questions about core needs, challenges and opportunities to extend our understanding from the workshop discussions.

FASES 2015 Interim Report

5.0 APPENDIX A – PARTICIPANTS

AJ Doidge	Jess Moore	Lyndon Gaelea
Ankit Chopra	Joan Ciastkowski	Maggie Maguire
Anne Lennon	John Burgess	Marissa Brown
Anne Webster	John Wheate	Mary Sayers
Anthony Bartolo	Jon Staley	Matthew Allen
Ben Gales	Jonathan Posniak	Michael McGann
Ben Neil	Jordan Holzmann	Miles Lochhead
Bill Dibley	Josh Goodwin	Peter Ball
Brendan Fitzgerald	Julian O'Shea	Peter Mousaferiadis
Brodie McCulloch	Karen Burdett	Peter Williamson
Caitlin Marshall	Katherine Kennedy	Rhianna Dean
Caroline Lock	Katie Wyatt	Richard Warner
Catherine Brow	Kylie Eastley	Robyn Kaczmarek
Celia Hodson	Lachy Ritchie	Ron Miers
Chris Newman	Libby Ward-Christie	Sarah Gun
Daniel Madhavan	Lil Banks	Steve Williams
Di Stitt, Eyal Halamish	Linda Graham-McCann	Stuart Gunzburg
Frances O'Reilly	Lisa Waldron	Susan Black
George Giuliani	Liz Prescott	Tom Dawkins
George Housakos	Loretta Curtin	Tony Sharp
Janet Kidd	Luke Geary	Vani Welling.
Jennifer Bishop	Luz Restrepo	

---

i Social procurement may be broadly defined as the purchasing of goods and services with the purpose of creating social value: Barraket, J., & Weissman, J. (2009). *Social procurement and its implications for social enterprise: A literature review.* (Working Paper No: CPNS 48). Brisbane, Queensland: Queensland University of Technology.
ii Although mission drift can certainly occur whilst commercial sustainability is maintained.