

In the field of social enterprise there is a range of naturally occurring ‘types’ that emerge from common approaches, ideals, and social purposes. Social Traders, working with a number of experts, have developed this series of Social Enterprise Info Briefs to capture the unique characteristics of each social enterprise type.

Charitable Business Ventures

What are they?

Charitable business ventures are run by not-for-profit organisations to raise income which is reinvested in their charitable purpose. Some operate as divisions within charities, while others are separately incorporated as companies. They include smaller ventures, such as opportunity shops and community book stores, through to large trading companies. Some charitable business ventures align their product with their mission – for example, opportunity shops provide access to affordable clothing and household goods for people their supporting charity seeks to serve – while others raise income through business activities unrelated to their mission.

Why do we need these?

Charitable business ventures are an important source of revenue generation for some not-for-profit organisations. According to recent Australian Bureau of Statistics data, 38% of the not-for-profit sector’s income is derived from the sale of goods and services (1). In some cases, they also provide niche goods and services that respond to the needs of disadvantaged citizens and communities.

What outcomes do they achieve?

The principal purpose of charitable business ventures is to enable not-for-profit organisations to fulfil their missions by reinvesting profits into their core activities. Those ventures that align their product with their mission also innovate to produce goods and services that make a positive contribution to the communities they serve, such as making particular goods and services more affordable or developing new products that respond to unmet needs. In recent years, some charitable business ventures have also provided leadership in the promotion of ethical business practices. For example, the Brotherhood of St Laurence’s Mod Style glasses manufacturing and importing business implemented an ethical approach to all aspects of its supply chain in 2000, and has been active in working with business, government, unions and community organisations to promote the social dimensions of corporate responsibility.

How do they perform financially?

As the commercial arms of not-for-profit agencies, charitable business ventures are typically expected to make commercial returns to their organisation. Those ventures that align product with mission in some cases provide a lower commercial return, but also contribute social returns through improved access to or quality of goods and services to their



constituent groups. Unlike private sector businesses, many (but not all) charitable business ventures rely on a high degree of voluntary labour to support their work. Like any business, charitable trading arms can be developed as start-ups or acquisitions.

Challenges and Limitations

Where charitable business ventures are a major source of revenue to not-for-profit organisations, they have the potential to cause ‘mission drift’, if commercial demands override the organisation’s reason for being. This can raise both internal questions about the benefits and risks of commercial activities for fulfilling a charitable organisation’s mission, and external questions about the legality of commercial activity amongst organisations that benefit from charitable status. These ethical and legal questions must be carefully considered before an organisation establishes a charitable business venture.

Prominence in Australia and Overseas

Australia has a long history of charitable business venturing. However, it is not clear that the growing popularity of social enterprise has stimulated significant growth in charitable business venturing in this country to date. In the United States, which relies more heavily on trade as a revenue source to charities, the focus of social enterprise has been largely on charitable business venturing. IRS data from the US in 2002 indicated that 72% of non-profits’ income (\$955 billion) was recorded as income from commercial activity, although academics suggest that it is closer to 50% (2). This is in contrast to parts of continental Europe, where developments in social enterprise have been more focused on collective and mutual forms that deliver direct benefits to particular regions or social groups. The UK presents a more ‘mixed social economy’ focus, incorporating both direct delivery and charitable business venturing, but public policy support focuses more heavily on the former.

Examples in Australia

Examples of charitable business ventures in Australia include:

- Mod-style – a glasses importing and wholesaling enterprise owned by the Brotherhood of St Laurence www.bsl.org.au
- St Luke’s Innovative Resources – a venture owned by St Luke’s Anglicare, which retails therapeutic card sets, books and stickers used by human service workers in a range of professional contexts www.innovativeresources.org
- The Smith Family’s Nonwoven Manufacturing Plant – which manufactures textiles products for companies such as Bridgestone and Unilever www.thesmithfamily.com.au; and
- Thousands of opportunity shops retailing recycled clothing and household goods.



References, research and resources

1. Australian Bureau of Statistics (2008) 8106.0 Not-for-profit Organisations, Australia, 2006-07,
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2. ¹Seedco June 2007, *The limits of social enterprise*.
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Dalton, B. & Casey, J. (2008) 'Money for Mission or Moral Minefield? The opportunities and risks of not-for-profit business venturing' in J. Barraket (ed) *Strategic Issues for the Not for Profit Sector*, Sydney, UNSW Press.

Chapter 27 of Charity Definition Inquiry www.cdi.gov.au

Australian Taxation Office www.ato.gov.au

PILCH Connect www.pilch.org.au/community_org

For further information

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