

*The Social Enterprise Case Study Series provides an insight into how different types of social enterprises are currently operating in Australia. Social Traders has developed this series by consulting closely with individual enterprises to capture an inside perspective on the development of the enterprise and their challenges and successes.*

## Social Firm: Cleanable

### Summary

Cleanable is a non-profit cleaning business run as a social firm. It was established in Melbourne in 2005 as a subsidiary of Westgate Community Initiatives Group (WCIG) in partnership with Social Firms Australia (SoFA) and Social Ventures Australia (SVA).

This social enterprise was created to provide long term employment and retraining opportunities for individuals excluded from the mainstream labour market as a result of mental illness. Previously, WCIG had experienced difficulty successfully placing this target group in mainstream employment, and attempts using underdeveloped social enterprise models had failed either financially or in providing a suitable workplace. The social firm model is premised on providing employment for the target group in an integrated workplace with mainstream award wages and appropriate workplace supports within viable businesses.

Cleanable offers a range of commercial, domestic and industrial environmentally friendly cleaning and maintenance services, and has recently diversified the business to include a retail outlet and online store, selling eco cleaning products. Today, Cleanable works at 36 sites across Melbourne and has 16 employees with a mental illness. It is one of only a handful of social firms in this emerging space in Australia.

<b>Establishment Costs</b>	approximately \$80,000 provided by funders
<b>Years to break even</b>	not yet achieved
<b>Annual Turnover</b>	\$400,000
<b>Annual Profit</b>	operating deficit \$20,000
<b>Staff</b>	27 (16 with mental illness)
<b>Social Outcomes</b>	Employment of 20 people with a mental illness since establishment
<b>Support</b>	free shared services and free Board of Directors



## Background

The Western Suburbs of Melbourne are traditional working class areas that have traditionally provided a labour force for manufacturing industries. With the decline of manufacturing since the 1980's, these areas have experienced greater levels of unemployment, which has in-turn resulted in a significant population of disadvantaged people excluded from the labour market as a result of mental illness or disability. The reality for many people in this group is that they are unlikely to ever secure and maintain mainstream employment, due to their complex needs, the resulting workplace support requirements, and reduced productivity, which is costly for employers.

Many individuals are reluctant to disclose their mental illness, fearful of reducing their chances of obtaining employment or being discriminated against in the workplace. For some that do find employment, it is often short-lived, as stability and security of long term employment is particularly hard to obtain. Yet for this group, employment is itself an effective means of rehabilitation, providing an important sense of identity and value in society.

***“As soon as these individuals have a paid job, it changes them”***  
***Nerida Nettlebeck – Co-Founder, Cleanable***

As a disability and employment services provider in the Western suburbs, WCIG has worked for many years with this target group, and has experienced the ongoing challenge of placing and sustaining these individuals in mainstream employment. WCIG has undertaken a number of 'job creation' projects over the years, leading to the establishment of a variety of small social enterprises in order to create supported training and employment opportunities.

Despite WCIG's best efforts, most of these business ventures failed within a few years of establishment, at great financial cost to the company. These failures occurred largely due to a lack of due diligence in strategy and planning, resulting in businesses over-staffed with people from the target group, in roles that they were often not suited to. This led to businesses that were unable to produce the required product or service to cover operating costs.

In early 2004, WCIG pursued an opportunity to establish a social firm model of social enterprise in Australia. This initiative promised greater success than previous enterprise attempts because:

1. The business development involved a more strategic, informed and planned approach.
2. It was a successful model that provided a more appropriate and effective model of employment for individuals with mental illness; and

## Feasibility and Establishment

Social Firms are businesses that:

- Have a non-profit legal status;
- Have an integrated workplace: employing between 25-50% of employees with a disability or disadvantage;



- Generate the majority of their income through the commercial activity of the business;
- Pay all workers at award/productivity-based rates;
- Provide the same work opportunities, rights and obligations to all employees; and
- Build the modifications required for employees in need of support into the design and practices of the workplace.

In looking at this model, the WCIG Board saw an immediate alignment with the company's own values and objectives. Moreover, it provided an appealing approach focussed on operational and commercial viability.

Market research and due diligence early on, dismissed many ideas and led to the identification of 'cleaning' as an appropriate and potentially viable industry in which to establish a social firm. Cleaning has low establishment costs, the potential for progressive expansion, predictable revenue, and the skills can be quickly attained. This industry had the potential to support a financially sustainable social enterprise over time. For employees, cleaning offers a range of training opportunities and certifiable vocational skills that can be readily acquired. It also provides opportunities to concentrate large staff numbers on a single site.

A number of strategic decisions were made about where to place Cleanable in the marketplace:



- The most appropriate positioning was in the middle of the market where expectation was achievable, and price generated adequate income;
- Contract sizes capable of carrying a minimum of two cleaners were required, to ensure support in the workplace for the target group;

The long term plan was to operate large contracts, with an identified target market being schools, and to ultimately replicate and franchise the business in other regions. However, the availability of 'general commercial cleaning' of small offices early-on and the difficulty in accessing larger contracts changed the focus.

Cleanable contracted a cleaning business consultant in its early months, who trained the Manager and assisted with the establishment of policies, procedures and a marketing plan.

Cleanable was established in early 2005 as a subsidiary trading arm of WCIG, with establishment costs covered by WCIG, SVA and the Victorian Department of Planning and Community Development. WCIG also drew on SoFA's knowledge of the social firm model and their networks to assist with the set-up, and continue to benefit from SoFA's ongoing advice on best practice strategies for supporting employees with mental illness.

Capitalising on existing internal opportunities, Cleanable's first contract was cleaning WCIG's own offices. The initial staff included 6 part time cleaners and 1 full time Manager, who was recruited from the cleaning industry. Today, Cleanable has 27 staff, 16 of whom are



employees with mental illness, servicing 36 sites across metropolitan Melbourne, including 5 significant external contracts. Whilst 90% of Cleanable's work comes through commercial cleaning, the complete range of services provided includes: commercial, industrial and domestic cleaning, gardens and grounds maintenance, waste management solutions, and basic handyman services. In addition, Cleanable have an online and retail store selling home and body organic solutions including a wide range of cleaning products and accessories, as well as fair trade clothing.

### Company Strategy

Cleanable has been developed as a social firm that is able to achieve:

1. Financial sustainability; and
2. Appropriate work and pay for people with mental illness and other disabilities who are excluded from the mainstream labour market.

By investing in planning up front and allocating appropriate investment it was felt that the enterprise would succeed where past efforts had failed. By generating the majority of its income through commercial activity, WCIG was required to place greater emphasis on the business strategy and development of Cleanable. The more financially successful the business, the more jobs will be available for target employees, and the greater the variety of vocational and other employment-related skills there will be on offer.

### Company Structure and Governance

WCIG is a non-profit public benevolent institution that has been operating in Melbourne's Western region since 1986, it seeks to directly relieve the poverty, distress, suffering and helplessness experienced by those disadvantaged by unemployment, through the provision of innovative, high quality and effective employment services. WCIG has a stated purpose to provide training and employment opportunities for disadvantaged unemployed people through job creation projects.

Cleanable exists as a trading name only. By running Cleanable as a subsidiary, WCIG is able to provide ready access to organisational infrastructure and resources, and allows WCIG to test the success and long term viability of the social firm model as a means to achieve their employment objectives. WCIG's experience, size and openness to experimentation, provides Cleanable with a supportive environment in which to grow into a sustainable business.

As a trading arm, Cleanable is currently governed by the WCIG Board of Directors. The long term vision, once the business is sustainable, is for Cleanable to become incorporated as a non-profit, independent company limited by guarantee. This will then see the appointment of an independent Board and Management. This will allow Cleanable to continue to provide positive outcomes for WCIG's target group, but importantly, with a more closely engaged and relevant business focused Board. Removing the dependence on WCIG may also provide greater incentive for the business to become profitable.



## Marketplace

Cleanable is operating in a very competitive market. Cleaning typically has low barriers to entry and stiff competition on price. Cleanable's ability to win and maintain contracts is dependent on offering a high quality competitive professional service. To this end, Cleanable works hard to deliver market standard services at competitive prices. To date, each contract that has reached full term has not only been renewed, but also expanded.

Despite initial plans, Cleanable have not followed a clear strategy for contract selection, they have taken work where they can obtain it. The Manager believes a diversified business is the key to securing a stronghold in the marketplace and is placing more emphasis on this moving forward. The introduction of saleable cleaning products, as well as the recent opening of their first retail store (volunteer run) in Seddon demonstrates their expansion efforts, and early indications suggest that this may be a successful source of revenue for the business.

Cleanable have relied heavily on WCIG and its relationships and networks to secure cleaning contracts. They have had great success with organisations keen to support WCIG's social goals. This social procurement has made it possible to develop the business and build capacity with some solid revenue streams, though in the long term they need to win more open market contracts, something they have struggled with to date.



Since establishment, the business has not spent any money on direct marketing or advertising. Word of mouth has been helpful and the shop front gives them a visual presence that provides an opportunity to advertise their services. Cleanable has learnt when to market as a social firm, identifying that it is sometimes beneficial to call itself a social firm and at other times it is detrimental.

## Finances

It cost approximately \$80,000 in cash and \$80,000 in-kind to establish Cleanable:

- SVA \$30,000 Cash
- Department for Victorian Communities \$50,000 Cash
- WCIG \$40,000 time and staff resources
- SoFA, SVA and pro bono \$40,000 time and staff resources

Cleanable's current annual turnover is approximately \$400,000, generated through 480 hours of work per week, 30% of these hours are carried out by the 16 target employees. In four years, the business has yet to break even, and there is an annual deficit underwritten by WCIG of approximately \$15,000, as well as the provision of shared services at no cost.

The business has seen steady growth in turnover since establishment.



Cleanable's revenue streams include cleaning contracts and retail sales. As a business, Cleanable has the same revenues as a conventional cleaning company but has higher supervision and staffing costs due to the reduced productivity of the target group.

As a disabilities service provider, WCIG have an Australian Disability Enterprise contract that provides them with Federal funding to cover the specific training and support costs associated with assisting this cohort into employment.

### Social Outcomes

Cleanable is succeeding in supporting target employees to sustain employment over the long term. Five Australian Disability Enterprise clients have been in continuous employment with Cleanable for over four years. This is in large part due to the nature of the social firm which allows flexible and tailored arrangements for staff with mental illness. Individuals can opt out for periods of time when they are unable to work, with the knowledge that they can return to their job when they are ready.

***“most of the clients have never been able to hold down continuous employment for any substantial length of time, but with the support and the stress free approach we promote at Cleanable this is now not the case”***

***Peter Couch – Manager, Cleanable***

An unanticipated outcome has been the successful transition of a number of employees into mainstream employment following remarkable rehabilitation through employment with Cleanable. A number of other employees are considering further education to develop their skills, with a view to moving into other areas of the enterprise, such as the retail outlet, or to seek employment in the open labour market.

Many Cleanable staff attest to the positive changes in their mental health and well-being as a result of employment with Cleanable. Noted changes include a reduction in social inhibition, and an increase in self-esteem and confidence in their abilities and their future prospects.

### Challenges

At the heart of the challenges faced by any social firm, is the unavoidable fact that employees with a mental illness typically work at significantly reduced levels of productivity, which has direct financial implications.

Other social enterprises targeted at those with a disability accommodate this productivity deficit by paying employees a supported wage which is related to their productivity. However, Cleanable pay their target group employees at the same award rates as other staff. The manager states that adopting some form of a supported wage system or reducing the ratio of target employees would assist them to reach profitability more quickly, yet this contradicts their ideals.



Another financial challenge is the higher overhead costs associated with intensive supervision. To provide support and ensure the service quality, supervisors are needed at most sites, most of the time. This cost is amplified by Cleanable operating lots of small contracts spread across metropolitan Melbourne. Management recognise that a more strategic approach to ensure efficient economies of scale and the consolidation of costs would be to operate a small number of large scale contracts.

A key challenge is in balancing the social goal to provide employment for as many people with a mental illness as possible, with the need to achieve financial sustainability. Though a frustrating compromise for the Manager, Cleanable is currently limiting the number of target employees, in an effort to consolidate and grow the business.

### Success Factors

The assistance from SVA and SoFA, and the ongoing commitment and support from WCIG is a crucial factor in Cleanable's success to date. Support from other like minded organizations that contracted Cleanable has provided them a hand up in the market and allowed them an opportunity to demonstrate their services and success.

A significant contributor to their success is the dedicated and passionate staff, particularly the Manager, who works tirelessly and with great flexibility to support target employees and maintain the professional service of the business, beyond what would reasonably be expected of a typical Cleaning Business Manager.

The ultimate key to this enterprise's success, where previous initiatives have failed, is the use of the social firm model. All Cleanable employees are committed to the success of the service and highly value the opportunities they have been given, leading to a more sustained level of performance and motivation to see the business succeed.

### For More Information

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