

# Social Enterprise in Australia: a preliminary snapshot June 2010

**FASES**  
FINDING AUSTRALIA'S  
SOCIAL ENTERPRISE SECTOR

A joint project of:

**SOCIALTRADERS**



Queensland University of Technology  
The Australian Centre for Philanthropy  
and Nonprofit Studies



## Acknowledgements

*Finding Australia's Social Enterprise Sector* is a joint initiative of Social Traders and the Australian Centre for Philanthropy and Nonprofit Studies, Queensland University of Technology. The Centre's Social Enterprise Research Program is supported by QUT and the Westpac Foundation.

The research presented in this report benefited from the contributions of more than 500 people and organisations. The research team wishes to thank all those who gave generously of their time and experience, including:

- Thirty-eight people who participated in the original project workshops and interviews, that helped frame the definitions and survey instrument;
- 157 people who contacted us via the project website to tell us of a social enterprise they knew; and
- 539 organisations that participated in the online survey.

We thank those social enterprises, nonprofit organisations, and government agencies that took up the cause by freely promoting the work of FASES through their networks. In particular, our thanks to The Big Issue, Third Sector Magazine, Connecting Up Australia, Jobs Australia, Social Enterprise World Forum, and the Brotherhood of St Laurence CEDI initiative for their active support for the project.

Finally, we acknowledge the late Mark Lyons, for his enthusiastic and invaluable contributions to the research design and survey instrument.

## What is a Social Enterprise?

Social enterprises, defined through this research, are organisations that:

- Are led by an economic, social, cultural, or environmental mission consistent with a public or community benefit
- Trade to fulfil their mission
- Derive a substantial portion of their income from trade; and
- Reinvest the majority of their profit/surplus in the fulfilment of their mission

In recent years, there has been growing interest by policy makers and social investors in the important role that social enterprise can play in Australian society and its economy.

Figure One

## Types of Social Enterprises

### Social Enterprise

Socially beneficial businesses that trade to fulfill their mission.

#### Goals

#### Employment

Businesses that provide employment, training and support for marginalised groups.

#### Service Delivery

Businesses that create or retain services in direct response to social or economic needs in the community.

#### Income Generation

Businesses that generate profits to support other community or not for profit organisational activities.

go to [socialtraders.com.au](http://socialtraders.com.au) for more information and case studies

#### Types

#### Cooperatives, Associations and Mutuels

Member benefit businesses which are formed to meet defined social needs of members, eg childcare, housing.

#### Fair Trade Organisations

Businesses that exist to benefit producers and workers in developing countries by paying fair prices for products and commodities which they on-sell in developed countries.

#### Intermediate Labour Market Companies

Businesses that undertake commercial work in order to train, support and employ disadvantaged job seekers and then transition them into mainstream jobs.

#### Community Development Finance Institutions

Financial institutions that provide products and services to individuals, organisations and communities who have difficulty accessing mainstream finance.

#### Charitable Business Ventures

Commercial businesses established by charities to generate revenue which is reinvested in their charitable purpose.

#### Social Firms

Businesses that undertake commercial work in order to create employment for people with a disability.

#### Community Enterprise

Businesses set up to provide benefits to the community in which they are located, eg community buy-outs.

#### Australian Disability Enterprises

Businesses developed to employ people with a disability that are unable to work in mainstream businesses.

#### Hybrid

Most social enterprises do not neatly fit into the typologies presented, often mixing and matching characteristics from many typologies in order to meet the needs they have been developed to address.

## Why do social enterprises exist?

Social enterprises are organisations that exist for public or community benefit and trade to fulfil their mission. They are created variously to:

- Provide people with opportunities to participate in their communities;
- Provide new solutions to social, economic, environmental and cultural challenges;
- Respond to service gaps and stimulate local economies;
- Create employment opportunities for citizens experiencing barriers to the open labour market;
- Generate income to be reinvested in charitable or community-led activities.

Social enterprises take a variety of legal forms. They can operate in both the non-profit and for-profit arenas and they are not supported or regulated by any one body. This makes it difficult to identify the number of social enterprises in Australia, or the social and economic contributions that they make.

## Why try to understand our social enterprise sector?

Social enterprises can take many forms and operate in many industries. Figure One shows the variety of forms that social enterprise can take. So what do they have in common, and why do we try to define or group them together?

We believe it is important to bring into focus how social and economic needs can be met through modes of doing business that are different to how the government sector, the private sector, or the welfare sector have typically worked in the past.

By identifying and understanding our social enterprise sector, we can:

- Appreciate, share and develop the kinds of social innovation they often enact;
- Identify the unique and sometimes complex business models of social enterprises and the combinations of resources that they utilise;
- Recognise and report the kinds of social and economic value that they generate, including the employment they create and their role in the life of communities;
- Consider ways that governments, businesses and philanthropy can work with and support their social, environmental and economic objectives.

## The FASES research project

The *Finding Australia's Social Enterprise Sector* (FASES) project included:

1. Secondary analysis of existing data, an inductive search for Australian social enterprises;
2. Workshops with practitioners, policy makers and researchers;
3. An online survey completed by 365<sup>1</sup> social enterprises.

<sup>1</sup> A total of 539 organisations commenced the survey, but a proportion of these were excluded as they did not match the definitional criteria for social enterprise. Due to the nature of the survey, response rates to individual questions varied. Data are presented here as percentages rather than raw numbers, to indicate the proportional responses to each question. Because we inductively identified the population invited to participate in this survey – that is, we used a bottom up process of identification rather than drawing on an existing source of information about the population of social enterprises - care should be taken when generalising the findings to all Australian social enterprises.



A full research report is available at [www.socialtraders.com.au/about-fases](http://www.socialtraders.com.au/about-fases)

An extensive contact list of social enterprises in Australia created for the research will be used to invite social enterprises to register on the online Australian Social Enterprise Finder, to support trading and networking for social enterprises. A list of organisations available for further non-commercial research is held by Social Traders and the Australian Centre for Nonprofit Studies at QUT.

## How many social enterprises operate in Australia?

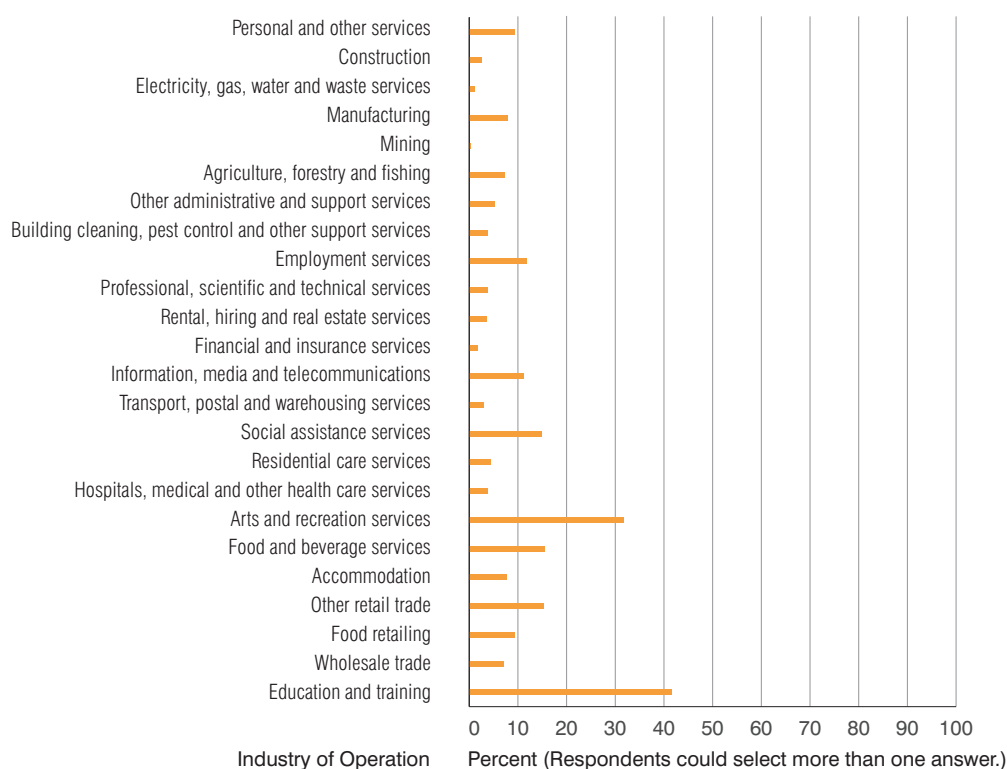
Based on our research and previous findings of the Giving Australia project (Department of Families and Community Services, 2005), we estimate that there are up to 20 000 Australian social enterprises. The Giving Australia project (Department of Family and Community Services, 2005) found that 29% of not-for-profit organisations have some kind of business venture. Current data suggests that Australia has 59 000 economically significant not-for-profit organisations (Australian Bureau of Statistics, 2009). Our estimate takes into account that some not for profit organisations have multiple business ventures and that not all social enterprises are incorporated as not-for-profits.

## An economically mature and diverse sector

Our research indicates that the Australian social enterprise sector is mature and sustainable. Amongst the 365 respondents to our national survey, 73% had been operational for at least five years, and 62% were at least 10 years old.

Social enterprises operate in every industry of the Australian economy.

**Figure Two – The industries in which participating social enterprises operate**





The sector includes small, medium and large enterprises, with the majority being small. Amongst our survey respondents, annual turnover ranged from \$0 for start-ups to \$68 million. However, publicly available data from other businesses, consistent with our definition of social enterprise, suggest that annual turnover can be as high as \$300 million.

Social enterprises are involved in all forms of economic production, including retail, wholesale, and manufacturing. Although present in all aspects of the economy, social enterprises operate primarily within the service economy, with 58% of survey respondent organisations providing services for a fee.

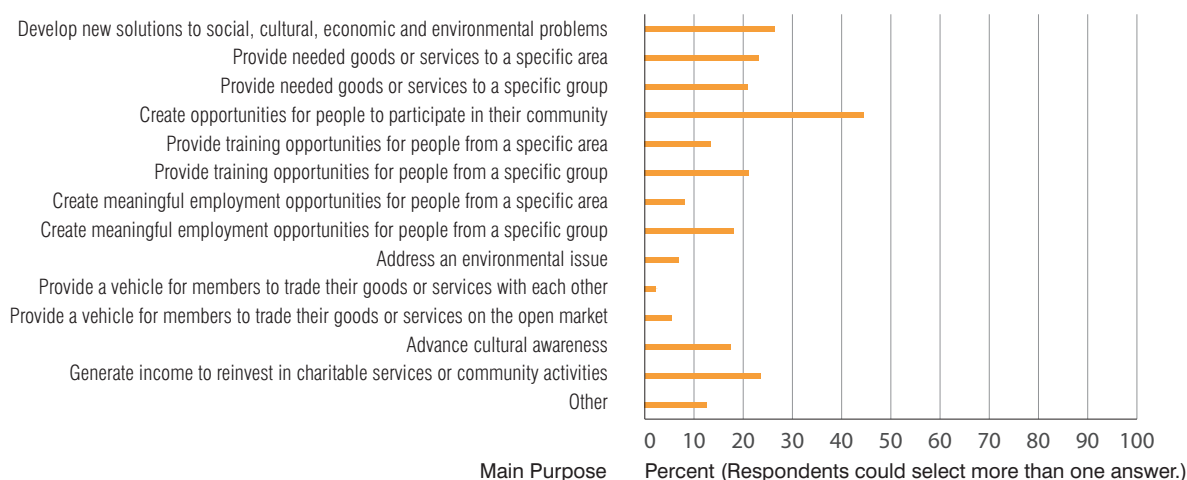
Australian social enterprises operate in all markets, from the local to the international. Their dominant trading focus is on local and regional markets.

## A multi-purpose sector fulfilling diverse missions

Social enterprises, like other forms of civil society activity, have a wide range of missions that reflect the aspirations of the groups, organisations and individuals who initiate and operate them. Our research suggests that, collectively, Australian social enterprises view themselves as vehicles for social inclusion; specifically, that they provide opportunities for people to participate in their communities.

The sector also reports itself to be active in social innovation, devising new solutions to social, economic, environmental and cultural challenges.

**Figure Three – The main mission of participating social enterprises**





## Who do social enterprises serve?

Here is a sample from the FASES survey that didn't fit our survey categories...

people living in Africa/Bangladesh

all the community

children in hospital

people visiting Australia

people who enjoy theatre

community housing tenants in co-operative housing

people over 17 who wish to participate in adult education and training

other indigenous non-government organisations

community sector workers

consumers of mental health services

people exiting visual arts degrees and the general public interested in printmaking

culturally and linguistically diverse communities

everyone interested in the quadruple bottom line

people facing financial difficulty

men

disadvantaged communities practicing traditional crafts

voluntary and education groups

people interested in French language and culture

anyone interested in studying music

people wanting to develop their English language skills

anyone who is socially disadvantaged

playgroups

grass roots community groups of all shapes and sizes

anyone who uses our beach

pregnant women and new parents

tertiary students

anyone who wants to dance

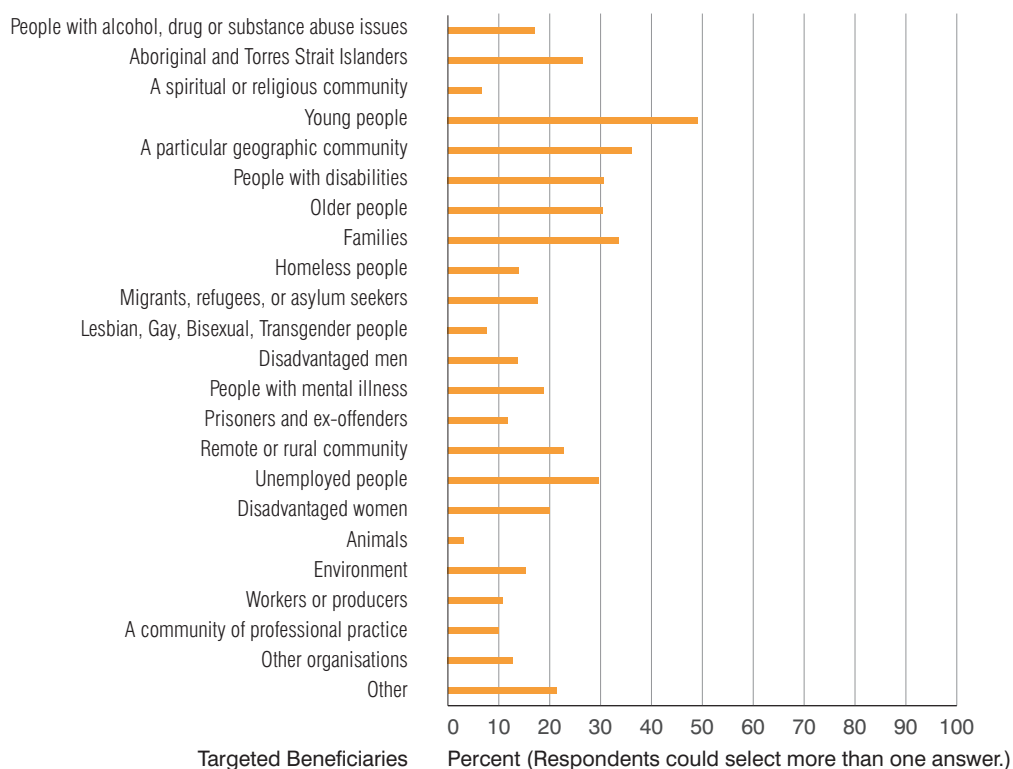
retired and semiretired persons

the folk community of Australia

## Groups who benefit

Social enterprises seek to meet the needs of a diverse range of beneficiaries, including geographic communities, identified social groups, the environment and animals. Interestingly, our research found that young people were the most commonly targeted beneficiaries of social enterprise activities.

**Figure Four – The targeted beneficiaries of participating social enterprises**



## What people say about social enterprise

To inform this research, workshops with people researching, managing and otherwise with an interest in social enterprise were held in Brisbane, Sydney and Melbourne in late 2009.

These quotes illustrate the multiple meanings of social enterprise for different individuals and institutions. It can be a movement for social and market change, a way to meet gaps in services, a different kind of commercial practice, even a different ideology or new field of academic discourse...

If we go back to traditional or earlier forms of trade, the idea was to service the community in some way, whether food or housing or whatever... Social enterprises work very hard at new forms of trade; the question is, how can they change the market?

(Policy advisor, Brisbane).

There is confusion around the marriage of social and commercial goals... but it's a question of how far you let the commercial get behind and how close are they and how close do they need to be

(Social enterprise developer, Melbourne)

There are a lot of rural and remote communities, particularly Aboriginal and Islander, that don't have basic services such as bread, or hairdressing... One initiative looked at franchises, supporting and mentoring local people to set up their own business, with the aim that eventually local people would have the expertise and business savvy to conduct the business on their own. They were moving through social enterprise in other words, to become independent.

(Business advisor, Brisbane)

It seems like we are trying to create a different academic discourse... a different ideology in terms of what economic practices are in our society and that they're not all one particular model.

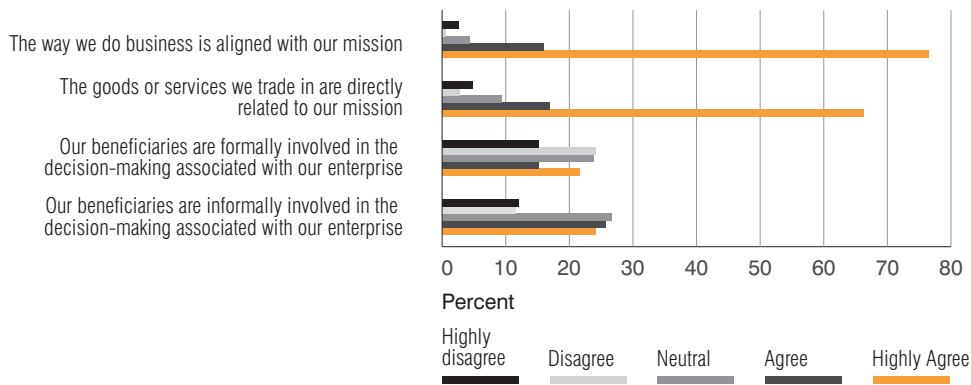
(Academic, Sydney)

## Trading and mission fit

The causes served by social enterprises range from local to national and international issues. In aggregate, their dominant focus is on responding to local and regional issues.

Social enterprises typically agree that their business practices and missions are well-aligned. However, they are less likely to agree that their beneficiaries are formally or informally involved in the decision-making associated with their enterprise.

**Figure Five – Alignment of business and mission and involvement of beneficiaries in participating social enterprises’ operations**



## A multi-resource sector

Social enterprises range from commercial operations that are virtually indistinguishable from their ‘for private profit’ industry counterparts through to grassroots community endeavours that draw on various sources of human and financial capital. Collectively, Australian social enterprises are multi-resource businesses, relying on a combination of paid and unpaid workers, and earned income and other income streams to fulfil their missions. Amongst the organisations that participated in our survey, volunteer numbers ranged from zero to 56 000, with a median number of volunteers of 10. Paid workers represented the majority of human resources; the mean number of full-time equivalent staff was 47, while the median was four and staff numbers ranged from zero to 4 500.

Based on financial accounts for the 2007-2008 financial year, earned income was the dominant source of income amongst participating social enterprises, comprising 85% of overall income. Earned income included contracts with government that were competitively secured.

The majority of organisations (57%) reported that they invested profits/surplus back into growing their enterprise, while a small minority (6.7%) returned profits back to parent or auspice organisation, donated to external organisations (9.3%) or distributed profits to members (3.5%).



## Use of business services

Social enterprises engage in all common forms of business planning and development practices. As a group, they tend to give greater emphasis to operational business practices than strategic planning. In comparison with mainstream businesses, social enterprises in our survey reported being relatively more active in both strategic and operational business planning and also more likely to procure business services, such as accountancy and legal services.

**Figure Six - Social enterprises receiving information/advice in the 12 months preceding the survey**



**Figure Seven - Businesses receiving information or advice from the indicated sources (Source: ABS, 2009)<sup>2</sup>**



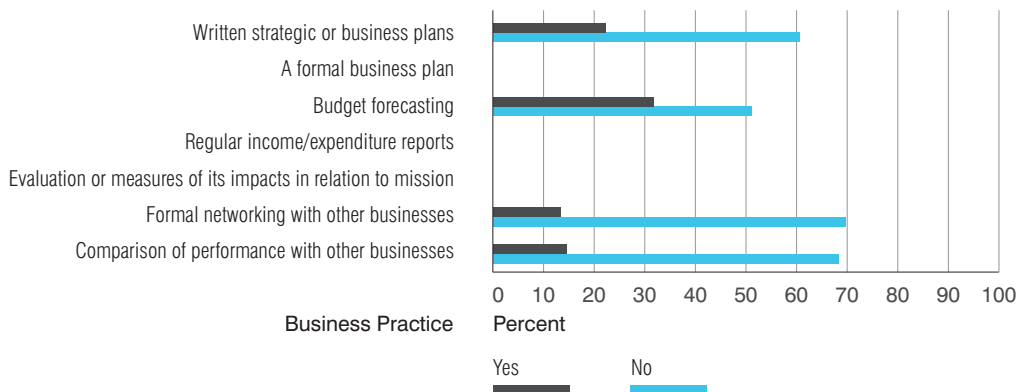
2. Comparable data are presented where available. Where no data are available, the graph indicates zero response.



**Figure Eight - Percent of participating social enterprises using the indicated business practice**



**Figure Nine - Percent of businesses using the indicated business practice (source: ABS, 2009)<sup>3</sup>**



Social enterprises are active in networking with businesses and industry networks similar to their own. They are less likely, however, to compare their performance with those of other businesses. It is notable that, while all social enterprises exist for a public or community benefit, only 65% of organisations that participated in our study had sought to evaluate or measure their impacts in relation to their missions in the preceding twelve months.

<sup>3</sup> Comparable data are presented where available. Where no data are available, the graph indicates zero response.

## Conclusion

The *Finding Australia's Social Enterprise Sector* project is a first attempt to shed light on the scope and activities of an important and largely invisible part of our social economy. Our research finds that, as a sector, social enterprise in Australia is mature, diverse, innovative and sustainable. Contrary to popular commentary about social enterprise, it is not a new phenomenon and it is not organised around a narrow set of missions. Rather, social enterprise – like other aspects of civil society – gives expression to a range of human aspirations as diverse as society itself.

As the social enterprise sector receives increasing attention for its potential as a vehicle for social policy implementation and/or as a model for responsible business behaviour, more needs to be understood about its scope, impacts, and developmental needs.

The research presented here tells us something about *what* social enterprises do; more needs to be understood about how they do what they do, and the outcomes and impacts of their activities. Both Social Traders and the Australian Centre for Philanthropy and Nonprofit Studies look forward to a continued role in the development of this applied research agenda.

## Further Information

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- Australian Bureau of Statistics (2010). *Business Longitudinal Database, Expanded CURF, 2006-07*. Retrieved from Remote Access Data Laboratory, May 11, 2010  
[https://www7.abs.gov.au/forums/radl.nsf/bd95505367a3a0e0ca256c3d0004f8ec/0c0ae1059605e5e7ca257664007af18c/\\$FILE/BLDP1%20Frequencies.txt](https://www7.abs.gov.au/forums/radl.nsf/bd95505367a3a0e0ca256c3d0004f8ec/0c0ae1059605e5e7ca257664007af18c/$FILE/BLDP1%20Frequencies.txt)
- Australian Bureau of Statistics (2009), *Not for Profit Organisations, 2006-07*, Cat. no. 8106.0, Reissue, Canberra.

## Photos

The social enterprises featured in the images in this publication are

Page 4 Organic Mushrooms CERES

Page 6 (in descending order) – Seven Stars, Yackandandah Community Development Company, CERES

Page 8 (in descending order) – Green Collect, African Women's Sewing Enterprise, CERES, Seven Stars, Yackandandah Community Development Company, African Women's Sewing Enterprise

Page 12 Cultivating Community

Page 14 Green Collect