SOCIAL TRADERS

FINDING AUSTRALIA’S SOCIAL ENTERPRISE SECTOR 2016: ANALYSIS

CENTRE for SOCIAL IMPACT

SWINBURNE UNIVERSITY OF TECHNOLOGY

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“Social enterprise in Australia is on the rise. We are well on the way to seeing social enterprise as part of the mainstream, recognised for its contribution to a diverse economy, providing innovative solutions to employment and access to services for disadvantaged Australians.”

David Brookes, Managing Director, Social Traders
WHAT IS SOCIAL ENTERPRISE?

Social enterprises are businesses that trade to intentionally tackle social problems, improve communities, provide access to employment and training, or help the environment.

Social enterprises:

• 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

• Reinvest the majority of their profit/surplus in the fulfilment of their mission
As Australia’s leading social enterprise development organisation Social Traders uses its expert knowledge to:

1. Grow the visibility, voice and value of social enterprise through advocacy, community recognition, learning resources and research
2. Build the pipeline of innovative and viable social enterprises through business skills and networking with hands-on development programs
3. Invest appropriate capital and support in social enterprise and grow the investor community
4. Open new markets by connecting government, corporate and consumer buyers with certified social enterprises

Social Traders’ work is guided by research, practical experience and ongoing engagement with social enterprise in Australia and overseas.

**WHY THIS RESEARCH IS IMPORTANT**

Finding Australia’s Social Enterprise Sector (FASES) 2016 increases understanding of an important and largely unknown part of Australia’s economy.

This research explores the scope and activity of social enterprise and the challenges and opportunities facing the sector in 2016. It builds on the first FASES research in 2010 undertaken by Professor Jo Barraket, then working at Queensland University of Technology, and Social Traders.

The 2016 research is made up of two components.

- Qualitative research which was released in June 2015, focused on understanding the opportunities and challenges for social enterprise.
- Quantitative analysis of 359 social enterprises which was completed in June 2016, focused on capturing point in time metrics on the social enterprise sector.

FASES helps the social enterprise sector to better understand itself. It also provides important information for the development of appropriate resources, tools and policy settings to grow Australia’s social enterprise sector.
The Social Outfit believes creativity and fashion can lead to learning and empowerment for people from refugee and new migrant communities. The Social Outfit completed Social Traders’ Crunch in 2015.
SOCIAL ENTERPRISE IN AUSTRALIA

Here is a snapshot of social enterprise in Australia based on the FASES 2016 research findings:

1. **SCOPE** - There are an estimated 20,000\(^1\) social enterprises operating across all industry sectors

2. **COMPANY SIZE** - 73% are small businesses, 23% are medium sized and 4% are large organisations

3. **MATURITY** - 38% have been in operation for 10 years and 34% in operation for between 2-5 years

4. **LEGAL FORM** - 33% are incorporated associations, 32% are companies limited by guarantee and 18% are proprietary limited (PTY LTD) companies

5. **INDUSTRY** - 68% are in the services sector, of which 24% are in retail and 23% in healthcare

6. **PURPOSE** - 34% exist to create meaningful employment opportunities for people from a specific group, and 34% exist to develop new solutions to social, cultural, economic or environmental problems

7. **BENEFICIARIES** - 35% target people with disabilities, 33% target young people and 28% target disadvantaged women

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\(^1\) This figure is an estimation based on secondary analysis (originally of the Giving Australia project). A revised figure will be available later this year. Based on the data from FASES 2016 we know there are many new entrants to the field and an increase in the ongoing sustainability of the sector as a whole.
The data in this image represents a sample of 739 social enterprises across 1034 locations across Australia that have provided ABN data to Social Traders.

This representation shows that social enterprises are largely clustered around major metropolitan areas with the highest density being in Victoria.
Major Changes Between FASES 2010 and 2016

Utilising a mixture of qualitative and quantitative research, FASES 2016 built on the 2010 research, accessing a range of industry sector knowledge and additional data for analysis.

The earlier research was designed to provide the first mapping of social enterprise activity in Australia in terms of its size and scope; it did not cover the specific issues and opportunities being experienced by social enterprise proponents and operators.

Below are the key differences in responses to comparable questions between the two surveys:

**2010**

- In 2010, 42% of social enterprises were operating in the Education and Training industry with 32% operating in Arts and Recreation Services.
- In 2010, 62% of social enterprises had been operational for more than 10 years.
- In 2010, the most cited social mission of social enterprise respondents was creating opportunities for people to participate in their community at 44%.
- In 2010, philanthropic support for social enterprise represented 7% of income.

**2016**

- In 2016, the most cited industry categories were Retail with 24% and Healthcare with 23%.
- In 2016, 38% had been operational for more than 10 years with 34% operational for 2-5 years.
- In 2016, creating meaningful employment opportunities for people from a specific group, and developing new solutions to social, cultural, economic or environmental problems, were the two equally most cited responses at 34%.
- In 2016, philanthropic support for social enterprise increased to 12% of income, playing a proportionately more significant, albeit still relatively small role.
WHAT IS THE BIG OPPORTUNITY FOR SOCIAL ENTERPRISE?

SOCIAL PROCUREMENT

The biggest opportunity for the growth and further development of social enterprise in Australia is social procurement.

Social procurement involves organisations choosing to purchase a social outcome when they buy a good or a service.

Social procurement was the most dominant theme and frequently identified opportunity for social enterprise market development. 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.

Social procurement represents a significant opportunity for social enterprise but requires greater uptake and understanding amongst corporate, government and consumer buyers.

The procurement market in Australia includes over $150 billion per annum through government purchasing of goods and services and a further $500 billion per annum in private sector purchasing.

"We go into the [local council of a rural town] and say... 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
REALISING THE POTENTIAL OF SOCIAL ENTERPRISE

WHERE SHOULD THE EFFORT FOCUS?

1. POLICY DEVELOPMENT

Focus on: the need for all levels of government to champion social enterprise policy.

More than 80% of survey respondents strongly agreed that state and federal government policy support would encourage new opportunities for social enterprise and generate growth.

A number of issues related to public policy and regulation were cited as barriers to social enterprises growing and/or fulfilling their potential. Local government was viewed as having a particular role to play in market development for social enterprise, and state and federal governments in providing enabling regulation, supporting organisational development, and stimulating innovation in policy design.

“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
2. BUILDING A MORE COHESIVE ECOSYSTEM

Focus on: the need for enhanced networking and development opportunities enabled by intermediaries and other players within the social enterprise ecosystem.

The majority of respondents cited a patchy ecosystem for social enterprise at start-up or growth phase, including:

- limited geographic spread of intermediaries
- insufficient opportunities for peer-to-peer learning
- the continuing piecemeal awareness of and support for social enterprise development by Australian governments
- limited public awareness of social enterprises and their work.

"I'm also aware 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
3. DEVELOPING APPROPRIATE AND ACCESSIBLE FORMS OF FINANCE

Focus on: the need for more diverse forms of finance available to social enterprises at different stages of development.

39% percent of respondents either disagreed or strongly disagreed that they have been able to find the necessary finance to support their goals.

The continuing lack of suitability of external finance available to social enterprises at different stages of development was repeatedly cited as a concern. Geographical differences in access to external finance was also highlighted as an issue with social enterprises operating in metropolitan centres more likely to be able to access finance compared to enterprises in rural areas and Western Australia.

“…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 are 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
4. **IMPACT MEASUREMENT TOOLS**

**Focus on: developing more accessible and comparable impact measurement tools**

65% of social enterprises measure their impacts in relation to their mission.

Impact measurement is both a contested and complex issue for social enterprises operating on very lean resources, and trying to meet the expectations of a diversity of stakeholders.

“...it just seems to be people are measuring impact in so many different ways. There are tools out there to use but they are expensive and even in terms of talking about philanthropic grants and many organisations are not interested in or will only give a small proportion to monitoring evaluation. So I think there is a challenge.... to articulate what our social impact is.... that maybe it would be great to have some kind of overarching framework that we could all feed into..”

Established social enterprises workshop, Melbourne

“...the best way of actually explaining what a social enterprise can achieve is through story telling...”

Policy and development intermediaries workshop, Sydney
ACKNOWLEDGEMENTS

Finding Australia’s Social Enterprise Sector (FASES) 2016 is a joint initiative of Social Traders and the Centre for Social Impact Swinburne - leaders in Australian social enterprise research.

FASES 2016 builds on the original FASES 2010 project, to document characteristics of Australian social enterprises, and explore the opportunities and challenges they face.

The research adopted a mixed methods approach and included:

- a review of existing literature and methods of social enterprise mapping
- 13 focus groups with a sample of 75 social entrepreneurs, social enterprise managers, social enterprise intermediaries and policy makers
- an online survey
- secondary analysis of data held by Social Traders
- comparative analysis, where appropriate, between original FASES 2010 and FASES 2016 results
- geospatial analysis of existing national data sets and FASES 2016 data.


Social Traders extends its appreciation to all contributors to this research.
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