Social Enterprise: A Powerful Path to Social Inclusion

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Executive Summary

This paper describes the changing landscape of the social economy and the emergence of, and place within it, of social enterprises and their role in driving social inclusion policies in a cross-departmental way. It deals briefly with the main issues in the definitional debate, describes the UK’s policy framework, rollout and review. It canvases barriers to growth, governance challenges and enabling social investment policies. Examples of social enterprises with clear social inclusion goals are given, as are examples of social enterprises/business driving global systemic change, creating new markets and also achieving social inclusion outcomes.

It concludes with a snapshot of the current Australian social enterprise landscape and of some interesting international developments.

This paper is written from the perspective of an Australian with five+ years’ immersion in the UK social enterprise policy and implementation environment and the subsequent view that a great deal of the UK policy framework is entirely relevant to the Australian political context with respect to its major components; and that specific elements such as barriers to the growth of social enterprises are common across the world.

Some work on developing an evidence base in Australia has begun. The reality is, however, that Australia is significantly behind the rest of the world in recognising the innovative applicability of this area of policy. Suggestions are made for both short and long-term cultural change to support the growth of social enterprises both for social inclusion outcomes, which is the focus of this paper, and also for the wider systemic change to the way “business does business.”

It makes sense to consider a similar thematic approach as has been the route in the UK. However, the strategy piece which is missing in the Australian context, is that the UK is well advanced on a co-existing agenda of the transformation of public services which includes a major and legitimised role for social enterprises in service delivery. Conversely, the UK does not have to deal with implementation issues resulting from our federated governance.

Social enterprise take-up does not exist independently of the social investment landscape, developed networks and capacity building opportunities which both encourage and support its growth. It requires a whole of government strategy even to maximise specific social inclusion outcomes.

Summary of Key Ideas for Implementation

1. Identify the most appropriate Minister and Department to coordinate a cross departmental championing of social enterprise policy. We at CSI support the UK model of a separate Office of the Third Sector within the Cabinet Office.

3. Provide opportunities for “champions”/leaders/thinkers to assist in raising the level of understanding in the corporate and third sectors.

4. Evaluate the social enterprises awarded seed funding under the Jobs Fund and extend the funding beyond the Fund’s stated two years to those demonstrating social impact.

5. Extend existing capacity building and business skills programs to include specific social enterprise capacity building options.

6. Lead third sector discussion on the reassessment of the role of profits and a possible new name for the sector.

7. Begin consultation on appropriate legal forms for social enterprises in an Australian third sector context.

8. Examine the lessons from the UK and Europe in the way a revitalised cooperative and mutual movement is both strengthening existing social value maximising organisations, particularly in rural areas, and also bringing networks and existing investment to new consortia partnerships.

9. Fund pilots of the use of social clauses in the commissioning of public contracts. (This means specifying wider social outcomes as part of public sector tenders.)

10. Legislate the introduction of Community Development Finance Institutions (CDFIs) as a potential social investor at the local economy level.

11. Scope ways for the Federal Government to initiate partnerships with state governments and/or the private sector to set up a Social Innovation Fund to seed innovations and fund experimental efforts by social entrepreneurs.

### Overview

Social enterprises exist within, and also drive, a significantly changed and changing social landscape characterised by:

- the inclusion of social “value” creation alongside environmental and financial value in assessment of project costs and benefits (see Social Return on Investment Paper)

- the increasingly blurred boundaries between the private, public and third sector\(^1\)

- a reassessment of the role and source of profits and the emergence of the logic of profits with a purpose, reinvested in the core purpose of the social ventures

- a move away from short-term grant funding of projects and programs

- the emergence of new forms of what we used to call “philanthropy”, specifically social investment and a greater focus by funders on social impact, social return on investment and their measurement.

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\(^1\) I use the term third sector as it is commonly used in the UK to neatly encompass voluntary and community groups, NGOs, social enterprises, charities, cooperatives and mutuals.
• a changing funding landscape where funders are willing to trade off high financial returns for demonstrated social impact
• links between social enterprise and social innovation

It can be argued that socially entrepreneurial individuals have always existed. In the 1890s Australia was known as the 'social laboratory of the world' and the social innovations of Friendly Societies and Mechanics Institutes running libraries as social ventures generated significant and enduring social capital. Housing associations and cooperatives are also examples of early social enterprises.

Over the last twenty five years the scale and confluence of powerful twentieth century drivers have led to the emergence of social entrepreneurship on a global level. Social businesses/enterprises are the response of a critical mass of people throughout the world who have concluded that there can be a different way of doing business. They pursue new ways to harness capital market models, incorporating traditional business tools and strategies to add a social and environmental bottom line to the traditional profit and loss statement. Rather than being driven to maximise profits for shareholders, social businesses reinvest their surpluses in the pursuit of the business's core social and environmental purpose.

The UK Labour Government sees social entrepreneurship as “the latest form in a continuing evolution, a new experiment in the journey from philanthropy to state action to a partnership between state, market and individual.”

### 20th Century Drivers

Social enterprises/businesses are a response to the perceived unmet social and environmental needs which have arisen from the complexities of the combination of:

- global crises: poverty, health, access to resources like water,
- Social market failures
  - government inefficiencies in public service delivery,
  - the rise of corporate power,
  - the retreat of the state in the face of free-market ideology,
  - the inability of political representative democracy and its public sector
  - agencies to respond to increasingly niched social need (Kernot, 2009)
- the weakening of social bonds and the crisis of the welfare state (Defourney, 2001),
- labour market issues (Barraket, 2007),

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2 Minister for Third Sector, Phil Hope at Voice 09 Conference, Jan 09
• enduring unemployment and other intractable social problems (Bradach, 2003)\textsuperscript{6},
• a shift in the role of government responsibility and resource distribution (Rangan, Leonard & McDonald, 2008)\textsuperscript{7},
• globalisation and the increasing economic and social power of multinational companies (Perrini, 2006),\textsuperscript{8} and
• the financial pressures on non-profit organisations to survive or compete for funds (Barraket, 2009)\textsuperscript{9}.

**Definitions and Working Understandings**

Jeff Skoll, co-founder of eBay (a social business which has democratised the auction marketplace) and funder of the Skoll Centre for Social Entrepreneurship at Oxford University, describes social entrepreneurs as rebelling against one of the worst ideas that has ever gripped mankind – “that the problems that surround us are so big that ordinary men and women can’t make a difference.” From his own experience Skoll argues that social entrepreneurs see these problems as a call to action rather than a cause for despair:

‘Some charities give people food. Some teach farmers to grow food. Social entrepreneurs have to teach the farmer to grow food, how to make money, turn it back over to the farm and hire ten more people. They’re not satisfied until they have transformed the entire food industry.’\textsuperscript{10}

The Skoll Centre sees social entrepreneurship as:

“the product of individuals, organisations, and networks that challenge conventional structures by addressing failures and identifying new opportunities in the institutional arrangements that cause the inadequate provision or unequal distribution of social and environmental goods.

Social enterprises specifically address conventional competitive markets, but social entrepreneurship broadens the conception of a ‘market’ beyond the neoliberal definition to suggest that markets establish exchange value that is inevitably socially embedded. Thus, market orientation also includes ideas of reciprocity and the common good. Social entrepreneurship can be the product of for-profit and not-for-profit organisations, as well as of many hybrids in between. It is also found in the public sector.”\textsuperscript{11}

\textsuperscript{11} Skoll Centre for Social Entrepreneurship website: www.sbs.os.ac.uk/skoll
Jeff Skoll and some other big US Foundations fund projects aimed at large-scale systemic change and new market creation\(^\text{12}\). The most significant government funding response is that of the UK (with separate allocations by the Scottish and Welsh governments.) Funding of social enterprise growth at the local and national level is cross-departmental, targeting social inclusion, community regeneration and enterprise policies and also as a part of international development policy. Priority has also been given to the inclusion of social enterprises as a major component of its public sector reform program particularly in health, social care and juvenile justice policies.

Both global and local models foster employment creation with jobs designed to address social and community need, and owned by those directly involved. It can be argued that these jobs are qualitatively different from those produced as a result of private sector expansion or short-term government stimulus. And that the services delivered by social enterprises are delivered more effectively and often more cheaply when social return on investment is factored in. Examples are included later in the paper.

Debate around definitions continues but is settling around key areas encapsulated in the definition proposed (2008) by Kim Alter founder of Virtue Ventures (and a Skoll Fellow):

> a social enterprise is “any business venture created for a social purpose – mitigating/reducing a social problem or a market failure – and to generate social value while operating with the financial discipline, innovation and determination of a private sector business.”\(^\text{13}\)

Globally, a range of hybrid organisations have emerged to address a range of unmet social need either in specific places or with specific groups of disadvantaged peoples including the homeless, disabled, refugees, indigenous or unemployed. Within the spectrum of these hybrid organisations are social enterprises, those business ventures addressing social issues by generating profits through their market-focussed business activities.

The key distinguishing concept is market orientation, which makes social enterprise-generated employment different from charitable purposes or work for the dole projects for example.

### Other Characteristics of Social Enterprises\(^{14}\)

\begin{itemize}
  \item \textit{a) An explicit aim to benefit the community}
    
    One of the principal aims of social enterprises is to serve the community or a specific group of people. In the same perspective, a feature of social enterprises is their desire to promote a sense of social responsibility at local level.
  
  \item \textit{b) An initiative launched by a group of citizens}
\end{itemize}

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\(^{12}\) See The Skoll Foundation website: [www.skollfoundation.org](http://www.skollfoundation.org) and Appendix A


\(^{14}\) adapted from Defourney, J. "Social Enterprise in an Enlarged Europe: Concept and Realities” Second Conference on Social Economy in the Central and Eastern European Countries “Social Entrepreneurship & Economic Efficiency”, Krakow, Poland 27-28 October, 2004
Social enterprises are the result of collective dynamics involving people belonging to a community or to a group that shares a well-defined need or aim; this collective dimension must be maintained over time in one way or another, even though the importance of leadership - often embodied by an individual or a small group of leaders – must not be neglected.

c) A decision-making power not based on capital ownership

This generally means the principle of "one member, one vote" or at least a decision-making process in which voting power is not distributed according to capital shares on the governing body which has the ultimate decision-making rights. Moreover, although the owners of the capital are important, the decision-making rights are generally shared with the other stakeholders.

d) A participatory nature, which involves the various parties affected by the activity

Representation and participation of users or customers, stakeholder influence on decision-making and a participative management are often important characteristics of social enterprises. In many cases, one of the aims of social enterprises is to further democracy at local level through economic activity.

e) A limited profit distribution

Social enterprises not only include organisations that are characterised by a total non-distribution constraint, but also organisations which - like co-operatives in some countries - may distribute profits, but only to a limited extent, thus avoiding a profit-maximising behaviour.

What’s in a Name? Social Enterprise and Social Business

Muhammad Yunus, founder of the social business the Grameen Bank and winner of the 2006 Nobel Peace Prize for the pioneering and subsequent global take-up of microfinance makes a distinction between social entrepreneurship and social business:

"social entrepreneurship is a movement around a very broad idea: innovative ideas to help people. The initiative may be economic or non-economic, profit or not for profit … social business is a subset of social entrepreneurship: all those who design and run social businesses are social entrepreneurs, but not all social entrepreneurs are engaged in social businesses." 15

One problem with current terminology is that the broader meaning has been generally applied to the specific. i.e. social enterprise has been substituted for social business which has caused confusion and is why the focus on market orientation distinguishes the business from the innovative idea.

A second one is that the term enterprise is not as commonly used in the UK and Australia as is business, or even venture. Research 16 commissioned by the UK Office of the Third Sector at the end of 2008

revealed huge confusion and misunderstanding about social enterprise - even among those most likely to offer the warmest support. It was found that the confusion and misunderstanding were hampering the sector’s ability to inspire people and to convince potential supporters of its commercial viability. And people had great trouble understanding that charity is something different.

Notwithstanding Yunus’s preferred distinction the term social enterprise is more widely, if inaccurately, used.

### Typology of Social Enterprises

**Table 1: Typology of Social Enterprises adapted from Alter, 2007**

All hybrid organizations generate both social and economic value and the four types on the spectrum below are organized by degree of activity as it relates to 1) motive, 2) accountability and 3) use of income.

<table>
<thead>
<tr>
<th>Hybrid Spectrum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional Non-profit</td>
</tr>
<tr>
<td>Almost completely reliant on fundraising and govt grants</td>
</tr>
<tr>
<td><em>Salvation Army note below</em></td>
</tr>
</tbody>
</table>

Mission motive
Stakeholder accountability
Income reinvested in social programs

Primary Purpose: Creating social value

Profit making motive
Shareholder accountability
Profit redistributed to shareholders

Primary Purpose: Creating economic value

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• The Salvation Army for example operates as a traditional non-profit charity with respect to its Red Shield Appeal, and also as a non-profit, generating income from Job Network/Job Services contracts.

• **Social Firms** are social enterprises specialising in the creation of employment for the disabled.

• **Cooperatives**: Where do they fit? Some of the oldest and largest social enterprises in the UK are co-operatives – and so are some of the most modern.

The cooperative model of social enterprise provides direct benefit to its target population or "clients," cooperative members, through member services: market information, technical assistance/extension services, collective bargaining power, economies of bulk purchase, access to products and services, access to external markets for member-produced products and services, etc. The cooperative membership is often comprised of small-scale producers in the same product group or a community with common needs—i.e. access to capital or healthcare. Cooperative members are the primary stakeholders in the cooperative, reaping benefits of income, employment, or services, as well as investing in the cooperative with their own resources of time, money, products, labor, etc.

The cooperative model is **embedded**: the social program is the business. The cooperative's mission centres on providing members’ services. Financial self-sufficiency is achieved through the sales of its products and services to its members (clients) as well as in commercial markets. Cooperatives use revenues to cover costs associated with rendering services to its members and surpluses may be used to subsidize member services. They may distribute profits, but only to a limited extent, thus avoiding a profit-maximising behaviour. 18

The Australian social enterprise movement thus far appears to be developing independently of the established co-operative movement, notwithstanding the best efforts of some in the cooperative movement to articulate the obvious synergies.

**Two Australian Social Enterprise Co-operatives**

Westgate Health Coop 19

Hepburn Renewable Energy Association 20 - wind farm, partnership with Sustainability Victoria

[Cooperatives are historically more embedded in the UK and Europe but their enduring social capital and “fit” with the emerging social entrepreneurship movement is recognized in the 2002 ILO Recommendation 193, *The Promotion of Co-operatives.*]

**Practical idea:** Examine the lessons from the UK and Europe in the way a revitalised cooperative and mutual movement is both strengthening existing social value maximising organisations, particularly in rural areas, and also bringing networks and investment to new consortia partnerships.

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19http://www.westgatehealth.coop/
Profits with a (Social) Purpose

The vast majority of Australian third-sector organisations are engaged in creating public, social or environmental value, rather than private value, yet the limiting and negative description of ‘not-for-profit’ is used to describe distinctive third sector organisations that may in fact be generating profits from income-earning enterprises, and even relying on those profits for sustainability. Like the term ‘philanthropy’, ‘not-for-profit’ is one of those shorthand terms that limits understanding in a 21st century context. What becomes more immediately relevant is how the profits are generated in line with the values and mission of the organization/social business and how they are dispersed. Social enterprises reinvest their profits in the business’s core social purpose.

Practical idea: Lead sectoral discussion on the reassessment of the role of profits and a possible new name for the sector.

Governance Issues

Choosing the most appropriate structure is an important issue for social enterprises and the third sector generally.

UK legal entity choices include:

- Company limited by Guarantee
- Company limited by Shares
- Industrial and Provident Societies (around 8,000 in existence) either co-operatives or community benefit societies
- Community Interest Company – created in 2005 for start-up social enterprises in response to consultations with the sector; the first new legal form of company for 100 years. More than 2300 have been created since.

Community Interest Companies have a flexible company structure with a strong identity. They include a compulsory asset lock, and have the ability to raise share and loan capital. They can be a private company limited by shares or guarantee, or a public company. To apply, the applicant must make a community interest statement identifying who the company intends to benefit and in what way. The asset lock means the company’s assets (including surplus profits) must be used for the benefit of the community it was set up to serve, or if transferred to a third party for another purpose then full market value must be attained. An annual report provides for transparency of operation, informing the Regulator of Community Interest Companies and the general public of what has been achieved by the money generated through the year. A review is currently being conducted on the 35% cap on shareholders’ dividends, as some perceive it to be a disincentive to potential investors.

The most prominent form of social enterprise incorporation in Australia is the company limited by guarantee, though questions remain about its ability to deliver something more than the “charity

21 www.cicregulator.gov.uk
model” primarily because this company has no formal “equity participation” as its structure is based only on members making guarantees on its liabilities. As a result, a social enterprise based on this structure may not have an adequate capital base to assist in start-up and on-going trading. Therefore this form of incorporation limits the ability of social enterprises to grow on a larger scale and be part of the solution to building a more equitable and sustainable economy.

The UK Community Interest Company (CIC) addresses this problem of limited equity participation in the sector through the introduction of the “community share holder” or “social investor”.

**Practical idea:** Begin consultation on appropriate legal forms for social enterprises in an Australian third sector context.

**What Social Enterprise is not**

As with all perceived potential sources of new funding many “pretenders” claim the label. Social Enterprise is not:

- Community Development rebadged: distinctively it seeks to be economically sustainable with limited dependence on grants, and is market oriented;
- a new name for a Foundation seeking to invest a proportion of an individual’s or a corporation’s wealth in social purpose ventures, although increasingly foundations are displaying an interest in social impact investing;
- only about employment creation for marginalised individuals and groups although it has a successful track record in this narrow area of the spectrum of application.

**Why Social Enterprise is not a Passing Fad**

**Government support**

It didn’t take a world economic crisis to create social entrepreneurs – the passion to design solutions for the unmet need inherent in social market failures has been driving social entrepreneurs for at least the last twenty-five years. Many commentators see the current economic crisis as offering a global opportunity to forge a new way forward for all business.

UK Minister for the Third Sector Phil Hope describes the UK government’s rationale for encouraging the growth of social enterprises as:

“…because the new giants of the 21st century are social, not just individual, the power of the state needs to work with the restless impatience of the market and the moral concern of the individual.

Social entrepreneurship lies at the overlap of these three spheres. It has a force of gravity that is bringing each sphere closer to the others. Social Enterprises offer challenges to businesses in developed economies – for example how to deliver much better services to the neediest in our society, how to keep staff both interested and motivated, how to offer more value, to differentiate themselves from the competition.”

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22Hope, Phil, ibid
Measured in the UK in 2005 the total turnover of social enterprises was estimated at $A67 billion, or 1.3% of the total turnover of all businesses with employees. Their contribution to GDP is estimated to be $A20 billion. Current research is updating these statistics as considerable growth has occurred as a result of the Government’s Action Plan of 2006.

The bottom line for government is the opportunity to assist the cultural shift away from grant dependency towards greater reinvestment of, and social returns on, the same pool of money. President Obama’s newly established Office of Social Innovation operates as a venture capital fund to finance not-for-profit groups active in health, education and the environment.

Inclusion in Business Schools’ courses

The Aspen Institute’s biennial Beyond Grey Pinstripes survey of business schools shows a striking 79% increase in offerings relating to social benefit and social sector management from 2005-2007 alone. The Bridgespan Group Report, The MBA Drive for Social Value, April 2009, identifies student demand as the key driver. At Harvard Business School, student enrolment in social enterprise electives increased by 61% from 2003 to 2008.

UK Policy

UK Policy Framework

The UK is generally considered the most vibrant social enterprise environment with the government a primary enabler. In the US funders and the third sector have had more of a role in driving change.

The Blair government championed social enterprises as a force for social change. Their contribution to society was seen as a way of achieving Labour’s own policy goals:

- Tackling some of society’s most entrenched social and environmental challenges.
- Setting new standards for ethical markets, raising the bar for corporate responsibility.
- Improving public services, shaping service design and pioneering new approaches.
- Increasing levels of enterprise, attracting new people to business.

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23IFF Research. (2005). A Survey of Social Enterprise across the UK. London: Small Business Service. The survey focused on two legal forms used by social enterprises – companies limited by guarantee, and industrial and provident societies. Although this meant that it underestimated the overall population, it provided important detail on the make-up of social enterprise.
Figure 1: The contribution of social enterprise

Meeting social need
Using business success to meet social or environmental needs
Providing opportunity and skills for marginalized groups – and in some cases a potential route off benefits

Encouraging ethical markets
Responding to new markets driven by increasing ethical consumerism
Raising the bar by adopting pioneering ethical practices, such as fair trade

Improving public services
Shaping service design, pioneering new approaches and winning contracts to deliver services

Increasing Enterprise
Attracting new entrepreneurs who want to make a difference to society or the environment
Encouraging more women, underrepresented groups and young people to start their own businesses

Dynamic and sustainable social enterprises, contributing to a stronger economy and a fairer society

UK Policy Roll Out

2006 The Office of the Third Sector, with a dedicated Minister, created in the Cabinet Office.
2007 Review of Action Plan at 1 Year
2008 Review of Action Plan at 2 Years
2009 $A25 million Risk Capital Fund (50% government, 50% private) for Social Enterprises

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The action plan sets out the government’s cross-departmental commitment to create the conditions for thousands more social enterprises to thrive. The Plan included commitments from 12 government departments and bodies – including the Department for Business, Enterprise and Regulatory Reform, the Department of Health, the Department for Children, Schools and Families, as well as the Office of the Third Sector.

The actions are divided into four themes, which aim to:

1. foster a culture of social enterprise, especially by inspiring the next generation to start thinking about the social impact of business
2. improve the business advice, information and support available to social enterprises
3. tackle the barriers to access to finance that restrict the growth of social enterprises
4. enable social enterprises to work effectively with government to develop policy in areas of expertise

2007 Review

The 2007 review of the action plan at the end of its first year reports a “groundswell of support across government”, including:

- The Department for Communities and Local Government (CLG) commitment to a three-year programme to invest in community anchors to support community sector organisations at neighbourhood level.

- The Department for Children, Schools and Families (DCSF) investment in third sector support for young people with ideas for social enterprises that can be run both by and for young people. And an allocation of $A150 million a year ($A130 million going directly to schools) to create a new focus on Enterprise Education.

- The Department for Environment, Food and Rural Affairs (Defra) coordination to increase the role of social enterprise across the full range of their strategic priorities. For example, they have asked WRAP (Waste & Resources Action Programme) to work to increase the capacity of third sector organisations in waste and recycling.

- The Department of Health (DH) investment of over $A3.5 million in 26 social enterprise pathfinders in 2006/7 and the evaluating of the learning from them to share across the sector. One example, Apnee Sehat (Our Health) used a Sikh temple as the starting point for a community programme on the prevention and management of diabetes and cardiovascular disease, and is now extending its services to Muslim communities. The DH total investment of over $A182 million in social enterprises over the next four years to create and support a vibrant social enterprise sector in health and social care.

- The Government Equalities Office commissioned Social Enterprise London to undertake a study into the barriers and motivations for ethnic minority women wishing to enter social enterprise
The Department for Business Enterprise and Regulatory Reform (BERR) support for social enterprise as part of its wider enterprise policy. It works closely with Regional Development Agencies on business support for the sector and funds Enterprise Insight who run Enterprise Week, including Social Enterprise Day and the ‘Make Your Mark: Change Lives’ campaign. BERR is now developing a new enterprise strategy and will involve Office of the Third Sector and the sector to ensure that it is relevant to, and inclusive of, social enterprise.”

### 2008 Review

The 2008 review of the Action Plan reported the following progress:

- 3 Local Authorities piloting social clauses
- 9 social enterprise Office of the Third Sector strategic partners
- 2,321 Community Interest Companies
- 3 Trailblazers magazines
- 30 social enterprise ambassadors
- 47 university careers services trained to advise on social enterprise
- 1246 Social Enterprise Day events over 3 years
- 35,000 hits on businesslink.gov pages for social enterprise
- distribution of 80,000 No Nonsense Guides to Business Finance more relevant to social enterprise

### Fostering a culture of social enterprise

This can be achieved through government action in spotting opportunities and helpful challenges to the market, developing policies, and using its powers – often regulatory – to create the space for a much bigger shift in the whole economy.

The UK Government believes that social enterprise business models should have a higher profile within senior level subject options and other business studies courses at school and Universities and have worked with the Department of Education to make that happen.

Improving the business advice, information and support available to social enterprises by linking with existing services providing small business support and giving extra regional location-based support. A review to understand the specific skills needs of social enterprises and whether they are met by mainstream business education and training networks and organisations has been completed.

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25 Social Enterprise Action Plan; One year on, UK Cabinet Office, 2007
26 Social Enterprise Action Plan; Two years on, UK Cabinet Office, 2008
**Tackling the barriers to access to finance** that restrict the growth of social enterprises by actively working with funders to build the social investment market and a potential social investment wholesaler.

**Enabling social enterprises to work effectively with government.** Many social enterprises trade in markets where the public sector is the major customer, such as community transport, employment of the marginalised, health and social care. The UK government has conducted pilots of the use of social clauses (specifying wider social outcomes as part of public tenders) at local government level to facilitate access to social procurement opportunities as this provides more opportunities for social enterprises to win contracts and to grow their businesses. The UK government has also funded publication by the Social Enterprise Coalition of *More for your money* – a guide to procuring services from social enterprises for local authorities.

Brisbane City Council has pioneered this for almost ten years and other councils are looking for best practice guidance.

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**On the UK Policy Horizon**

**Measuring social value** - SROI guidance issued in June 2009

**Further promotion to increase public understanding of social purpose business**

**Building the Social Investment Market**, legislating for a **Social Investment Fund** sourced from unclaimed money held in dormant bank accounts. Like an investment bank, a social investment wholesale institution could support the activities of existing investors in the third sector (such as community development finance institutions). It could champion social investment; raise and provide capital; provide advice; and develop the market. Ultimately it could be the mechanism that enables the third sector to access significant new secure and sustainable finance.

**Exploring ways to support the sustainability of CDFIs**

Examples of global social enterprises which illustrate scale and impact and also achieve social inclusion can be seen at Appendix A

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**Examples of Social Enterprises Based in Local Economies: Addressing Social Inclusion**

**Example 1: Forth Sector** is one of Scotland’s leading social enterprises. It creates supportive employment for people with mental health problems through running businesses. The opportunities provided within these real working environments support people to:

- recover from the impact of their mental ill health
- increase their employability
- regain or retain employment
Forth Sector runs small commercial businesses, trading to high standards. Its social businesses operate in a range of markets, including tourism, catering, laundry and embroidery services and manufacturing/retail. It also provides business development services to the social economy through Forth Sector Development. These include mentoring, visits and business replication.

The businesses are wholly owned by Forth Sector. Each is run as a social business with the aim of maintaining a successful business while providing training and supported workplace opportunities for people who have experienced mental health problems. The current businesses are: Edinburgh Embroidery Services: Supplier of embroidered corporate, leisure, school and work wear; Forth Sector Development: Uses its experience in running social businesses to assist others to develop their own social enterprise initiatives; Forth Sector Restart: A successful back-to-work initiative for clients with depression or stress-related problems.; Parkview Laundry: Specialists in laundering duvets, sports kits and work wear; Rolls On Wheels: Outside catering and roll delivery; Six Mary’s Place Guesthouse: Visit Scotland’s three star award-winning guesthouse centrally situated in Edinburgh; The Soap Co: Scottish traditional handmade soaps and gifts; The Wood Works: Rescued wood for reuse.

Example 2: InfoXchange

Based in Melbourne Andrew Mahar has, for twenty years, been driving his socially innovative solutions to the unmet social need of ‘digital inclusion’. In 1991 he began his Green PC social enterprise which trained unemployed and marginalised young people to refurbish recycled computers for resale at low prices. Since then Infoxchange has grown and diversified its business model and now employs sixty-five people in a range of related businesses and has forged partnerships with the government, corporate and third sectors. Its ‘Parent Connect’ wired a hundred households of families from Glen Orden Primary School in Melbourne’s west, while Green PC supplied affordable computer and training packages to families with a child in the ‘Learning for Life’ program, in partnership with The Smith Family. Similarly, WorkVentures Connect IT offers quality, affordable, refurbished computer packs to people on Centrelink benefits, to schools, and to not-for-profit organisations. Infoxchange partners with corporations, including Westpac, which donate superseded computers which are then refurbished and loaded with donated software from Microsoft.

Infoxchange’s largest digital inclusion project – Wired Community @ Collingwood was launched late last year. This is designed to provide computers, internet access and training to a thousand households in the Collingwood Public Housing Estate. Although Maher’s enterprise has grown dramatically since he first had the idea to combine his computer skills with his concern for social justice, the question in terms of impact is one of replication and scalability.

Internationally, Infoxchange’s sister organisation Info Timor earned a nomination for the prestigious Stockholm Challenge Award, which promotes the use of information and communication technologies to counteract social and economic disadvantage. The twelve Infoxchange-trained staff work at providing information technology services to schools, police, community centres and non-government organisations in East Timor. Recently, at a ceremony in Baucau, fifteen local village chiefs were

27 www.forthsector.org.uk
28 www.infoxchange.net.au
presented with computers and a certificate recognising three months of computer training by Info Timor. These computers will be used to improve the governance of the District of Baucau.

**Example 3: STREAT a start-up phase replicable social enterprise**

STREAT is a Melbourne-based social enterprise that will provide homeless and disadvantaged youth with holistic social support, hospitality skills and a pathway it is anticipated to long-term employment in the hospitality industry through mobile food and coffee carts. STREAT has gained start-up funding from an overseas philanthropic organisation which is keen to see the organisation scaled and replicated to other locations nationally or internationally. The key difference in STREAT’s model is that moves participants from training and employment to equity in their street cart.

### Tackling Rural Social Inclusion through Social Enterprise

**Examples of Social Enterprises Tackling Rural Social Inclusion**

Enterprise for Inclusion UK (Enterprise4Inclusion) was a Department of Environment, Food and Rural Affairs financed action research programme which examined the potential for social enterprise approaches to make a positive contribution to tackling rural social exclusion. It supported new-start and existing social enterprises and voluntary organisations and social enterprises who wished to further develop their activities by using enterprise-based approaches. Most were relatively small organisations operating at the local level. There were 98 projects with a focus on those with disabilities, low income households, lone parents and those with lack of access to transport.

**Example 1: Virtual garden centre.** A Lancashire-based organisation (North West E.Net) has used a ‘green’ approach to breaking down some of the barriers to training and employment faced by the disabled and those with learning difficulties across Lancashire.

Working with the charity, voluntary and faith sector, North West E.Net in Clitheroe is developing Green-Net, a consortium of horticultural social enterprises. The disability network has also set up an intranet/extranet to develop e-commerce, and to promote training, support and trading. Video conferencing, web discussions, procurement and tendering opportunities are also being included along with a virtual garden centre.

The Enterprise for Inclusion grant ($A5,000 and five days’ advice) enabled the group to develop the consortium, which has 11 members and more than 100 beneficiaries (disabled and disadvantaged people whose attention span is limited, preventing them from working to deadlines and often only for limited periods.) Member organisations train and employ them.

**Example 2: Oakley Pictures Ltd**

A social enterprise which creates employment opportunities for people with disability or health problems and which has been so successful it is to open a second base in a nearby town. It helps people

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30 http://www.plunkett.co.uk
who find it difficult to find work to get into employment and off benefits. It has six employees providing photography, picture framing and fine-art printing. The company works closely with the local TAFE equivalent, disability advisers at JobCentre Plus, and many other organisations, getting referrals and offering tailored solutions to the people who come to them.

The Enterprise For Inclusion grant of $A15, 000 and 15 days’ advisory support gave the social enterprise the opportunity to bring in outside expertise such as legal and accountancy advice. That advice has resulted in a business plan that involves moving into larger premises as well as keeping the original base. Its target turnover is $A440, 000 in three years.

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**Social Enterprise in Australia: A Snapshot**

Generally there is a little support or capacity-building available for social enterprise practitioners (as distinct from third sector leaders) within Australia\(^{31}\). There are also limited theoretical or practical resources available to guide the development of the enterprise from conceptualization to expansion.

To address the lack of assistance in establishing community or social enterprises, the Brotherhood of St Laurence has developed a package of resources to assist practitioners from conceptualization and planning through to start-up.

A *Mapping Australia’s Social Enterprises*\(^{32}\) research project is underway, co-funded by QUT, the Westpac Foundation and Social Traders.

Social Traders is an independent company established in 2008; the result of a collaboration between the Victorian Government and a private Foundation, each contributing matched funding totaling $8 million over 4 years. It sees its role as facilitating, supporting and advocating for the development of social enterprise in Australia, and incubating local social enterprises in Victoria.

Social Ventures Australia\(^{33}\) has pioneered linking a small number of innovative social enterprise proposals with business mentoring to work the proposals into viable business and investment opportunities. Those judged capable of success have been provided with seed funding and close mentoring from skilled business professionals. Most of their projects have a focus on employment creation for the disadvantaged.

Social Firms Australia\(^{34}\) is a not-for-profit organisation developing social firms committed to improving the quality of life as well as the social and economic integration of Australians living with a psychiatric disability.

The School for Social Entrepreneurs, Australia, (based in Sydney), is a franchise of the UK model, aimed at building the capacity of 15-20 individual social entrepreneurs over a year’s program.

The Centre for Social Impact established in 2008 is a unique partnership between the Business Schools of the University of New South Wales, the University of Melbourne and Swinburne University of

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\(^{32}\) [www.socialeconomy.net.au/](http://www.socialeconomy.net.au/)


\(^{34}\) [www.socialfirms.org.au/](http://www.socialfirms.org.au/)
Technology. CSI’s mission is to educate tomorrow’s social entrepreneurs and strengthen today’s social enterprises. Through top class teaching and world class research, it aims to put Australia among the world’s best at delivering community benefit and generating social innovation and to bring together Australia’s not-for-profit, philanthropic, business and government sectors in a collaborative effort to help build passionate, high performing and sustainable social ventures. At the same time CSI aims to encourage and support businesses to turn good intentions into best practice through social investment. It is currently conducting research into Social Procurement policies and practices.

The Australian Centre for Social Innovation in Adelaide was established in 2008 with funding of $6million over 3 years by the Rann government. This centre aims to be a partnership between the state government, business, community organisations, the universities and commonwealth and local governments. It will act as an incubator in which to grow and develop unique, effective remedies to our nation’s pressing social problems.

Social Investment in Australia

In Australia, just as the venture capital industry has been slow to develop, so too has social venture capital. There are few social venture capital funds established specifically for the purposes of providing equity or debt financing for social enterprises or other disadvantaged small business groups. Foresters Community Finance is active in pioneering investment options for social enterprises and community assets.

Social Enterprise Progress: An International Snapshot

1. Measuring Social Impact (SROI)

Notwithstanding the caveats placed around governments’ desire to reduce impact measurement to a single number it is nevertheless useful to keep abreast of the work being done in the UK resulting in the recent guidance for a Social Return on Investment impact measurement methodology. In the wider discussion of how social enterprises create social value, a transparent and tangible financial proxy, supported by a narrative, and that everyone can understand assists the debate. For both governments and organisations, it can also help focus attention on particular activities and how well they are working to achieve social change.

One recent example of a pilot demonstrating how this can work can be seen in the British example of Fab Pad, a project which supports young homeless people to sustain new tenancies. Project leaders, Impact Arts believes that by engaging young people in making their new environment a home there will be less chance of them becoming homeless. The SROI evaluation carried out on Fab Pad revealed that for every pound invested by the government in support, £8.38 of social return was derived in reduced health care costs, reduced welfare benefits expenditure and reduced costs of repeat homelessness. The British Office of the Third Sector is currently working with UK Treasury to explore how SROI can be integrated into the Green Book methodology: in other words, into the way Treasury calculates ‘value creation’.

2. A Social Stock Exchange in Brazil (since 2003)

3. A Social Enterprise Bank in Italy
4. **Social Silicon Valley policy development in Spain**

5. **President Obama’s Office of Social Innovation**

6. Researchers at Duke University’s Centre for the Advancement of Social Entrepreneurship (CASE) have recently embarked upon a major research program on scaling social impact which they define as “the process of increasing positive social impact to better correspond to the magnitude of the identified social need” and identify a range of strategies for scaling social impact.
Appendix A

Examples of Global Social Enterprises which Illustrate Scale and Impact and also Achieve Social Inclusion.

1. The Grameen Bank

Core social purpose: to tackle poverty by providing microfinance not requiring collateral of borrowers. The scale of its replication throughout the world has been phenomenal. More than 106 million of the world’s poorest families received a microloan in 2007. This in turn touches the lives and creates new markets in the more than half a billion family members around the world: half of the world’s poorest people. The microfinance product has been taken up by commercial banks.

2. One World Health Institute

Driven by the purpose of creating financial profits for their shareholders, big drug companies which held patents for drugs to cure many infectious diseases chose to manufacture and market only those for which the well-off could pay for. To challenge this ‘stable, but unjust equilibrium’, Hale created the Institute for OneWorld Health, the first ‘non-profit’ pharmaceutical company whose mission is to ensure that drugs targeting infectious diseases in the developing world are accessible to those who need them, regardless of their ability to pay. Her business model involves her team of scientists identifying promising new drugs for neglected diseases and ‘mentoring’ them through clinical trials and regulatory approval. OneWorld Health contracts the manufacturing and distribution to companies and organisations in the developing world, creating in the process jobs and new economic pathways. In 2006 she began clinical trials in India and won approval to manufacture an off-patent antibiotic to treat a parasite which causes visceral leishmaniasis, the second deadliest disease after malaria in the country. The Indian government now distributes the drug free.

3. Belu

A young, successful social business in Britain. It has taken commercial advantage of the current Western preference for bottled water, but unlike the oil-based bottles produced by the big beverage corporations, Belu’s bottles are made of compostable cornstarch, the water is locally sourced and the product is not exported; it is available at a competitive price on the shelves of supermarket chains. While it produces bottled water, the business’s core social purpose is to use its profits to invest in clean water products in the developing world. The bottles carry the distinctive marketing appeal – the purchase of one bottle in a British supermarket keeps one person in the developing world in clean water for a month. Since it began in 2000, with financial assistance from pioneering social entrepreneurs Anita and Gordon Roddick, who founded The Body Shop, Belu has generated net profits of over $2 million which, through a partnership with WaterAid, it has reinvested in hand pumps and wells for twenty thousand water-stressed people in India and Africa. Belu is primarily a business which needs to survive commercially in order to meet its core social purpose. That is very different from a re-crafted version of grant-dependant aid or charity seeking to create access to clean water.
References


About the Author

Cheryl joined the Centre as its first Director of Social Enterprise. Following her distinguished political career, Cheryl has spent the last five years working in the UK as a Programme Director at the Skoll Centre for Social Entrepreneurship at the Said Business School at Oxford University and as the Director of Learning at the School for Social Entrepreneurs in London. Her specialist role at the Skoll Centre was to assist and mentor start-up social businesses particularly in the delivery of innovative health services.

Cheryl was Leader of the Australian Democrats from 1993-1997 and the Member for Dickson and a Labor Shadow Minister from 1998-2001. Her political portfolios included, amongst many, Indigenous Affairs, Treasury, Employment, and Women’s Policy. She played a major parliamentary role in the introduction of compulsory superannuation and in the introduction of Native Title. Her policy interests have been in social justice and social structural reform and in 1994 she introduced legislation to legitimise parental leave; in 1998 she introduced trial social inclusion projects to the Labor Party’s employment platform. Her work in the UK has been an extension of this pioneering policy interest. She was a member of the Council for Reconciliation from 1992-1997.

Since December 2007 she has been an honorary board member of Foresters Community Finance which is pioneering social investment in social enterprises, and is also on the founding committee of a UK charity which works to provide shelter and education for street children in Kampala, Uganda.