

**Networking Enterprises to Develop and Facilitate Business Growth –
the Experiences of Social Enterprises in Australia.**

Allison Oldfield-Hiosan and Leo Bartlett
(The Australasian Institute for Social Entrepreneurship)

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ABSTRACT

In recent years there has been a notable growth internationally of a diverse range of forms of social enterprises, which aim to create social wealth through the adoption of rigorous business practices and earned-income strategies. In support of these social enterprises, several organisations have emerged in Australia. Their work has been supported by international research that has identified *networking* at a local and microeconomic level as a key factor.

This paper discusses the development of and place of networking in larger social enterprise organisations working within welfare frameworks regulated or imposed by governments. The focus of the paper however is on Australian network organisations that have been established to support these enterprise initiatives, especially smaller to medium and micro-enterprises. It is argued that based on current research and the Australian experience, social enterprises like (small) businesses of any description, need connectivity and facilitation to survive and remain competitive. But because of the distinctive nature of social enterprises and their social goals/intent, they face an even tougher scramble for sustainability.

Contact:

Dr Leo Bartlett

Executive Director

Australian Institute for Social Entrepreneurship

P.O. Box 465, Indooroopilly, QLD, 4065

Ph: 0404780424 Email: leo@social-e.org.au

INTRODUCTION

The experiences of the past twenty years have demonstrated an enormous capacity within local communities to engage and involve people in finding solutions to seemingly intractable and insoluble issues relating to disadvantage and unemployment. Social entrepreneurs have been among the more active members within these communities. Through the establishment of social enterprises they have sought to extend the use of existing available resources in a different way; and to address problems that have been considered by mainstream agencies and private enterprises as too costly or too difficult to address.

In the first section of the paper, we make a slightly more than cursory review of the nature of social enterprises in Australia. We are less interested in defining social enterprise than in highlighting core conceptual features that support the discussion that follows. In the next section of the paper, we look at the larger social enterprises that have developed with their more sophisticated support mechanisms and indeed their apparent lack of need for developing networks within the third sector. As part of the discussion, we locate the rise of social enterprise within an historical context to better understand the issues apparent in a contemporary Australian social enterprise scene especially those issues that drive the establishment and subsequent scramble for funding and viability/sustainability faced by most/all social enterprise organisations. Many of the more general problems and challenges facing social entrepreneurs and social enterprises have already been identified. Emerson (2002b), for example, lists five challenges relating to organizational, managerial, marketplace, financial, and investor-related elements. However, participants in the second 2004 *National Business Plan Competition for Nonprofit Organizations* (many of whom were social entrepreneurs) argued that were specific issues faced by social enterprise organisations and social entrepreneurs. They concluded that their types of organisation faced particular challenges and issues not observed in the for-profit business sector (Wallace, 2004). We touch upon a number of these issues and challenges while making the issue of networking focal in the discussion.

One overarching issue that has ‘caused’ some pain for social enterprise support organisations if not social entrepreneur-practitioners and many others including members in the for-profit/private sector, academia, and governments, is the matter of

definition and scope of social enterprise. It is to the meanings of social enterprise we now turn.

THE NATURE AND MEANINGS OF SOCIAL ENTERPRISE

It is not the intention here to provide an exhaustive review and evaluation of the meaning(s) of social enterprise. But it does seem necessary to provide some meanings of the term, first to highlight the difficulties faced by governments and private for-profit or business sector to understand and/or acknowledge the place of social enterprise as part of the social economy and commercial economy of a nation; and second, to indicate how larger corporate organisations have tended to redefine themselves as social businesses (where business comes first then social goals are considered).

Like those writing in the field of social capital (Flora and Flora, 1993; Granovetter, 1973; Lin, 1988; Cavaye, 2004) there are many authors who have proffered definitions of social enterprise. Mort, Weerawardena, and Carnegie (2002), Johnson (2000), Emerson (2002a), Emerson, (2002b), and many others have argued and provided particular meanings and often precise definitions. However, it is accurate to say that a social enterprise is an initiative that operates on a business model (that is, it aims to make a profit from its activities) but where the profit is used to provide community or social services, in the pursuit of social aims (Iqbal, Cox, & Whittaker, 2003; Smallbone, Evans, Ekanem, & Butters, 2001; UK Department of Technology and Industry, 2002; Welsh, 2003). The social enterprise organisation uses the principles of business and commerce, and operates as a business in that production, manufacture and delivery are primary aims of the business or organisational resources; and where the pursuit of profit is the aim. A key difference between this organisation and a private enterprise is where the profit is targeted. In a private enterprise, profit is the key aim – the end in itself; in a social enterprise, profit is the means to an end – profit enables the organisation to achieve community or social aims with the funds generated from the enterprise (Tregilgas, 2001).

Now this latter point is contentious and is discussed in more detail elsewhere where distinctions are made among social innovation, social business and social enterprise with the culture-economy argument for meanings of social enterprise (Bartlett, 2004).

The ‘definition’ provided by The Department of Trade & Industry in the UK in its strategy for social enterprise reflects the generality of definition when it says that a social enterprise is:

“a business with primarily social objectives whose surpluses are reinvested for that purpose in the business or in the community (rather than being driven by the need to deliver profit to shareholders and owners).....There is no single model, but social enterprises may include co-operatives, mutuals, employee owned businesses and private companies limited by guarantee.....”

In the US the current debate centres on the essential elements of social enterprise as “an earned income strategy” (Boschee and McClurg, 2004), and social enterprise as a form of social impact and innovation (Dees, 1998; 2003).

Following Social Enterprise London (SEL) we prefer to include the economy-culture (social) and the values base in any discussion of social enterprise. SEL argues for the elements of:

- *Enterprise orientation*: social enterprises are directly involved in producing goods or providing services to a market.
- *Social aims*: social enterprises have explicit social aims such as job creation, training or the provision of local services. Their ethical values may include a commitment to developing skills in local communities.
- *Social ownership*: social enterprises are autonomous organisations, whose governance and ownership structures are normally based on participation by stakeholder groups (eg employees, users, local community groups, social investors).

The uncertainty about the nature and interpretation of the idea of social enterprise (see section above) has consequences for many stakeholders and social entrepreneurs themselves. Hence, for example, a lack of understanding by the private sector, sponsors and governments, tends to engender little recognition or support for the ‘movement’. Social entrepreneurs themselves while not needing to be preoccupied by ‘definitions’ of the term clearly benefit from self-evaluation of their projects for improved practice, self-evaluation that requires networking and understanding of the meanings of the term.

We want to conclude this section by arguing that social enterprises are *about* business *for* the creation of financial/economic wealth. But they also create social wealth *through doing* business (Bartlett, 2004). They always exhibit an *enterprise orientation*. Unlike business however their prime aim is to achieve social/cultural wealth or outcomes *through* doing business. They demonstrate the values of *social ownership* primarily but not only through *networking*. This assertion is significant when we turn to discussion in the next section of the paper where it is argued that large scale social enterprise organisations, working within government welfare frameworks, while espousing publicly a social intent may have forgotten or separated out the elements of social ownership and networking. They have reverted in practice, and in their operations, to a dualism between ‘the social’ and ‘the economic’. Their response may be due in part to the welfare policy environment in which they work.

In the following section we look at the larger scale social enterprises that, as we suggest above, now tend to focus on the ‘economic drivers’ and the business end of their work as reflected in their organisational structures. Social goals tend to be ‘value-added’ rather than integrated into the organisation.

WELFARE AND THE DEVELOPMENT OF AUSTRALIAN SOCIAL ENTERPRISE

Many of Australia’s largest welfare organisations which have been identified as broadly capturing the title of ‘social enterprise’, operate and are organised today more like business empires. They work to build extraordinary financial bases to focus the revenue onto the service end of the organisation. They are assisted amiably and usually by large government project and tender services contracts that support the salaries and wages of those who work so hard to change lives. The corporate structures and the intense focus on “building the business” are now part of the corporate welfare sector’s structure. The situation is publicly accepted. It is probably worthwhile looking briefly how this situation arose.

As early as the late 19th century, welfare organisations concentrated on soliciting support from donor and philanthropic sponsors for the charity work they undertook (Smallbone et al., 2001). By ensuring that their donors and sponsors were acknowledged and targeted in campaigns to build ownership, respect, and healthy

funding, charities and welfare agencies concentrated on service delivery, responsiveness to community needs, and advocacy on issues surrounding poverty and unemployment. This model of community service organisation laid the foundations for the revolution that came in the neo-classical economic changes of the 1970's.

When the oil crisis and stagflation impacted in the early 1970's, many political responses of governments that sought to address emerging community changes were found lacking. The need for better businesses in the community services sector was exposed when governments at all levels determined that service provider contracts would be the most efficient way of distributing the taxes which were used to provide support for community projects and services (Cook, Dodds, & Mitchell, 2001; Crofts, Gray, & Healy, 2001). Henceforth, and within a very brief period in time, community sector organisations found that their largest competitors were not the conservative business community. Rather they were faced with intense inter-sectoral competition where community funds, government support, and project initiatives were offered to the sector as a whole. This contrasted with the previous extra-sectoral or cross-sectoral boundaries approach in which larger organisations received funding based on acts of parliament, or statutory agreements (Johnson, 2000).

Henceforth, organisations focussed on building strategically focussed service arms (driven by social aims/goals) where the core of the business of raising funds was separated from the service arm itself. Organisations adopting this strategy for raising funds did not spend the latter funds on the services that featured in their stated objectives supporting the very reasons for their existence. Funds tended to be expended on the administrative support structures that surrounded the service delivery.

On the one hand, services based on poverty alleviation and charitable programmes were almost always funded under (public) service agreements with government agencies, and other project funding or sponsorship. On the other hand administration and management elements were funded by donation and philanthropic programmes. In addition, many clients and/or those in need, faced means tests or were asked for small contributions to demonstrate their need – as if need could be simply demonstrated by the income level one earned or the level of poveritous circumstance

the client endured. Whilst one could argue that the administration and management structures provided the environment that made the charitable elements possible, one must consider the effect of public support and public campaigns that provided an emotional base for their “business” of raising money from the public, coupled with the public support through government funding. The outcome was direct support from donations and indirect support from government expenditure.

Most certainly during this period the *passive welfare model* was at its peak, with clients most deserving of “help” and “support”. But they were largely purchasers or consumers of [government welfare] systems of support, the development of which they had little to no say. They were not enrolled in the effort to change or transform circumstance (Pearson, 2002) They were also excluded from the service development decisions – where policy for project funding and support was conceptualised, drafted, proposed and funded. More often than not no comment was invited, and there was little input or consultation with clients and/or their needs. Vocational service delivery, including job seeking, employability skills, and the general engagement in the workforce tended to be a foreign concept to welfare agencies and service providers – principally through circumstance rather than design. This was the period of the large *bureaucratic and unresponsive welfare agency*. A change to this scenario in Australia was heralded only with the introduction of forms of Thatcherite changes witnessed especially in the housing and employment areas in the United Kingdom.

Into this new and emerging scenario, smaller, more targeted (by government) organisations began to surface – ones in which the focus of the individual organisation was on the best engagement of the client; where the client was an integral part of the service; where employment outcomes generally focussed on employment within the delivery organisation as a first step towards employment in the general community; and where “help yourself” was the mantra and philosophy. Governments had developed intermediate labour market programmes to respond to and to stimulate private enterprise to employ more of the “unemployable” – traineeships, supported employment subsidies and long term mentoring (Botsman, 2003 (unpublished)). These organisations saw an opportunity to utilise government support systems in a way that had not been envisaged by the creators of the schemes.

In fact they offered a unique and important systemic change to the labour market for the mainstream unemployed.

By engaging the people they sought to serve in the system, organisations now began to create more opportunities through the development of business services. In this ‘new’ approach, it became possible for a subsidised labour force to be used to develop key business products and services. This now allowed the central organisational structure to be supported through profit, rather than a donation and philanthropic programme. The businesses were as varied and interesting as the private sector – from furniture manufacturing to food services, from building and construction to fashion. These kinds of (business) *enterprises* began to flourish and the employment of clients was a key focus. This is not to say that many of the welfare and community sector organisations had not implemented business services centres within their organisations. The fact remained however, that the vast majority of organisations did not, and continue not to operate as *social enterprises* (Canadian Centre for Social Entrepreneurship, 2001; The Smith Family, 2004; Tregilgas, 2001).

In this section of the discussion we have briefly reviewed the development of larger to medium scale social enterprise organisations and initiatives. Their organisational structures tended to preclude networking with social entrepreneurs and the enterprise community. Their development reflects broadly the ‘history’ of social enterprise in Australia. A number of contemporary social enterprises with a diverse range of ‘structures’ is listed in Appendices 1 and 2. It should be noted that no claim is made that all larger corporate institutions such as the Smith Family, BSL and others failed to network with other social enterprises - they were in competition with them; and they did focus on the business end of the venture sometimes perhaps and even to the extent they could no longer justify their status as social enterprises with the three defining elements outlined in the previous section.

NETWORKING FOR AUSTRALIAN SOCIAL ENTERPRISE DEVELOPMENT

Attention is now turned to those organisations that developed in the late 1990s to support small to medium and micro-scale social enterprises in Australia. These were the community based and individual/groups of social entrepreneurs that proliferated

across the country for several reasons not least of which was the welfare-funding environment in which they operated, an environment that tended to exclude them from public sector funding because of the fiercely competitive welfare funding approach of government.

The first of these Australian organisations was founded in late 2000. It sought to model itself on the successful *Community Action Network* (CAN) from the UK. The emergence of CAN was stimulated by the rise of the social entrepreneurs in the UK society – where years of Thatcher cost cutting from fiscal policy had left the unemployed and socially disadvantaged bereft (Handy, 1998). A small group of influential and successful social entrepreneurs, led by Reverend Andrew Mawson, founded CAN and developed through a unique partnership with the new Blair Labour government a network strategy to connect, build and regenerate social enterprises (Community Action Network, 2002). That the network was funded by the government and the European Union was not considered a key success of its inception by the international observers.

We use this new Australian organisation – the *Social Entrepreneurs Network (Australia)* hereafter referred to as SEN - that modelled itself on CAN to trace the development of social enterprise support organisations in this country. The discussion is **not** intended to be an evaluation of this organisation, its leadership, performance or failure *per se*. Nor is it a critique of the model on which it was founded. Rather the case of SEN is used for illustrative reasons to demonstrate selected issues that need to be addressed in growing the business of support for Australian social enterprises.

SEN was initiated in 1999 by a small group of mostly Melbourne-based interested social commentators, workers and entrepreneurs. They met to consider what could be done to change the way in which Australian social enterprises might be developed and supported. The outcome was the foundation of a professional support group, rather than a business services network (Social Entrepreneurs Network (Australia), 2001). The emphasis was on the individual social entrepreneur or nonprofit worker, rather than the enterprise (Hughes, 2003). It was funded initially through donations from four welfare organisations and generated its enterprise revenue through the provision of two main professional services, conferencing and seminars. The organisation had a

membership base where “professional” social entrepreneurs paid a fee to join and participate. Events were open to the public at large. The organisation received no government funding or partnership support (as was the case with CAN). However, unlike the UK where the Blair Labour Government through its Social Enterprise Unit (SEnU – see Notes 3), the Australian Coalition Conservative Government positioned itself at arms length from what might arguably be claimed the most important strategy to be undertaken in the public and third sectors in more than forty years.

The demise of SEN within three years may well be attributed to issues relating to governance-management, the implementation of a ‘traditional’ nonprofit model, the adoption of a sound enterprise and business approach for sustainability, and its failure to address earned income and revenue stream issues. Our interests in the following discussion are primarily in those issues relating to what should have been its core business, *networking* for and *communication* among professionals. We discuss selected issues within the cells or categories that constituted the organisation.

Governance (SEN Board) and Members: If it could be argued that networking between these two groups be of quite a specific nature, it could equally be claimed that communication did not exist. In the three years of its operations SEN did not communicate to its members through the usual channels (Newsletters, websites etc). Its principal means for networking with members was relegated to annual conferencing. No AGMs were ever held. There was no reporting (including financial reporting and auditing) to the membership.

Management (CEO) and Members: Until mid-2002, the principal work of the organisation focussed on administration of initial sponsor start-up funding. There was no earned income strategy, little earned income, and virtually no effort to form partnering relations with the membership to access capital.

Governance (Executive Board of Directors) and ‘Governance’ (Advisory Board): Until early 2003 (and passed constitutionally in mid-2003) SEN was governed by an unwieldy number of ten directors. Post 2002, this number was reduced to three who became the directors legally accountable for the business of the organisation. The remaining former directors (including the Executive) constituted a new Advisory

Board. Communication between the two was uneven with the latter not privileged to know the decisions of the former especially with respect to the growing financial deterioration of the organisation.

Member to Member: As might be expected networking occurred primarily at annual conferences. But this was the only means by which it could occur. Until late-2002, the organisation implemented few events to stimulate networking. The events organised appeared more board-driven than member-driven. Conferencing followed authoritarian models rather than being organised for dialogue and networking. In addition, the composition of the attendee population changed from conference to conference with little possibility (or at least limited possibility) for networking and the confirmation of social capital that might accrue across conferences. In early 2003, a national Learning Movement event promoted networking in selected regions. Finally, SEN did not network through electronic communications or through its non-interactive designed and stagnant website controlled by one or two individuals at the centre of organisational governance and operations.

In mid-2002 a new CEO promoted the strategy of developing local (regional/state) enterprise cells. The focus of cells was local networking and was intended to build connections and contacts within a ‘communities of interest’ in order to sustain and develop successful business or personal objectives (Mazzarol, van Heemst, Barnes, Smith, & Watson, 2003). With a community engagement strategy, key elements of community connection, broader membership structures, and a community capacity building strategy, this was the major period of networking (Oldfield-Hiosan, 2002). A key objective to build and support local networks, or hubs, from which social enterprises and their participants could find and maintain networks, mentoring and skill development – perhaps even partnerships. The new strategy was most effective in Brisbane and South East Queensland. The aim was to move away from a centralised administration whose preoccupation appeared to be with lobbying. Cells were intended to ‘feed’ into a centrally managed and lean (in numbers) executive support team who would develop key national strategies for learning, networking and skill development, rather than seeking to be “all things to all people” from a distant centre. The smaller networks were primarily self-sustaining with local network groups charging small fees to cover their administrative costs or entering into partnership

arrangements with interested agencies. They produced a small income for the central executive which had to focus on project delivery based on government funding to maintain the organisation.

Governance (SEN Executive Board and Government): Between mid to late 2003 SEN became a lobbying group focussed particularly on the interests of Executive Board directors; indigenous disadvantage and poverty and unemployment were two commendable areas being pursued during this time. This emphasis was not just a reflection of Executive Board directors' interests but was also the consequence of the downward slide of the organisation which was well advanced. Core management expended all its time working "in" the business, rather than "on" the business. The 'downward (financial) slide' also meant full implementation of networking activities (initiated largely through management and not the Executive Board) would never occur. In mid-2002, the extent of the financial problems of the organisation became apparent to the Board and over a year later, the membership. The revenue from events and activities were insufficient to support the activities. As a consequence further government project funding was pursued alongside a new strategy to refocus the organisation through a networking focus (Oldfield-Hiosan, 2002). This meant an increasing strategic focus on services the nature of which were determined by the Commonwealth Government and its aims, and that operated within a political framework. The funding that was available to the organisation was then focussed on outcomes to meet these agreed political targets, rather than on the building a networked and sustainable organisation with a strong and viable financial base. Herculean efforts would not change the inevitability of SEN's eventual liquidation in December 2003.

An analogy may be drawn between the positions adopted by SEN in its final year of operations, and those of social enterprise corporations described in the early sections of this paper. Large social enterprise corporations in Australia working under a *passive welfare model* eschewed networking as not being central to their activities. Many still proffer token genuflection to the centrality of networking. SEN succumbed to the same strategy in its latter period although it did not have the same infrastructure to compete for scarce funds. Both failed to recognise the priority of networking for sustainability.

When contrasted with CAN, it may be argued that SEN represents a failed business model. The need for core government support for such a model was evident at the outset. However, the opportunity to “do it differently” was also evident. The organisation could have provided real support to small social enterprises across Australia and New Zealand; and there was sufficient opportunity for revenue-generation in and for the community. No start-up strategy for the organisation was ever formulated however; and once the financial and cultural decline had commenced from as early as mid-2002 after nearly two years of operations, the likelihood of success of the new strategy focussed on networking and local enterprise cells leading to sustainability became fragile to impossible.

OTHER AUSTRALIAN SOCIAL ENTERPRISE SUPPORT ORGANISATIONS

There are other current organisations or initiatives directly supporting Australian social enterprises that should be mentioned. They are the Learning Movement Project (initiated through SEN in late 2002 and 2003), Social Ventures Australia, NSW Community Builders, the recently established Social-e and the Australasian Institute for Social Entrepreneurship (both of which aim to create demand-driven support for networking existing social entrepreneurs, organisations and enterprise cells), and Social Enterprise Technologies. Only two of the longest enduring organisations from these are briefly mentioned here.

The Learning Movement Project

The *Learning Movement Workshops Series 1 and 2* were funded through the Commonwealth Government’s *Leadership Programme* from the Department of Family and Community Services and focussed on four key areas of social need: the social effects of public housing estates (2002), youth disengagement and risk (2002), urban frontiers in outer metropolitan areas (2003), and regional and rural disadvantage (2003).

In 2002 the workshops were run as two two-day fora in metropolitan Sydney (social housing) and Melbourne (youth at risk). The two full day workshops brought together participants from around Australia to discuss and develop strategies to address

thematic issues. Disparate and divergent social entrepreneurs gathered to discuss, engage and exchange ideas and projects in relation to the topic of the workshop (CCC Consulting Ltd, 2002).

The second series in 2003 changed the focus to a geographic focus and used a local group of social enterprises with diverse agendas to look at connections in their local region to facilitate connections, business strategies and more effective mechanisms. The result of the second series in 2003 was a more sustainable network of local social enterprises working across social agendas and in more cohesion for growth and stimulation. The issue of competition and inter-sectoral rivalry for sustainability was not raised by participants; instead the focus became the need for better collaboration and local funding, through local government enablement of social projects.

The workshops offered two different aspects of a networking process: one focussed on networking within a community of interest whilst the other focussed on building local communities with divergent issues, but also where geography was a common factor. The networking process was more sustainable in the second series, based largely on local knowledge and relationships (Oldfield-Hiosan, 2003). Networking was reported as the key outcome in both series by participants, with more than 80% reporting that this was the primary achievement for them in attending the workshops. In regional and isolated areas in Queensland and Western Australia, the networking was even more crucial to the participants because of lack of access to metropolitan services and information.

The importance of networking was reported in the following key areas:

- The need for more cohesive and collaborative funding in regional and outer-metropolitan areas.
- The need for better service provision across a range of needs within the same, or similar, target groups in these areas.
- The need for better employment and labour market opportunities in smaller regional and outer metropolitan areas
- The need for better information and information sources for social enterprises in more isolated areas (CCC Consulting Ltd, 2002; Oldfield-Hiosan, 2003).

Social Ventures Australia (SVA) focuses on a skill development model used predominately in the USA, with a key focus on building better social ventures or social enterprises. The organisation was founded by four organisations, all large welfare and social enterprises, with a three-year commitment to core funding. Added to this was the concerted effort to build a strong, professional executive team supported by organisational non-capital support. In addition SVA adopted a strategy to build revenue from three sources: corporate foundational and philanthropic support, revenue from skills development and training, and government projects that were appropriate and within the strategic focus of the business. In other words, where government strategies and priorities matched the business strategy of the organisation and not the other way around (Social Ventures Australia, 2003)

By connecting small social organisations with private enterprise, primarily through mentoring programmes, the key objective is to enable skills transfer across sectoral boundaries. A key philosophical principle for the organisation (Social Ventures Australia, 2003) is reflected in the question: “What if social enterprises could do it better by using business acumen and skills?” In contrast with SEN, SVA has partner members but no broader membership base. It networks with community-based social entrepreneurs and organisations through its skills development and mentoring programs. Its principal strength (and source of funds) has been its capacity to network and partner a select number of corporate partners. Its proven effectiveness is largely attributed to this kind of strategy.

Community Builders in New South Wales aims to build community capacity and support by connecting social enterprises and community organisations at an electronic level and at a community level. Its strategy also aims to connect communities and individuals through electronically funded projects that provide outcomes and that will include more effective social service organisations (NSW Department of Community Services, 2004). *Social-e* and its partner the *Australasian Institute for Social Entrepreneurship* are relatively recent newcomers. They aim to facilitate the networking of existing cells and individuals. They are demand-driven with the former focussed on network and project development, and social investment; and the latter on learning and training, specific forms of research, and community informatics and

social enterprise. Finally, *Social Enterprise Technologies* is another recently formed organisation based on an American ‘model’ focussed on social enterprise ownership strategies. All three have the potential provide niche areas of support for Australian social enterprises.

CONCLUSION

Many smaller social enterprise organisations suffer the common fate of small business generally – poor networking, business structural failures, insufficient financial capital bases and low management skills. Too much of the time is spent working “in” the business rather than “on” the business. The reason for this situation may be attributed to the fact that many social entrepreneurs are driven by the social need – or business concept – rather than the detail of business per se. Social enterprises tend to be led and/or managed by social entrepreneurs with a strong sense of social capital. Their chief aim is to create and sustain change within a constituency, rather than building a viable business. This creates a unique issue where social enterprise failures have a double blow – loss of the business venture and capital invested; in addition there tends to be the loss of the social aims and personal effort.

One consequence of this observation raises the question as to whether it is possible to found and build a support organisation, without government support, to promote networking as a key service to social enterprises? Our research and experience indicates that the need for significant funding from a source, or series of sources, is integral to the success of the network at a local level. Social enterprises are generally cash strapped, financially unstable organisations where the key business strategy is survival (*Creating a Resident-Led Community Development Corporation*, 2003; Crofts et al., 2001; Suhood, 2003). There is little room for the networking and skill development costs to be borne by the target group. This leads us back to the question relating to welfare policy and government support for social enterprise and social entrepreneurs.

From our analysis and in keeping with the work of the SENU (UK Government Department of Trade and Industry website) there appear to be three propositions that need to be addressed in supporting social enterprises. They include:

- *The creation of an enabling environment*
The objective of this proposition is to ensure a level playing field in which social enterprises can compete and grow particularly through how Government policies that can contribute to an enabling environment and the procurement of local services.
- *Making social enterprises better businesses*
The aim of this proposition is to see innovative and sustainable companies that will help to grow the local economy, in particular by employing those who would otherwise be workless, and by providing goods and services to those who may not currently receive them. The emphasis is on timely and relevant business support and training. And finally
- *Establishing the value of social enterprise*
A sufficiently comprehensive and reliable evidence database on the size, scale and impact of social enterprise does not yet exist. Indeed some Australian states such as NSW have begun to map social enterprise (ACCORD), while others such as Queensland have no data on the contribution of the nonprofit sector to the financial economy (currently running at approximately 6.3% nationally) , and almost appear to deny the existence of the social economy.

Some social enterprise support structures will perform a commendable and necessary *gap-filling and pump-priming role* (Lloyd, 2003). More is needed. A more detailed analysis and understanding of the nature of the social enterprises and how they currently operate in Australia is necessary. This is not an easy task as a recently published report on mapping social enterprise in regions and their contribution to regional economic development in selected UK regions demonstrates (North West Development Agency, 2003).

We could argue that there is a need to provide funds for service provision to local groups in need *in their regions*. The role of the government may also be to support the social entrepreneur and enterprise to ensure a chance at survival. In this way, the enterprise model is not supported by financial grants and venture capital, but through the later and strategic SEN or Social-e network model for networking and key connectivity for business development; and the *Social Ventures Australia* model,

where organisational development grants could then be used to build and improve the governance and management structures of these small organisations.

We have indicated the importance of networking for the development of social enterprises (and ultimately their contribution to the social and financial economy). The whole area of community informatics (Gurstein, 2003a; 2003b) and social informatics (Verity, 2003) may be areas that need closer consideration for their contribution to the development of networking social enterprises. More importantly perhaps, Miller, and Skidmore (2004) from Demos argue for *closer analysis and mapping of networks* and this would be invaluable and appear to extend the initial analysis of networks and the nature of networking in this paper. For example, the diverse nature and range of social enterprise structures need to be known before government support funding can be accessed. Finally, the work of the Social Enterprise Unit (SEnU) in the UK might be reviewed for its relevance as an independent agency (similar to but different from existing government bureaucracies) to an Australian social enterprise context. It could be a first step in promoting networks support structures for development of regional and social economies.

Notes

1. Social entrepreneurship is not the same as social enterprise. In the United States, (where the term first gained common currency) social entrepreneurship refers to income-generating activity: to be a social entrepreneur you must be trading. In the UK, however, social entrepreneurship is *not* the same as social enterprise - even though many people who work in, and certainly those who start, social enterprises are social entrepreneurs. In the UK the term is used to describe forms of activity and people who are socially innovative, or 'enterprising' in the non-economic sense of the word. Hence, the label 'social entrepreneur' has come to apply to any individual seeking to effect social change through creative and innovative ways. But this distinction may reflect the distinction between the dualism of 'the economic' and 'the social'.

2. A definition used by the European Union in its Article 6 Local Social Capital programme describes it as - "features of social organisation such as networks, norms and social trust that facilitate co-ordination and co-operation for mutual benefits'. Thus, the role of social capital in - "restoring social cohesion, reinforcing local networks and formal and informal groups which seek to facilitate integration of excluded persons into work and start-up businesses and co-operatives" – is increasingly recognised, especially in the development of intermediate organisations under Article 6 Local Social Capital. What is more, the "main drivers of the creation of social capital are people and non-profit organisations that develop initiatives that contribute to the creation of employment and strengthening of social cohesion".

3. In October 2001 Patricia Hewitt, Secretary of State for Trade and Industry, launched the government's Social Enterprise Unit (SEnU) – a section of the Department of Trade and Industry) to champion social enterprise and spread good practice, coordinate policy making affecting social enterprise and address barriers to the growth of social enterprise. The government's strategy for social enterprise, *Social Enterprise: a Strategy for Success*, was launched in July 2002. More recently, the government has published proposals on the introduction of *Community Interest Companies* (CICs), a new type of company specially designed for social enterprises who want to use their profits and assets for the public good.

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APPENDIX 1

The Historical Context of Social Enterprise in Australia

There is a long history of forgotten social enterprises in Australia from its early Western history. The overlay to this has been the contribution of the labour movement and the residual residuals of social justice and equity/access. More demonstrably and perhaps importantly has been the social enterprise contribution of voluntary organizations, a range of religious groups, and early community cooperatives. Three phases may be identified:

1. Charitable Enterprise (1814-1907): The earliest phases of social enterprise in Australia were grounded in the establishment of charitable institutions. The early history of contemporary white Australia began in the early nineteenth century with organizations established by government to provide for the poor, disabled, the aged and the infirm (many of whom had been or were convicts largely of English origin but also Irish who had left their motherland to seek a better life. Hence it was the government (and this meant initially the government of New South Wales) that engaged social issues through charitable organizations and structures. What is also evident in this period was the number of faith enterprises established by religious orders. This occurred especially in unfunded schooling through Irish institutions to counteract the publicly funded secular education provided by public sector institutions. These and other institutions (targeting insurance for old age, ill health or misfortune, and support formed to safeguard the savings of working families) ‘ran in parallel to with institutions constructed by the state’ (Botsman, 2003, p.9)

2. Public Enterprise (1907-1972.): The second phase of social enterprise begins with the Harvester Judgement of and ends with the stagflation. The Harvester Judgement of 1907 heralded the emergence of arguably Australia’s most important social welfare mechanism – the award wage. As Frances Castles has argued a “wage earners welfare state” emerged which offered “social protection particularly focused on those who participated in the workforce and providing only far more vestigial, somewhat ungenerous, and means-tested support for those outside”. (Castles, 1994, p.45).

This was an era when successive Federal government’s tried to create public enterprises that would take the place of the benevolent societies of the late nineteenth

century for the mass citizenship. The high water mark of state responsibility, public enterprise and public spending was the Federal Government's adoption of the Keynesian White Paper on unemployment and the subsequent attempted nationalisation of airlines and banking.

The principal form of social enterprise that emerged from 1907 to 1972 was arguably public enterprise. The concept of the state as a financial underwriter and developer of employment, social welfare and community development was a logical extension of the friendly societies that had only partially protected workers through the great depressions of the 1890s and 1930s. The role of the state was to buoy up these mechanisms through public enterprise and state financing. The advent of simultaneously rising unemployment and inflation represented a new and stronger limit to the role of government. This put a brake on the era of public enterprise.

3. Social Enterprise and Social Business (c1975-current):

The third phase of social enterprise is our contemporary period in which social enterprises and social businesses are key partners of the state in achieving social and economic opportunities for the disadvantaged. Since 1975, social enterprise and corporate charity combined with government welfare relief have not only supplemented but sometimes supplanted the award wage as the chief form of social and economic support for many Australians. With a pool of about 1 million people permanently out of work a succession of recessions, combined with technical change and other factors, have concentrated inequality in particular regions and locales. The 1995-96 Working Nation initiative may be seen as the last hurrah of the wages earners welfare state. It was the boldest attempt by government initiative to put the nation back to work. However the mass traineeship system that was the heart of the plan created a churning effect rather than a deep transformation of long term unemployment. Some would argue it was a short-lived experiment. However, even UK's Blair Labour Government has moved beyond the idea of trying to develop a one-off national program in favour of investments in social enterprise and community capacity building. There is also increasing doubt about the concept of investing in training and education and the human capital theory of development as an important means of rectifying disadvantage. As the award wage proved inaccessible to an increasingly large number of Australians, the role and responsibility of corporate charities has become more important. The logical historical transition to a new era of social enterprise began with the demise of the Commonwealth Employment Service

and the awarding of job placement contracts to Australia's major charitable corporations and with the publication of the *Participation Support for a More Equitable Society* (McClure Report) in 2000. The awarding of job placement and job network responsibilities to the national corporate charities is less important for the purposes of this research study than the recognition in the McClure Report of the need to support social entrepreneurship, 'leaders who are committed to transforming communities through partnerships across public, private and non-profit sectors'. McClure also placed an emphasis on the creation of micro-businesses (enterprises that employ 5-6 people) as important contributors to regional economic development. The *New Enterprise Initiative Strategy* (NEIS) was seen as a catalyst for the development of regional micro-businesses.

In 2003 there are a range of new wave social enterprises that have emerged, sometimes in response to the McClure Report and as a result of Commonwealth government support and recognition, but often independently, as a matter of historical necessity.

(The above material is taken from several sources, the most relevant being Botsman (2003)).

APPENDIX 2

Some Examples of Social Enterprises in Australia

Bendigo Bank

<http://csbanking.com.au>

An example of community sector banking which brings together public, private and community sector participants to provide innovative financial solutions to meet the demands of the stakeholders.

Cooperatives - case studies and profiles

<http://www.accord.org.au/social/profiles>

ACCORD (see above) regularly publishes case studies and profiles to highlight and promote the work of co-operatives and other social economy organisations.

COW Cooperative Ltd.

<http://www.mercury.org.au/cow.htm>

The Consumer Organised Work (COW) Cooperative Ltd aims to serve a need in the mental health services area by providing opportunities for work and employment.

EcoForest Limited

<http://www.ecoforest.com.au>

An innovator in commercial forestry, EcoForest Limited combines sound business management and environmental best practice to generate profits.

Indigenous Stock Exchange

<http://www.isx.org.au>

Raises capital and support for new and small Indigenous businesses and social enterprises.

Local Energy Trading Systems(LETS) in Australia

<http://www.lets.org.au/>

People trading goods and services using alternative currency.

Maleny and District Community Credit Union

<http://www.malenycu.com.au/>

Since 1984 Maleny Credit Union has fostered sustainable development in the Maleny district.

SeeChange Boatworks

http://best.org.au/see_change_boatworks/index.htm

Provides employment and training opportunities for young people aged 15-19 who are experiencing disadvantage.

Social Change Media

<http://media.socialchange.net.au/>

Social change Media is an employee-owned social marketing agency.

South Kingsville Health Services

<http://www.skhsco-op.com.au>

Established for over twenty years, South Kingsville Health Services Co-operative Ltd (SKHS) is an Australian medical community co-operative.

Three social entrepreneur stories

http://www.partnerships.org.au/three_social_entrepreneur_stories.htm

Stories of social enterprise from the Sydney suburbs of Claymore, Minto and Campbelltown.

Work Ventures

<http://www.workventures.com.au>

Work Ventures exists to build a just creative and sustainable society by providing quality employment economic, and community development services.