

**Social Enterprise and the Third Sector: An Exploratory Review
of Mission-Market Relationships.**

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In a recent US seminar on entrepreneurial nonprofits, Young (2004) observed that nonprofits have faced “continuing tensions between fulfilling their social mission and generating income from social-enterprise initiatives created to support that mission”. It was argued that the impact a social-enterprise initiative has on a nonprofit’s mission is the ultimate bottom line¹. An example of this was reported recently in *The Australian* newspaper (1 Nov 2004 p.18) where questions were raised about schools that operate with a for-profit motive. The heading commenced with “Profit is still a dirty word”. Reference was made to a private elite school (Reddam House) that had a legal structure based on a for-profit arm (a company that owned the college’s capital assets) and nonprofit arm (the services of education provided for a fee). The school received relatively significant government funding, and it charged a fee-for-service, that is, for its teaching and curriculum provision to its student population. The basis for criticism of Reddam’s legal structure was that schools are nonprofit social enterprises, and that there is a potential conflict between commercial and student interests. While the example is perhaps more complex and the initiative represents a hybrid form of nonprofit than that observed in many social enterprises, never-the-less it demonstrates the tension between for-profit and business intent, and the nonprofit and social intent of many social enterprises. It also raises the questions as to whether REDDAM is a social enterprise, and how much is it a social enterprise that can be referred to under that category of nonprofits.

The above kind of tensions may be observed in many small-to-medium social enterprises (SMSEs) and certainly in micro social-enterprises where a constant struggle is the identification and generation of earned income while retaining community social cohesion and sustainability. Despite or perhaps because of these tensions, the available research still confirms that organisations which have simultaneously an entrepreneurial dynamic and a social aim (and characterised as the Third Sector²) are emerging and expanding in many countries as well as now being reinvented as the Fourth or ‘For-Benefit’ Sector³. This is evident in Australasia (Suhood, 2003) as much as it is in many other areas in the Western and Third World⁴. And the evidence also shows that while there are similar attributes or features of most social enterprises (for example, they enhance social services in welfare states; and they supply an additional and often innovative provision, mixing public and private resources, and voluntary and paid workers), there is an emerging diversity of structural forms of social enterprises within and across nation states. These structural forms are the outcome of a mix of two concepts, mission and

¹ The consequences of this observation are multiple. For example, if one argues that the principal impact of a social enterprise initiative is on its mission, then nonprofits might employ people for their skills based on the organisation’s mission and not on their business skills. One consequence is that nonprofits should recruit employees based on the skills they have related to the organization’s mission, **not** on their business skills. The assumption is that while one can learn business skills, the acquisition of a passion for a mission is less likely.

² ANZTSR describes the **third sector** as all those organisations that are not-for-profit and non-government, together with the activities of volunteering and giving which sustain them.

³ Another emerging characterisation of these organisations is to define them as the **Fourth Sector** or **For-Benefit Sector**. Fourth Sector organisations are claimed to be “a new class of organization”. They are driven by a social purpose, they are economically self-sustaining, and they seek to be socially, ethically, and environmentally responsible (<http://fourthsector.net>)

⁴ Leadbeater (2004) notes that the 20th century has been marked by the rise of professionals in medicine, science, education, and politics. In one field after another, amateurs and their ramshackle organizations were driven out by people who knew what they were doing and had certificates to prove it. Now that historic shift seems to be reversing. Even as large corporations extend their their reach, we are now witnessing the flowering of *Pro-Am*, bottom-up self-organization. [Charles Leadbeater](#) (2004) *The Pro-Am Revolution*. Fast Company magazine [Issue 87](#), October 2004, p31. Leadbeater’s Report is available at www.demos.co.uk

market. This paper is about the intersecting relationships between these two concepts.

The focus question for discussion in this paper is:

What is the nature of the tensions between mission and market for social enterprises?

The paper aims to address this question by reviewing the first of two recurring themes in the study of social enterprise and the individuals, groups and organisations that constitute the sector. They are: i) the relationships between mission and market, also described as business or earned income and social goals; and ii) the relationships between the individual and social organisational form such as the individual and community or society. It may be argued correctly that the two themes are integrated and that no dualisms exist within or between the two themes⁵. At the risk of reproducing such dualisms but for purposes of analyses in this paper however, discussion will be confined to the first theme on the relationships mission and market.

In the paper it is argued that social enterprises are defined and characterised at least in part by the nature of the intersecting relationships (made explicit in the tensions observed above) between the their mission (social goals, and within a broader context culture) and the market (earned income, business, and again within a broader context economy). The paper therefore reviews our existing knowledge and research to enable us to understand better the nature of social entrepreneurship and social enterprise⁶. There are many reasons for pursuing this line of enquiry and these are reviewed at the conclusion of the paper.

Two caveats are noted in this paper from the outset. First, in using terms such as mission and market it is acknowledged that they are culturally bound; that is, they emerge in the language and discourse of a particular culture. For example, mission and market are most frequently represented in the language of US social entrepreneurs. A second caveat and a part consequence of the first is that definitions of concepts across national cultures vary. Hence, the term 'nonprofit' and indeed 'social enterprise' have different conceptual and legal meanings in the US, UK and Europe, and perhaps in Australia (although inadequate research has been undertaken at this time). While noting these qualifications, the paper addresses the relationships between mission and markets in four sections:

1. In the first section current understandings of the meanings and theoretical constructs or 'models' of social enterprise are reviewed in brief. The concepts of mission and market are observed as recurring ideas in any definition of social enterprise. The literature suggests a tension between the two ideas in practice.
2. Using the concepts of mission and market as analogues of or derivatives of culture and economy, the cultural context of economics and economics as context of culture are then interrogated. It is concluded that value acts as a starting point in a process of linking the two fields together.

⁵ The claim is made by the Fourth Sector Network that 'For-Benefits' "represents a new paradigm in organizational design. At all levels, the idea aims to link two concepts which are held as a false dichotomy in other models: *private interest* and *public benefit*". While not necessarily concurring with this statement, the emphasis on dualisms is a central idea proposed by this group.

⁶ The two terms are often used interchangeably. In this paper, the term social entrepreneurship refers to the individual and her/his state of being a social entrepreneur. Social enterprise refers to the organisation or project initiative.

3. The use of value propositions relating to mission, market and environments and based on the idea of 'Blended Value' is then reviewed.
4. In the final section, future research directions in this important and emerging part of the social (third sector) economy are proposed.

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; second, to indicate how larger corporate organisations have tended to redefine themselves as social businesses (where business comes first and only then social goals are considered); and finally and perhaps most importantly for this paper to identify the principal elements or semantic attributes of the term.

There are many authors who have proffered definitions of social enterprise (See Appendix I). 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 characterise social enterprises as initiatives that operate on a business model (that is, aim to make a profit from activities) but where the profit is used to provide community or social services, in the pursuit of social aims (Smallbone, Evans, Ekanem, & Butters, 2001; Iqbal, A., Cox, G., & Whittaker, I. (2003); UK Department of Technology and Industry, 2002; Welsh, 2003). 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).

The OECD provides a general description that characterises social enterprise:

Social enterprises straddle the border between the public and the private and breaks new ground in the allocation and management of economic resources... they integrate disadvantaged groups into the labour market while providing goods and services. Social enterprises are an entrepreneurial approach and draw upon the local environment to enhance their economic and social performance.

OECD (1999) *Social Enterprises*

The 'definition' provided by the UK Government's Department of Trade & Industry 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 *earned income strategy* (Boschee and McClurg, 2004), and social enterprise as a form of *social impact and innovation* (Dees, 1998; 2003). The former social entrepreneurs claim that social entrepreneurs are different because their earned income strategies are *tied directly* to their mission. This is because they either

employ the disadvantaged or sell mission-driven products and services that have a direct impact on a specific social problem (e.g. providing home care services that help elderly people). The latter scholar (Greg Dees) claims that far too many people adopt a narrow view by assuming that the critical attribute of a social enterprise is the generation of earned income. The claim is made that it draws attention away from the ultimate goal of social impact, and suffers the real or potential problem of focussing on one particular method of generating resources. Earned income, it is claimed, "is only a means to a social end, and it is not always the best means".

A similar situation to the above is observed in the US's REDF definition of social enterprise [<http://www.redf.org>] as "a revenue generating venture founded to create economic opportunities for very low income individuals, while simultaneously operating with reference to the financial bottom-line." In contrast, NESsT [<http://www.nesst.org>] uses the term social enterprise to refer to "the myriad of entrepreneurial or 'self-financing' methods used by nonprofit organizations to generate some of their own income in support of their mission." Both these definitions from peak US groups include the social and the financial; but the former adopts a programmatic approach and the latter a funding approach.

In one sense each definition has the potential for the creation of a market versus mission dichotomy. In another sense, each party appears to be able to focus on either product or outcome and not both simultaneously. The question of value-base and power relations that act as a form of literacy in the practice of social entrepreneurship is also neglected.

Social Enterprise London (SEL) in the UK takes a slightly different approach. It identifies three core elements in any social enterprise:

- *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).

In a second report Social Enterprise London (SEL) in 2000 notes that social enterprise in the UK has emerged as an important policy area in Blair's Labor Government thinking in that social enterprises provide a practical response to three of its important policy drivers;

1. *Competitiveness* - in harnessing commitment through stakeholder ownership and team based management structures;
2. *Social inclusion* - by turning local needs into markets, especially at a local level, and promoting sustainability rather than a grant dependency culture.
3. *Modernising agenda* - by providing innovation as intermediary organisations in the delivery of a wide range of services.

"Turning local needs into markets" highlights the necessity for social enterprises to be income-generating (and as we observe later, there is a need that this income be *earned-income*), and to create financial wealth if they are to qualify for inclusion under that term. And the impulse to be *innovative* and to demonstrate *social goals* and intent, that is, to create cultural-social capital (including natural and

environmental capital) appear to be two other necessary attributes to qualify for adoption of the term social enterprise.

A recent and readable publication called *Defining Social Enterprise* (Langdon and Burkett, 2004) differentiates between the purposes and process of social enterprise. The former is characterised as “centred on working for a public good, public interest/collective benefit rather than the private interest or private gain”; and the latter as “achieving social purpose through an enterprise orientation”. It provides a summary of differences between social enterprise as business and business enterprise in terms of core business, means and ends, ‘who benefits’, and production and support. It also provides (albeit in brief) what many other discussions fail to address, namely the values expressed through social enterprise.

Other discussions on social enterprise highlight its transformative intent (Alvord, Brown, and Letts, 2002) while yet others focus on the emergence of social entrepreneurship and its innovative character. Borzaga and Defourny (2001), for example, compare the different national experiences of different countries, and trace the most significant developments in social entrepreneurship emerging in Europe. Borstein (2004) also traces the broader movement of social entrepreneurship and its role in inventing the future.

One way of defining the ‘esse’ of social entrepreneurship is to first locate social enterprise among similar projects; and then to contrast social enterprise with business.

Locating Social Enterprise in the Nonprofit Sector

Social Enterprise In Economic Context

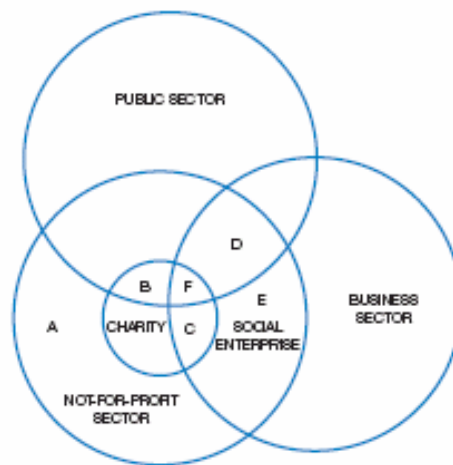


Figure 1: Social Enterprise in a Context of Private, Public, and Nonprofit Sectors

Diagram: Social Enterprise in Economic Context Source: Model developed by University College London and the New Economic Foundations, quoted in Private Action, Public Benefit (www.strategy-unit.gov.uk/charity) Key A) Amnesty International B) Blyth Star Enterprises C) Key Enterprises, Jesmond Swimming Pool D) Derwentside Leisure E) Sunderland Homecare Associates, Supply Teachers' Consortium, Team Fostering North East, NEMCO, Redress, Katalyst Events F) Amble Development Trust

The type of venn diagram above is grossly reductionist but gives a sense of how social enterprise is located conceptually to related sectors, namely the public, private and nonprofit sectors. The purpose of the diagram (Collier, 2003) is to demonstrate

that the two key features of a social enterprise are that they are businesses, and that they use their market/commercial orientation to pursue both economic and social goals. The merit of the diagram is to emphasize that most social enterprises usually cannot exist in a pure form; and most are hybrid in nature being part of public and private sectors or interests. A second virtue of the diagram is that it indicates that social enterprise is not equivalent to nonprofit (as US social entrepreneurs tend to categorise it). The diagram however does little to tell us about the nature of the relationships between mission and market. If one does distinguish between a private business and a social enterprise, what can this tell us?

The Traditional Private Business Model

According to Botsman (2003) economic profit in the private business model is distributed in one of four ways. This distribution is often dependent upon the kind of legal structure established for the business. Hence for business models, the primary aim is to generate profit which may be distributed in one (or more) of four ways. It can be directed toward shareholder dividend, individual profit, re-investment in core business activities, and/or corporate social responsibility. Figure 1 is a pathway diagram that indicates how this might occur.

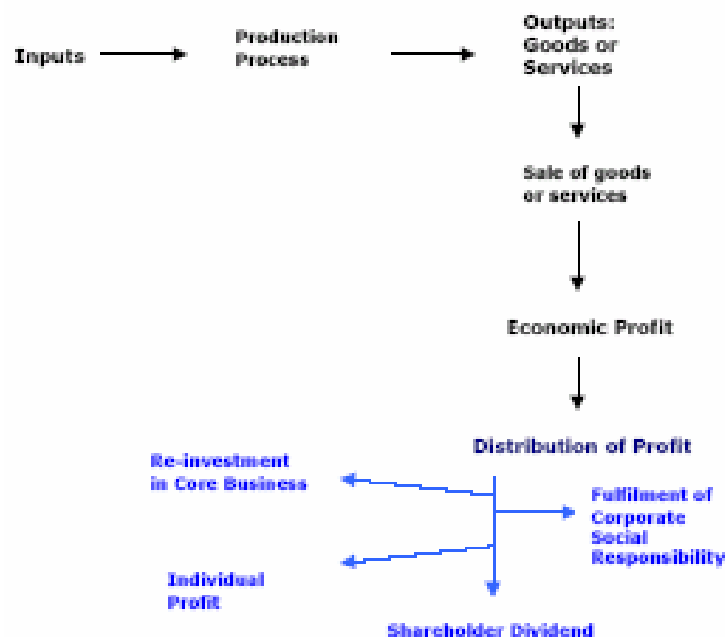


Figure 2: Traditional Business Model (After Botsman, 2003)

It is important to note that in the private model, resources dedicated to community and social investment are committed *after* economic profit is earned, flowing out of the organisation and if it is allocated into an external project, for example a charity, or social enterprise, it is often with the intent of fulfilling corporate social responsibility objectives.

The Social Enterprise Model

In the traditional private business model any commitment to the community is demonstrated after economic profit is earned and only then is some notion of social

and or corporate responsibility recognised. A social enterprise model aims to adopt an *integrated approach* where the social aim is incorporated as part of the production process for goods or services. The commitment to social and environmental aims is/should be transparent in the integration of these aims during the production of goods or services. A diagrammatic representation is shown in Figure 2.

To use an example: if the diagram in Figure 2 represents a social enterprise construction company, the labour source might be previously unskilled women. In the production process for construction services, alongside any traditional training, additional support and mentoring might also be present. The output of one unit of plumbing delivered might look like the same output as the traditional competitor. However, as the model demonstrates, services are produced while employing a previously unemployed labour source where long-term skills were transferred.

It is important to note that the “model” depicted could represent an entire organisation, or simply one income generating activity or line of business (as is the

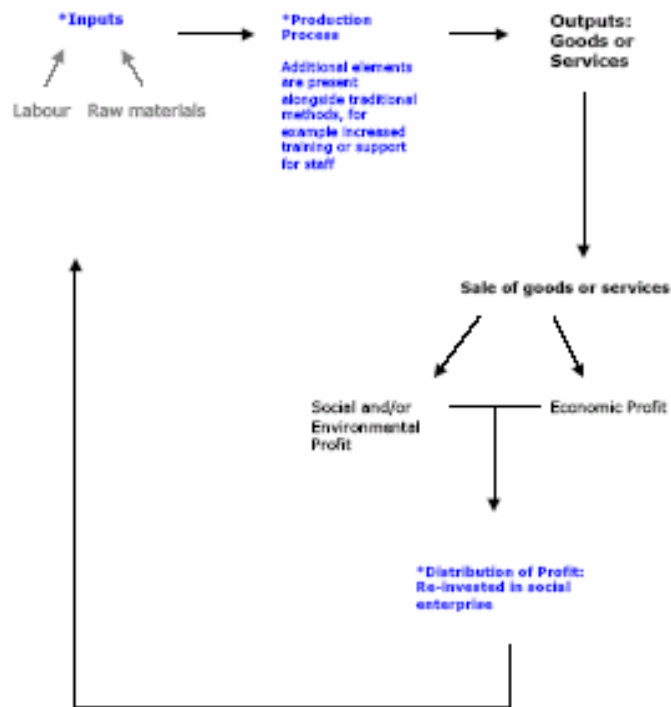


Figure 3: Social Enterprise Model (After Botsman, 2003)

equivalent in the private sector). It could be a voluntary sector organisation that engages in social enterprise and launches a new business activity from current service delivery. Botsman (2003) argues that the model also works for a variety of sub sectors within social enterprise. For example, if it were to describe a co-operative, then the input would be employee-owned labour, and the production process would include a democratic governing process alongside any traditional business activity. There are strong arguments to suggest that this is not the case⁷.

⁷ Grieg notes that in the largest social enterprise in the world, the Mondragon Cooperative Consortium, uses the principle that workers are rewarded from the capital growth for which they are largely responsible. Mondragon distributes “profit” on the basis of two thirds workers, one third collective

There are other 'definitions' of social enterprise in the literature but we want to conclude this section by suggesting that *social enterprises are about business for the creation of financial/economic wealth*. But they also *create social wealth through doing business* (Bartlett and Hiosan-Oldfield, 2004). They always exhibit an

A summary of the principal differences between the two models is shown below.

Profits	Private Business	Social Enterprise
Shareholder dividend	Yes	No
Individual profit	Yes	No
Re-investment in core business	Yes	Yes
Corporate social responsibility	Yes	No

Table 1: Some differences between business and social enterprise 'models'

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*. In a later section of the paper, it is suggested that a better definition of social enterprise may appeal to 'value-creation'.

Two Principal Elements of a Social Enterprise

What can be derived from the following abbreviated outline of social enterprise? Among other observations, there are two issues that are relevant to the discussion. First, there are *two recurring themes* or elements in the definitions of social enterprise. They are *market/business (as earned income)* and *social/cultural goals*. As Langdon and Burkett (2004) correctly imply these two thematic elements are *infused with a literacy of innovation* in any social enterprise⁸.

It is of interest to note that the current debate in the US focuses on these two elements. Dees (1998) argues that 'social impact and innovation' (analogues of 'the social' and culture) are of the essence of social enterprise. Boschee and McClurg (2003) argue that 'earned income' (an analogue of business and economics) is the defining attribute of social enterprise. Neither communities of thought appear to be concerned to present their ideas as an integrated whole or explore the tension between both. Indeed their public debate reifies the dualism that exists in their arguments.

Both US approaches are in contrast with the thinking of social entrepreneurs and scholars in the UK who tend to include both elements and values, especially the more value laden idea of ownership and participation. What most of these approaches do not do is attempt to theorise the relationship between both. Like their counterparts in the US, most scholars simply acknowledge the two elements of market (implicit or explicit in 'enterprise orientation') and mission (implicit in 'social aims') as defining "markers" to characterise social enterprise; or they tend to treat them as two entities forming a dualism(s); or simply place them on a 'spectrum' which assumedly indicates a degree of continuity of either one element or the other.

capital for the coop. Takeovers in Australian coops may occur because capital is accumulated and management fails to find a satisfactory method of distribution to "worker-owners". (Grieg, Personal Communication, 22-11-2004)

⁸ The values expressed in any social enterprise are inherent in its social goals and intent. The question of the nature of values of a social enterprise is problematic and a necessary discussion for another time.

Where there is a major difference is the inclusion of the value concept of social ownership.

The remainder of this discussion will focus on the tensions between earned income and the social aspects of social enterprises. The first part of the discussion will look at culture and economy, as analogues of mission and market (or derivatives of the former), and their contexts; and then the question of values and the application of this idea through the concept of 'blended value propositions'.

Economy-Culture as Context for (Social) Enterprise Development⁹

Much is being written these days (especially by social scientists in the areas of sociology, economics, business and management) about new concepts and conceptions of development for the 21st. We also hear about the *triple bottom line*, a favourite of government agencies. (The term 'triple bottom line' was in fact coined by Elkington (1995), an environmentalist) There are of course various versions of this idea. Some focus on the relationships among shareholders, society and sustainability (Goldsworthy, 2000). Others talk about profit, people and sustainability (Deveson, 2000). But few scholars appear to make explicit the conceptual or practical nature of their relationships. And governments in particular who adopt the idea of triple bottom line seem to do so as a concession to new demands but with economics and economic drivers foremost in their policy deliberations.

There is another "big picture" way of thinking about the link between economy and culture and this is in terms of the different kinds of capital that may be needed or consumed in economic development processes. Hawken, Lovins and Lovins (1999), for example, suggest that there is a need for a framework that harnesses the talent of business culture to solve the world's environmental and social problems. The industrial revolution beginning in the 18th century gave rise to the improved material development of humankind. It consumed (almost unabated) human capital (labour, culture...), financial capital (cash...), and manufactured capital (machines, tools...). As the authors note, "the industrial system uses the three forms of capital to transform natural capital into the stuff of our daily lives" (p.4). But conventional (industrial) capitalism does so with unmitigated consumption of natural capital (resources, living systems). In contrast natural capitalism provides the possibility of construction of a new industrial system.

These kinds of developments provide relevant theorising about the big picture conceptions of the relationships between culture and economy (there are others of course including the work of Bourdieu and the transformation of economic capital into social capital and vice versa). These more macro views of culture-economy relationships may reveal something about mission-market relationships based on the assumption that the latter is analogous to and/or derivatives of the former. In the next section we approach this through looking at the context of culture and economy as a means of gaining a partial understanding the value-base for each.

The Cultural Context of Economics and Economics as Context of Culture

A 'scientific' approach to economics has traditionally assumed no cultural context. The dominant intellectual paradigm of economics has been the efficacy of competitive markets. But is economics culture-free? What is being recognised by several communities or sub-cultures of scholars is that: a) economics consists of

⁹ Ideas in this section of this paper were originally presented in a presentation by the author published in the Proceedings of the SEGRA Conference, Townsville, 2001.

several subcultures and communities of thought, for example, Weberian thought acknowledges the influence of culture on economic history; and b) culture conditions the construction of economic thought.

There is, however, a growing recognition that we can talk about culture as economy. And we can argue that there is an economic context of culture. Similarly, we can ask the question as to whether economics is culture-free; and that there is a cultural context of economics. These arguments are well demonstrated by David Throsby (2001). He asserts that:

Cultural relationships and processes can also be seen to exist within an economic environment and can themselves be interpreted in economic terms. (p.10)

Culture is a complex idea and may be theorised as an anthropological concept; or it may be conceptualised in more functional terms.

Economics as an intellectual endeavour cannot be culture-free. (p.8)¹⁰

Without delving into the arguments about this relationship between economy and culture I want to highlight the real and potential possibility of: a) analogous relationships between culture and economy and between mission and market; b) a growing understanding that both are inextricably linked and do not form some kind of dualism; and c) the most important aspect of the relationship for this discussion, namely the *value-basis the underpins their relationship*. It is this latter area that is now briefly reviewed.

Values underlying culture and economics

Throsby's (2001) treatise on culture and economics provides the basis for this part of the discussion. Throsby argues for two kinds of propositions:

1. 'Value' (dealing with utility, price, markets assigned to commodities ...) is the origin and motivation of all economic behaviour; and
2. Ideas of value (properties of cultural phenomenon specifically a tonal note of music, or generally a work of art ...) permeate the sphere of culture.

Throsby argues that:

Value can be seen....as an expression of worth, not just in a static or passive sense but also in a dynamic and active ways a negotiated or transactional phenomenon. It may therefore be seen that value acts as a starting point in a process of linking the two fields together, as a foundation stone upon which a joint consideration of economic and culture can be built. (p.20)

It is proposed here that the arguments that apply to values in the sphere of culture-economy relations, apply in a similar way to mission-market relations. Hence it is suggested that questions of value are fundamental to understanding the relationships

¹⁰ The latter applies whether we are talking about economics as a system of thought; or as a system of social organization. The environment shapes preferences and behaviours at the level of the individual consumer or the collective/society. So we may put the proposition that there is a relationship between economy and culture, and that both can be or need to be mediated through some kind of intervention(s) such as a social enterprise initiative.

between mission and market in interrogating the idea and practices of social enterprise. It is the elaboration of notions of value that allows the researcher to observe the transformation of value into economic price (market value) or some assessment of cultural worth (mission value). Throsby concludes that:

it is essential that cultural value be admitted alongside economic value in the consideration of the overall value of cultural goods or services” (p.41)

The arguments for Throsby’s assertion need to be interrogated further but for the purposes of this paper they are accepted as propositions relating to the focus question cited earlier. Hence, if it is accepted that:

1. Assertions about the relationships between culture and economy apply to the ideas of mission and market; and
2. The starting point for understanding these relationships is the idea of value.

How can or has the idea of values been applied in the area of social enterprise to illuminate the central question proposed in this paper? To begin to answer this issue the discussion turns to a major advance in conceptualising mission-market relationships in the concept of ‘Blended Value’.

Blended Value

The strength of using a concept as a centralising heuristic for defining social enterprise is perhaps one of the more powerful approaches to be proposed in the literature of social enterprise in recent years. The elaboration of the value-base of social enterprise and the Third Sector has been undertaken by Jed Emerson and his team at the William and Flora Hewlett Foundation. They write about “blended value” to describe how mission, market, and environment can be conceived within a single conceptual framework.

Their argument is that the value created by an organization is fundamentally indivisible. Hence, it is not possible to separate out ideas such as "economic value", "social value" or "environmental value". All constitute one single value outcome for social enterprises, blended value. In this sense blended value renounces the idea of double (social and financial return) or triple bottom line (social, environmental, and financial return).

As Emerson notes:

Value is what gets created when investors invest and organizations act to pursue their mission. Traditionally, we have thought of value as being either economic (and created by for-profit companies) or social (and created by nonprofit or nongovernmental organizations). What the Blended Value Proposition states is that all organizations, whether for-profit or not, create value that consists of economic, social and environmental value components—and that investors (whether market-rate, charitable or some mix of the two) simultaneously generate all three forms of value through providing capital to organizations. The outcome of all this activity is value creation and that value is itself non-divisible and, therefore, a blend of these three elements (www.blendedvalue.org/).

And again in a recent interview with Social Edge, Emerson and Bonini (2004) comment:

What the Blended Value Proposition states is that all organizations, whether for-profit or not, create value that consists of economic, social and environmental value components-and that investors (whether market-rate, charitable or some mix of the two) simultaneously generate all three forms of value through providing capital to organizations. (Social Edge: <http://skoll.social.edge.org>)

The concept of Blended Value can be developed further. If it assumes that all social enterprises always produce outcomes that are financial, social and environmental, then it is reasonable to argue that these outcomes are produced in varying degrees or tensions as we have characterised their relationships in this paper. This is not to say that the social entrepreneur does not aim for specific social goals. The nature of the social goal leans the initiative to a specific kind of enterprise outcome while encapsulating and integrating financial, social and environmental values. The nature of the initial goals will largely allow the entity to be categorised as one of the key areas or “silos” in which investors, organisations, and communities work to maximise their blended value. These areas are: corporate social responsibility, social enterprise, social investment, strategic/effective philanthropy, and sustainable development.

What are some consequences of taking a value-based conception of defining the tensions in social enterprise, value positions such as the Blended Value Proposition?

- Blended Value is not characterised by separate value propositions (economic/financial/market and cultural/social/mission) for a nonprofit or social enterprise.
- Understanding the value proposition of a social enterprise is essential to the sustainability of the initiative.
- Social enterprises that understand their value proposition will produce a balance of mission, market and environmental outcomes.
- The balance will not constitute dualisms between mission and market but value creation and integrated outcome on with multiple levels – constituting economic value, social value, and environmental value.
- The balance of outcomes (representing the observed ‘structure’ of the social enterprise) will be contingent upon depend on planned and initial value propositions shaped by processes of implementation.
- The blended value proposition says that our portfolios should not only advance the financial aspect of our lives, but that they can and should advance every aspect of our lives.
- The fundamental issue for all investors and business leaders is *what do you value?*¹¹
- The principal task is to evaluate and act on ways that ensure effective implementation of blended value¹².
- The new conceptual framework of blended value and institutions capable of advancing the different parts of this common agenda will require a new infrastructure to support those organizations pursuing blended value.

¹¹ Stanford Business School Interview, 2004. See, for example, the interview of Emerson at: www.gsb.stanford.edu/news/bmag/sbsm0305/ideas_emerson_social_innovation.shtml

¹² See article by John Gertner in *Money Magazine* New York October 2002

There are many strategies for advancing the idea of value proposition. One principal idea is that of building networks between separate ("siloed") institutions (e.g. businesses and NGOs) pursuing similar ends.

Emerson outlines what is needed in his report *Blended Value Map (2003)*;

1. *New coordinated and long-term support for existing groups to work together* to build the Global Commons (rather than the creation of a new organization to pursue goals).
2. Create a *new international knowledge development* and management strategy.
3. Discuss how to best offer *new ways for individuals to connect* with each other.
4. *Move beyond the current capital chasm*. New investment instruments are required, new syndication opportunities need be advanced, and an evolved, integrated capital market must be brought into reality—a market that pursues economic performance with social and environmental impacts.
5. Support and help to *create new market intermediaries* capable of providing both capital and capacity building support for fully networked blended value ventures around the world.
6. Create a *new dynamic strategy for leadership development* at all levels.
7. More readily *understand and embrace the public policy implications of the work of social enterprises and nonprofits*.

Finally, the idea of Blended Value has the potential to change the way we think about social enterprise by shifting its primary purpose to *the creation of value*, and not just the creation of social (and financial) wealth.

Value Creation and a Typology of Social Enterprise

While it may be argued that the development of a social enterprise typology based on too little research is premature, never-the-less Alter (2004) has attempted this task with some degree of authority and effectiveness. Her specific aim is to break down the barriers between nonprofits and the private sector; and her detailed typology is based on experience and research the outcomes of which may apply to all social enterprises globally. Her typology provides a set of frameworks and definitions that

- Allows comparison across social enterprise initiatives;
- Assist social entrepreneurs to understand how individual social enterprises relate to each other;
- Indicate how these various parts are interwoven into a singular whole;
- Demonstrates how a social entrepreneur's approach to enterprise can be consistently defined.

Alter (2004) highlights *mission as social change* benefiting from innovative entrepreneurial solutions, and sustainability that requires *market as diverse funding sources* including earned -income. Mission and market are redefined as social impact and financial viability both forces leading to sustainability. This is reflected in the summary diagram in Figure 4. What this kind of diagram does not tell the reader is *how* the sustainability equilibrium is formed and itself sustained.

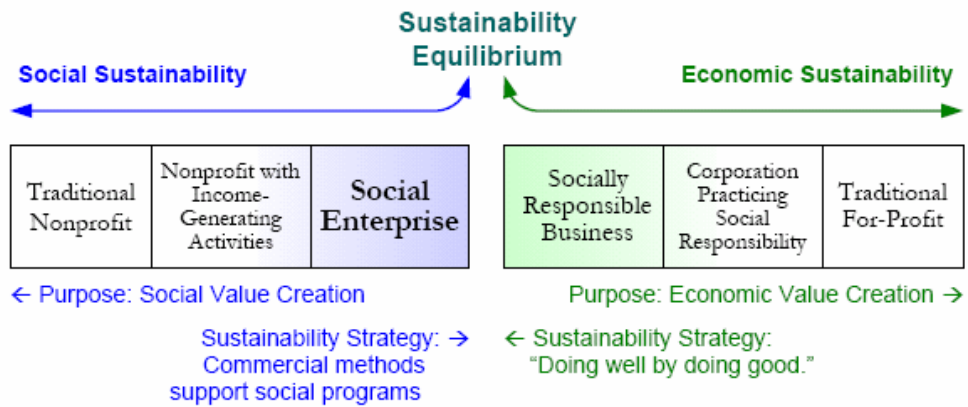


Figure 4: Sustainability Strategies in Third Sector Organisations (Source: Alter, *Social Enterprise Typology* p.8)

Alter almost meticulously defines multiple models of social enterprise based on her observations of largely South and North American social enterprises. Hence there are *mission-centric* initiatives that are invariably *embedded social enterprises* (the social program and business are one and the same). A *mission-related* initiative is referred to as an *integrated social enterprise* (See Figure 5). In operational 'models' of integrated social enterprises;

- Social and economic activities overlap;
- Synergies exist between the social activities and the economic activities, such as cost-sharing, and expanding or strengthening the mission; and
- The target population (clients) is a direct beneficiary of income earned from the social enterprise visà-vis the financing it provides to the social programs.

The following scatter diagram shows the relationship between the type of organization and its motives.

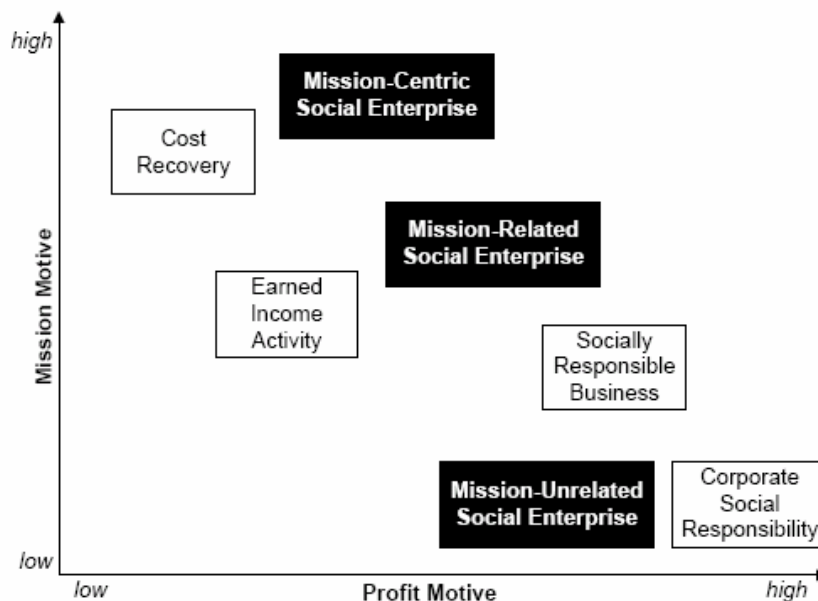


Figure 5: Relationships between types of organisations and motive.

Alter refers to the classification of social enterprises on a mission and profit (read market) scale. Mission and profit motive reflect value positions and this visual representation is useful perhaps in this sense. But the representation again fails to lead the social entrepreneur to a better understanding of the actual relationships and tensions between mission and market. Any 'value blending' is masked or potentially masked by the typology. This observation is made with the knowledge that the creation of typologies and systems of classification always tend to compartmentalise ideas and may hinder the development relational conceptual knowledge across disciplines.

Finally, Alter summarises her typology by constructing a 'spectrum' of the nonprofit sector that locates specific types of social enterprises (Figure 6 below). Despite the comprehensive nature of this work, it may raise more questions than it answers. First, the typology reproduces a triple-bottom line approach by assessing enterprise initiatives according to preconceived attributes. Second, it then visually if not conceptually places these enterprises on a spectrum. The assumption is that there is a continuous range of instances of social enterprises along this spectrum. In fact, social enterprise growth and decision processes are probably characterised more by discontinuity rather than continuity. Third, some categories are just that, names for locating and characterising where a social enterprise is placed on a continuous scale. An *integrated social enterprise* is invariably *mission-related*. One might expect that mission would/needs to be integrated with market in some sense. Finally, one is still

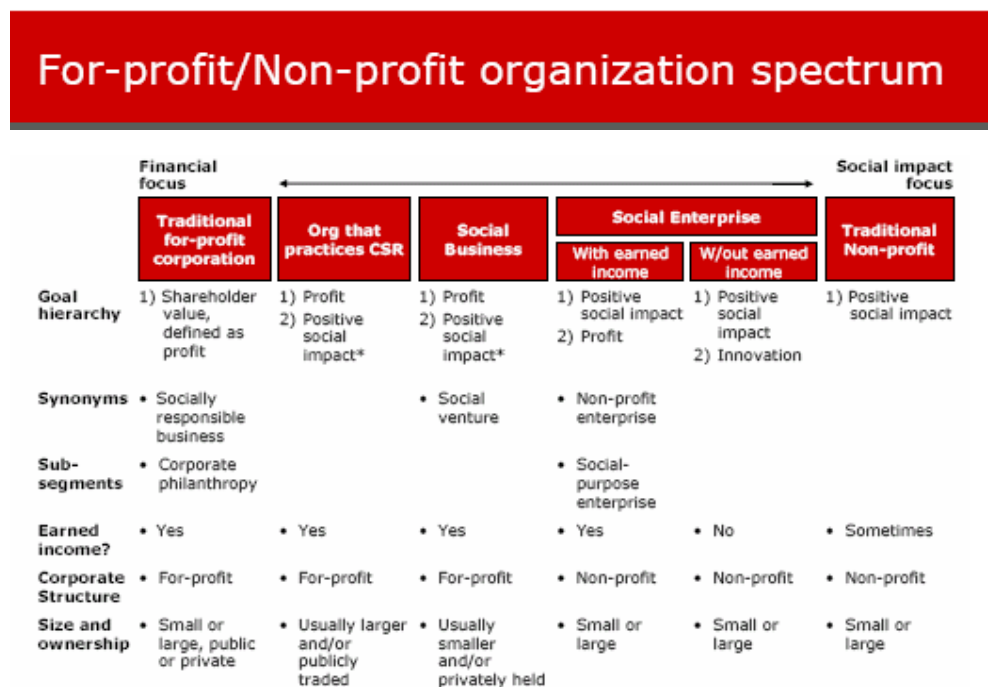


Figure 6: For-profit and Nonprofit Organisation Spectrum
Source: Alter (2004) *Social Enterprise Typology* (p.8)

left with little understanding about the processes that are operating in the integration of mission and market *in practice*. It has to be queried whether the typology produces a greater sense of the whole – an integrated mission-market understanding of our social enterprise.

While Alter fails to move away from measuring multiple bottom lines to a focus on a single value, a blended value, or "total value" creation, her contribution may be a useful scaffolding and heuristic for future research on the nature of the tensions observed between mission and market. As Emerson again notes, the typology structure may also have the benefit of pressing the social entrepreneur to focus not on social enterprise or CSR or any specific 'silo' itself, but rather upon the larger whole of which each of these is a part.

Discussion

At the beginning of this paper the question was posed:

What is the nature of the tensions between mission and market for social enterprises?

This question will be addressed by commenting on four issues, approaches to understanding social enterprise in the US and UK, the Australian situation, social enterprise in the Third and Fourth Sector, and the need for the implementation of a research agenda especially in the areas social enterprise 'mapping' and value creation in social enterprise. Finally, a summary of warranted assertions for the need to develop a better understanding of the tensions between mission and market is provided.

The ways social entrepreneurs and researchers have represented the intersecting relationships between mission (as social goals) and market (as earned-income/business), and by analogy between economy and culture, were reviewed in the early sections of the paper. The conclusions were that many existing definitions and representations seemed to fail to appreciate or to understand the need for integration of mission and market, or treat them as integrated rather than dual entities. The tensions between the two elements of a social enterprise tended to be reproduced in these definitional meanings of the concept.

This view appears to be more commonly observed in the US where social entrepreneurs working in an egalitarian culture and marketplace emphasise either one or the other principal attributes of social enterprise. This is reflected in the writings of Boschee and McClurg (emphasising earned income and markets), and Dees emphasising social impact and innovation (encapsulating 'the social'). Almost all of these scholars 'lump' social enterprise into the nonprofit category, thereby failing to recognise many new "self-help" and stakeholder models of ownership. They keep to the line that social enterprise is subsumed as a nonprofit. This is reflected in the work and language of excellent support organisations such as the US Social Enterprise Alliance and enshrined in legislation.

By way of contrast, many UK approaches to defining social enterprise recognise the two principal elements of social enterprise in a more holistic way. They tend to recognise the idea of social enterprise as a special case of nonprofit. And they value the "stakeholder" and "owner interest" attributes (an acknowledgement of the values of social participation) and new savings strategies (which includes how profits are distributed) of especially small-to-medium, and micro social enterprises. In support of this position, the Blair Government has established a Social Enterprise Unit within its Department of Trade and Industry. More significantly, it has legislated for new forms of incorporation in the "Community Interest Company" (CIC), an initiative that recognises the many new self-owner structural forms of emerging social

enterprises¹³. These developments attest to government understanding of the nature and value of smaller social enterprise initiatives and their contribution to the commercial and social economy. The social enterprise sector in the UK aims to regenerate mutuality, self-determination, and self-sustainability reflected, for example, in the many structural forms on the Social Enterprise London website (www.sel.org.uk). A good example of this kind of social enterprise is Greenwich Leisure Services which now employs 2000 people and shares ownership with other stakeholders (See Appendix II).

As noted previously UK social enterprise brings a strong social valuing position to the meanings of social enterprise by inclusion of ownership and social participation elements in meanings of an enterprise. In a similar way the work of Emerson and Bonini's in the US and their conception of 'blended value proposition' not only provides a *language of integration* but also a means for focussing on mission, market and environmental values as consequential outcomes of all social enterprises initiatives. Strangely enough this position contrasts with the dualisms explicitly or implicitly contained in US debates on the topic; in the attempts to produce the many reductionist diagrammatic representations of social enterprise; and in the texts that show the linear and continuous relationship, for example, produced as 'spectrums of social enterprise', between mission and market (rather perhaps than the discontinuous relationships between mission and market observed in many social enterprises).

What is the current situation in relation to the emergence of social enterprises in Australia? The legal provision for social enterprises in Australia is not dissimilar to the situation in the US. At best social enterprises are acknowledged by government as part of the Third Sector; at worst they are not acknowledged at all¹⁴. The current implicit if not explicit positioning is that social enterprises comes under the category of nonprofits; that like the US, social enterprise organisations "do something for you", or as it has been argued cogently what "we" are going to do for "them" - the disadvantaged community; and that social enterprise is part of the Third Sector which, as it has been already observed, relies on the structural forms of incorporated associations and companies limited by guarantee that demand this outsider-insider or "what we are going to do to them", rather than "what we are going to do for ourselves"¹⁵.

It is also of interest to note that the former social enterprise support organisation in Australia which modelled itself on the Community Action Network (CAN) in the UK failed to address this issue or appropriate forms of research in the field of social enterprise. It also failed to understand the inextricable relation between enquiry and learning provision; the latter aimed at new "self-help" models of social enterprise and social ownership, and the need to reinvent what this means for an Australian environment. The Social Entrepreneurs Network arguably not only the first but

¹³ The UK Government has proposed a new form of incorporation (the community interest company) that would seek to link the virtues of company legislation (to attract venture capital and entrepreneurs) with guarantees to lock in assets (to attract social investors and aid such organisations' contributions to community regeneration). CICs will use their profits and assets for the public good. This new organisational form maps out the limits of the British government's efforts to shape and develop the Third Sector.

¹⁴ In recent conversations with a number of Queensland Smart State Government Department bureaucrats, the idea of social enterprise was barely known or understood. The location of social enterprise activity was unknown and the contribution of these initiatives to the financial and social economy was unknown – all this despite great activity within the state.

¹⁵ I am indebted to Alan Grieg of Social Enterprise Technologies for this important observation (25-3-04).

perhaps the organisation with the best opportunity to support social enterprise in this country met its demise for several reasons not least was its implicit if not explicit positioning of doing something *on and about* Australian social enterprises and social entrepreneurs, rather than doing something *through and for* these social enterprise groups and organisations; and through its failure to understand the idea through its provision of support services, that enterprise opportunities, appropriate skill-base, and access to capital (representing mission and market) form an integrated whole and necessary ingredients in the implementation of a social enterprise. Hence, future approaches to research needs to adopt methodologies that work through and for social enterprise. The issue of ‘who benefits’ might be foremost in any program of research.

From a perspective of Australian Third Sector interests “*the Third Sector* is constituted by *all those organisations that are not-for-profit and non-government*, together with the activities of volunteering and giving which sustain them (ANZTSR)¹⁶.” This is a broad definition that does not easily fit with the emerging structural forms of social enterprise in this country. This uneasy “fit” may also explain the claim for a need for a “For-Benefits” or Fourth Sector where inclusion in the sector is determined by the “for-benefits” character of organisations. It recognises that over the past few decades, the boundaries between the public (government), private (business), and social (non-profit/non-governmental) sectors have been blurring. It also makes the claim that Fourth Sector organizations are a new class of organization. They are driven by a social purpose, they are economically self-sustaining, and they seek to be socially, ethically, and environmentally responsible. Like *non-profits*, “For-Benefits” are organized in such a way to pursue a wide range of social missions; like *for-profits* they generate a broad range of beneficial products and services that improve quality of life for consumers, create jobs, and contribute to the economy. “For-Benefits” seek to maximize benefit to **all** stakeholders. Finally, they have been transforming themselves and adopting new models and approaches that challenge the traditional sectoral boundaries. They claim to represent a new paradigm in organizational design and eschew any false dichotomies in between mission and market and between private interest and public benefit.

There is a great need for the implementation of a carefully constructed research agenda of social enterprise in Australia. This agenda should consider best approaches and appropriate methodologies adequate to (‘equal to’) the social enterprise phenomena being interrogated. To date, the output of knowledge generated from research is minimal. Knowledge is largely anecdotal and based on the personal experience or observing unsystematically social enterprises in action. The current dominant ideology of research in the nonprofit sector, namely survey analysis research and its variants¹⁷, is arguably not the best means of cumulating knowledge that will benefit practitioners to policy-makers, bureaucrats and governments.

¹⁶ ANZTSR describes the **third sector** as all those organisations that are not-for-profit and non-government, together with the activities of volunteering and giving which sustain them.. The ANZTSR characterisation is broad and inclusive. Third sector include **non-profit, non government, community, voluntary, club, society, association, co-operative, friendly society, church, union, foundation and charity**. Another emerging characterisation of these organisations is to define them as the **Fourth Sector** or **For-Benefit Sector**. Fourth Sector organisations are claimed to be “a new class of organization”. They are driven by a social purpose, they are economically self-sustaining, and they seek to be socially, ethically, and environmentally responsible (<http://fourthsector.net>)

¹⁷ See, for example, the author’s paper presented at the ANZTSR 2004 Pre-conference Workshop on *Surveys of Nonprofits: Predictions, Peculiarities and Practicalities*, Questionnaire Design and Administration, 23-11-2004.

This research should be based on the everyday 'life-worlds' of social entrepreneurs and their enterprises. Anecdotal experience and knowledge of the work of social entrepreneurs in Australia indicates that they have a well developed understanding of the relationships between mission and market *in practice* although they are less articulate in making explicit the nature of relationships. They tend to understand the need to address all three elements of enterprise opportunity, learning and the development of a skill-knowledge base, and access to capital (earned income strategies, seed grants, human resources...). Included in this future research should be the individual social entrepreneurs and organisations that work and research for and through the development of their social enterprise initiatives and at the same time acknowledge the inextricable relationships among *enterprise opportunity, skills and capital*¹⁸.

A principal argument in this paper has been the need to consider mission and the social, and market and business issues, *at once* and in an *holistic integrated way*. It may also be argued that few researchers interrogate the **integration processes** that lead to fusion of knowledge and or practice. It is insufficient to claim, for example, that '*integration in the production processes*' provides a satisfactory explanation of the nature or operations of a social enterprise (Botsman, 2003). It does not seem possible to theorise on this issue unless one examines a social enterprise initiative *in situ* or context and through a detailed analysis of cases¹⁹. The production of bureaucratic and quasi-positivist methodologies in case studies of Australian social enterprises (the only kind that have been funded and produced to date) are inadequate for advancing our understanding and explanation of issues raised in this paper. Hence, there is a need for multi-site case studies of carefully selected social enterprises; case studies that are explanatory, holistic, field-work based, rigorous in methodology and that provide rich description and alternative possibilities for practitioner understanding and policy development. The *case study research* of individual social enterprises may be undertaken for their intrinsic worth or as instrumental case studies that aim to generate knowledge about other cases as well as themselves. And these descriptive case studies should illuminate the nature of the relationships between earned-income and mission, and the processes adopted to ensure their integration in the production and development of a social enterprise.

There are few census surveys of Australian social enterprises that map their number and nature (the same claim may be made of nonprofits generally although this is beginning to be redressed²⁰). There are surveys of nonprofits but much of the knowledge generated often appears confounded due to the failure of this methodology and more importantly the error of not carefully defining the nature of the social enterprise organisation, group or individual prior to the research. What is needed in the area of social enterprise mapping perhaps are carefully designed studies based on good exemplars such as the mapping of social enterprises by ECOTEC Research and Consulting Limited (2003) and Lloyd (2003) in the UK.

¹⁸ I am in debt to the *New Mutualism Group* (a group of small group of social entrepreneurs with their social enterprise initiatives in SE Queensland) for being able to make this observation.

¹⁹ I refer to cases here as 'instances-in-action' and as 'bounded systems'. They are characterised by the features of exegesis, field-work based, "truth-testing"/iterative, holism and political-reactive. See for example, Bartlett, V.L and Kemmis, S. (1981) *Readings in Case Study Method*. Deakin University Press, Geelong. Also Stake, R. (1995) *The Art of Case Study Research*, Sage Publications, London.

²⁰ Wickremaratchi, J. and Passey, A. (2004) *State of the Sector: New South Wales Co-operatives, 1990-2000*, ACCORD Report, University of Technology, Sydney.

Finally we may ask the question: Why is it important to tease out the relationship between market and mission and what are the benefits? Below are some that may be justifications for reflection on these ideas.

- To understand the *reinvention of the concept capital* and all its consequences for the 21st century (the 'big picture that is reflected in authors of similar concepts such as natural capitalism).
- To cumulate knowledge about social change through the development of social enterprises.
- To ensure that the process of integration of mission (social) and market (business) are understood in everyday decision-making in a social enterprise.
- To maintain a balance between the two elements for social auditing and accountability especially within the private sector.
- To develop an understanding about the principal elements in developing a social enterprise (opportunity, skills, capital).
- To ensure that a relative balance between the two elements and the relationship between both is explicit for policy-making.
- To understand the many structural forms of social enterprise.
- To assist social entrepreneurs to self-evaluate their own enterprise.
- To help social entrepreneurs to infuse an enterprise and innovation orientation into their enterprise ideas and initiatives.

At the end of the day, the overarching reason for this intellectual indulgence has to be a passion for ideas that promise what Emerson would say are:

...meaningful, full, and integrated value for investors, managers, (social) entrepreneurs, and the future children of our world.

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APPENDIX 1

Definitions of social entrepreneurship:

Ashoka Foundation, www.ashoka.org

“The job of a social entrepreneur is to recognize when a part of society is stuck and to provide new ways to get it unstuck. He or she finds what is not working and solves the problem by changing the system, spreading the solution and persuading entire societies to take new leaps. Social entrepreneurs are not content to give a fish or teach how to fish. They will not rest until they have revolutionized the fishing industry.”

Peter Brinckerhoff in *Social Entrepreneurship*

“The core of social entrepreneurship is good stewardship. Good stewards don’t just rest on their laurels, they try new things, serve people in new ways, are lifelong learners, try to have their organizations be founts of excellence.”

“Social Entrepreneurs Have These Characteristics...”

- They are constantly looking for new ways to serve their constituencies and to add value to existing services.
- They are willing to take reasonable risk on behalf of the people that their organization serves.
- They understand the difference between needs and wants.
- They understand that all resource allocations are really stewardship investments.
- They weigh the social and financial return of each of these investments.
- They always keep mission first, but know that without money, there is no mission output.”

J. Gregory Dees in *Enterprising Nonprofits*

“Social entrepreneurs play the role of change agents in the social sector, by:

- Adopting a mission to create and sustain social value (not just private value),
- Recognizing and relentlessly pursuing new opportunities to serve that mission,
- Engaging in a process of continuous innovation, adaptation, and learning
- Acting boldly without being limited by resources currently in hand, and
- Exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created.”

National Center for Social Entrepreneurs, www.socialentrepreneurs.org

By adopting entrepreneurial strategies, social entrepreneurs are able to:

- Identify and expand their most effective and needed programs:
‘Productively’ dispose of their more peripheral programs
- Selectively identify new programs where there is an identified need...and revenue to support them”
- To actually start new business ventures that are rooted in the core competencies of their organizations
- And become increasingly self-sufficient financially – less dependent on government and charity.”

Appendix II

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.