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**Social Enterprises in Australia: Learning from International  
Diversity and Difference**

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## **ABSTRACT**

This paper presents a brief outline of social enterprise in Australia along with selected international comparisons in the forum session *Social Enterprise in the US, Europe, and Australia: Learning from International Diversity and Difference*. The paper aims to provide participants with a better understanding of difference and diversity in the ideas and practices of social enterprise in these three international regions. It will explore the historical, cultural and public policy contexts of how it has been possible for the idea of social enterprise to emerge in Australia. The main segment of the session will involve the identification of similarities and trends in the objectives of social entrepreneurship; the difference and diversity in its conceptualization and outcomes; how differences may be compared; and finally, what might be learned from these similarities and differences through the practical application of selected ideas identified in the session.

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*Let us choose to unite the power of markets with the authority of universal ideals. Let us choose to reconcile the creative resources of private entrepreneurship with the work of the disadvantaged and the requirements of the future generation (Kofi Annan)*

## **Preamble**

In this panel discussion on social enterprise<sup>1</sup> in Australia, the US, the UK and Europe, my task is to outline briefly a select number of issues relating to social enterprises in Australia. My discussion will centre on the Australian context with selective comparisons with the US and UK situation. I first want to begin by locating the idea of Australian social enterprise within the historical framework of its emergence. This may appear somewhat irrelevant to the discussion, but as I hope to show many of the initiatives from the earliest periods tell us something about the future and the present. The main focus of discussion in the forum is on English-speaking cultures. From an Australian perspective, I recognize the existence of trading and social enterprise developments that must have occurred in other countries world-wide particularly among our first Aboriginal Australians 40,000 years ago, and those minority ethnic groups which followed white settlement in the past 200 years of Australia's history<sup>2</sup>.

The paper begins with an *overview of the emergence of social enterprises* in Australia. This is followed by a discussion on the *meanings of social enterprise* as seen by a number of Australian social entrepreneurs and researchers. A short section of the paper then looks at *how the Australian perspective compares with those in the US and UK*. Finally, the discussion centres on the more important aspects of *issues impacting on the understanding and growth of social enterprise in Australia* while drawing on comparative examples from the US and UK.

## **History with Hindsight: the Emergence of Social Enterprises in Australia**

As one might expect in a colonial period of settlement, what went round in England was replicated in the social and commercial economies of early white settlement in Australia. And what transpired in Australia was affected in (perhaps slightly) different ways from a pre-history of social enterprise development from the 12<sup>th</sup> century<sup>3</sup>. A

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<sup>1</sup> See later section of the discussion on the terms *social enterprise and social entrepreneurship*.

<sup>2</sup> From this acknowledgement, it is evident that Australia is not a relatively young country. In outlining the origins of social enterprise in Australia recognition is given to the trading and social enterprise activities that occurred among the many tribal communities that constituted Australia's first peoples. And the trade between Australia and countries in the region is attested in Gavin Menzies masterpiece *1421 The Year China Discovered the World* (the title itself might be misleading even Eurocentric in as much as one could interpret the author (who is British) as focusing on the Chinese discovery with Europe already having assumed that they had achieved this remarkable discovery which is the point of the book, namely that European nations were not the first to sail around the world). eBay, the US trading site, goes further by advertising the book as *1421 the Year China Discovered **America!*** The DVD version produced by the US is even more blatantly US centric. At least some economic activity between Asia and Australia at this time is evident. Having recognised this, Australia's contemporary economic system has its origins in Western and British history, and like most other Western systems, it is increasingly becoming globalized. Within this economic context Australia recognizes that its first place of economic and cultural interest is in Asia as opposed to but not excluding Europe.

<sup>3</sup> The advent of social enterprises predates the Industrial Revolution (see the work of the historian-philosopher E.P.Thompson). He recognised that the majority of enterprises were locally-based micro-enterprises with fewer than

distinctive feature of social enterprises in Australia is its forgotten history. And yet it is evident that the contribution of the labour movement and the residuals of social justice and equity/access were generally present if not public. More demonstrably and perhaps importantly has been the social enterprise contribution of voluntary organizations, a range of religious groups, and early community cooperatives. According to Botsman (2003) three broad phases of social enterprise development may be identified.

## **1. Charitable Enterprises (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. The charitable sector in Australia pre-dates any form of comprehensive government intervention on behalf of people in need. It arose from the compassion, goodwill and foresight of men and women of philanthropic, humanitarian and religious convictions it and has continued to serve, expand and diversify since early colonial days<sup>4</sup>.

Hence the Government (and this meant initially the government of New South Wales) engaged social issues *through* charitable organizations and structures. What is also evident in this period is the number of enterprises established by religious orders (a number of these organizations might be called by the current usage and name of 'faith enterprise'). This occurred especially in unfunded schooling through Irish religious order institutions to counteract the publicly funded secular education provided by governments. 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). From this brief discussion the contribution of 'charities', educational institutions (in some quarters called 'Christian socialists') and cooperatives, many of which were initiatives supported by communities and independent of government, cannot be underemphasised<sup>5</sup>. These changes mirrored the kinds of social enterprise developments emerging in England in the 18<sup>th</sup> and 19<sup>th</sup> centuries.

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five employers in any one project; and that they took the form of craft-guilds extending back to the 12<sup>th</sup> century. Guilds were confraternities or associations formed for the protection of its members or for the furtherance of a common purpose or goal. Many of these associations were of mediaeval origin. They were therefore the first organisational forms of social enterprise based on a culture of mutual aid. The second point that demands recognition is that because of their mutuality guilds were the expression of an ethical-moral position. By the 16<sup>th</sup> century and the Elizabethan Period the craft guilds were regulated by the State and lost the autonomy they had enjoyed for four hundred years. About this period the international guilds developed such as the merchant guild which dominated the rush to plunder non-European colonies. Merchant guilds lost the ethical and value positioning of their historical origins and their monopoly in trade was protected by monarchs through royal charters (agreements). The origins of contemporary business corporations can be traced to the Tudor Period.

<sup>4</sup> Overview of charitable organizations in Australia (1995)

<sup>5</sup> In the 18<sup>th</sup> century, new social enterprises had emerged in England in the form of friendly societies, savings clubs, trade unions and early co-operatives. The Friendly Society Acts of 1757 and 1792 regulated a growing range of these new social enterprises. But it was the Industrial and Provident Society Acts (IPS) of 1852 and 1862 provided social and mutual enterprises with legal frameworks to allow them to expand and occupy a significant place in the commercial world. It is at this point that social enterprise appears within the economic-social systems of Australia. It

By the late 19<sup>th</sup> century however, 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. As noted above, this model of community service organisation laid the foundations for the revolution that came in the neo-classical economic changes of the 1970's.

## **2. Public Enterprises (1907-1972)**

The second phase of social enterprise begins with the Harvester Judgement and ends with a period of stagflation. The Harvester Judgement of 1907 heralded the emergence of arguably Australia's most important social welfare mechanism – the award wage. As 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 attempted to create public enterprises that would take the place of the benevolent societies of the late nineteenth century. It was a 'move' to forms of mass citizenship. The attempted nationalisation of airlines and banking was to be the denouement of state efforts to establish public enterprises and public spending. And it was a consequence of the adoption of a Keynesian White Paper on unemployment.

Public enterprise was the main form of social enterprise to emerge from the early 1900s to the early 1970s. Public enterprise involved the State becoming the financial underwriter and developer of employment, social welfare and community development. Hence, for example, Australia's communication system (now known as Telstra) was nationalised and became government property. These developments were logical extensions of the friendly societies that had only partially protected workers through the great depressions of the 1890s and 1930s; indeed the State buoyed-up the work of these societies. However when unemployment rose and inflation increased the government had to 'pull-back' from this role, and its interest in public enterprise dwindled. In today's Australia this situation continues with attrition of interest in social benefits and privatisation of goods and services.

## **3. Social Enterprises and Social Businesses (c1975-current)**

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is also perhaps significant to note that at this time the major influence on these developments were from Christian Socialists. Many of the emergent social enterprises in contemporary times have been the product of initiatives of like-minded social entrepreneurs. As Conaty (2003) notes *the radical nineteenth century IPS legislation, building on the earlier friendly society framework, enabled the mutual business movement to develop rapidly between 1865 and 1914... .The speed and scale with which social enterprises sprang up far outstripped the numbers of charities being registered during the same period.*

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).

Many 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. The organisations that did adopt 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 they 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 at this time, *the passive welfare model* was at its peak.

Within this social, economic and political context, contemporary social enterprise in Australia witnessed significant change from approximately the mid-1970s in Australia. From this time, one may identify a third phase of activity in which social enterprises and forms of social business (here defined as financial institutions whose first and primary aim is to 'do' business and then engage or consider social aims or goals) became key partners with government to pursue social and economic opportunities to support the disadvantaged and minority groups. Hence, for example, since 1975, social enterprises particularly those designated as *corporate charities* combined with government welfare relief. These organizations have not only supplemented but sometimes supplanted the award wage as the chief form of social and economic support for many Australians. A corollary or consequence of this

situation is that the distribution of the unemployed has been very uneven with concentrations on the periphery of many outer metropolitan and rural regional areas. A series of recessions and the introduction of technological change has accompanied and at least in part caused the increase in unemployment and advent of disadvantaged minority groups. It might be noted however that currently the unemployment rate hovers at the 5% mark (without taking into account the validity of construction of this estimate).

A major attempt to correct the situation of over 1 million unemployed in 1995 was the then Labor Government's introduction of the *Working Nation* initiative. It was short-lived. But it was to become arguably the final attempt by any Australian Government to prop up the wages earners welfare state. It largely failed to create employment and rather involved a shifting of the furniture and a great deal of organizational activism. Central to the initiative was the strategy of implementing a mass traineeship system. The initiative achieved nominal change with some impact as a one-off exercise, but it failed to attain real and sustained change.

By the turn of the millennium, Australia was said to be in its eighth year of strong economic growth. Yet over several decades previously a variety of economic and demographic factors had combined to create the new and disturbing phenomena of 'jobless families' and 'job poor communities'. Four economic and social trends could be identified. They were:

- *A growing divide between 'job rich' and 'job poor' households* (with too many children living in families with no parent in paid work).
- *Labour market trends* which have brought changes in the balance between permanent full-time jobs and part-time and casual work, male and female employment, jobs in manufacturing, primary industry and jobs in service industries.
- *A steady upward trend in the proportion of the workforce-age population receiving income support* over the past thirty years.
- *Stagnation of job opportunities for less skilled workers* with the demand for highly skilled workers.

As might be expected under these economic and social conditions the award wage became increasingly unattainable for many families and workers. The latter had been supported up until this time through welfare provided by the Commonwealth (Government) Employment Service. The changes proposed with the publication of the McClure Report (2000) called *Participation Support for a More Equitable Society* led to a new system of job placement contracts awarded to Australia's major charitable corporations. This was the means through which the Report introduced a new framework for a fundamental re-orientation of Australia's social support system.

Henceforth, social enterprises in the form of corporate charities were to become very important in supporting the disadvantaged through their job placement and job

network responsibilities. McClure (the Chairperson of the board of one of the largest of these corporate charities) highlighted the need for recognition of the potential and support of social entrepreneurship. He emphasized the need for partnerships across public, private and nonprofit sectors. But the McClure report also recognized the need to support and create SMEs<sup>6</sup> and micro-businesses who were in fact the principal contributors to economic development especially in rural regions. This was called the *New Enterprise Initiative Strategy* (NEIS) and was seen as a catalyst for the development of regional micro-businesses. Subsequently the national government has introduced the *Small Business Partnerships Program* which appears to have had some impact in as much as it has now set the direction for a focus on small enterprise business development.

Corporate charities today continue to be asked by the Federal Government to support the welfare role they formerly and always partially undertook. Hence, organisations such as the Salvation Army, the Red `Cross, Mission Australia, the Brotherhood of St Laurence, and St Vincent de Paul continue to allocate their limited resources to a competitive tendering process (among themselves) for \$s to implement welfare and social services that were once the province of the government. Some consequences of this situation are described in a later section of this paper.

The influence or the extent to which these national government initiatives have impacted on social enterprise activity is unknown because of the dearth of available research. There are, however, two sets of opinions or positions about the impact of the McClure report and subsequent government interventions. The first suggests that the current surge in social enterprise activity is a consequence of these initiatives. This is a tenable position if one accepts that social enterprise needs to be (and is) represented by the big corporate charities only since these institutions have been the main beneficiaries of government funding since the policy shift. The second position suggests that the rapid emergence and consciousness of Australian social enterprise has been an historical inevitability on the global stage. It is likely that both have some explanatory power but to what extent will not be known until there is further rigorous research. Support for research appears not to be forthcoming from Federal or States Governments<sup>7</sup>.

What might be said then of the development of social enterprise in Australia. First, the number of mutuals that commenced operations in the 19<sup>th</sup> century continues to decline. In Queensland Australia, for example, approximately five cooperatives fail each year. The decline has in part been brought about by the privatisation of financial services. Never-the-less, despite or because of this change there has been an increasing number of social enterprises entering the sector. Australia is witnessing an emergence of banks (such as the Bendigo Community Bank with its locations in larger urban areas and franchising in smaller rural towns), credit unions, housing co-operatives, fair trade initiatives, ecological enterprises, managed workspaces, farmers' markets, recycling initiatives, employment services, community finance,

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<sup>6</sup> Small-to-medium enterprises

<sup>7</sup> Australia is a federal state consisting of six states and two capital territories. It has an elected conservative national Federal Government (a coalition of the Liberal and National Parties) and eight states and territories Labour Governments.

community shops, artistic ventures, social care co-operatives, and community enterprise mutuals<sup>8</sup>. The majority of these initiatives may be categorised as SMEs and micro-social enterprises. Of these many include social enterprise initiatives within or about disadvantage, and businesses on the margins.

Today, in Australia the social economy (the combined productive value of government, private, corporate and philanthropic social spending) represents about 15 per cent of total economic activity in Australia. This represents approximately 65 per cent (over \$150 billion) of total Federal, State and local government spending. In disadvantaged communities the social economy represents up to 90 per cent of total capital and recurrent investment. The extent to which social entrepreneurship contributes to this quantum is unknown. The direct expenditure by government on social enterprises is also unknown, but minimal. The amount that actually filters through to social enterprise activity is probably much greater due to the inventive capacity of social entrepreneurs. Further research in the form of social and economic assessment of social enterprises is needed before this situation changes.

Before we turn to selected international comparisons and issues, we take a brief look at how Australian social entrepreneurs have described their activities.

## **AUSTRALIAN PERSPECTIVES ON SOCIAL ENTERPRISE**

One of the first contemporary Australian authored statements about social enterprise in recent times may be found in the publication by Talbot, Tregilgas and Harrison (2002). Their musings are based on professional and personal experiences on doing social enterprise. They define social enterprise as:

*...the means by which people come together and use market-based ventures to achieve agreed social ends. It is characterised by creativity, entrepreneurship, and a focus on community rather than individual profit. It is a creative endeavour that results in social, financial, service, educational, employment, or other community benefits.*

Elsewhere the authors describe the elements of social enterprise in terms of purposes namely:

- To create benefits for a community
- To build upon mutuality and self-help; and
- To create wealth and opportunity for community benefit.

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<sup>8</sup> This is an interesting development when one notes the work of J.S.Mill in relation to the emergence of social enterprise in the UK (and through colonisation its transfer to Australia). As Conaty (2001) again notes *John Stuart Mill helped secure passage of the Industrial and Provident Society Acts. He also devoted the fourth book of his Principles of Political Economy to the real prospects for the co-operative economy to replace the private sector economy in due course. In this early 'new economics' text, Mill also made the first arguments for an ecological economics where the economy could stop growing in future because, as the technology evolved to meet society's material needs, an enlightened ethics prioritising human growth, social and artistic development to improve the quality of life for all citizens could be fostered.* Mill has often been misinterpreted by later economists and even maligned in his economic views which aspired to a fairer world. He argued for a world where eventually the operating principles and practices would be those of the co-operative in the social economy. Some few new economists have this kind of aspiration for a revived social economy today.

The statement is one of only a few to emphasise outcomes. "Wealth creation" is another outcomes focused term that is often used in the language of many Australian social entrepreneurs.

The influence of the UK view of social enterprise and especially the work of the Community Action Network (CAN) may be evident here; but never-the-less there are two important features associated with this description. First, there is the emphasis on "*community*" and "*mutuality and self-help*" both of which must be regarded as essential aspects of Australian social enterprise. Second, the authors highlight the *multiple outcomes* of any social enterprise initiative and this view is aligned with the excellent work of Emerson and his focus on outcomes reflected in the concept of 'blended value' (2002; 2003; 2004).

More recently, another readable Australian authored publication called *Defining Social Enterprise* (Langdon and Burkett, 2004) differentiates between the purposes and processes 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.

Social Ventures Australia (SVA) undertakes excellent work and is in a unique position as a venture capital nonprofit. It cites a statement about social ventures from the Roberts Foundation as its driving *raison detre*.

*Combining social vision with entrepreneurial skills of the private sector, social ventures have specific social and economic goals. They are businesses that exist solely to impact positively on society. [They are] characterised by innovation .... focus on pattern-changing solutions and sustained social development. ...All social ventures supported by SVA are driven by social entrepreneurs. These individuals, or groups, "draw upon the best thinking in both the business and nonprofit worlds in order to advance their social agenda." (REDF, 2003)*

There are strong arguments for characterising SVA as a social business using a social venture business model with its primary work being 'investment for social returns'.

Botsman (2003) is probably one of the few Australian social entrepreneur researchers to provide a (two dimensional) schema of the relationships among diverse forms of social enterprise (Figure 1). 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.

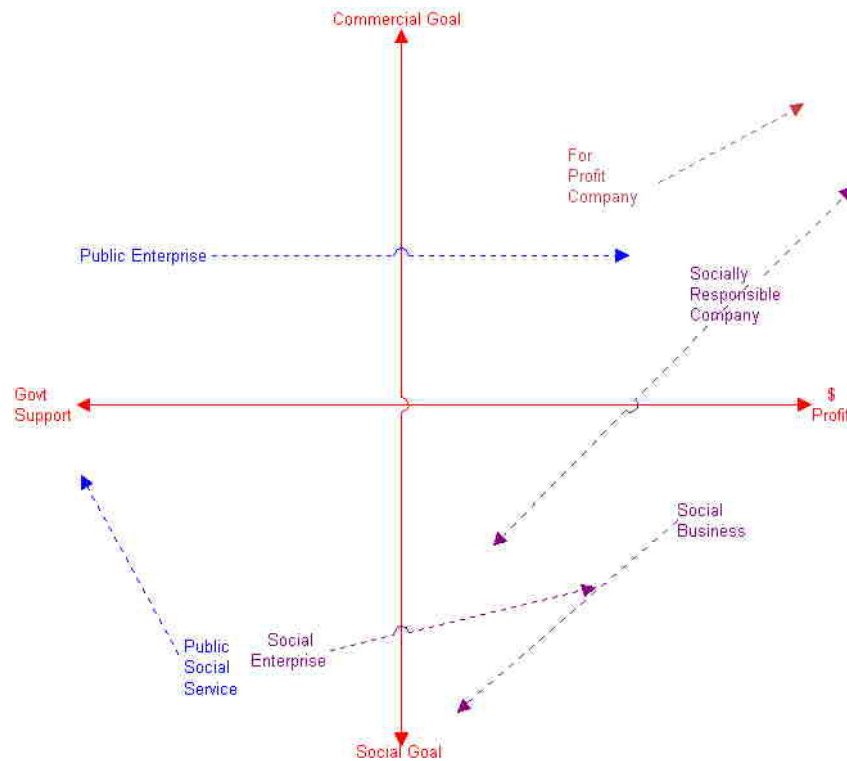


Figure 1: A schema relating the various forms of social enterprise (Botsman 2003)

### The Social Enterprise Model

The author then provides a schematic representation of how the traditional business model and the social enterprise model might develop. 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 2 is a pathway diagram that indicates how this might occur.

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 3.

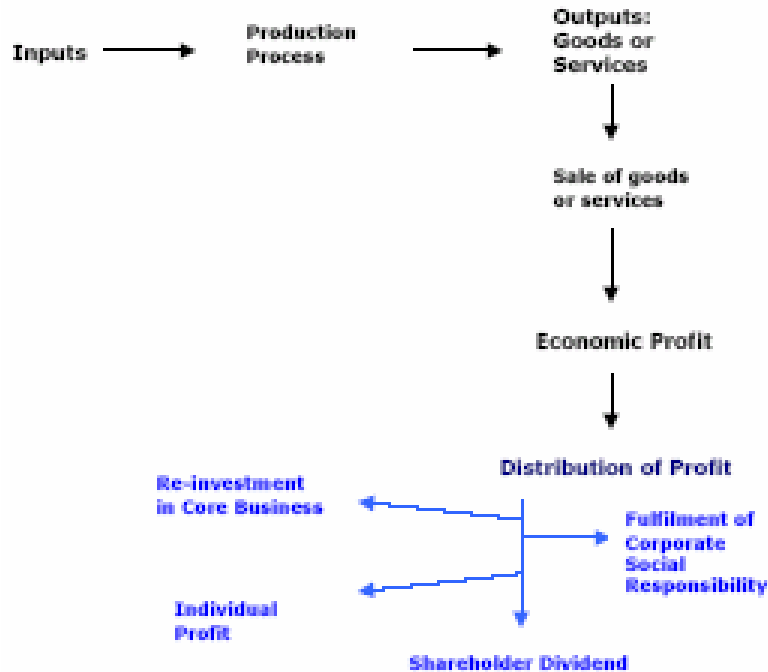


Figure 2: Traditional Business Model (After Botsman, 2003)

To use an example: if the diagram in Figure 3 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 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 along side any traditional business activity. There are strong arguments to suggest that this is not the case<sup>9</sup>.

<sup>9</sup> 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 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)

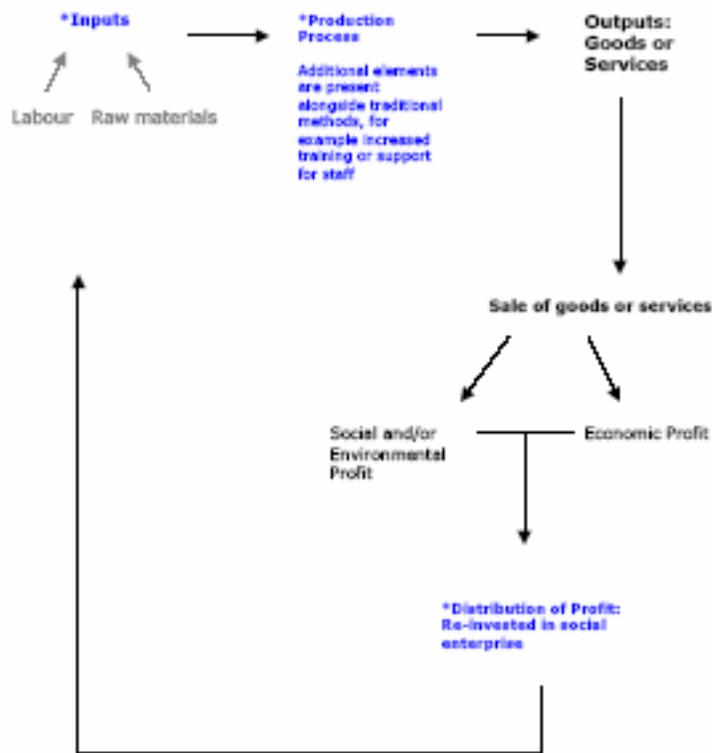


Figure 3: Social Enterprise Model (After Botsman, 2003)

Most analysts of *socioentrepreneurology*<sup>10</sup> seek to define the meanings of social enterprise by searching for common themes or patterns. Hence, it is noted that most statements embrace/assume the idea that social enterprise is a mix of the social and the commercial/business. Social enterprise is the moment when culture and economy interact<sup>11</sup>. The tensions between attributes such as 'earned income' and 'social aims/goals' are also noted below<sup>12</sup>. Finally, each of the statements about social enterprise is culturally dependent. Hence, for example, the idea of a nonprofit differs in the US from the UK and Europe and from Australia. Each has a different policy context and different historical origin of social enterprise. Having stated these few caveats the discussion looks momentarily at what is not common across descriptive statement/definitions, and then takes a brief view of attributes that reflect significant patterns or themes that indicate contemporary shifts and that are worthy of further analysis and research.

<sup>10</sup> This is a term created to mean the study (logos) of the nature of social entrepreneurship.

<sup>11</sup> Bartlett, L. (2005) *The culture-economy debate and social enterprise*. Paper-in-progress.

<sup>12</sup> Bartlett, L. (2004a) *Social Enterprise and the Third Sector: An Exploratory Review of Mission-Market Relationships*

Of the attributes that can be listed from definitional meanings of social enterprise<sup>13</sup>, three appear to be most relevant for an Australian context (and not to exclude other international contexts) are “nonprofit owned/stakeholder ownership”, “mutuality”, and “new organisational forms”. The former is represented in one of three attributes outlined by SEL in its highlighting “social ownership” and social participation. It is increasingly being recognised among social entrepreneurs that material ownership is an essential aspect of developing the social glue or social capital that creates the synergy in an enterprise with social aims.

“Mutuality” is also highly significant for an Australian context. The term is not new as the ‘project’ of social enterprise is not ‘new’) and can be traced back to early history of worker and consumer cooperatives, Friendly societies, Credit Unions and mutual business. Conaty (Figure 1) locates mutuals on an historical continuum with social enterprises, and mutuals and cooperatives, being located between charities at the one end of a spectrum, and business at the other.

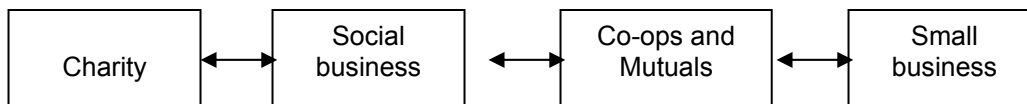


Figure 1 The social enterprise way – the ethical path between charity and commerce: the mutuality bridge.

Mutuality foregrounds the idea of *mutual responsibility* an issue promoted by Noel Pearson and the Cape York Indigenous Project. As Langdon and Burkett (2004) note:

*New mutualism links mutual aid, reciprocity and self-help. It also seeks to strengthen the role of mutual aid, not as an alternative to State or Market based approaches, but as a key third path towards addressing poverty and concerns of social justice (p.iv).*

This focus in the description of social enterprise raises key policy issues; and it invokes the current need for regulatory reform (Nonprofit Roundtable, 2004) and how this impacts on social enterprises (Grieg, 2005).

Mutuality reflects the need for forms of mutual obligation. At a policy level, mutuality reflects the need for Government participation and support not necessarily through sponsorship this tends to impose or create dependency undermining the self-help fundamental of social enterprise. A recent comment from Grieg (2004) is pertinent:

*The need for innovative intermediary support structures is the way to go. Also the need to link social enterprise to small business programs is very important and takes the focus away from grants towards trading<sup>14</sup>.*

Associated with the need for regulatory reform to accommodate the peculiar character of social enterprises is the emergence of *new forms of social enterprise*;

<sup>13</sup> See Bartlett, L (2004a) *Social Enterprise and the Third Sector: An Exploratory Review of Mission-Market Relationships*

<sup>14</sup> Personal communication.

the need to explore which organisational forms apply to specific social, business and environmental contexts; and the compulsion to develop new ones.

## ISSUES FOR CONTEMPORARY AUSTRALIAN SOCIAL ENTREPRENEURSHIP

A number of issues affecting Australian social entrepreneurship may be deduced from the above material. But first, it is necessary to affirm that *Australian social enterprises are alive and thriving*. There is a resurgence of the kind of "passion"<sup>15</sup> for social entrepreneurship witnessed in the very early history of the nation and reflected in the brief outline in this paper. While there has been no systematic mapping of social enterprises in Australia there is much anecdotal information (see Appendix II for examples of Australian social enterprise). The growth in social enterprise activity appears to follow a similar trend albeit on a smaller scale, to what has been observed in the research by DEMOS and the New Economic Foundation in the UK<sup>16</sup>. While claims may be made about significant growth, the same cannot be said about support for social entrepreneurship from all sections of the community and the public and private sectors.

A second broad generalisation is that Australian social entrepreneurship falls somewhere between developments in the UK (in particular) and the US. Both the latter nations provide the testing ground for developments in Australia. This refers more the potential to learn from the challenges and barriers confronting social entrepreneurship globally and the application of this learning in a cultural context that is Australian.

There are many cultural differences between Australia and the UK, but it is possible to recognize the many residual economic, political and social systems from early colonial periods (as reflected in the discussion on 'Charitable Enterprise (1814-1907)' at the beginning of this paper). But as Australia truly becomes a multicultural nation more significant differences are developing. Australian culture also has similarities with the US (although not as closely as the present Australian Government would have us believe). The issue here is that Australia is probably better placed to grasp the opportunities to learn from the experience of social entrepreneurship in both countries.

### Issue 1: Social Enterprises as Nonprofits

In Australia, the Third Sector<sup>17</sup> includes social enterprises but distinguishes them from all other nonprofits, as do social entrepreneurs themselves. To date it would

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<sup>15</sup> See Oldfield-Hiosan and Bartlett (2005) *Strategies for Social Enterprise Development in Australian Outer Metropolitan Cities and Small Towns* delivered at this 6<sup>th</sup>SEA Gathering

<sup>16</sup> NEF estimates that the number of social enterprises is growing at nine per cent per year, with wide variations in growth rates (from zero to 200 per cent) among different types of social enterprises.

<sup>17</sup> Australian & New Zealand Third Sector research (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. 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>)

appear the Third Sector has not given social entrepreneurship much attention as an area worthy of pursuit either through research or inclusion in its agenda<sup>18</sup>. In the US however, the term is used widely to describe all/most social enterprises (this may account for the emphasis on “earned income” to distinguish social enterprise from other forms of nonprofit activity; it ensures that to qualify as a social enterprise trading must occur and that social enterprises are not grants dependent as many nonprofits are). The difference in meanings and use of the term might be expected given the cultural differences one observes among Australia, the US and UK/Europe. These cultural differences are also ‘framed’ by laws and legal structures (which vary considerably across each country) governing and constraining the activities of nonprofits in each country.

## **Issue 2: The Distinction between Social Entrepreneurship and Social Enterprise**

At the 5<sup>th</sup> SEA Gathering the former President Charles King described how the organization in its initial years ‘bogged down’ in attempting to define social enterprise. The need to get on with the practice of social enterprise seems a more reasonable and useful activity especially for those of us not given to intellectualising. This position is often cloned in Australia where many practising social entrepreneurs eschew the idea of defining what it is they do, or become impatient with those who attempt to do so. But the political reality is that it is essential that some clear use and usage of language with its many symbolic representations and meaning signals be pursued. So a distinction, with brief justification and explanation, is made here between the two terms.

A **social enterprise** more commonly refers to a project, or an organization in/through which social entrepreneurs work. Social entrepreneurs often speak about their social enterprises and these are usually conducted in a community or through an organization. The word therefore is more an institutional expression signalling the work of an organization or community. The most important thing to recognize however is that the *term narrowly defines* who is engaged in this kind of work. Many groups of volunteers and community members even though they demonstrate attributes of being innovative, serving disadvantaged minority groups etc are excluded from being called social entrepreneurs when perhaps there is little justification for their exclusion. The term tends to exclude rather than include organizations and individuals.

The term **social entrepreneurship** however refers to a state of being a social entrepreneur, of *practising and doing* socially enterprising work. Social entrepreneurship is about social entrepreneurs engaging in initiatives that demonstrate many (and new) organizational forms. The practice of social entrepreneurship always creates value that is a mix of the social, financial and environmental outcomes. Hence, the term signals the creation of value in the

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<sup>18</sup> At the recent Australia and New Zealand Third Sector Research Forum (ANZTSR) social enterprise was a topic in no more than a few sessions.

broadest possible sense<sup>19</sup>. Social entrepreneurship is a term that recognizes the work of social entrepreneurs across all sectors; people who are 'doers' driven by the passion to make a difference. Social entrepreneurship is an inclusive term. Hence, it includes many volunteers and grantees (even though no earned income is involved) who engage in enterprising and innovative work. By using the term, organizations and projects set up by social entrepreneurs defy being pigeonholed or being compartmentalized into 'silos' (as do the social entrepreneurs themselves). Individuals, projects and organizations cannot easily be lumped easily into the nonprofit or for-profit worlds. They cut across areas of socially entrepreneurial activities in a wide range of disciplines suggested above; they are transdisciplinary and not tied to a specific community of interest, for example, a university faculty of business. In this way social entrepreneurship is a term that allows social entrepreneurs to relate more readily with private and public sectors; this means that social entrepreneurship cannot be considered as consisting of disparate, fragmented and isolated groups addressing social change and the transformation of society in the 21<sup>st</sup> century.

*The issue at hand is that if social entrepreneurs do not take the initiative in defining themselves and their activities, others will.* And 'others' will include governments and the private sector. The recent article in the Australian *Business Review Weekly* on the need for charities to be treated as big business is one example of not simply a lack of understanding of the work of corporate social enterprises but attempts at appropriation of the meaning of the work they do. In the UK there are now many silos into which many social enterprises and their projects have been allocated by persons and institutions other than the owner-social entrepreneurs. These social enterprises are seen to be fragmented and therefore may be politically vulnerable.

## **Issue 2: Two Attributes of the Concept of Social Entrepreneurship**

There tends to be *two recurring themes* or attributes<sup>20</sup> in definitions of social enterprise. They are the concepts of *market/business (as earned income)* and *social/cultural goals (as mission)* (Bartlett, 2004). In addition, as Langdon and Burkett (2004) correctly imply these two attributes are *infused with a literacy of innovation* in any social enterprise<sup>21</sup>. But this is about as far as Australian social entrepreneurs have conceptualized their work.

The current debate in the US focuses on the two elements of *earned income* and *social mission and social impact*. Dees (1998) argues that 'social impact and innovation' are of the essence of social enterprise. Boschee and McClurg (2003) argue that 'earned income' (an analogue of the market) is the defining attribute of social enterprise. Neither communities of thought appear to be concerned to present

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<sup>19</sup> Hence the work of Jed Emerson and the concept of 'blended value' based on analysis of outcomes of social enterprise activities offer much for future research.

<sup>20</sup> By *attribute* I mean that which is of the essence of the object or thing. This Aristotelian use of the term means that the attribute **is** the object of thing. Hence, it does not mean something that is attached to an object or thing.

<sup>21</sup> 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.

their ideas as an integrated whole or explore the tension between both. Indeed their public debate appears to reify the dualism that exists in their arguments.

Both US approaches 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*<sup>22</sup>. 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' as proposed by Social Enterprise London) 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<sup>23</sup>. It is useful to note that typologies that use a continuum neglect the fact that social enterprises reflect more discontinuities than continuities in their operations and outcomes.

### **Issue 3: Investment in Social Entrepreneurship**

As the initial historical overview indicates, Australian governments have supported but rarely if ever been first to invest in welfare and social services. There has however been a strong investment in the welfare state and social payments, a fact that partly explains why social enterprise and social business solutions have not been pursued with greater urgency. Political ideology of successive conservative governments also offers some explanation as to why social entrepreneurship has not developed to the extent one might expect<sup>24</sup>.

Australian social enterprise like the US similarly bears the burden of a low ratio of government spending (as a % of GDP) on welfare activities including social entrepreneurship in general. There is little to no investment in social enterprise. In addition, unlike the US Australian social enterprises benefit little from philanthropic funding. The culture of giving (through foundations) is a relatively low priority. By way of contrast, New Zealand after slashing its funding of welfare has now quickly invested in alternative social enterprise strategies. There appears to be a great deal of difference in the ways the various nations under discussion have responded and adopted social enterprise as a principal strategy for addressing disadvantage and support of communities and their welfare.

In the above context, it is little wonder then that approaches to social investment in Australia are not well developed. What is needed are new models of investment, for

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<sup>22</sup> Social Enterprise London (SEL) identifies three core elements in any social enterprise: 1) *Enterprise orientation*: social enterprises are directly involved in producing goods or providing services to a market 2) *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. And 3) *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).

<sup>23</sup> Reference is made to a recent excellent typology proposed by Alter (2004) where social enterprise is placed on a continuum.

<sup>24</sup> Until the election of the Hawke Labour Government in the early 1980s, Australia was more often governed by a conservative coalition (liberal and national) party. The election of a Labour Government was usually followed by rapid policy shifts and change followed by a downfall at the succeeding election.

example, exploring ways in which social enterprises can pool existing equity, borrowing against that equity, and floating on the sharemarket. While there are no 'clever' publicly defined models of social investment there are outstanding examples represented by the Bendigo (Community) Bank, the Philanthropic Foundation and others.

#### **Issue 4: Welfare, Governments and Social Entrepreneurship**

In discussing the issue of welfare state, it is useful to note the bigger picture impacting on social enterprise in the nations under discussion. Since the early 1970s, we can identify three distinct welfare state responses to economic and social change. The UK, US, and New Zealand, for example, have favoured a strategy of deregulating wages and the labour market, combined with a certain degree of welfare state erosion. West European nations (France, Germany and Italy) have favoured a strategy of induced labour supply reduction. During the 1980s Australia deliberately adopted deregulatory, market-driven while Britain and New Zealand underwent a radical shift despite their original status as pioneer welfare states.

Protectionism was curtailed in Australia and New Zealand. In the US and UK the shift was associated with shift was a weakening of unions while, in contrast, Australia's liberalization policies were developed in co-operation with strong unions. The general trend was to address economic decline and rising unemployment by gradual reduction of social costs and erosion of the minimum wage. New Zealand actively excised its welfare provision and programs while other nations under discussion adopted a passive policy of failing to align welfare benefits with increasing economic costs and change.

This scenario acts as a backdrop for the changes that inevitably had to occur after these passive or radical changes in welfare and support for communities and disadvantaged regions. The Australian Labor Government sought alternatives (such as traineeship systems) to that championed by the Labour Government in the UK which has favoured investments in social enterprise and community capacity building. Social enterprises in Australia have never been looked upon favourably by federal governments and the current government has not indicated a capacity to address welfare issues through appeal to social enterprise development. The Minister for Families and Community Services in encouraging social entrepreneurs 'not to be concerned about making mistakes' followed by the assertion the 'the government will not shirk its responsibilities'; that is, it is fine by the government if social entrepreneurs adopt perceived high risk strategies (and fail), because the government won't be involved (in social enterprise activity). Some States Governments have demonstrated some interest in limited investment in community development and engagement.

#### **Issue 5: The Limits of Bureaucracy in the Administration of Social Enterprise**

It is worth dwelling on one aspect of the development of social enterprise in the UK in relation to the role of governments and their agencies. Social Enterprise London (SEL) in 2000 noted that social enterprise in the UK had emerged as an important

policy area in Blair's Labor Government thinking in that social enterprises provided a practical response to three of its (the Government's) 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 (earned-income) and to create financial wealth if they are to qualify for inclusion under that term. It also has the underlying assumption (in the phrase "turning local needs") that social participation an important element of social inclusion is valued. In addition it nicely differentiates social enterprise from community development programs. But the policy direction also highlights a difficulty in relationships between government and social enterprises. Top down "social planning" and Government "sponsorship" of social enterprises would be destructive to the "self-help" efforts that underpin social enterprise. The need for *innovative intermediary support structures* appears to be the most effective structural arrangement. Linking social enterprise to small business programs also takes the focus away from grants towards trading.

Another aspect of the limits of administration may be witnessed in the implementation of the McClure report recommendations. Research indicates that any innovation generally takes fifteen years to be fully implemented. More often than not the celerity of implementation is governed by the persons involved, the nature of the 'innovation' or idea to be implemented, and the administrative support for implementation. History shows that the latter 'frame' is highly significant when it comes to change in areas of disadvantage and welfare. Hence, it is not unexpected when one reads that the Reference Group for the McClure review believed that "the full implementation of a new system may take a decade". And added hopefully: "Nevertheless, much can be done in the short term to improve the current system to encourage and facilitate participation".

An excellent example of the limits of bureaucratic administration with respect to a small-to-medium social enterprise can be analyzed in Case Study 1 in Appendix 1.

## **Issue 6: New Mutualism and Social Entrepreneurship**

Welfare may be approached in three ways. It can be a response to a set of *economic conditions*. Resources are distributed in such a way as to eliminate the condition without reciprocity from the recipients. This produces a false economy, lack of participation, continuity of poverty and a deficit model of welfare. In the second approach, welfare as *service delivery* occurs when communities receive services to cure their welfare ills. This usually implies an active government and passive citizens. Both approaches may be included in the *passive welfare model*.

*Passive welfare models* at their peak tend to operate at the time when clients such as the charitable corporates and recipients of welfare are most deserving of “help” and “support”. But the latter are largely purchasers or consumers of [government welfare] systems of support, the development of which they had little to no say. They are not enrolled in the effort to change or transform circumstance (Pearson, 2002) They are 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 is invited, and there is little input or consultation with clients and/or about their needs. Vocational service delivery, including job seeking, employability skills, and the general engagement in the workforce tend to be a foreign concept to welfare agencies and service providers – principally through circumstance rather than design. This is the period of large *bureaucratic and unresponsive welfare agency*

The situation for governments in addressing welfare is that communities cannot solve their own problems. Failure to solve problems becomes a state of mind which in turn reproduces the problems in the communities. This may be addressed by horizontal equity (everyone gets equal treatment) or program delivery of services that are seen (usually by government) to be needed. The outcome is a cycle of dissatisfaction and consequent poverty. By adopting a mutuality and New Mutualism approach both approaches, the *economic conditions* and the *service delivery* approaches to welfare, described above are combined, but with a difference where relations and obligations are reciprocal, not one-sided.

Two examples of the New Mutualism in Australia may be observed in the Indigenous enterprise Partnerships in Cape York in far North Queensland, and the New Mutualism Project in Brisbane Queensland. The former project consists of a number of community partners who have created enterprise opportunities for the Cape York indigenous communities. The strategy has been to pool incoming funds and then to allocate these resources to the various communities. This strategy is a response to the wasted past investment of \$130 million in social services and infrastructure that has occurred in Cape York. The social entrepreneur leading the project, Noel Pearson, has argued this form of welfare has arguably worsened the community strength of many indigenous communities over the past decade. The task ahead is not to create a larger social economy but to improve the social and economic value creation of the existing social economy. This means restructuring and redeveloping many social investments. Pearson, arguably the best known activist social entrepreneur in Australia, after confronting successive Federal Governments, has recently been appointed as consultant to the current conservative government. This appointment comes after a long period of interaction with the Government about the benefits of a reconstructed notion of mutual obligation. His task focuses on the Government’s concept of mutual obligation. Pearson’s reconstruction of the concept and its relevance for Cape York communities within a framework of mutuality is eagerly awaited. The communities’ capacity to engage mutualism and shift from its former state of welfare dependency continues to be closely observed. When the words ‘social’, ‘sustainable’, ‘credible’ and ‘commercial’ are embedded in concepts such as ‘earned income’ the semantic overload that must become part of everyday living would appear to present a real challenge for these peoples.

A second group addressing issues of opportunity, skills development and resources is the New Mutual Group. Located in Brisbane, this group consists of up to seven small social enterprises that create an equity pool or "bank" from the funds granted through various agencies. Each enterprise then applies for funding from the "bank" which may also raise capital using the existing equity. The further phase will be the floating of shares in the "bank" to create value and further equity for development of the individual social enterprise projects in the group. One strategy used in raising funds by each project (where competition for funding is eliminated) is social procurement. This strategy requires funders such as local councils to allocate a small % of all grants as confirmation of their commitment as socially responsible agencies. The funds are then deposited in the "bank" as equity or for distribution to community projects.

The example of IEP is described more fully in Case Report 2 in Appendix 1

### **Issue 7: The Role of Corporate Charities in Australian Social Enterprise**

As we have noted earlier in this discussion, 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. At the same time it needs to be acknowledged that 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 have offered a unique and important systemic change to the labour market for the mainstream unemployed.

Despite this (unexpected) development and policy shift in the past five years (courtesy of a federal government), 'corporate charities' such as the Salvation Army, the Brotherhood of St Laurence, Mission Australia (all of whom we have noted previously are engaged in 'privatised' social welfare) are shrinking in capacity and services. The closure of many of the Salvation Army's retirement and respite homes is evidence of this shrinkage. In addition, larger business corporate social enterprises are now under attack from a number of quarters especially the private sector. There have also been calls for the establishment of an independent charities commission with an open (that is, public) register of all charities that get tax exemptions; for new accounting standards and for a new set of corporate governance guidelines. These calls have been accompanied by the apparently clever argument that in the long term, this will help the sector 'to become more open and effective, to increase the public's confidence, and ultimately to lead to more giving from an already generous population' (Business Review Weekly).

Hence, in very recent times the role of charities as medium to large 'corporate charities' is increasingly being questioned in the public and private arenas. In one of

the latest issues of *Business Review Weekly* Featherstone (2005) questions the lack of accountability of charities. His criticisms are not based on the fact that charities lack transparency, and are unaccountable and inefficient. His arguments are based on the fact:

*that charities, especially those affiliated with religions, are a sacred cow that few are willing to challenge. Too many votes are at stake for governments to rock the boat, and links between big business and big charities are growing..... charities should be scrutinised like big business*

Because of their shift to the world of big business and change in organisational structures and size, corporate charities tended to preclude networking with social entrepreneurs and the enterprise community. Their development reflects broadly the 'history' of social enterprise in Australia. 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. In addition, competition precluded the possibility of smaller social enterprises from funding opportunities. The fact remained however, that the vast majority of these organisations did not, and continue not to operate as *social enterprises* (Canadian Centre for Social Entrepreneurship, 2001; The Smith Family, 2004; Tregilgas, 2001).

## **ISSUE 8: Legal Structures and Social Enterprises**

This is a specialist area and I do not intend to probe the intricacies of the law in relation to social enterprises in Australia. There are however some broad generalisations that might be made about the current situation. Company legislation and rules tend to be inappropriate for the organizational structures and operations of social enterprises and nonprofits in Australia. There has been little to no effort generally to recognize the peculiar organizational structures and needs of nonprofits which are obliged to operate under legislation that has been drawn up for the for-profit sector. New social enterprises have almost invariably been obliged to choose or have chosen to adopt the legal structure under company law used to govern charities, that is, a company limited by guarantee. Such a structure does not allow for equity to be raised, nor does it normally provide for service users or providers to participate equitably as stakeholders within a democratic mutual form (on the one member, one vote principle of co-operative law). The current legal structures do not appear to have been designed to accommodate the needs of social enterprises and to allow for equity and share capital to be raised, both readily and cost effectively, to meet business funding requirements.

What perhaps is needed is the introduction of law such as the recently passed Interest Companies laws in the UK specifically customized for social enterprises and their communities.

Some changes have been introduced for that part of the nonprofit sector that is supported by voluntarism. Yet many volunteers in Australia are currently exposed to

risks associated with financial responsibility; insurance for charities is on the increase and in some cases financial burdens are such as to close down events and in some cases the organization itself; the question of who bears the costs for injuries sustained in the line of volunteer work is a question being vigorously debated at present. Some states have introduced legal liability laws to protect volunteers but this varies across states. For example, office bearers in associations are protected in NSW and Queensland but not the remaining states. South Australia was the first to introduce a Volunteer protection Act with Queensland following with its Liability Act in 2003. This situation contrasts with the US legislation (1997) that provides volunteers immunity from litigation and legal costs. Since that time there has been a decline in suits filed against volunteers. A similar situation may be found with the introduction of a Private Members Bill in the UK.

One suspects that what Conaty (2003) states about the UK applies equally in Australia and the US.

*with few exceptions, governments and government bodies have yet to recognize social entrepreneurship as a legitimate field of endeavour. This recognition is crucial if governments are to provide a better fiscal and legislative environment for social entrepreneurs, including the review of tax laws and the elimination of burdensome regulations, arbitrary decision-making and other requirements and practices that hamper them.*

## **ISSUE 9: Social Enterprise Support Organizations**

In 2001 the first Australian support organization for social entrepreneurs was founded. The Social Entrepreneurs Network (SEN) was based largely on the UK's Community Action Network model with its founders having been involved with that organization over a number of years. SEN brought together a wide range of workers in the field many of whom were/are struggling to establish an identity. In the next three years it provided an annual forum and some networking activities. Of particular importance in 2003 was the formation of network nodes in states a number of which were growing and developing relevant activities for a range of disparate groups in local contexts. By late 2003, SEN had collapsed and disbanded. The organisation had never (until its final six months when it was too late) adopted a business approach and strategic direction for its members; it failed to develop adequate earned income strategies; its governance structure was cumbersome with its Board arguably failing in its responsibilities; and there were a number of financial and legal issues that went unresolved until the failure of the company.

The 'replacement' organization to SEN, called Social Enterprise Partnerships has only recently been established and appears to have a similar lack of strategic focus as SEN with a number of new initiatives based on former planned or implemented strategies formulated by the former CEO of SEN. Its directors recently formed a political party closely aligned with the organisation which may now suffer the criticism of being politicised. A former initiative of SEN was the implementation of an "academy" modelled on the School for Social Entrepreneurs in the UK. It has now been independently established as the Australasian Institute for Social

Entrepreneurship (AISE). As a start-up its work consisting of enquiry and research, learning and skills development, and information society technologies has only recently commenced. The organization has yet to prove itself. Social Ventures Australia (SVA) referred to in an earlier section of this paper uses a venture capital model in its approach to philanthropy. This reflected in its offering of specific services through its Institute. The latter, established in 2003 focuses on best practice learning in social enterprise and describes its work as “a unique vehicle offering the opportunity to showcase outstanding social ventures, build best practice and capture and share knowledge and learning in the social sector”. It has no research function (although consultancy research has been undertaken) and to date its research appears to have been \$ and demand driven. Institutions such as ACCORD (itself an independent body governed by two universities) has made useful research contributions to our knowledge about social enterprises.

The Australian and the New Zealand Third Sector Research (ANZTSR) whose membership is composed largely of university academics undertakes useful research in the nonprofits sector. There are also the excellent nonprofit research centres located within universities such as QUT's Centre of Philanthropy and Nonprofit Studies, the Centre for Citizenship and Human Rights at Deakin University, and UTS's Centre for Australian Community Organisations and Management. None of these institutions appear to have direct links with social enterprise, the few independent organisations founded to support social entrepreneurs, or at this time have produced rigorous research focused directly on social enterprise. Any research directly focused in the area is conducted in Business Faculties and by persons from a business culture and background<sup>25</sup>. And there is an increasing interest in including some elements of social entrepreneurship in MBAs. The interest does not match the developments in the UK and existing provision in the US. The reasons why universities, especially Business Faculties offering MBAs have been slow to respond (compared with, for example, US and UK universities) to the social enterprise 'movement' are many and complex. But the matter clearly relates to Higher Education policy contexts, the demand-driven nature of research in universities, the general funding climate for research, structural inefficiencies in universities, and others<sup>26</sup>

The reality is that there are few social enterprise support organizations in Australia.

## **ISSUE 10: The Future of the Nonprofit Sector in Australia**

Social enterprises are regarded as part of the nonprofit sector in Australia despite the denials of many social entrepreneurs who would wish otherwise. Hence, social entrepreneurship sits uneasily among a range of voluntary organizations, cooperative mutuals, and companies limited by guarantee. (The difference between this positioning and the way in which social enterprise is subsumed as nonprofit in the language of practitioners in the US, is noted). So what do we know about the future of Australian nonprofits including social enterprises in Australia?

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<sup>25</sup> This raises issues about the impact of a discipline (considered as a community of scholars guided by its own culture) and the disciplinary constraints this places on the nature of the research conduct, methodological approaches, questions of ideological dominance – of the discipline, and a host of other considerations.

<sup>26</sup> See Bartlett, L. (2002) for issues relating to university-community engagement

In 1999/2000, nonprofit organizations that employed staff<sup>27</sup>:

- Employed 604,000 people, 6.8% of Australians in employment
- Had an income of \$33.5 billion
- Contributed \$21 billion, or 3.3%, to GDP
- Made an economic contribution larger than the communications industry and about equal to that of the agriculture industry; a contribution almost twice as large as the entire economic contribution of the state of Tasmania.

In terms of its contribution to employment, Australia's nonprofit sector:

- Is of a similar size to that of the United States.
- Is larger than that in the United Kingdom and most other European Countries.
- Is smaller than the nonprofit sector in the Netherlands and Ireland.

There is evidence that parts of the sector are growing. The membership of voluntary organizations is estimated to increase 2.8 times more than other parts of the sector<sup>28</sup>. These voluntary associations tend to attract a membership that is motivated to engage in political action especially when it observes disadvantage. Membership in these organizations which tend to be smaller in numbers and income is also more likely to build social capital than are the larger 'charitable corporates' which as we noted above are shrinking. But the decline in the charitable corporates is matched only by the decline in mutuals. Many sports, service clubs, building societies, cooperatives and others are being dissolved or 'demutualised' to form companies limited-by-guarantee as for-profit businesses.

## **CONCLUSION**

Social enterprise is alive and growing in Australia as it is elsewhere around the globe. Understanding by the general population of this 'social movement'<sup>29</sup> in Australia is less visible. Botsman (2003) has outlined a process for government implementation of social enterprises in the Australian context; his idealistic aspirations are commendable, his political expectations perhaps a little premature.

Before social entrepreneurship is accepted as a credible form of activity by governments and the population-at-large, there appears to be a further necessary period of gestation in which collective action needs to occur; in which the regeneration of trust and social capital is evident; in which the 'common good' that social enterprise activities can achieve become visible especially through the media; in which the basic values of Australian democracy inherent in social entrepreneurship are made explicit and continue to give witness to the value of social enterprises as they did in the early white-settlement 'charitable enterprises period'; in which social

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<sup>27</sup> These figures differ appreciably from that cited by Featherstone (2005) in his criticism of charitable corporates (namely, 10 % of GDP with a value of approximately 70 billion dollars). His figures included all nonprofits and not just those which employed Australians.

<sup>28</sup> Personal communication, Mark Lyons (2004)

<sup>29</sup> In using this term 'social movement', I recognize the existing diversity and difference in the organizational forms and practice of social entrepreneurship something that the idea of 'movement' fails to make explicit.

enterprises themselves exemplify the principles of pluralism, free choice and the rights of citizens to participate in and take responsibility for their community<sup>30</sup>; in which social enterprises are capable of 'framing' and sustaining a democratic system; in which these new organizations become legitimate partners of business and governments while retaining their integrity and identity; and in which social entrepreneurs act to restrain governments from creating a monopoly in the way it treats its (most vulnerable) citizens.

The continuing emergence of social enterprise in Australia as in other countries discussed in this forum might best be styled a moral (and quiet) revolution rather than a 'social movement'. The word 'moral' as it is used here should be interpreted in the Wordsworthian sense as man's (sic) relationships with her/his fellow human being; where ideas such as community and solidarity are a necessary condition for social transformation and change. Contemporary Australian social entrepreneurship has yet to begin to define itself as similar in impact and effectiveness to past social enterprises reviewed earlier in this paper; and it has yet to assert the particular significance and potential of its new organisational forms adequate (equal to) the emerging contexts of the 21<sup>st</sup> century. There is no doubt social entrepreneurs and their enterprises will achieve these broad goals.

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<sup>30</sup> Industry Commission (1995)

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## APPENDIX 1

### Case Reports: Social Entrepreneur Stories

Sources: These two case reports have been sourced from the website of the former *Social Entrepreneurs Network (SEN)*; and from Botsman, P. (2003) *Pathways to the Enterprise State Report to the Families and Community Services Department of the Australian Government*.

#### CASE REPORT 1: The CLAYMORE MIRACLE

Sometimes miracles do happen. Six years ago Proctor Way in the Campbelltown suburb of Claymore was known as the worst street in NSW. It had a record of 60 police incidents a month or two a day.

The street was full of vandalism, family disputes and despair. Things were so bad that the State Government could not pay people to move into the public housing. The low ebb came in late 1995 when two tragic fires turned the townhouses into infernos, killing five people.

Today Proctor Way and much of Claymore have been transformed. It is now possible to talk about a *functioning community*. The neighbourhood still has *high unemployment* and the odd incident but generally, it has regained a sense of normality.

People no longer live in fear in their homes, wondering if their next-door neighbour has been doing the break-ins. Instead, they *share a community life* with some important projects underway. There is now a 12 month waiting list for new residents. This has been the Claymore miracle, a wonderful example of social reconstruction. How did it happen and what are the lessons for policy makers?

The first lesson comes from the *decision of the NSW Department of Housing to leave the area*. In 1996 it handed over part of Claymore to the Argyle Community Housing Association, a division of St Vincent de Paul. The residents had grown distrustful of the Department. It was seen as distant, cold and bureaucratic - more interested in making rules than helping people.

By contrast, *Argyle established its office in Proctor Way itself*, right next to where one of the burned-out townhouses had been. From the very beginning, it confirmed its community credentials. Argyle saw the problems in Claymore as social, not just economic. The housing manager, Brian Murnane, was determined to establish relationships of *trust and cooperation* between the residents.

He started with small things, such as a community barbecue and clean-up days, and then moved on to bigger projects, such as a Neighbourhood Watch scheme. This burst of energy and effort created an enthusiasm for doing things together. As Murnane describes it "every time someone said let's do something, we backed them."

In particular, the Pacific Islander residents led the development of a thriving community garden on a large slab of disused public land. This became a focal point of achievement, as the residents *crossed their different cultural boundaries* and learnt from each other.

Having normalised the social environment, Murnane then moved on to the *development of skills* and economic activity. He set up a *small business* to meet Claymore's housing maintenance and lawn moving needs. A *low-interest loan scheme* was also established, managed by the residents themselves. This has been an important source of *financial education and participation*. It has functioned like a micro-credit scheme, with a default rate of just one per cent.

These enterprises have established *new skills and employment opportunities* in Claymore. Murnane now wants to take another step forward. He wants to take over the run-down neighbourhood shopping centre for the development of business ventures, cooperatives and training programs. This is where *social venture capital* has a role to play, exposing the capital markets to new investment opportunities in poor neighbourhoods.

Brian Murnane has fulfilled the role of a community broker - building new partnerships between people, while also giving them the confidence to develop their skills and to take risks. This is such an important lesson. People do not live their lives through committee meetings and minutes. They want to get things done in practical ways, creating new relationships of trust and achievement.

This is why social capital is so vital. It is a community's immune system against social breakdown. No amount of government money or market economics can reproduce these relationships. They rely on the work of people like Brian Murnane and the development of community life.

Six years ago, I doubted that anything could ever be done to improve the situation in Claymore. Thankfully, this wonderful example of social entrepreneurship has proved everybody wrong.

## CASE REPORT 2: Indigenous Enterprise Partnership



IEP Breakthrough enterprises

**Description:** Indigenous Enterprise Partnerships is one of a complex of complementary organisations working to create opportunities for Cape York indigenous communities. Its specific role is to channel corporate and philanthropic resources into indigenous development.

**How it originated:** IEP developed through Balkanu, Cape York Partnerships and the Cape York Land Council.

**Participants:** Indigenous young people are encouraged to use the network to communicate over the great distances of Cape York. The network emulates the traditional trading and interactions between Cape York communities.

**Partners/Stakeholders:** The key to IEP's success is its community partnerships and these have been developed over time with Cape York regional and community organisations and families, Major corporates such as The Body Shop, Westpac and BCG Leading philanthropists such as The Myer Foundation and the Foundation for Young Australians Network of individual volunteers and activist donors.

**Benefits:** Resources committed through IEP to Cape York organisations to date are conservatively valued at \$7 million.

**Could the enterprise be a prototype for other cities or regions?** The lessons IEP has learned are now being developed for other regions.

**Demographic/Regional:** 12 indigenous communities of Cape York Peninsula: Aurukun, Bamaga, Coen, Cooktown, Hopevale, Kowanyama, Mapoon, Mossman, Napranum, Pormpuraaw.

**Sustainability:** IEP is growing and applying the lessons of its work beyond Cape York.

**Role of Government/Grants/Programs:** IEP's job is to ensure that resources are matched to needs and that the partnership works effectively for all participants including government partners.

**Future Development/Systemic Issues:** One of the important features of IEP is its ability to create a holistic approach linking education, health, IT, youth and economic development. This is arguably an important role for government to recognise and use more extensively.

## **NOTE ON CASE REPORT 1: The Claymore Miracle**

### **Issues:**

1. Social and material ownership
2. Limitations of public administration
3. Entry strategies
4. The relationships among opportunity, skills, and resources
5. Cross-cultural understanding
6. Social venture capital and small business
7. Business skills development
8. The significance of people skills
9. Earned income capacity (social-commercial aspects of SE)
10. Enterprise leadership roles
11. Asset audits
12. Entrepreneurial orientation and innovation

## **NOTES ON CASE REPORT 2: Indigenous Enterprise Partnerships**

### **Issues:**

1. New mutualism
2. Role of government
3. Social policy and welfare
4. Governance and management

### **Comment**

Noel Pearson has argued that the investment of \$130 million in social services and infrastructure on Cape York has arguably worsened the community strength of many indigenous communities over the past decade. The task ahead is not to create a larger social economy but to improve the social and economic value creation of the existing social economy. This means restructuring and redeveloping many social investments.

## **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.

### **See Change Boatworks**

[http://best.org.au/see\\_change\\_boatworks/index.htm](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.

### **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.