Finding Australia's Social Enterprise Sector 2016: Final Report

Centre for Social Impact Swinburne

June, 2016

FASES 2016 is a joint initiative of Social Traders and CSI Swinburne

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Acknowledgements

Finding Australia's Social Enterprise Sector (FASES) 2016 is a joint initiative of Social Traders and the Centre for Social Impact Swinburne (CSI Swinburne), Swinburne University of Technology.

The research presented in this report benefited from the contributions of many people and organisations. The research team wishes to thank all those who gave generously of their time and experience, including:

- Seventy-five people who participated in project focus groups; and
- 248 organisations that participated in the online survey.

We thank those social enterprises, not for profit organisations, and government agencies that freely promoted the work of FASES 2016 through their networks. In particular, our thanks to Social Traders, Pro Bono News, and VCOSS.

Mark Daniels from Social Traders played an important role in guiding the project and in the production of the final report. Mark Hemetsberger from Social Traders assisted with promoting the research.

All errors of interpretation remain the authors' own.

About the Research Project

The FASES 2016 research project is a joint initiative of Social Traders and CSI Swinburne, Swinburne University of Technology.

The research project has produced:

1. An interim report on 13 focus groups conducted around Australia with social entrepreneurs and social enterprise developers and policy makers	June 2015	Appendix A of this document
2. A revised FASES survey instrument	June 2015	Appendix E of this document
3. Final Report: *Finding Australia's Social Enterprise Sector 2015 Research Report*	February 2016	This document
4. Online maps elicited from the data	February 2016	This document

5. Social Traders and CSI Swinburne hold a list of organisations, which is available for further non-commercial research into social enterprises and their activities. This may be made available to researchers subject to certain conditions.

6. CSI Swinburne holds comprehensive focus group and survey data from the FASES 2016 research project. Parts of this may be used for approved and agreed research purposes. CSI Swinburne is not resourced to respond to individual requests for data analysis.

Executive Summary

Social enterprises are organisations that:

- Are led by an economic, social, cultural, or environmental mission consistent with a public or community benefit;
- Trade to fulfil their mission;
- Derive a substantial portion of their income from trade; and
- Reinvest the majority of their profit/surplus in the fulfilment of their mission.

This document reports on the research findings of the Finding Australia’s Social Enterprise Sector (FASES) 2016 project. FASES 2016 builds on the original FASES 2010 project, to document characteristics of Australian social enterprises, and explore the opportunities and challenges they face. FASES 2016 focused on understanding challenges and opportunities experienced by social enterprises in their current operating environments.

The research adopted a mixed methods approach. This included: a review of existing literature and methods of social enterprise mapping; 13 focus groups with a purposive sample of 75 social entrepreneurs, social enterprise managers, social enterprise intermediaries and policy makers; development and administration of an online survey; secondary analysis of data held by Social Traders; comparative analysis – where appropriate – between original FASES and FASES 2016 results; and geo-spatial analysis of existing national data sets and FASES 2016 data.

Based on pre-existing research data and information from our survey, we estimate there are at least 20 000 Australian social enterprises. This estimate takes into account some not for profit organisations have multiple business ventures, and not all social enterprises are incorporated as not for profits. As the population of social enterprises remains largely unknown, measuring growth of the sector is challenging. The FASES 2016 data suggest that, while the social enterprise sector includes many mature organisations, we are seeing growth in new entrants to the field, with 33.8% of the study’s sample being between two and five years old.

Major opportunities for social enterprise development identified by research participants included social procurement; quasi-market development; and opportunities to grow impacts through supply chain development. Major constraints on the development of the field identified by participants included a relatively limited ecosystem for social enterprise development and piecemeal public policy support.

Organisational governance was also identified as a factor that both significantly enables or constrains social enterprise development.

The major external constraints on social enterprises growing both their businesses and impacts identified in the research included: a patchy ecosystem for social enterprise start-up and growth, including limited geographic spread of intermediaries and insufficient opportunities for peer to peer learning and development; the continuing piecemeal awareness of and support for social enterprise development by Australian governments; and, limited public awareness of social enterprises and their work. The continuing lack of suitability of external finance available to social enterprises at different stages of development was also a concern to some who participated in the research. In terms of internal constraints on development, participants in FASES 2016 identified organisational governance as both a key enabler and a key inhibitor of social enterprise performance. Accessing suitably skilled staff and adapting workforce profiles as organisations grew and changed was also identified as a problem.

Australian social enterprises seek to fulfil a diversity of missions and serve a wide variety of beneficiaries. The most cited missions of the 2016 sample were creating meaningful employment opportunities for people from a specific group, and developing new solutions to social, cultural, economic or environmental problems. This differed from the 2010 findings, where creating opportunities for people to participate in their community was the most frequently cited response.

FASES 2016 finds that, similar to FASES 2010, Australian social enterprises operate in every industry of our economy. They trade predominantly in local and regional markets and focus on fulfilling their missions at local and regional goals. However, some social enterprises operate in international markets and seek to respond to missions of international scope.

Similarly to 2010, and mirroring the mainstream economy, the sector includes small, medium and large enterprises, with the majority in our sample being small. The 2016 study again finds social enterprises are involved in all forms of economic production, including retail, wholesale, and manufacturing. However, they operate primarily within the service economy, with 68% of the sample providing services for a fee.

FASES 2016 seeks to extend our collective understanding of the scope and activities of an important and largely invisible part of our social economy. It also explores the challenges and opportunities facing Australian social enterprises. Our research finds Australian social enterprises continue to give expression to a wide diversity of human aspirations.

The generalisability of some of the findings in this report is constrained by the data collection methods. Despite substantial effort to encourage participation in the online survey by the research team and Social Traders, it had a poor response rate. We augmented these data with organisational data held by Social Traders. If understanding the contributions and practices of the social enterprise sector is of concern to social enterprise intermediaries and policy makers, a coordinated data plan – making use of existing data collected by intermediaries – would be beneficial. Routine data collection by regulatory bodies would also assist build a comprehensive longitudinal understanding of social enterprise development in Australia.

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1.0 Introduction and Background

This report presents the findings of the Finding Australia’s Social Enterprise Sector (FASES) 2016 project. The second in a series of efforts undertaken by Social Traders and the lead author to document the activities and needs of Australian social enterprises, FASES 2016 focuses on examining in-depth the opportunities and challenges faced by social enterprises and updating data from FASES 2010.

Since FASES was initiated in 2009/10, there has been growth in popular interest in social enterprise locally and internationally. Social enterprise activities are now regularly featured in mainstream media accounts in Australia. The establishment of the National Social Enterprise Awards in 2013 has also shone light on the achievements and diversity of social enterprise activity. Since the first FASES report, there has been a growth in intermediaries, including the establishment of Impact Academy and The Difference Incubator. Alongside mainstream business developments, we are also seeing rapid growth in the establishment of co-working spaces and business incubators that explicitly support the start-up of social enterprises and other social businesses. Although there is no national representative body for social enterprise in Australia, since 2010 we have seen the establishment of a small number of representative organisations, including Social Enterprise Sydney and Queensland Social Enterprise Council. The cooperatives and mutuals sector – representing one of the foundational forms of social business - has also established the Business Council for Cooperatives and Mutuals during this period.

Internationally, there has been significant public policy development to support social enterprise in a number of countries. Following the 2008/9 global financial crisis, the European Union has given specific consideration to social enterprise as a vehicle for work creation, particularly for (and in some cases, by) young people. Under the Obama Administration’s social innovation agenda, social entrepreneurship in the USA has gained relatively greater public policy attention and investment. In South Korea, Malaysia and Hong Kong, government efforts to certify and enable social enterprise development have been explicit. In the UK, which has a longer tradition of public policy support for social enterprise, attention has turned to the function of indirect policy levers – particularly public procurement – in stimulating markets for social enterprise through the establishment of the Public Service (Social Value) Act 2012. In regions where public policy support for social enterprise development is strong, attention is directed to building the social enterprise ecosystem through growth of effective intermediaries, suitable social finance, and value chain development.

In Australia, public policy support for social enterprise development has been slower to develop. The most significant policy initiative since the last FASES study was the 2011 establishment of the Social Enterprise

Development and Investment Funds under the federal Rudd Labour Government. More recently, the Reference Group on Welfare Reform (2015) has recommended that a longer term strategy for the development of social enterprise be considered as part of stimulating job creation and welfare reform. These recommendations do not have policy status and are concentrated on social enterprise as welfare interventions. At state government level, there has been contraction of direct support for social enterprise in smaller states such as Tasmania, direct funding support to not for profit social enterprises in Western Australia, indirect support through social procurement in South Australia and Queensland, and continued indirect support by the Victorian Government(s) in investing in social enterprise intermediary, Social Traders. A number of state governments are also exploring new approaches to social finance and investment to expand the impacts of social enterprises whose missions align with priority policy areas, and outcomes-based funding models such as social impact bonds. Local governments across Australia are playing a growing role in social procurement and pre-feasibility and seed support for social enterprise. While this sum of policy activity is notable, it remains largely piecemeal, subject to limited evaluation and vulnerable to political change, suggesting there have been limited changes in practice since Lyons and Passey (2006) observed government-third sector relations in Australia.

In light of the growth in popular interest in social enterprise in Australia, combined with an apparent growth in activity and emergent, but piecemeal, policy support, FASES 2016 was initiated to gain deeper understanding of the operating environments of Australian social enterprises, and the opportunities and challenges these create. FASES 2010 concentrated on developing definitions and documenting the characteristics of the field via a national online survey. We observed in our conclusions that, while FASES 2010 told us something about *what* social enterprises were doing, it told us relatively little about *how* they were doing it and the challenges they faced. While FASES 2016 provides updated information on the characteristics of the field, its deeper focus is on understanding the opportunities and challenges faced by social enterprises in Australia.

2.0 Comparing Approaches to Mapping Social Enterprise

FASES 2016 drew primarily on the experience of FASES 2010, using its methodology and instruments but including some significant changes as a result of insights developed during the first wave of the research. In order to draw on insights beyond the FASES team, we also conducted a brief review of international developments in mapping social enterprises and assessing their needs and challenges at a sector-wide level. The purpose of this review was update our knowledge of strengths and limitations of existing approaches, and to identify useful methods for application in our own research. Here, we briefly review the main approaches that we identified, in order to establish the basis for our own approach, discussed further in Section 3.0.

Since FASES was first conducted in 2010, efforts to map the national characteristics and activities of social enterprises have changed in terms of the methodologies used and the actors involved in this work. Routine data collection and dissemination is relatively limited. One exception is in England, where Social Enterprise UK has produced a series of regular State of Social Enterprise Sector reports, based on a combination of telephone and online surveys. In 2015, this yielded a sample of 1159, where social enterprises were defined as identifying as a social enterprise and generating at least 25% of their income from trade (see Villeneuve-Smith and Temple, 2015). The results of the Social Enterprise UK work reflect the value of repeat efforts to routinely collect data and the role of a national peak body in undertaking this work. The combination of telephone and online surveying yields sound response rates, although is costly.

In Canada, mapping efforts have been undertaken by university researchers in partnership with civil society organisations, typically at the provincial level. This work has been funded by the Canadian Social Sciences and Humanities Research Council, along with a variety of local sponsors. The Canadian Social Enterprise Sector Survey (CSESS) (**http://www.sess.ca/english/**) has produced a number of reports on the dynamics of social enterprise sectors in particular provinces, based on census surveys of identified social enterprises or sub-sectors of social enterprises. The CSESS initiative highlights the value of academic researchers working with civil society organisations to undertake rigorous research that is driven by the stated priorities of the organisations that are partners to the work. Data collection in this initiative is labour intensive and has typically involved students and others in what is a potentially costly exercise.

In 2015, a network of social enterprise development agencies implemented a census of social enterprises in Scotland (Social Value Lab, 2015). This involved meta-analysis of financial data of the sector based on publicly available information about identified social enterprises, combined with a census survey of the population via telephone and online interviews. 1100 valid responses were received for this survey. This is a robust response rate, reflecting the effects of peer-to-peer influence in encouraging social enterprises to participate. Data collection of this scale is labour intensive and takes time, making it relatively costly. The research was supported by seven funding partners.

FASES 2016 was conducted with a modest budget provided by Social Traders and in-kind contributions from CSI Swinburne. The methodology adopted (see below) was based on our previous experience of

conducting FASES, and insights from other mapping exercises internationally. The focus of FASES 2016 was on increasing the volume, breadth and geographic scope of qualitative feedback from social enterprises and those with an interest in social enterprise development around priority issues. These were determined by Social Traders to be challenges and opportunities facing the sector.

3.0 Methodology

We have provided an overview of the research methodology here. Further technical detail about methods of data collection and analysis are presented in Appendix 2.

Given the breadth of organisation types and interests in the social enterprise sector in Australia, we developed a three-stage mixed methods approach to collect the data. This allowed us to capture a range of organisational information, and identified opportunities and challenges in the sector from several sources. The value of a mixed methods approach is two-fold. First, it allows us to capture information that is not adequately captured by one method. Second, it allows us to compare findings from different data sources to further test the veracity of these findings.

First, to understand opportunities and challenges facing the sector, we ran a series of workshops across Australia. Thirteen workshops were held in state capitals, as well as in regional locations. Workshop groups were purposively selected to represent: start-up social enterprises; established social enterprises; social enterprise policy and development intermediaries; and enterprising not for profits. In some cases, these groups were convened separately and in some cases, mixed groups were convened. 75 people participated. Table One summarises the types and locations of workshops and the number of people who participated. The major findings from the workshops were presented in the FASES 2016 Interim Report.

Table 1: FASES 2016 Workshop Summary

Group Type	Location	Number of Participants
Mixed	Hobart	4
	Brisbane	9
	Bendigo	4
	Adelaide	4
	Perth	5
	Thirroul	6
Established Social Enterprises	Sydney	4
	Melbourne	10
Start-up Social Enterprises	Melbourne	6
	Sydney	4
Policy and Development Intermediaries	Sydney	9
	Melbourne	5
Enterprising Not for Profits	Melbourne	5
Total		**75**

Second, and building on the findings from the workshops, we developed an online questionnaire, based closely on the 2010 FASES survey. This allowed us to compare results between 2010 and 2016 surveys. However, the 2016 survey included new questions based on the key findings from the workshops. This meant we could dig deeper into the key workshop findings by posing specific questions to a larger number of participants.

The survey was launched by Social Traders, and hosted on a secure website server. It was widely promoted by Social Traders, the CSI Network, a number of peak organisations and industry publications such as Pro Bono News. Social Traders issued 5 Electronic Direct Mails to its community to support the FASES research project. Follow up phone calls were made by the research team to over 400 social enterprises listed on Social Traders' database to remind them of the research and request their participation. The survey was live for six months and was accessed by 466 participants. A total of 248 attempted the survey, of which 17 were filtered out on the first question as they did not cohere with the definition of social enterprise used in FASES. Of the remaining 231 participants, only 100 completed the survey from the beginning to the end, which is a disappointing response.

The third stage of data collection involved analysing secondary data held on Social Traders' databases of certified social enterprises and valid entrants in the National Social Enterprise Awards. By cross-referencing Australian Business Numbers (ABNs) in the survey data set, we were able to add missing organisational data to incomplete submissions. Use of secondary data also allowed us to add new data into the data set, in the form of anonymised, partially completed surveys. This allowed us to check for missing data as well as ensure the data set was as comprehensive as possible. We used a statistical software package, SPSS, to manage and analyse all the responses, details of which can be found in Appendix B.

Based on survey responses and secondary data, the overall number of unique and usable entries in the FASES 2016 organisational data set was 359.

Workshop data were analysed thematically. Organisational data were analysed using descriptive and, where appropriate, inferential statistics. Geospatial analysis was also employed to understand the geographic spread of social enterprises and any geographic concentrations of practices or issues that they reported experiencing.

4.0 Findings

The findings are presented by topic, with survey, secondary data and qualitative findings from the workshops integrated and considered together wherever relevant. A fuller account of workshop themes is presented in the Interim Report, included here as Appendix 2. Where similar data were collected in both FASES 2010 and 2016, data trends are considered. These must be interpreted with care, as they are analyses of two different samples of social enterprises collected in different years rather than longitudinal (that is, comparisons of reporting by the same organisations in different years).

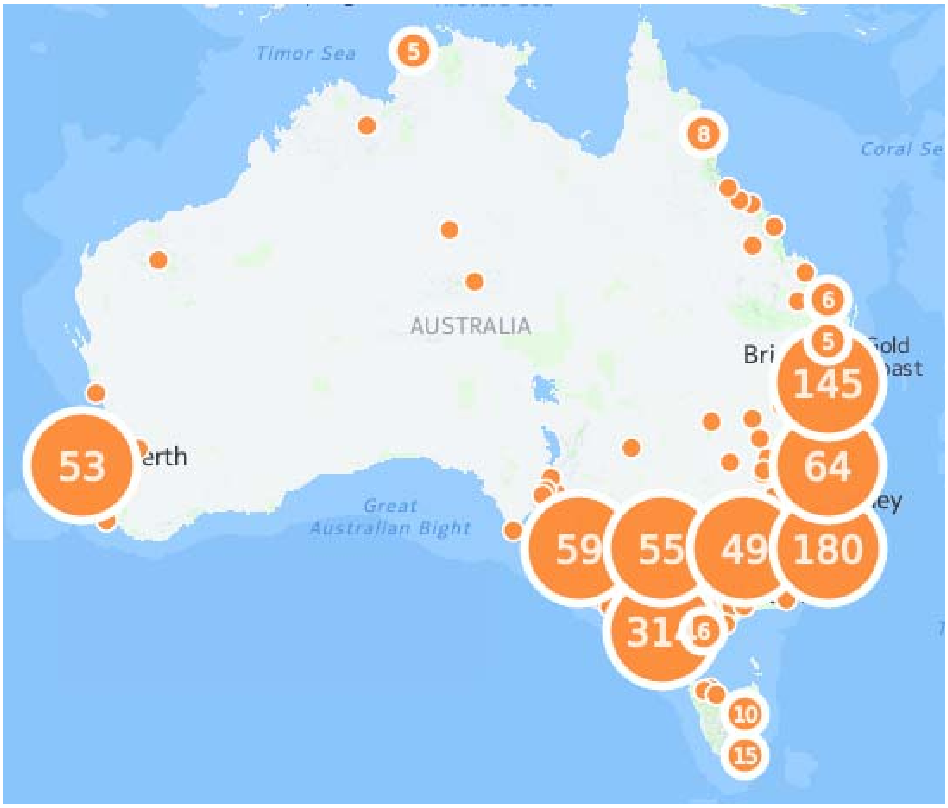
4.1 Characteristics of Australian social enterprises

FASES 2016 data[1] show that social enterprises are located in every state and territory of Australia, and located in urban, regional, rural and remote areas. There is, unsurprisingly, a greater concentration of social enterprises in urban locales and more populous states (see Figure 1 below). The data suggests a strong concentration of social enterprises in Victoria. While this may reflect the effects of more consistent

1 Here, we have utilised postcode data of verifiable social enterprises from Social Traders' National Finder; the sample is thus larger than our survey responses.

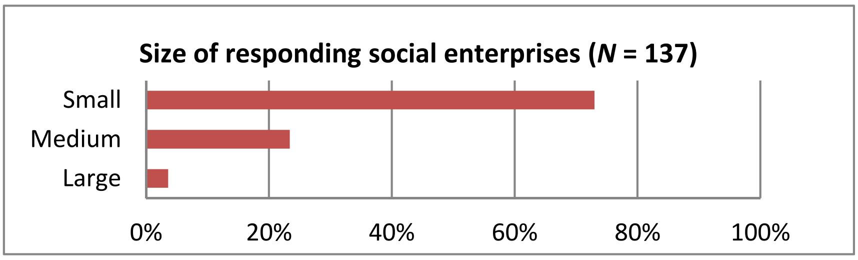
public policy support for social enterprise in this state, it is likely that the data are skewed because Social Traders and many of its networks are located in Victoria.

Figure 1: Social enterprise locations



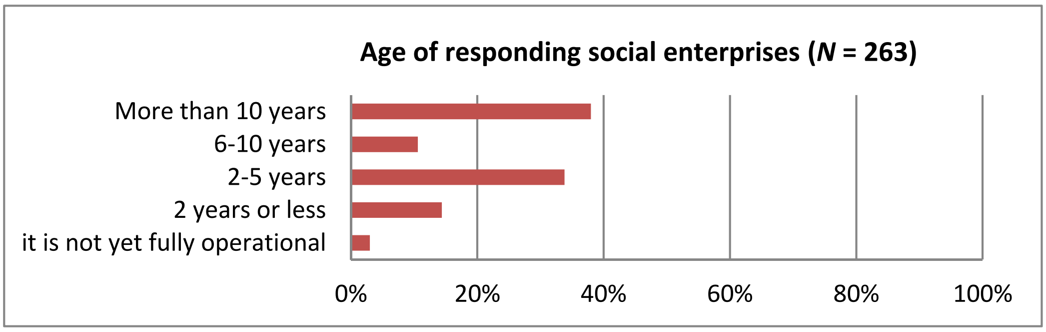
The majority of social enterprises identified in 2015 were small (73.0%), which is comparable to the 2010 findings of approximately 75 percent. Twenty-three percent were medium-sized and 3.6% were large.

Figure 2: Size of responding social enterprises



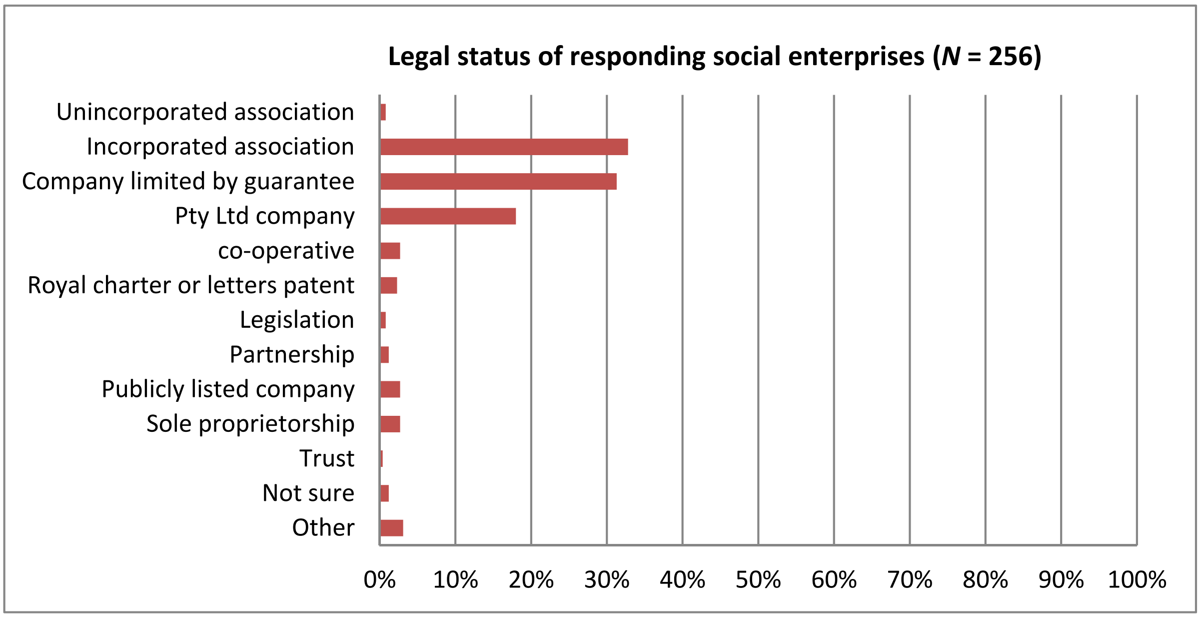
In FASES 2016, the greatest proportion of identified social enterprises were more than 10 years in operation (38.0%), with 2-5 years the second most frequent age category (33.8%). This pattern of age is notably different to the 2010 results, in which the majority of social enterprises (62.0%) reported having been operational for more than 10 years.

Figure 3: Age of responding social enterprises



Responding social enterprises most frequently cited incorporated association as their legal status (32.8%) and company limited by guarantee ranked the second most cited legal status (31.3%). This is consistent with the 2010 findings also indicating incorporated association as the most frequently cited legal status (51.6%) and company limited by guarantee as the second ranked legal status (24.5%). Pty Ltd company ranked the third most cited legal status in the current survey (18.0%) which was not included in the 2010 survey.

Figure 4: Legal status of responding social enterprises



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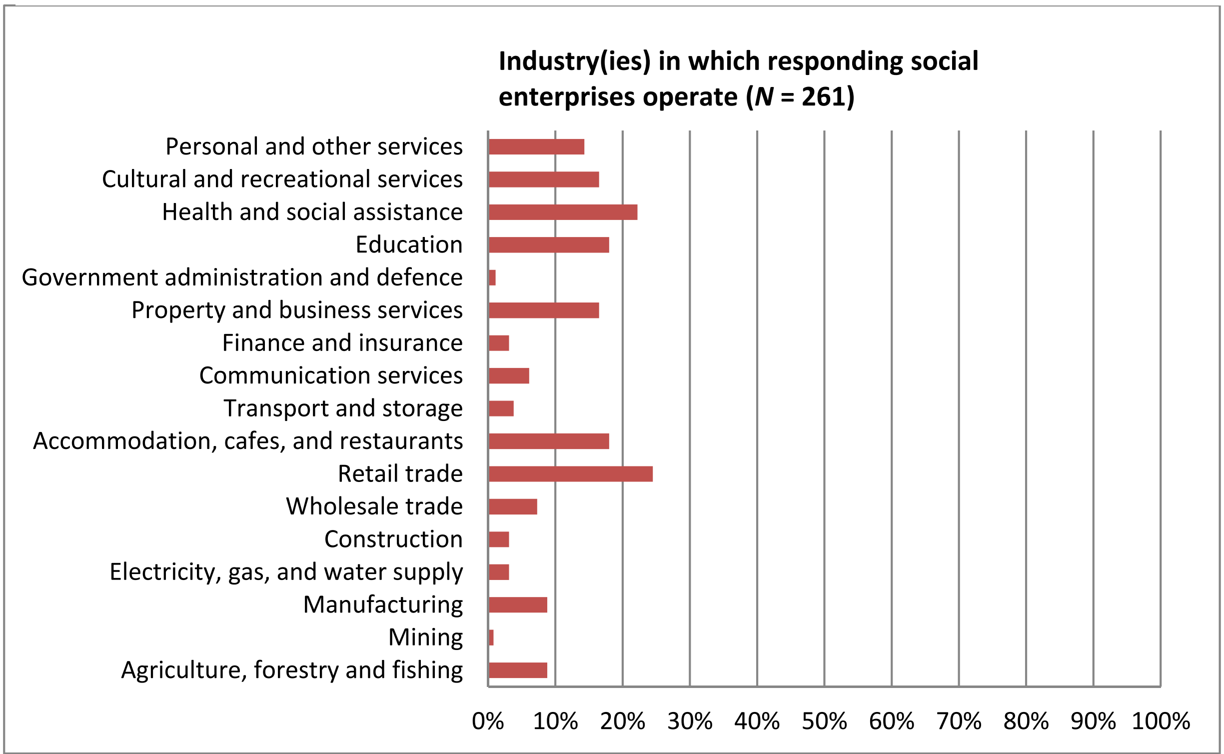
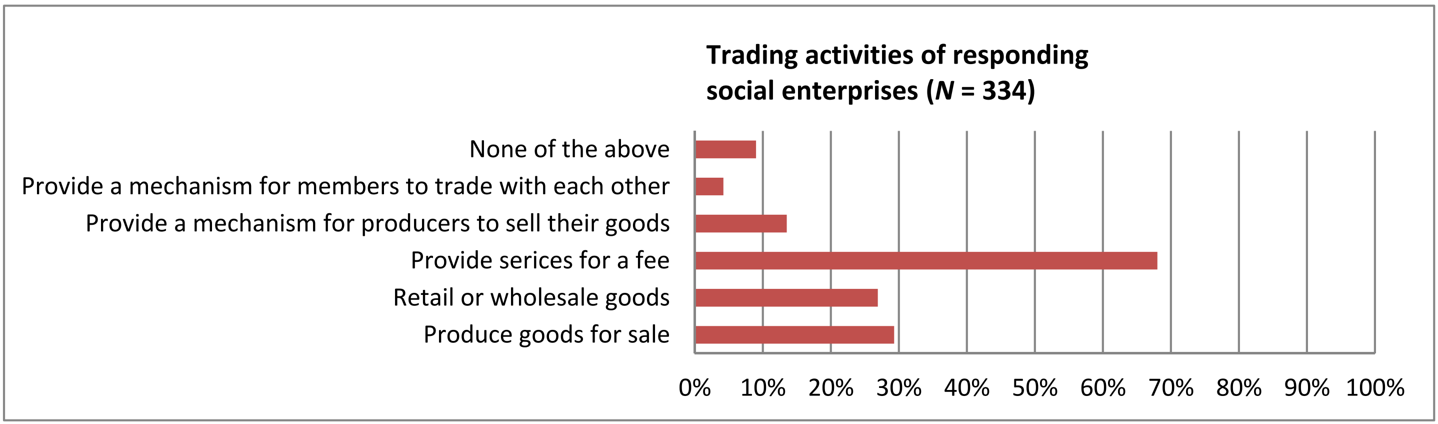
Similarly to 2010, the FASES 2016 organisational results revealed social enterprises operated within all industries of the Australian economy, with the two most frequently identified industry categories being Retail Trading (24.5%) and Health and Social Assistance (22.2%). This differs to the 2010 survey results, in which Education and Training (41.6%) and Arts and Recreation Services (31.7%) were the two most cited industry categories.

Figure 5: Industry(ies) in which social enterprises operate



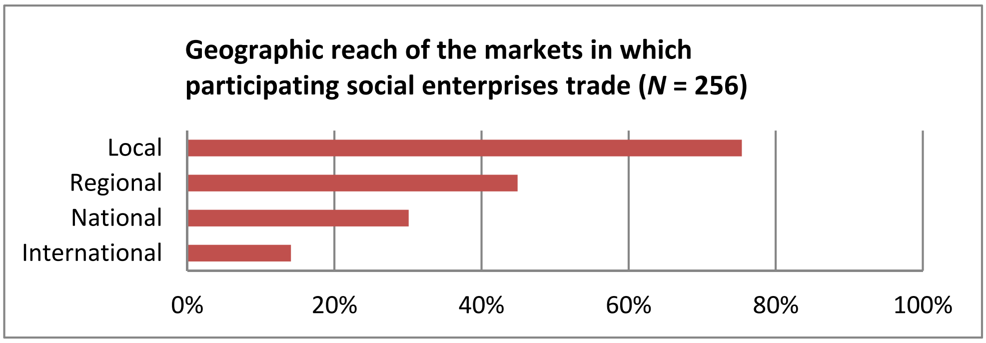
In FASES 2016 the majority of identified social enterprises operated within the service economy (68.0%). This is consistent with the 2010 findings, which also indicated majority of enterprises provide services for a fee (62.7%). Again consistent with the 2010 results, in FASES 2016 the trading activity enterprises least engaged in was providing a mechanism for members to trade with each other, 4.2% in 2015 and 6.7% in 2010.

Figure 6: Trading activities of responding social enterprises



As seen in the below figure 7, the highest frequency on geographic market reach in FASES 2016 was the local market (75.4%) which was comparable to the 2010 survey (62.3%), where it was also the highest. The pattern of geographic market reach in FASES 2016 is comparable to the 2010 results, with the frequency of responses decreasing as the geographic reach increases.

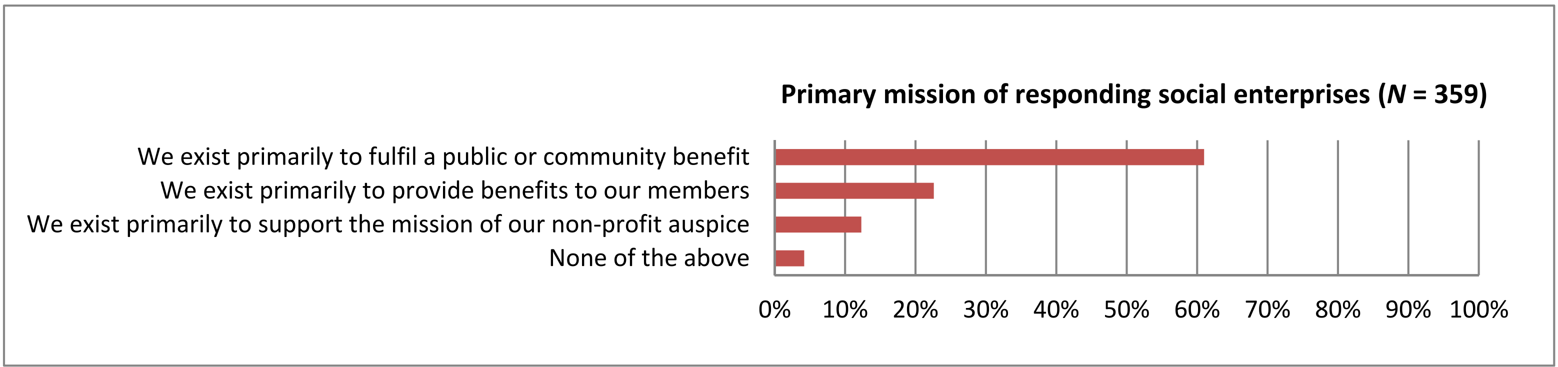
Figure 7: Geographic reach of the markets in which participating social enterprises trade



4.2 Purposes of Australian Social Enterprises

Identified social enterprises predominantly indicated they exist primarily to fulfil a public or community benefit (61.0%). This is consistent with the 2010 findings which also predominantly indicated this primary mission (64.8%).

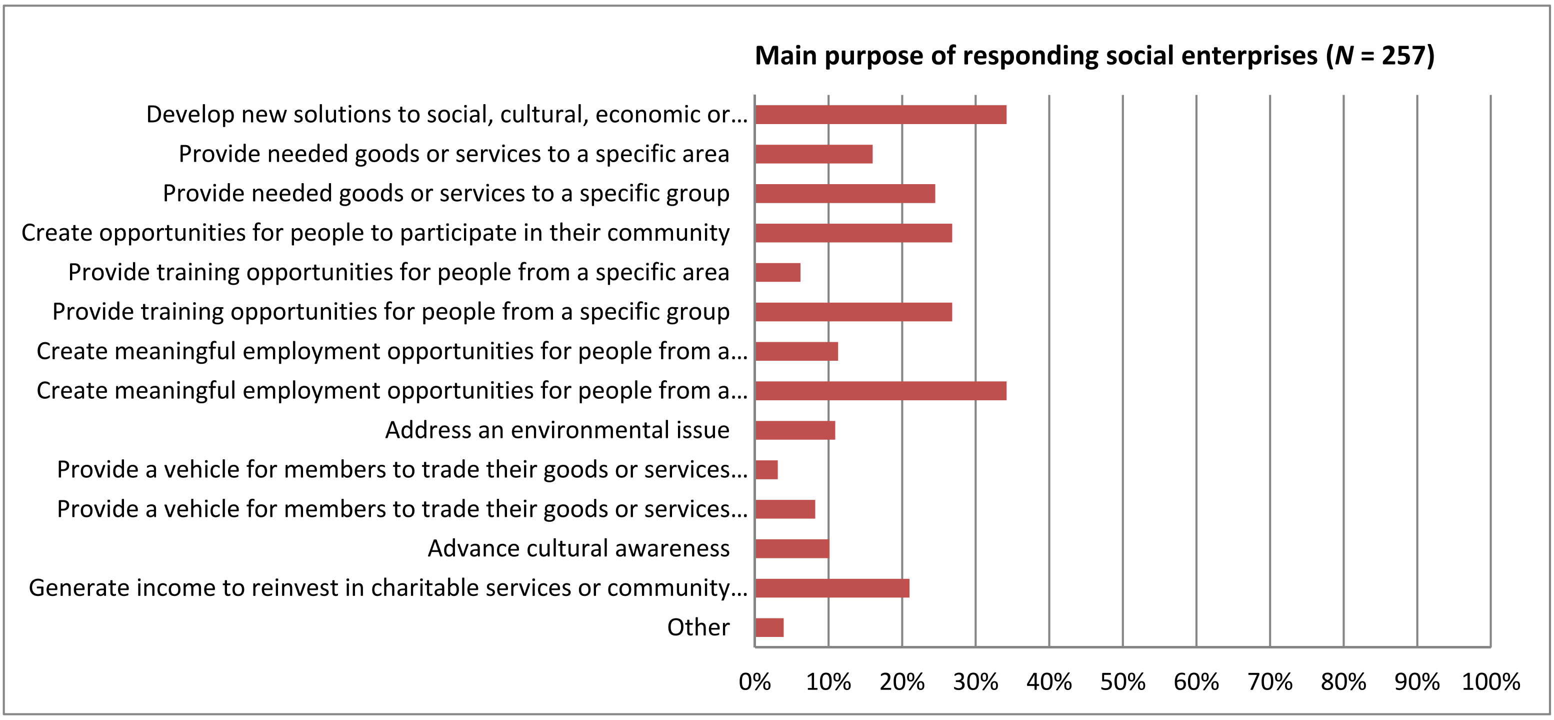
Figure 8: Primary mission of responding social enterprises



Social enterprises seek to serve a diversity of missions and beneficiary groups. With regard to mission, creating meaningful employment opportunities for people from a specific group, and developing new solutions to social, cultural, economic or environmental problems, were the equal most frequently cited functions of identified social enterprises in FASES 2016 (34.2%)[2]. This differed from the 2010 survey data, in which creating opportunities for people to participate in their community was the most cited mission (44.4%); this ranked equal second in the FASES 2016 analysis (26.8%).

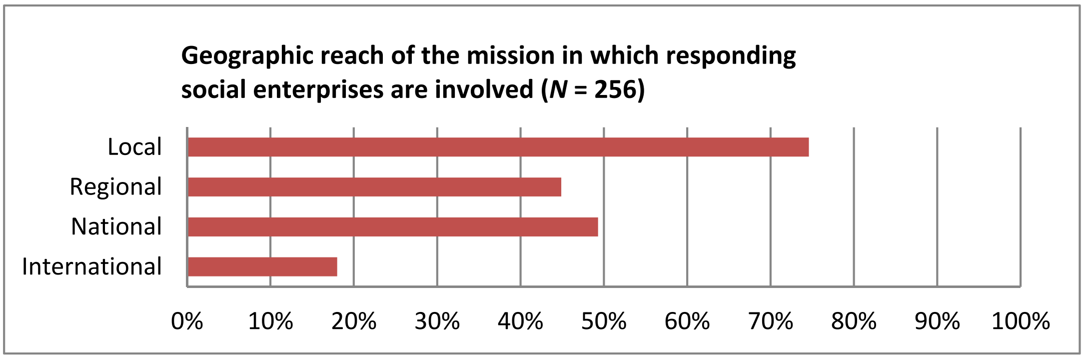
2 Respondents were able to select more than one response to this question.

Figure 9: Main purpose of responding social enterprises



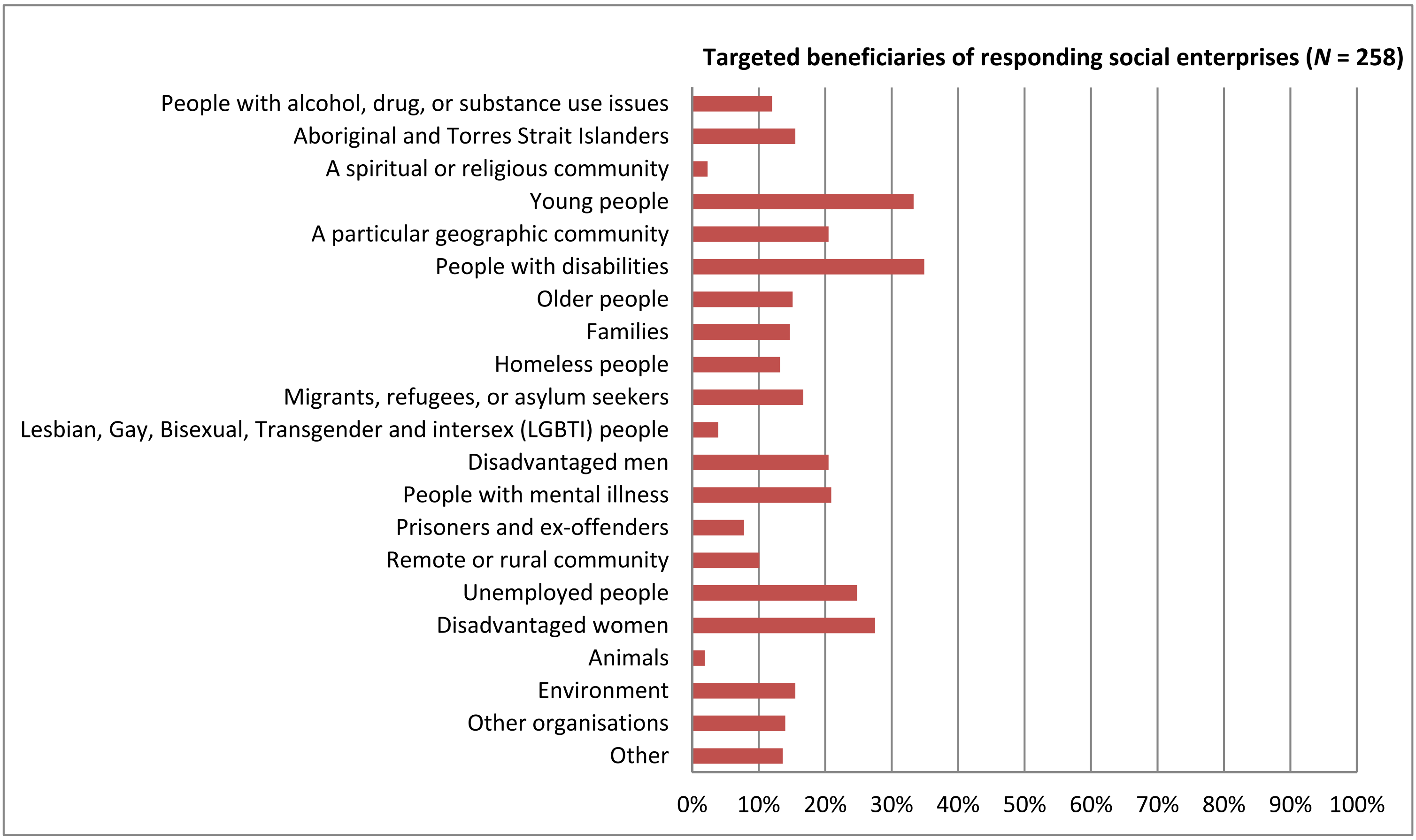
In both 2010 and 2015/16, we sought information about the geographic reach of the mission to which social enterprises seek to respond. The FASES 2016 pattern of responses differs from that of 2010, in which the frequency of responses decreased as the geographic reach of the mission increased. In the FASES 2016 findings, the national geographic reach of the mission (49.3%) was higher than the regional geographic reach of the mission (44.9%).

Figure 10: Geographic reach of the mission in which responding social enterprises are involved



As well as serving a diversity of missions, social enterprises focus their work on benefitting particular demographic or geographic groups. In FASES 2016, people with disabilities were the most cited targeted beneficiaries (34.9%) and the second most cited group was young people (33.3%). This is somewhat comparable to the 2010 survey which identified young people as the most cited beneficiary group (49.1%), and people with disability ranked third most cited (30.7%). One beneficiary group to considerably increase in rank order was disadvantaged women, which rose from tenth in the 2010 survey to third in the 2016 results (27.5%). In the 2016 results, over thirteen percent of enterprises indicated 'other' as their targeted beneficiary. This category included; 'disadvantaged communities'; 'everyone'; 'community investors'; 'farmers'; and 'Indian schoolgirls'.

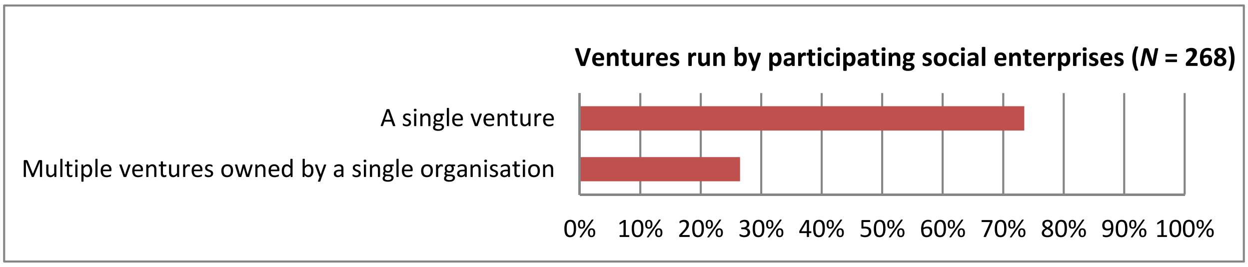
Figure 11: Targeted beneficiaries of responding social enterprises



Consistent with the 2010 results which identified most of the enterprises operate as a single venture (64.9%), the 2016 results also showed majority of enterprises operate as a single venture (73.5%).

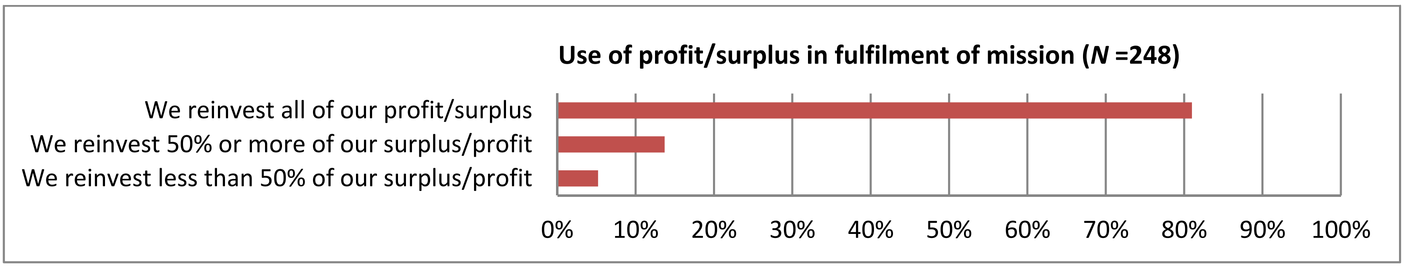
A considerable proportion of enterprises operate in only one location (48.2%) which is similar to the 2010 results (57.8%), and reflects the high frequency of single venture organisations represented in Figure 12 below. The range of locations in which identified social enterprises operate is, however, broad, ranging from zero to 7250.

Figure 12: Ventures run by participating social enterprises



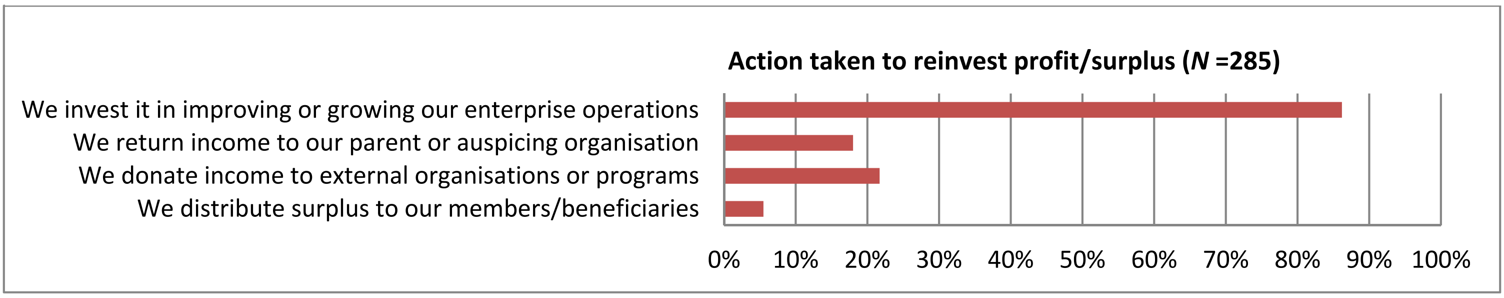
FASES 2016 indicated the majority of responding enterprises reported investing all their profits/surplus in the fulfilment of their mission (81.0%). In rank order terms, this is similar to the 2010 findings, which also revealed that the majority of responding enterprises reinvest all their profits/surplus in the fulfilment of their mission (63.2%).

Figure 13: Use of profit/surplus in fulfilment of mission



The majority of included enterprises invested their profit/surplus into improving or growing their enterprise operations (86.2%), which is a similar result to that of the 2010 survey (90.1%).

Figure 14: Action taken to reinvest profit/surplus



Included social enterprises indicated they engaged between zero and 1999 volunteers or unpaid workers, with a median number of 5. The range and median number of volunteers or unpaid workers is lower than the 2010 survey, which reported zero to 35,000 and 10, respectively. Responding enterprises also provided their most recently available financial year figures from, either year ending 2013, 2014 or 2015. According to these figures, included enterprises received a median of 300 hours of unpaid work from their members and volunteers, ranging from zero to 108,000 hours. This is also lower than the 2010 survey, which reported a median of 400 hours and ranged from zero to 300,000 hours.

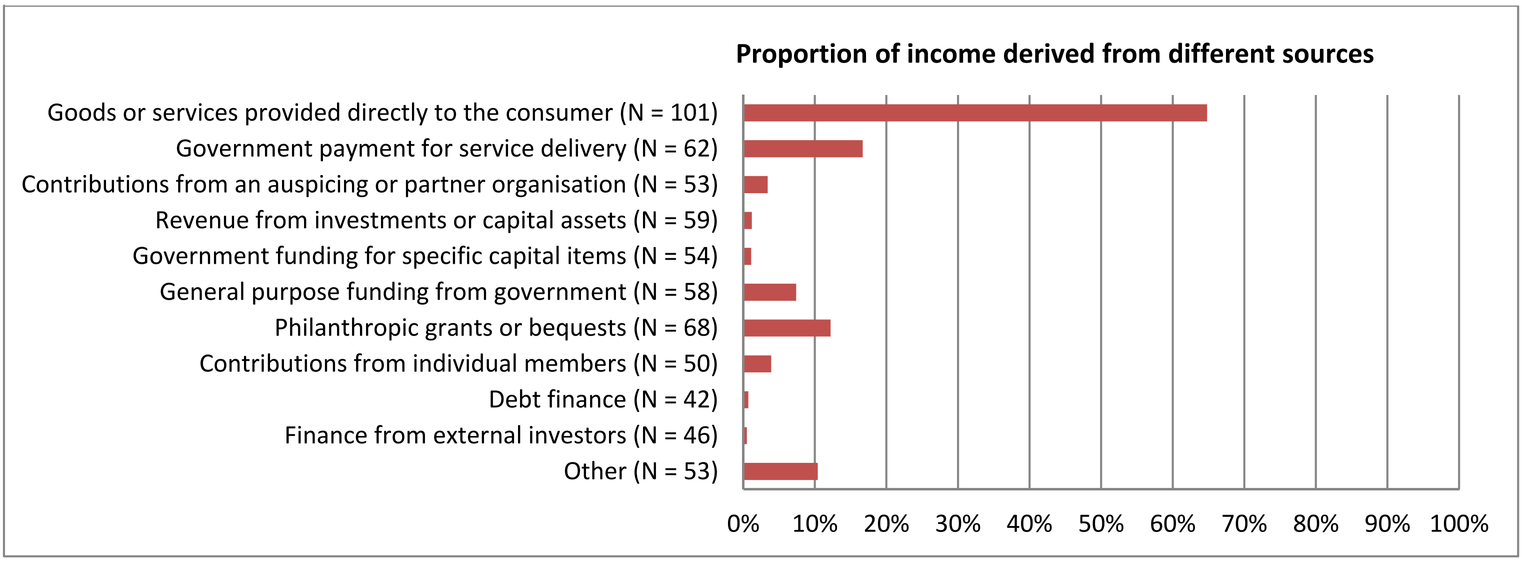
FASES 2016 organisations also estimated they had received between zero and 20,000 hours of in-kind contributions from external organisations. This is similar to the 2010 survey respondents, which ranged from zero to 25,000 hours. The mean number of full-time equivalent staff in FASES 2016 was 59, while the median was seven and ranged from zero to 2871. These estimates were similar to the 2010 survey results, which revealed responding enterprises employed a mean of 47 FTE staff, with a median of four and range of zero to 4500.

Participating enterprises were asked to report their most recently available financial year income and expenditure, and the figures from the 189 enterprises who responded show that annual turnover ranged from zero to $199 million. The six highest reported figures fall above $50 million, with three between $50 million and $100 million, and three between $100 million and $200 million. This top bracket of reported annual turnover has considerably increased the reported annual turnover from the 2010 survey, which reported a range of zero to $68 million.

Earned income represents an average of more than 81 percent of financial inputs, made up of sale of goods and services directly to consumers (64.84%) and income derived from the sale of goods and services to government through competitively secured contracts (16.71%). This is comparable to the 2010 results with an average of over 85 percent of financial inputs coming from earned income, made up of 56 percent sale of goods and services directly to consumers and 29 percent government payment for service delivery. The slight decrease in percentage of earned income from 2010 to 2016 may be due to the proportionate increase within the sample of enterprises that have operated for fewer than 5 years,

represented in the following table. The increase in the sample from 20 percent in 2010 to 48 percent in 2016 of enterprises within this category may also contribute to the overall decrease in percentage of earned income over the two data points.

Figure 15: Proportion of income derived from different sources

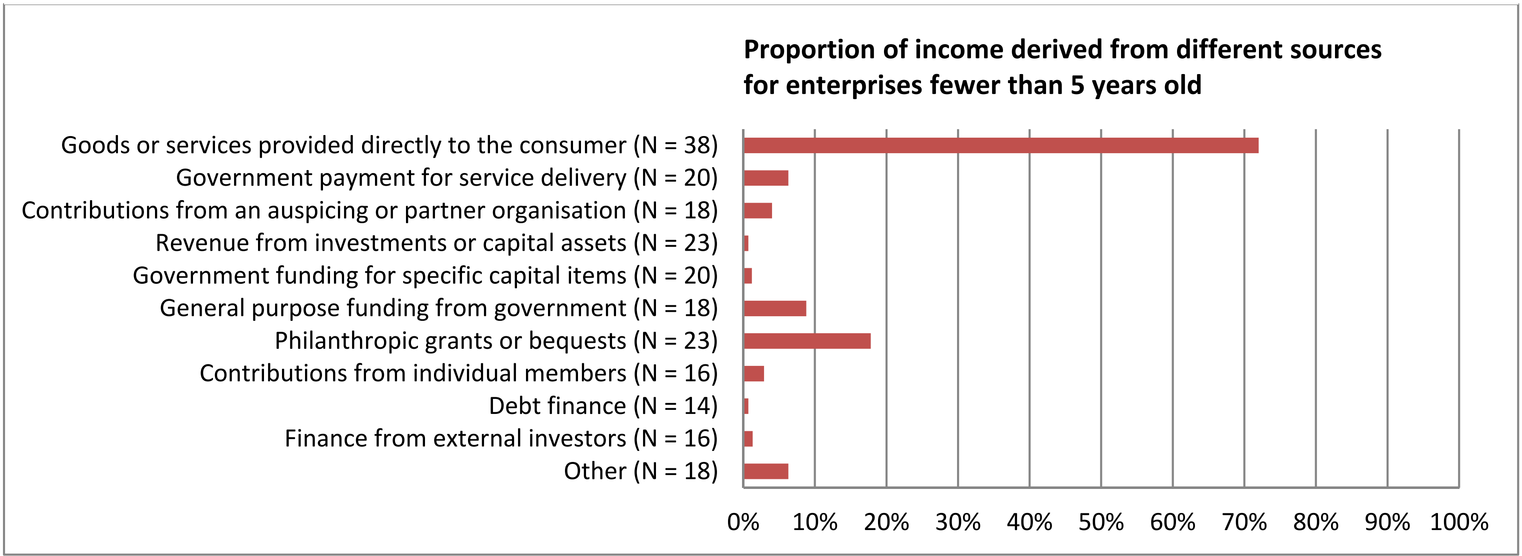


There is a slight reduction in the average financial input derived from earned income for organisations under five years old in the current sample, representing an average 78 percent, made up of 72 percent from goods or services provided directly to consumers and 6 percent from government payments for service delivery. This reduction differs to the 2010 survey findings, which remained at an average 85 percent of earned income for the total sample and for enterprises fewer than 5 years old.

For responding enterprises fewer than two years old, earned income comprised an average 56.5 percent of total income which is a considerable decrease from the enterprises under five years old. It is also a decrease from the 2010 survey, which indicated enterprises in this group reported earned income of an average 75 percent of total income.

Another notable difference between the average percentage sources of income between 2010 and 2016 was the rank order increase in proportion of income derived from philanthropic grants or bequests. In 2010, approximately seven percent of income was derived from this source which ranked seventh within the different income sources. In FASES 2016, the proportion of income from this source increased to 12 percent which ranked third highest percentage of income. When only enterprises fewer than five years old are considered, a further increase is indicated, with an average 17 percent of proportion of income being derived from this source which ranks as the second highest average percentage.

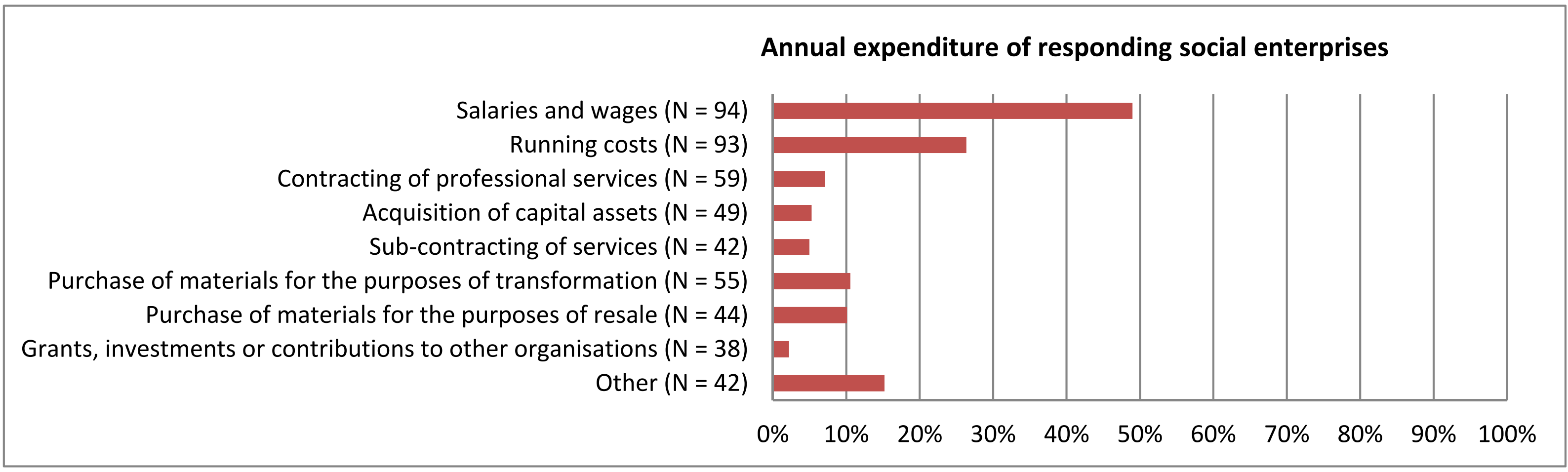
Figure 16: Proportion of income derived from different sources for enterprises fewer than 5 years old



The highest average percentages of expenditure in the FASES 2016 were salaries and wages (48.98%) and running costs (26.35%) which is consistent with the 2010 survey also reporting salaries and wages (42.4%) and running costs (30.9%) as the two highest sources of expenditure.

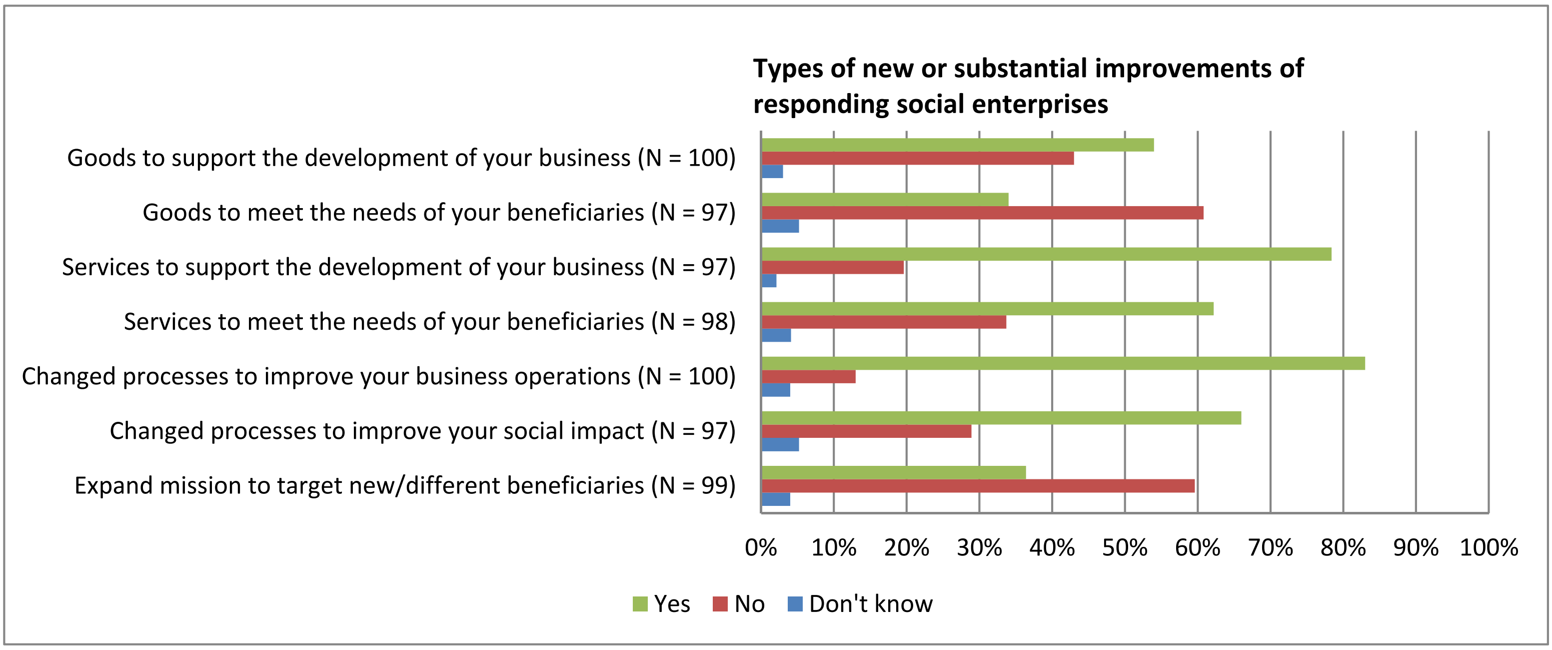
In the 2010 survey, 65 percent of responding social enterprises indicated they had evaluated their impact relative to their mission within the 12 months prior to the survey. This response was replicated in FASES 2016 with an identical 65 percent of respondents indicating they had engaged in this type of business practice.

Figure 17: Annual expenditure of responding social enterprises



The majority of organisations surveyed in FASES 2016 reported they were innovating in relation to products, processes and mission fulfilment. In the 2010 survey a large proportion of responding enterprises (42.5%) reported having expanded their mission to target new or different beneficiaries in the twelve months prior to the survey. A slightly lower response was reported in FASES 2016, with 36 percent indicating yes for this question.

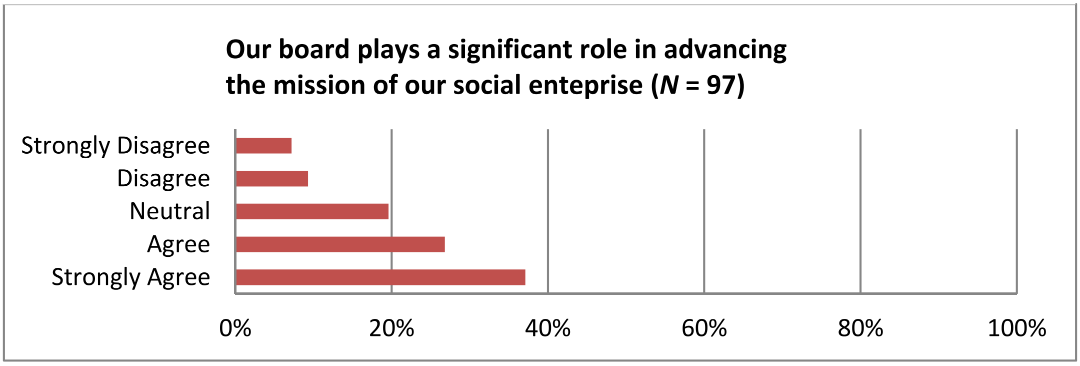
Figure 18: Types of new or substantial improvements of responding social enterprises



4.3 Challenges and Opportunities for Social Enterprises

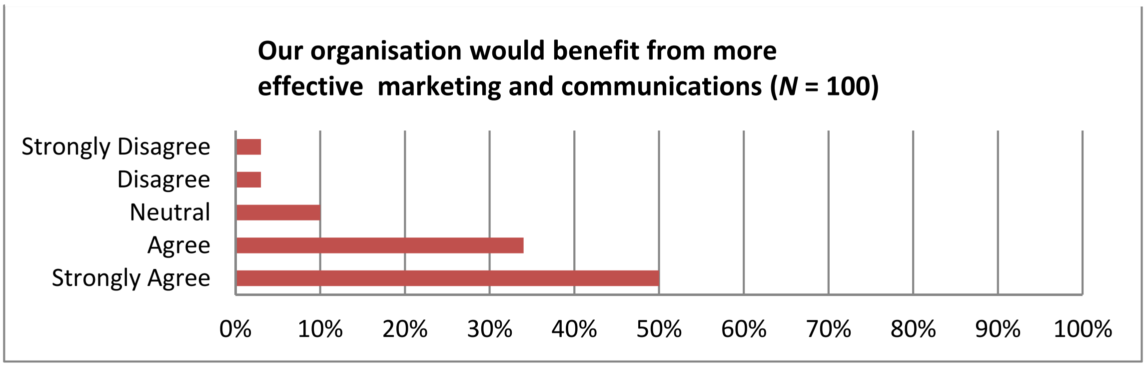
The role of governance in enabling and constraining social enterprise performance (both business and mission-related) emerged as a strong theme in the FASES 2016 workshops. As detailed in Appendix 1, board networks and capabilities can play a significant role in social enterprise start-up and expansion. However, board cultures in hybrid organisations – particularly those that combine traditional social service delivery or charitable purpose with social enterprise models – can have a negative effect on advancing social enterprise or balancing multiple purposes within organisations. Some profit for purpose social enterprises reported purposefully choosing business structures that do not involve boards, or establishing boards post start-up, in order to avoid perceived constraints that these governance arrangements may create. The significant majority of respondents to the survey (65%) either agree or strongly agree that their boards play a substantial role in advancing their enterprise's mission. It is notable that 20% were neutral on this point, which may reflect the complexities of this issue articulated in workshop discussions.

Figure 19: Our board plays a significant role in advancing the mission of our social enterprise



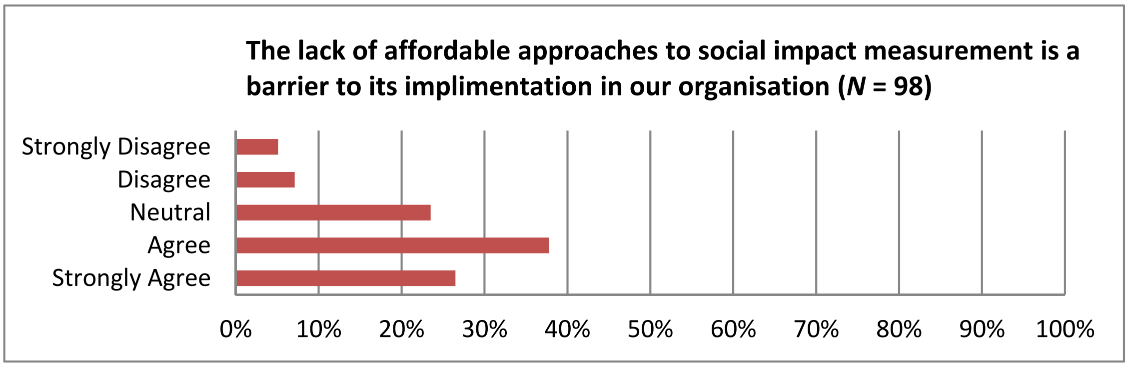
During workshop discussions, participants in multiple workshops said their organisation and/or the social enterprise field as a whole needed to improve its marketing and communications capacity. This related both to marketing products and communicating the social impacts of social enterprises to core stakeholders and the public at large. This need was reinforced by the survey findings, in which 86% of respondents agreed or strongly agreed that their organisation would benefit from greater marketing and communications.

Figure 20: Our organisation would benefit from more effective marketing and communications



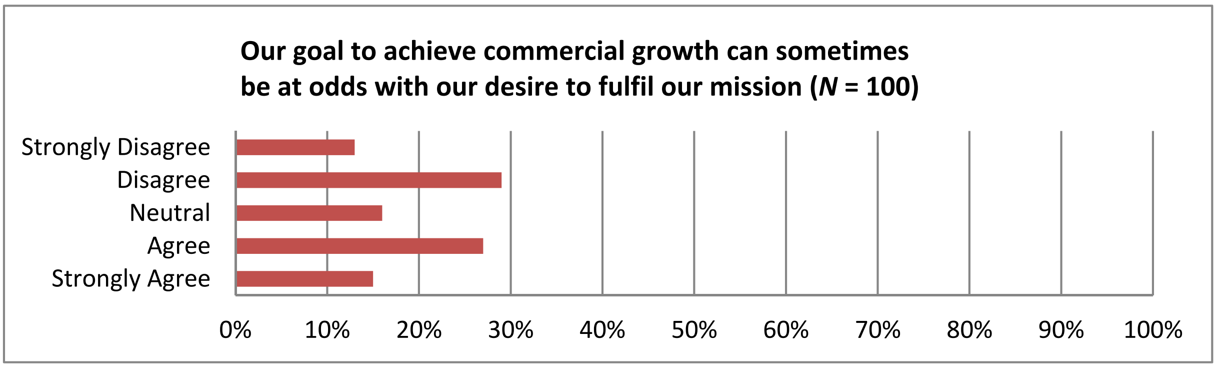
With regard to their social impacts, some workshop participants expressed a desire to do more around measuring and/or communicating these. As detailed in Appendix 1, lack of consistency in measurement frameworks and cost were two issues frequently cited as barriers to measuring and communicating impacts. As noted above, there is relative consistency between 2010 and 2016 in the proportion of social enterprises practicing social impact measurement, at around 65%. The issue of cost was further tested in the attitudinal survey items. Sixty-four percent of respondents agreed or strongly agreed that lack of affordable approaches to social impact measurement was a barrier. A relatively high proportion of respondents (23.5%) were neutral on this issue, suggesting that cost is not the only factor affecting practice.

Figure 21: The lack of affordable approaches to social impact measurement is a barrier to its implementation in our organisation



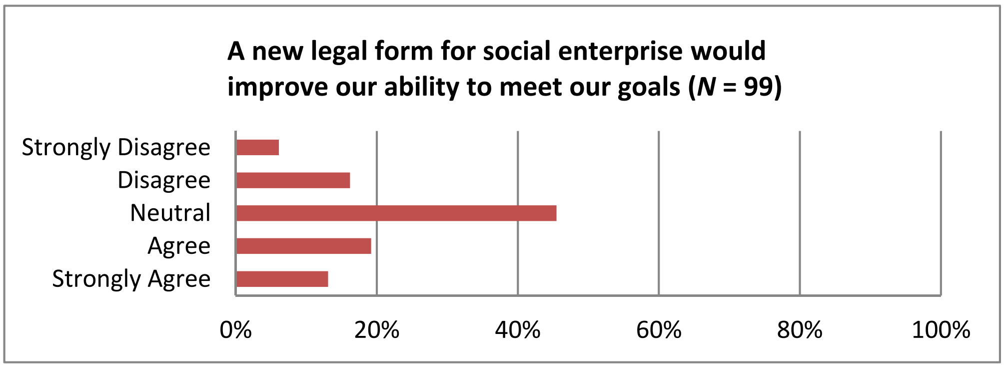
On the relationship between achieving commercial growth and maintaining focus on mission, survey respondents were polarised. Forty-two percent agreed or strongly agreed that goals to achieve commercial growth can sometimes be at odds with the desire to fulfil their mission, while an equal Forty-two percent disagreed or strongly disagreed with this statement.

Figure 22: Our goal to achieve commercial growth can sometimes be at odds with our desire to fulfil our mission



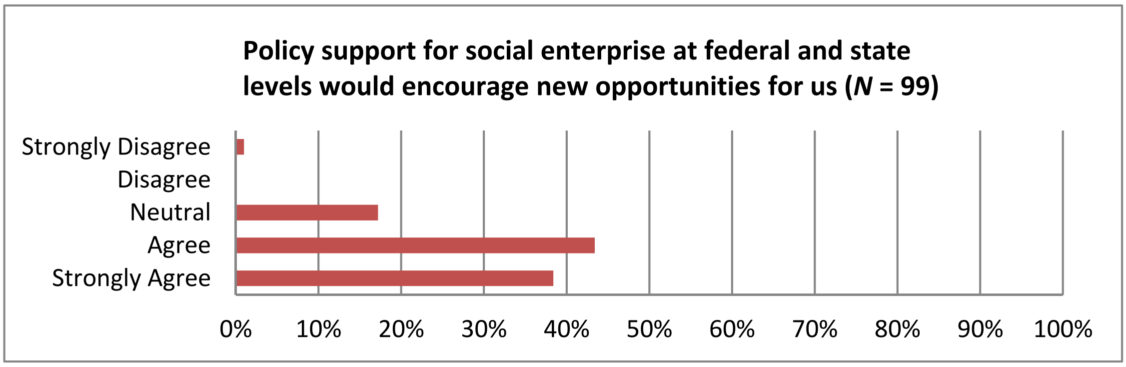
As detailed above, Australian social enterprises take a diversity of legal forms. An issue that emerged during the workshop discussions was whether Australia needed a bespoke legal form, to both render visible and ensure effective regulation of social enterprises. The discussions revealed no consensus on this matter. This lack of consensus is reflected in the survey results, with the largest response to the question of whether a new legal form would help organisations achieve their goals being neutral (46%) and a relatively balanced split between those who agreed/strongly agreed (32%) and those who disagreed/strongly disagreed (22%).

Figure 23: A new legal form for social enterprise would improve our ability to meet our goals



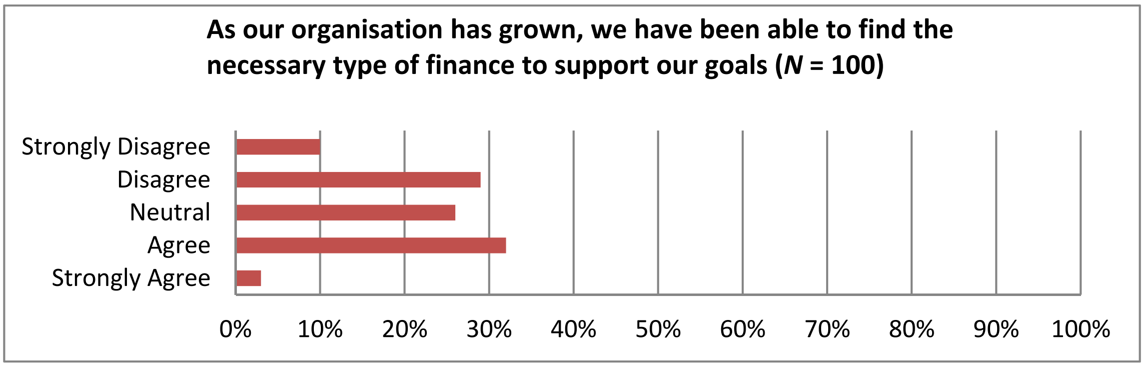
A number of issues related to public policy and regulation were cited as barriers to social enterprises growing and/or fulfilling their potential during workshop discussions. Details of this discussion and the differences in needs and experiences of different types of social enterprise are presented in Appendix 1. Results of the 2016 study further reinforce the significance of policy support as an enabler of social enterprise development, with more than 80% of respondents strongly agreeing that state and federal government policy support would encourage new opportunities for their organisations.

Figure 24: Policy support for social enterprise at federal and state levels would encourage new opportunities for us



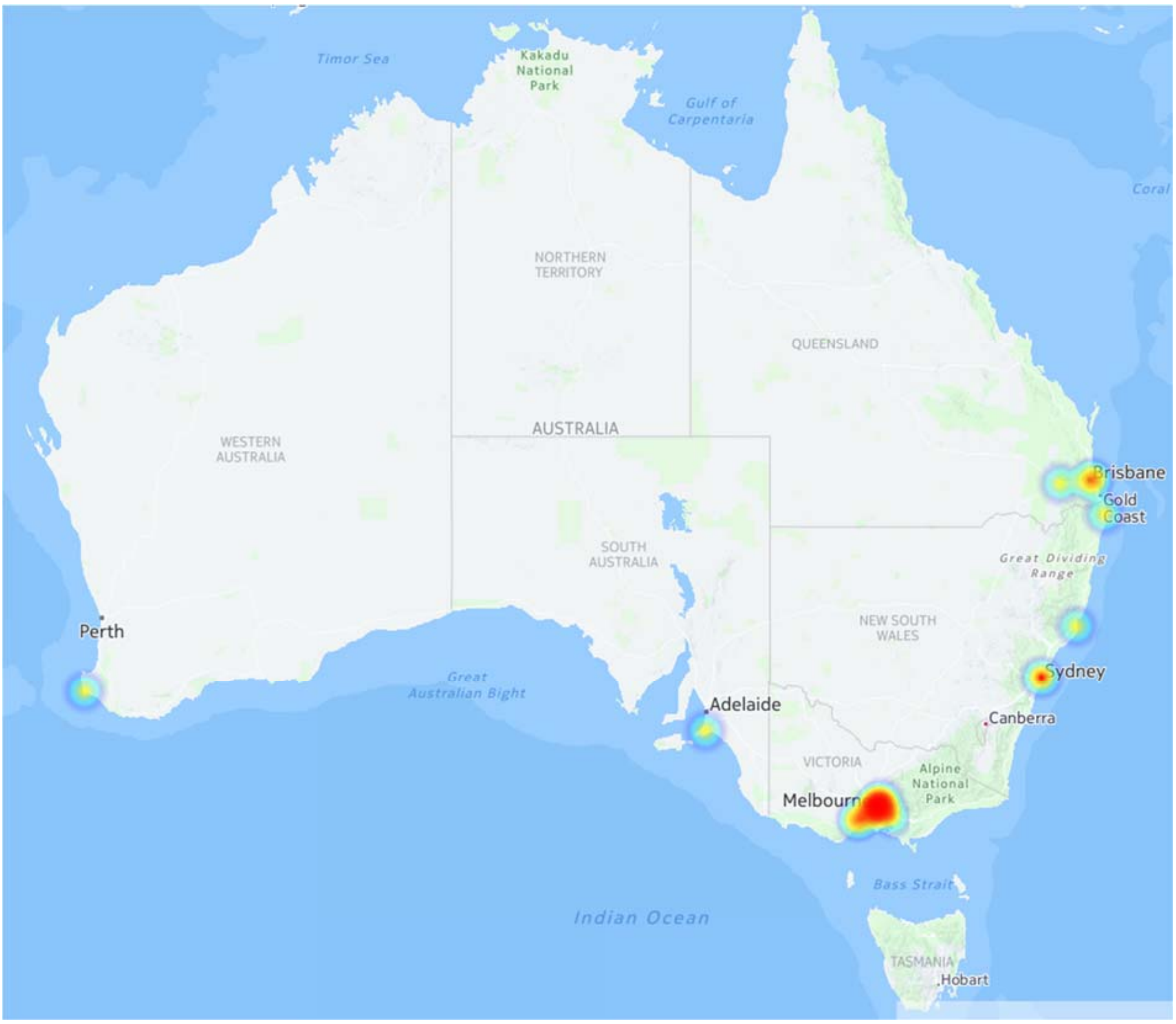
Another theme widely discussed in workshops was access to suitable types of finance to support social enterprise goals. As set out in Appendix 1, social enterprises' financial needs differ according to their stage of organisational development, their business model and their legal form. The survey responses suggest that, as a group, there is not a common pattern to experiences of financial access. Thirty-nine percent of respondents either disagreed or strongly disagreed that they have been able to find the necessary finance to support their goals, while thirty-five percent agreed they had. Twenty-six percent of respondents were neutral on this point. This may reflect ambivalence about the matter. It may also reflect the very limited use of external finance by social enterprises, as indicated in both the 2010 and 2016 organisational results.

Figure 25: As our organisation has grown, we have been able to find the necessary type of finance to support our goals



Workshop responses suggested some geographical differences in social enterprises' access to external finance, with participants in Western Australia and in regional towns reporting that they had limited access to impact investing and philanthropic sources respectively. This appears to be somewhat reinforced when we mapped the survey data, with participants in Eastern states of Australia and metropolitan centres more likely to agree they had the necessary finance they needed than those in Western Australia or rural and regional areas (see Figure 26). Given the limited survey sample size, however, this finding should be interpreted with care.

Figure 26: Locations of those that strongly agreed or agreed that 'As our organisation has grown, we have been able to find the necessary type of finance to support our goals'



5.0 Discussion and Conclusions

The findings presented here reinforce the 2010 FASES findings that the Australian social enterprise sector is diverse, mature and sustainable. However, as popular and policy interest in social enterprise has grown, we are seeing a substantial number of new entrants addressing a range of missions and using a diversity of business models.

While care must be taken in interpreting findings that are cross-sectional rather than longitudinal, FASES 2016 data do suggest some notable shifts and clarifications of the 2010 research.

First, social enterprises as a group generally feel that, taking into account the existence and operating environments of social enterprise, greater and more coordinated public policy could help grow opportunities for social enterprise. Qualitative findings suggested such policy responses were required from all levels of government. Local government was viewed as having a particular role to play in market development for social enterprise, and state and federal governments in enabling regulation, supporting organisational development, and stimulating innovation in policy design. While policy and regulation were a dominant theme in the research, it is notable that there was ambivalence in both the qualitative and quantitative findings about whether new legal forms are required to strengthen social enterprise in Australia. Further, while all social enterprises – as with other incorporated organisations – are affected by regulation, there was greater emphasis on the importance of policy and regulation amongst business-to-business social enterprises for whom governments are clients than there was for business-to-consumer social enterprises.

A second notable finding is relative stability in the proportion of social enterprises in 2010 and 2016 reporting they measure their impacts in relation to their missions, at around 65%. Workshop results confirm this is both a contested and complex issue for social enterprises operating on very lean resources, and trying to meet the expectations of a diversity of stakeholders. Additional survey research suggests the costs of undertaking impact measurement are prohibitive for many social enterprises. Similarly to other research conducted by the authors, impact measurement appears to be of relatively greater interest to younger business–to-business social enterprises that are seeking to establish legitimacy than it is to more established social enterprises that market to individual consumers and/or are operating on a strong, commercially viable footing. Social enterprises seeking impact investment or other forms of social finance also appear to place greater importance on measuring or predicting their impacts.

A third finding of note is that philanthropy appears to be playing a proportionately more significant – albeit still relatively small – role in financially supporting social enterprises, particularly those in start-up development since 2010. This may suggest a growing awareness of social enterprise by philanthropy, and the extension of some partnerships between philanthropy and not for profit organisations that are now exploring social enterprise as an option for increasing their impacts or improving their financial viability.

Major opportunities for social enterprise business development identified by participants included opportunities to develop markets through social procurement, through quasi-market developments such as NDIS, and through the rise of ethical consciousness of Australian and international consumers. Major opportunities identified for increasing social (or environmental) impacts of social enterprises included ethical supply chain development – including between social enterprises – and replication or, less frequently cited, scaling up of social enterprises.

The major external constraints on social enterprises growing both their businesses and impacts identified in the research included: a patchy ecosystem for social enterprise start-up and growth, including limited geographic spread of intermediaries and insufficient opportunities for peer to peer learning and development; the continuing piecemeal awareness of and support for social enterprise development by Australian governments; and, limited public awareness of social enterprises and their work. The continuing lack of suitability of external finance available to social enterprises at different stages of development was also a concern to some who participated in the research. Continuing lack of convention around measuring social impacts, and lack of availability of affordable options to do this work, was a frequently cited constraint on social enterprises both understanding and extending their positive impacts; practice in this regard appears to have remained stable over the last two waves of FASES. In terms of internal constraints on development, participants in FASES 2016 identified organisational governance as both a key enabler and a key inhibitor of social enterprise performance. Accessing suitably skilled staff and adapting workforce profiles as organisations grew and changed was also identified as a problem.

The poor response to the national online survey warrants consideration, both in terms of why this occurred and the implications for future data collection about the sector. With regard to reasons for the poor response rate, the timing and time requirements of survey completion – which was opened at the end of the financial year – may have affected responses. However, the strong response to workshop participation, which required considerably more time of participants than the survey, suggests the method of engagement, rather than the time involved, is a more significant consideration. In short, social entrepreneurs and enterprise managers seem more inclined to share their stories in facilitated environments with peers than to share their facts and figures online. Recent successful mapping exercises in England and Scotland, which have utilised telephone surveys and peer-based data collection methods respectively, suggest the more personal approach yields stronger results. However, it should be noted that these are expensive exercises, whose scope significantly exceed FASES' to date.

6.0 Implications for Future Research

The research reported on here presents findings from a second effort to document the diversity and scope of social enterprise in Australia. The main contributions of this research include:

- An updated organisational snapshot of social enterprise scope and activities in Australia;
- Detailed qualitative insights into the opportunities and challenges currently faced by these organisations; and
- An updated database of organisations that identify as social enterprises in this country.

FASES 2016 extends the foundations of FASES 2010. However, conducting the research also highlights gaps in our knowledge and understanding of the field. FASES 2016 has once again illuminated the challenges of understanding a sector regulated by a diversity of state and federal bodies with no commitments to the kinds of routine data collection that render the activities of the sector visible. Further attention to routine data collection as part of other monitoring or research activities of government bodies – such as the Australian Bureau of Statistics and the Australian Charities and Not for Profits Commission – would substantially improve our knowledge of the scope and growth of Australia's social enterprise sector.

Our response to limitations of the data in FASES 2016 was to use 'big data' logic, employing secondary analysis of organisational data collected by Social Traders for other purposes. This yielded usable results and suggests a coordinated data collection and use strategy between social enterprise intermediaries could in future generate highly useful information about the sector while minimising demands on social enterprises to provide information in multiple formats. Such data coordination would require cooperation between intermediaries and clear communication with social enterprises about how their information might be used, to ensure ethical conduct of research.

Finally, the challenges and opportunities identified by social enterprises in FASES 2016 also raise new research questions. In particular, better understanding of the antecedents and outcomes of effective social procurement requires research. Further, if social enterprise is to receive significant public policy support, greater comparative understanding is required of the impacts of social enterprise relative to other business types and/or other business models. As social enterprises continue to increase their impacts through supply chain development, understanding their indirect effects through such practices will also be important.

7.0 References

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8.0 Appendices

8.1 Appendix A – Interim Report

Finding Australia's Social Enterprise Sector 2015 Interim Report

June 2015

Finding Australia's Social Enterprise Sector 2016: Final Report

Jo Barraket

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Finding Australia's Social Enterprise Sector 2016: Final Report

This working paper is published by **the Centre for Social Impact (CSI) Swinburne**. **CSI** is a collaboration of three universities: UNSW, Swinburne University of Technology, and the University of Western Australia. CSI's mission is to improve the delivery of beneficial social impact through academic and applied research, teaching, measurement, and the promotion of public debate.

About the Paper

This is the interim report of the Finding Australia's Social Enterprise Sector (FASES) 2015 project. FASES 2016 is a research initiative conducted in partnership with Social Traders. CSI Swinburne working papers are unrefereed, published to disseminate research in progress that stimulates discussion and advances knowledge about progressive social impacts. Download available at **www.socialtraders.com.au/FASES**

The correct citation for this paper is: Barraket, J. (2015) *Finding Australia's Social Enterprise Sector 2015 Interim Report*. Working Paper 2015.1. Centre for Social Impact Swinburne & Social Traders. Melbourne, Australia.

About the Author

Jo Barraket is Professor and Director of CSI Swinburne. She has been researching social enterprise for 21 years and was the principal research designer and author of the first FASES project.

Acknowledgements

This research is jointly funded by Social Traders and Centre for Social Impact (CSI) Swinburne. Drs Chris Mason and Michael Moran provided project management and assisted with data collection. Michael Fawaz assisted with formatting the report. Our thanks to Dr Sharine Barth, Blake Blain and Fran Blake for their assistance with organising the workshops.

Seventy-five people gave freely of their time and experience to contribute to this project; we are grateful to each of them. The Australian Centre for Philanthropy and Nonprofit Studies, Queensland University of Technology generously provided the venue for the Brisbane workshop.

Executive Summary

This report details the findings of a series of 13 workshops conducted with 75 participants as part of the Finding Australia's Social Enterprise Sector 2015 project. The purpose of the research was to explore participants' experiences of the barriers and opportunities available to Australian social enterprises. The major themes identified across the workshops were:

- The opportunities and challenges for increasing markets and impacts of Australian social enterprise through social procurement;
- The challenges of adapting staff profiles and governance arrangements as social enterprises move through different stages of development;
- Opportunities for growing impacts through supply chain development between social enterprises and between social enterprises and other business types;
- Challenges associated with accessing suitable social finance, particularly at consolidation and expansion stages of development;
- Challenges associated with demonstrating value, related to lack of consensus about the veracity of different metrics and methodologies and the overall value of undertaking this work; and
- The need for coordinated advocacy – to both governments and the public – of the benefits and needs of social enterprise.

While these themes were the most consistently articulated, various factors determine the experiences and needs of social enterprises. Table One below summarises the differences observed in workshop discussions.

Table One: Organisational Differences in Dominant Themes

Distinguishing Factor	Dominant themes
Stage of business development	• Need for networking and peer support (start-up social enterprises) • Challenges accessing expansion capital (established social enterprises)
Origin of social enterprise	• Need for networking and back-office support (founder-led social enterprises) • Challenges of effective governance (non-profit owned social enterprises)
Business model	• Challenges establishing legitimacy with funders/investors/existing social enterprise networks (profit distributing social enterprises) • Customer perceptions of lower quality and related price sensitivity (non-profit owned social enterprises) • Challenges and opportunities of balancing growth with beneficiary/member involvement (cooperatively owned social enterprises)
Customer base	• Challenges and opportunities of social procurement and quasi-markets (business to business/government social enterprises) • Opportunities of ethical consumption and challenges of limited public awareness of social enterprise (business to consumer social enterprises)

Industry and/or mission	•	Market opportunities specific to industry Regulatory impediments specific to industry Challenges of customer perceptions of the capabilities of workers/beneficiaries
Geography	•	Challenges of limited access to formal peer support/ intermediaries and opportunities arising from organic response to these gaps (regional social enterprises) Challenges of increasing competition and opportunities for supply chain development between social enterprises (metropolitan social enterprises) Challenges and opportunities related to social finance specific to state policies and presence of intermediaries

Background

The second wave of the Finding Australia's Social Enterprise Sector (FASES) project was initiated by Social Traders in partnership with Centre for Social Impact (CSI) Swinburne in late 2014. From September 2014-April 2015, 13 workshops were conducted across six states to discuss the challenges, opportunities and needs of Australian social enterprises as part of the first stage of this study. In mid-2015, a national online survey will be opened to collect further information about the current locations, practices and activities of social enterprises in Australia.

For the purposes of identifying participants for the study, social enterprises were defined utilising the definition from the first FASES study as organisations that are led by an economic, social, cultural, or environmental mission consistent with a public or community benefit; trade to fulfill their mission; derive a substantial portion of their income from trade; and reinvest the majority of their profit/surplus in the fulfillment of their mission. Social enterprises exist for a variety of reasons, including: to provide goods and services in response to an unmet community need; to generate revenue to reinvest in a charitable purpose; to create employment or pathways to employment for people facing barriers in the open labour market (sometimes referred to as Work Integration Social Enterprise); and to innovate in responses to a complex social or environmental issue.

2.0 Methodology

A purposive sample of 75 people participated in the workshops. Potential participants were identified through the networks of Social Traders and CSI Swinburne and augmented with web searches for social enterprises in specific locales. Workshop participants included: founders or senior managers of start-up social enterprises; founders or senior managers of established social enterprises; CEOs or senior managers of not for profit organisations engaged in some enterprising activities; and representatives from social enterprise intermediaries, government, and philanthropy with specific experience in or responsibilities for policy and strategic development of social enterprises in Australia. Those who agreed to be named as having participated in the workshops are listed in Appendix A.

Table Two summarises the workshop types, locations and number of participants.

Table Two: Summary of Workshop Composition

Group Type	Location	Number of Participants
Mixed	Hobart	4
	Brisbane	9
	Bendigo	4
	Adelaide	4
	Perth	5
	Thirroul	6
Established SEs	Sydney	4
	Melbourne	10
Start-up SEs	Melbourne	6
	Sydney	4
Policy and Development Intermediaries	Sydney	9
	Melbourne	5
Enterprising Not for Profits	Melbourne	5
Total		**75**

All workshop discussions were transcribed and coded using Nvivo 10. Thematic analysis was used to identify core themes and differences in participants' responses. A summary of the results is presented below, based on themes that emerged from the analysis.

3.0 Results

The themes identified in the analysis are categorised according to challenges and opportunities related to: organisational development; market development; mission development; and the operating environment. The process effects of the workshops are then briefly reflected on, and an analysis of difference in experiences across the sample is then presented. The strength of particular themes is noted in the text.

3.1 Organisational challenges and opportunities

3.1.1 Staffing for hybridity and organisational change

Participants at seven workshops identified staffing issues as a challenge and an opportunity for social enterprise development. Challenges included attracting high quality staff with minimal incentives, ‘bringing staff along’ when transitioning from a grant funded to an enterprising organisational culture, and difficulties recruiting staff with the necessary mix of social development and business skills suitable to the hybrid nature of social enterprise:

> *[In social enterprise] You've got to move through the NGO sector, the private sector and the government sectors. That's a mammoth task. Of course we don't have the right people working for us. Who are the right people?! (Enterprising not for profit workshop, Melbourne)*

Several participants from organisations that were moving from start-up to consolidation or expansion also reflected on the challenges – both practical and emotional – of changing staffing profiles as organisations matured, acknowledging that staff brought on at start-up did not always have the right skills and values mix for more established organisations:

> *So getting those right people on board is really difficult. If you make a mistake - and I did make some early mistakes regarding people - you pay the price for it. Compromise on who you get, because you can get them rather than them being the right people, means you go backwards in your culture. (Start-up social enterprise workshop, Sydney)*

While it was generally agreed that this was an issue that affects all organisations as they mature, some participants suggested that the newness of some social enterprise models meant that they were charting unknown territory in terms of the staff competencies required for future success. Participants in workshops in Adelaide, Sydney, Brisbane, and Perth also identified current societal interests in combining work with having social impact as a potential opportunity for social enterprises:

> *I think the sector is attracting a lot of people from the private sector. I'm one of them. I was working in law firms and questioning why I was doing what I was doing. The only impact I could see was my boss getting a better Mercedes. (Mixed workshop, Adelaide)*

3.1.2 Governance and Organisational Culture

Challenges associated with governance were a dominant theme of discussions, raised at nine of the workshops. Participants from social enterprises that operate within larger not for profit organisations observed that they experienced difficulties in legitimising their work in the eyes of staff from other units of their organisations, suggesting that the overarching organisational culture was not always supportive of social enterprise practice.

Changes in skills mix and organisational culture to support maturing social enterprises was further identified in relation to governance processes and board compositions. Participants at five workshops noted that 'bringing the board along' as a social enterprise grows can be a challenge:

> *I think the difficulty with a governance board…is that in a start-up they have to be a little more hands-on. They've got to have their fingers on the operational as well as the strategic and risk management. It's that blurring of lines in a start-up that becomes very tricky. (Start-up social enterprise workshop, Melbourne)*

Participants whose social enterprises were located within larger not for profit organisations observed particular challenges in operating responsive businesses, where the organisations' boards were primarily oriented towards charitable and/or service-delivery cultures consistent with the 'primary' work of the organisation. Participants at two workshops whose social enterprises were located within not for profit organisations that had recently undergone mergers or substantial organisational restructuring indicated that lack of knowledge of social enterprise needs and operations within their boards substantially limited their capacity to grow their activities or their impacts.

> *But all of a sudden we've got a Collins Street board that's managing us now. We've got extra layers of management. They haven't got any social enterprise. They don't even know what social enterprise is (Mixed workshop, Victoria)*

> *The board have been largely absent from lots of decisions, and so I guess when I think of governance I have to look at what direct [effect] they have on an enterprise when you're sitting with in an organisation, and to a large extent they don't. They don't really get it. They waver between are we a business, are we an opportunity for young people…to get some*

education? And they [prevaricate] between the two. (Start-up social enterprise workshop, Melbourne)

3.2 Market challenges and opportunities

3.2.1 Social Procurement & Supply Chain Development

The most dominant theme and frequently identified opportunity for social enterprise market development – raised at all 13 workshops – was social procurement[1]. Social procurement by governments was the most commonly discussed opportunity, although the potential for social procurement by the corporate sector, small to medium enterprises and the not for profit sector was also raised.

I think probably the best way to activate government without asking government to put another dollar on the table to support or cultivate a sector is actually say why don't you just repurpose the money you already spend… - the billions of dollars that you spend buying products or commissioning roads or building roads or building trains, building whatever and actually try and activate social enterprise through traditional procurement laws of government? (Policy and Development Intermediaries Workshop, Sydney)

Some participants from rural and regional areas saw social procurement as a source of survival for locally-oriented organisations and described pro-active approaches they were taking to raising awareness with prospective purchasers:

We go into the [local council of a rural town] and say: 'this is what we want to do. By the way, if we tender for your services and you give it to us; you are actually giving back to your community by the projects that we are funding through your money'. (Mixed workshop, Bendigo)

A number of participants from policy development backgrounds agreed that social procurement by the public sector represented a real opportunity for social enterprises. However, they noted that there were challenges for governments in integrating different institutional demands on procurement processes, which needed further attention if this opportunity is to be fully realised, with one policy professional reflecting:

…social procurement is very important to us…We are also required to maximise participation opportunities for small business. We're also required to achieve

environmental outcomes. We're required to achieve - I won't be able to remember all of them, but there will be 10 or 15 policy outcomes that we're required to achieve in addition

to the one that is close to our heart which is social procurement. (Mixed workshop, Adelaide)

Participants from social enterprises active in developing social procurement opportunities, particularly with local governments, noted that the practice was ad hoc, with success typically based on relationships rather than guided by clear policy and practice imperatives:

Finding that person, that right person to build that relationship, to collaborate and co-design the process of procurement. It's very difficult, it's like a needle in a haystack (Mixed workshop, Brisbane)

Even where there were policies in place to support social procurement, participants felt they were having limited success due to price sensitivity of local governments:

… we have one council which I won't name, who are a leader of promoting social enterprise and we lost a tender over 10 cents apiece…overall it would have been an impact of less than $10,000 but they said that they had 70 per cent of the weighting was the scoring on the price point… (Mixed workshop, Thirroul)

Other participants were more focused on the market development opportunities afforded by social procurement through private for profit businesses, suggesting that there was typically greater flexibility of decision-making amongst private firms, and commercial potential to partner with private for profit firms in tendering processes:

But does the opportunity lie within building a relationship with government or building the relationship with corporates who are winning these tenders to pick up that five per cent? (Mixed workshop, Brisbane)

Participants from social enterprise, government and corporate philanthropy also suggested that developing procurement opportunities and supply chain relationships with the corporate sector could increase social impacts by influencing corporate behaviour. A number of participants from the corporate sector and philanthropy reported increasing awareness and practice of social procurement within their organisations and saw this as an opportunity for social enterprises that could be further developed.

Some participants noted that the private for profit sector comprises a great many small to medium enterprises (SMEs), which are often overlooked in favour of large corporate firms when thinking about social procurement. At two workshops, developing supply chain relationships with SMEs was identified as a potential opportunity for developing markets through social procurement and deepening impacts by purchasing within the local community.

The potential of the social enterprise field and the social economy more broadly as a source of social procurement and supply chain development was also discussed at four workshops, with a number of participants observing that social enterprises themselves were not strong social procurers. With regard to the not for profit sector, a culture of under-costing and under-valuing was widely observed as a limitation of the sector as a source of social enterprise market development:

> *Not for profits are our worst customers because they want it free* (Established social enterprises workshop, Melbourne)

One participant from a social enterprise located within a larger not for profit also noted that competitive pressures faced by the host organisation sometimes limited their options with regard to collaborative approaches.

3.2.2 Consumer demands and public perception

Public perceptions and changing consumer needs were identified as both an opportunity and a challenge for social enterprise, both in deepening their impacts and growing their markets. On balance, participants felt that there was greater public awareness of social enterprise than there was five years ago, but this awareness was still relatively limited. Lack of sector-wide marketing and awareness raising of social enterprises was nominated by participants in Adelaide and Brisbane as a limitation to growth.

Participants in Brisbane, Bendigo and Perth identified growth in ethical consumption as both a mission and a market opportunity for those social enterprises whose primary customers are individuals in the open market.

Challenges of public perception and consumer behaviour raised by participants included: misperceptions that social enterprises are predominately subsidised by government funding; lack of public understanding about the need for philanthropic support where social enterprises require a proportion of mixed-resourcing

to fulfill their missions; limited public appetite to pay a premium for social value creation, with price sensitivity as critical to social enterprise as it is to any commercial enterprise; and public misperceptions about the quality of goods and services – and thus the suitability of charging market prices – provided by social enterprises. It is notable that the latter observation was made at three workshops by participants representing social enterprises whose primary beneficiaries were people with a disability.

Some participants – particularly those from social enterprises owned by not for profit organisations and competing for government contracts – suggested that industry competitors at times exploited client prejudices about social enterprise capabilities:

> *If [competitors] want to poo-poo us, literally, they can get away with it because we have this - we've got this tag of charity, not very efficient business. (Mixed workshop, Thirroul)*

3.2.3 Quasi-market development

At least 25% of workshop participants represented social enterprises whose primary or major clients were governments. Quasi-markets – that is, markets created by governments to introduce competitive principles to service delivery - were thus identified as both an opportunity and a challenge by these participants. The most frequently discussed emerging quasi-market was the National Disability Insurance Scheme, which was characterised as both a great opportunity for social enterprises and a great challenge, particularly for existing disability services organisations:

> *we've got approved provider status for everybody and we're just watching, but there are a lot of people that are not happy with the current status quo so we're hoping to change. (Established social enterprises workshop, Sydney)*

Education services – related to national curricula developments and post-secondary investment in international student mobility programs – were also identified as market opportunities in one workshop. In two workshops, participants whose social enterprise clients were primarily governments noted that stability of demand is challenging to plan for in volatile policy environments where program investments are redirected or abolished at short notice.

3.2.4 Marketing and communications

Participants in three workshops identified that their organisations made limited investment in and had limited knowledge of marketing and communications, and viewed this as a constraint on developing markets. This also relates to challenges of measuring and demonstrating social value, which is discussed in relation to mission fulfillment below. Improving the general brand equity of social enterprises through regulation or certification processes was raised at five workshops; this is considered further in relation to policy and regulation.

Participants from social enterprises located within larger charitable organisations noted that the charitable brand could be an enabler or a constraint on market development in different circumstances. For those seeking to scale their businesses nationally, a national charitable brand was seen as beneficial. For those whose social enterprises were operating in industries for which the charity was not known, association with the charity was viewed as limiting market opportunities in some instances.

3.2.5 Opportunities and Constraints on Innovation

Advances in online and mobile technologies were identified as an emerging opportunity for those social enterprises that trade in non-local markets or serve beneficiaries across geographic locales:

> *I think that technology means that we actually look beyond our back door too. We sell all over the world. We don't need to have a shop front now. We can do most of our sales through the web. (Mixed workshop, Bendigo)*

Advances in renewable energy technologies were nominated as an area for market development and business leadership consistent with the ethos and resource capabilities of social enterprise. Identified opportunities to grow the social impacts of social enterprises included new partnerships and new combinations of resources between social enterprises and across sectors. This is discussed in 3.3.2 below.

Participants whose social enterprises or enterprising non-profit had government as a principal client generally identified lack of risk appetite as a significant inhibitor of social or business innovation. Participants from community service organisations in two workshops observed that government contracts were an important financial instrument through which innovation could be incentivised, but noted that this was typically not the case:

> *There are a whole lot of limitations that are in those contractual agreements that actually stop an innovation. I think the real potential of social enterprises is to promote innovation in new ways of doing things because we're going to a much more tightly regulated purchase for service approach by government that they're really specifying exactly. (Policy and development intermediaries workshop, Melbourne)*

3.3 Mission Development Challenges and Opportunities

Running a sustainable business and fulfilling the social or environmental purpose for which the business exists are typically considered as indivisible in social enterprises[2]. Thus, issues related to mission fulfillment were closely interrelated with issues related to business development in workshop discussions. Areas where mission considerations were considered in detail related to demonstrating value and scaling impacts.

3.3.1 Demonstrating Value

The issue of measuring social impacts and being able to demonstrate social value to beneficiaries, financiers and other stakeholders was raised at ten workshops. This was typically articulated as a challenge, with participants noting that: there are no agreed metrics or methods for measuring social impact in Australia; different stakeholders have different information needs with regard to social value produced; social impact measurement is expensive and its value to the organisation not always clear:

> *I mean we've actually worked with [a social enterprise which is an accredited assessor of a particular impact measurement method]… The way in which social outcomes is measured. I couldn't explain it to you … So if [the provider, which is a social enterprise] is unable to explain a not-for-profit, who is about social impact in a meaningful way, how are we able to actually get that message out to the rest of the world about impact or social outcomes? (Mixed workshop, Adelaide)*

At four workshops, participants expressed a desire for an overarching framework for measuring and demonstrating (social and local economic) value, suggesting that the social enterprise field – or industry sub-sectors within it – would benefit from an aggregate approach to measuring and demonstrating social value:

> *…it just seems to be people are measuring impact in so many different ways. There are tools out there to use but they're expensive and even in terms of talking about philanthropic grants and many organisations aren't interested in or will only give a small proportion to monitoring evaluation and so I think there's a challenge there and how to articulate what our social impact is in a way that maybe it would be great to have some kind of overarching framework that we could all feed into in order to articulate our cases. (Established social enterprises workshop, Melbourne)*

Others were more inclined to emphasise the value of communications – through storytelling – rather than common metrics in growing impacts, policy support and markets:

> *the best way of actually explaining what a social enterprise can achieve is through story telling. When you hear the story of Soft Landing mattresses down at Wollongong or the Resource Recovery guys on the Mid North Coast in New South Wales, that's where you actually begin to get understanding essence of what social enterprises are trying to achieve. That's probably much more effective through human storytelling … rather than a policy paper or trying to lobby government in a technical way. (Policy and development intermediaries workshop, Sydney)*

Participants whose social enterprises were exploring new opportunities for social procurement – discussed above– suggested that rigorous academic analysis of the cost-benefits of some iconic social enterprise-government initiatives made widely available would be of greater value to them than individual attempts at measuring their impacts.

3.3.2 Scaling impacts

Practices of scaling social enterprises to scale their impacts were described as opportunities by participants at eight workshops. Approaches to recognising and using opportunities for scale differed across social enterprise business models and purposes. The founder and CEO of one work integration social enterprise described plans for replicating their activities across multiple national sites in order to serve a wider range of beneficiaries:

> *So yeah, for us it's about scaling the number of young people [we help] just by building more and more businesses, but businesses similar to the ones that we're already running and we've been testing for quite a few years. (Established social enterprises workshop, Melbourne)*

The representative of a social enterprise cooperatively owned by its workers described a spin-out model to increase the reach of the business and people's opportunities to participate in it while minimising operational burden on the original business:

> *We want to be the best, but we don't want to be big. So the idea is … when there's a need for a new team and once they get to breakeven point, we're going to say goodbye, get your own ABN, there's your manuals, we'll train you for a week, see you later…(Established social enterprises workshop, Sydney)*

A number of participants observed that having a national partner – in the form of the auspicing body of the social enterprise, a commercial partner who was subcontracting work to the social enterprise, or a social financier – was beneficial in operationalizing plans to scale nationally. However, participants whose non-profit auspices were national charities also noted limitations in scaling their impacts based on the mismatch between board decision-making timelines and commercial opportunities:

> *So …right now we've got an opportunity to… [take over the operations of a] good company, they went into receivership through some pretty bad decisions…We could be up and operating but the board direction is, okay, raise the [money] then we'll go and have a look at this program. But the tender closes this afternoon... (Mixed workshop, NSW)*

While scaling the business to scale impacts was viewed as an opportunity by some, a number of people whose social enterprises operated within rapidly growing or changing industries – including IT and renewable energy - described challenges in managing growth and anticipating changes in industry direction. The general observation here was that pursuing commercial growth opportunities could undermine mission fulfillment if the resulting growth changed those aspects of the business operations that supported beneficiaries' social and economic participation. One participant described this as the balance between achieving 'shallow horizontal' and 'deep vertical' engagement with the people they seek to serve. This was a particular challenge for work integration social enterprises.

3.4 Operating Environment Challenges and Opportunities

3.4.1 Policy and Regulation

Much of the discussion about policy issues related to social procurement and contractual instruments, which are addressed above. With regard to regulation, the issue of legal forms for social enterprise was raised at three workshops, with some participants suggesting that a new legal form might assist in mobilising finance and distinguishing social enterprises in the market:

> *Some of the things that keep our social entrepreneurs awake at night are access to finance and the legal structure that works…So they start with being a sole trader and then lump into a company limited by guarantee and don't know where to go and find themselves boxed in and actually don't move into action because there isn't a clear pathway for that. (Policy and development intermediaries Workshop, Sydney)*

Distinct from legal forms, participants at five workshops raised the question of whether certification of social enterprises by a legitimate third party might be beneficial in distinguishing social enterprises as social-benefit providers in the open market. In those workshops where questions were raised about either legal forms or certification processes, consensus about their value was not reached.

A number of participants noted the difficulties of settling on key policy and regulatory issues affecting social enterprises, given the variety of industries in which they operate, suggesting that industry imperatives and related regulatory developments were more significant than generic challenges or opportunities for social enterprise development per se:

> *So, in the energy fields a lot of the social enterprises that have gotten up so far and the social projects that have gotten up so far, I think access to finance or new financial models would be useless because the departments that have become involved aren't actually doing it for the money… They're doing it to create community bonds, community connection,*

particularly in rural Aboriginal areas, but also in urban areas. (Policy and development intermediaries workshop, Sydney)

One participant identified policy vacuums created by lack of political leadership in some substantive areas as a significant opportunity for leadership and consequent market development by social enterprises:

…it probably applies to other sectors as well, but we've seen the absence of political leadership is actually creating opportunity because everyone is frustrated and they want change. So by empowering those people to be part of change, there's an opportunity to have that latent demand. (Mixed workshop, Bendigo)

At eight workshops, the absence of coordinated policy advocacy for social enterprise in Australia was noted, with several participants raising questions about whether there is a need for a peak body for social enterprise and, in Melbourne, Adelaide, and Hobart, whether Social Traders could appropriately fulfill that role. The need for a peak body was also mooted in relation to networking and peer support needs discussed below.

3.4.2 Networks, intermediaries and developmental support

Participants in five workshops expressed a desire for greater opportunities to access peer support and/or developmental assistance from people who understand social enterprise:

I'm also aware in Adelaide that there is…no organisational group or networking group where we can just get together and say what do you do? What do I do? How can we share skills or how can we share a space or just have a Facebook group or whatever. (Mixed workshop, Adelaide)

These comments were strongest amongst those from nascent profit for purpose businesses that were not squarely located within the social enterprise domain, and in geographic areas where there is no strong social enterprise intermediary presence. It must be noted, however, that in locales where recognised social enterprise intermediaries did not exist, participants described a variety of arrangements – including established organisations auspicing or incubating new organisations and individuals initiating peer support networks – that were organically emerging in response to this gap. There was, however, general agreement that more coordinated support would accelerate social enterprise development:

I suppose the role of the intermediary...is often just to point at these things and say 'look, there's this thing over there, check it out'. I feel like maybe that's something that we're missing to some extent…it's really just finding the people who can point in the direction of something that's already happening, or someone that's passionate and someone was working in the space that you're interested in. (Mixed workshop, Hobart)

In some cases, however, intermediaries were experienced as drawing on the resources of social entrepreneurs without providing demonstrable benefits in return:

[We're asked by intermediaries] will you do this, will you do that but there's never any reciprocation of well, let us help you make that connection, find those people who are going to help you along your way so that I find really frustrating. (Mixed workshop, Perth)

The potential to grow the impacts of social enterprise through resourcing networks was also observed by those in strategy and development roles, who noted untapped potential of social enterprises to accelerate their (social and commercial) value added through clustering and network development. Participants from these groups suggested that there was a role for philanthropy to play in supporting the development of this network infrastructure.

3.4.3 Access to Finance

Participants at nine workshops expressed frustrations about the availability and appropriateness of social finance in Australia. Some experienced a mismatch between their financial needs and the availability of social finance particularly when seeking expansion capital:

But getting the right money at the right time, in the right format has been phenomenally difficult. In our case we've found that often we kind of fit between. There might be small pots of money or really, really large pots of money but we're kind of in the middle. So there're not enough zeros to talk to big players, but there's too many zeros to talk to little players. So it's just this in between space. (Established Social Enterprises Workshop, Melbourne)

Other participants, who were seeking equity investment through a variety of channels suggested that the social investment market is immature, resulting in disproportionately high transaction costs of sourcing investment due to lack of precedent, lack of certainty and lack of understanding about social enterprise amongst prospective social investors. One participant suggested there was a divide between the reality if impact investing and the image of these opportunities being projected by social enterprise intermediaries:

> *We're cranking people out of things like the School for Social Entrepreneurs, the Centre for Sustainability Leadership, the Centre for Social Impact, the new social entrepreneur*
>
> *courses at UNSW, UWA and other places around the country. So we're getting all these people really excited. At the same time, they're beginning to hear about this thing that is happening called impact investing where investors are prepared to do what they themselves are doing which is modify their personal goals as you have done and as we've all done probably, not maximising our personal profits in life but look to make a social impact as well. Then they get incredibly disappointed, because there's no one who's funding the kinds of social enterprises (Start-up Social Enterprise Workshop, Sydney)*

In one workshop, there was a dominant view that local social enterprise intermediaries were acting as gatekeepers, limiting rather than enabling connections between social enterprises seeking finance and prospective social financiers:

> *You've got the gatekeepers, the [intermediaries]… all of these people who kind of keep you apart from the ones who actually have the money. (Mixed Social Enterprise Workshop, Perth)*

It was also noted, however, that the way a social enterprise has resourced itself in start-up can become a significant inhibitor when seeking new sources of finance:

> *…by conventional investment metrics, we're probably not investable in some ways… as a result of incentivising people with equity at every stage along the path, so we have a bunch of people who've left and are now dead equity. Investors hate that so much. (Start-up social enterprises workshop, Sydney)*

Another participant observed that current focus on impact investing has not addressed the potential of mobilising community capital and this is a potentially lost opportunity:

If you can get the community to invest directly into a social enterprise for a community investment, as we do in the cooperative sector, you can actually set up a whole range of social enterprises that don't need to access finance from other organisations. (Policy and development intermediaries workshop, Sydney)

3.5 Beyond content – the workshop process

Multiple participants in the workshops reflected that they gained value from coming together with others in similar situations to discuss the issues experienced in their organisations. This suggests that there is intrinsic value simply in the act of talking with others with related experience, which reinforces the demand for peer engagement and support discussed in relation to development needs above. The research team also observed that at least one new arrangement – whether a new commercial opportunity, access to a new business service, a new commitment to share resources, or a new agreement to cross-promote activities – was made between participants at at least 11 of the workshops conducted. This suggests that peer-to-peer and peer-to-prospective client engagement can assist social enterprises to strengthen their businesses and increase their impacts.

3.6 Accounting for differences of experience

The social enterprise field is highly diverse and, while there were common experiences of challenges and opportunities amongst workshop participants, there were also differences. The drivers of these differences included:

Stage of business development – there was greater commonality of experience amongst start-up social enterprises and amongst established social enterprises than there was between these groups. Access to social enterprise development support and peer-to-peer networking was a more commonly expressed need amongst start-up social enterprises and, as discussed in relation to financing above, both groups expressed different needs and challenges in relation to financial support.

Origin of social enterprise – social enterprises established within existing not for profit organisations, social enterprises collectively established by communities, and social enterprises established by individual founders have different experiences of social enterprise challenges and opportunities. This may be attributable to the different organisational cultures and regulatory constraints in which they are operating, the different values they bring to social enterprise development, and differences in their dominant skill sets and past experiences of developing organisations.

Business model – differences – legal and operational – in business models generate different opportunities and challenges for running and resourcing social enterprises. There was greater commonality of experience between participants from social enterprises incorporated as or within not for profit entities, between those using a profit-distributing structure, and between participants from cooperatively or collectively owned business models than there was across these types. While certainly not true of every organisation represented, it was generally observable that non-profit distributing organisations had a higher tolerance for grant and donated income as a long-term feature of their resource mix, and cooperatively or collectively-owned organisations had a relatively more explicit interest in involving beneficiaries in their organisations than was expressed by those from other organisation types.

Customer base – related to the issue of business model, there are clearly significant differences in experience between those social enterprises whose customer-bases include 'upstream' (government) purchasers of their services and 'downstream' service users and those whose customers are individual consumers.

Industry and/or mission – participants from social enterprises operating in the same industries – particularly housing, food retail, education, cleaning and maintenance – had stronger common experiences of market opportunities and constraints than were expressed across the wider participant group. Social enterprises whose markets were predominately in business-to-business supply were experiencing different challenges to those whose primary markets were individual consumers. With regard to the former, social enterprises whose primary clients were governments identified the greatest barriers and opportunities for market development, while those with primary clients in the not for profit sector were most negative about the volatility of this market. Social enterprises that serve common beneficiaries reported similar challenges and opportunities; this was particularly true of those social enterprises whose beneficiaries were people with a disability, reflecting both historical and new issues arising from: public policy frameworks; quasi-market development and public attitudes and institutional effects of social exclusion.

Geography – geography affects institutional arrangements, social needs, access to markets, finance, supply chain possibilities, and availability of peer support. It can also affect attitudes and practices in distinct ways. Participants from social enterprises located in rural and regional areas typically identified poorer access to intermediary and philanthropic support, and more limited opportunities to build supply chain relationships with corporates that were not present in their regions. By nature of what is absent in their operating environments, some of these participants also described a more conscious experience of collective self-help (that is, amongst local residents and within and between organisations in the local economy) than their urban counterparts. In metropolitan areas, challenges of market saturation and difficulties finding points of differentiation between social enterprises was more strongly expressed.

Across states, there were some differences in experience of the availability of social finance in general and the types of finance available due to public policy prescriptions regarding what constitutes social enterprise, and governmental priorities for investment. For example, in Western Australia, the dominant

experience was that expansion capital was a greater access problem than start-up capital, whereas access to start-up finance was more strongly emphasised as an unmet need in Sydney. Market development opportunities through social procurement by governments was also more widely discussed in states – particularly South Australia and Queensland – where there are articulated state government commitments and a concentration of local government activity in this area.

4.0 Conclusions and next steps

The workshops conducted for FASES II reinforce the original FASES findings that the field is highly diverse in its missions, business models and industry operations. The themes and debates emerging from the workshops reflect the challenges of a field, which – although not new when FASES was first conducted in 2009-10 – is experiencing a new wave, both locally and internationally. As this wave of social enterprises grow and change, they experience challenges in navigating organisational identity, staffing and governance cultures that adapt with them. Significant differences in the operating environment between 2010 and 2015 include: the increased but still uneven presence of social enterprise intermediaries; relatively greater recognition of and ease with the social enterprise label leading to stronger organisation to organisation relationships; new quasi-market developments; an emerging but still immature social finance market, and growing awareness of the potential of social procurement to stimulate markets for social enterprise. Public policy and regulation specifically concerned with social enterprise development, and public policy advocacy for social enterprise development, remain limited in Australia relative to other jurisdictions.

The next stage of FASES II will include a national online survey of Australian social enterprises to further test some of these themes and improve our understanding of the scope and activities in the field. Drawing on the workshop input, the survey will aim to distinguish differences in organisational practice based on industry, enterprise origins, enterprise model, stage of development and geography. It will include questions about core needs, challenges and opportunities to extend our understanding from the workshop discussions.

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1 Social procurement may be broadly defined as the purchasing of goods and services with the purpose of creating social value: Barraket, J., & Weissman, J. (2009). *Social procurement and its implications for social enterprise: A literature review.* (Working Paper No: CPNS 48). Brisbane, Queensland: Queensland University of Technology.
2 Although mission drift can certainly occur whilst commercial sustainability is maintained.

5.0 Appendix A – Participants

AJ Doidge

Ankit Chopra

Anne Lennon

Anne Webster

Anthony Bartolo

Ben Gales

Ben Neil

Bill Dibley

Brendan Fitzgerald

Brodie McCulloch

Caitlin Marshall

Caroline Lock

Catherine Brow

Celia Hodson

Chris Newman

Daniel Madhavan

Di Stitt, Eyal Halamish

Frances O'Reilly

George Giuliani

George Housakos

Janet Kidd

Jennifer Bishop

Jess Moore

Joan Ciastkowski

John Burgess

John Wheate

Jon Staley

Jonathan Posniak

Jordan Holzmann

Josh Goodwin

Julian O'Shea

Karen Burdett

Katherine Kennedy

Katie Wyatt

Kylie Eastley

Lachy Ritchie

Libby Ward□Christie

Lil Banks

Linda Graham□McCann

Lisa Waldron

Liz Prescott

Loretta Curtin

Luke Geary

Luz Restrepo

Lyndon Gaelea

Maggie Maguire

Marissa Brown

Mary Sayers

Matthew Allen

Michael McGann

Miles Lochhead

Peter Ball

Peter Mousaferiadis

Peter Williamson

Rhianna Dean

Richard Warner

Robyn Kaczmarek

Ron Miers

Sarah Gun

Steve Williams

Stuart Gunzburg

Susan Black

Tom Dawkins

Tony Sharp

Vani Welling.

8.2 Appendix B – Detailed Methodology

This section provides a detailed account of the methodological approach used to conduct data collection and analysis for FASES 2016. As described above, in order to cover a range of organisations, interests, topics and also ensure a comprehensive collection, a three-stage data collection process was developed. This would allow us to design and produce a study that reflected the interests and attitudes of the sector and its stakeholders. The stages are described below.

Stage One – Consultation Workshops

The first stage comprised the developed and implementation of a series of national consultation workshops with a range of key stakeholders to the study. These workshops were held in 2014. The purpose of the workshops was to canvass the thoughts and experiences of several stakeholder groups with direct interests in the social enterprise sector in Australia. This process would shape the design of the entire study. Thus it was critical that workshops were located in each state capital (in the cases of Melbourne and Sydney, multiple workshops were held). A small number of workshops were conducted in regional and rural locations (where feasible and/or notable clusters of social enterprise activity was known to exist):

- Adelaide (SA).
- Bendigo (VIC).
- Brisbane (QLD).
- Hobart (TAS).
- Melbourne (VIC).
- Perth (WA).
- Sydney (NSW).
- Thirroul (NSW).

The entire sample for the workshops was constructed through professional networks available to Social Traders and the research team. A full list of potential participants was developed, broadly covering:

- Organisations involved directly in performing social enterprise activities (i.e. social enterprises, nonprofits, auspicing organisations).
- Organisations involved directly in developing and supporting social enterprise activities (i.e. support organisations, funding providers).

- Institutions with interests and experience of supporting the wider social enterprise development infrastructure (e.g. local, State and Federal Governments).

Participants of the workshops were invited through email invitation, with a total attendance of 75 stakeholders. All workshops were facilitated by the project leader and supported by the research team. Workshops were voice recorded and findings transcribed and interpreted using thematic analysis. The major themes arising from the workshop stage were presented in

the FASES 2016 Interim Report, and sent individually to all participants involved in the workshops who elected to receive the report and/or provide for feedback.

Stage Two – Online National Survey

Building on the outcomes from Stage One, we developed a sector-wide, national survey. Using the 2010 FASES survey as a base, we amended the 2015 questionnaire to reflect the relevance of questions for the 2015 sample, additional questions arising from Stage One, as well as research and participant feedback on usability of the 2010 instrument. Subsequently, an online version of the survey was constructed by the research team, and piloted to a small, purposive sample to assess ease of completion and any practice issues with the form.

Based on this feedback, the survey underwent slight modification to question wording and formatting, and was launched online at the Social Enterprise Masters Conference in June 2015. The targeted population for the survey was social enterprises actively trading in Australia during the 2014/2015 tax year. However, since no known measure of the population size exists, to access the sample the research team utilised all unique entries in the Social Traders database. The survey was promoted mainly through the Social Traders website and electronic direct marketing through targeted emails to the Social Traders communications database. Finally, using the same database, potential participants were also contacted by telephone to raise awareness of the survey and encourage interest in its completion. The survey was live for six months. All data collected through the survey was held securely on University servers, and participant's personal information was not used in any statistical analysis of the data. Participants also maintain the right to confidentiality, anonymity and the right to withdraw their participation and data from the survey, in accordance with ethics protocols at Swinburne University of Technology. Upon completion, the results were securely transferred to statistical analysis software (SPSS). The data were checked for completeness and subsequently cleaned prior to further analysis following Stage Three.

Stage Three – Secondary Data Collation and Analysis

In this final stage, we used secondary data to augment survey data through information held on Social Traders databases – in particular, their list of certified social enterprises. This allowed us to cross-reference ABNs in the data set and add missing organisational data to incomplete survey submissions. It also allowed us to add new data into the data set, in the form of anonymised, partially completed surveys. This allowed us to check for missing data as well as ensuring the data set was as comprehensive as possible. The process was systematic; following the cleaning of the survey data, we identified those entries that require more complete information. The research team used ABN cross-referencing to search the database to see if any existing further information was available for each entry. For example, this included details of number of employees / volunteers FTE, financial information for the most recent Financial Year, and location served by the enterprise.

On the basis of Stage Two and Three data, the overall number of unique and usable entries in FASES 2016 organisational data was 359.

To analyse organisational information arising from the survey and secondary analysis, we used statistical techniques to describe the characteristics of the sample, as well as explore the presence of associations between variables. Frequency analysis was conducted to determine the number and percentage of responses for each item of all survey questions including demographic and descriptive questions and Likert and rating scales questions, for example the type of industry the social enterprise operates in and the level of agreement to the statement 'the way we do business is aligned with our mission', respectively. Descriptive analysis was performed to determine the range and mean scores for all numerical questions of the survey including, for example, financial information, and number of employees. Multiple cross tabulation frequency analyses were then conducted to determine the number and percentage of social enterprises which fell into a combination of two categories of two separate survey items; for example, how many social enterprises operated in the construction industry and had a main purpose of providing needed goods or services to a specific group. Non-parametric analyses including Spearman's Rho and Kruskal-Wallis ANOVA were then conducted to determine the relationships between survey items, and significant differences between survey items.

In addition, we used CartoDB geomapping software to map some of the key data by location. The data was processed directly via a spreadsheet into the online software, allowing us to present relevant data in a visually compelling way. The social enterprises that had disclosed their postcodes were thus mapped, in order to visually represent patterns in the data which are impacted by location, for example colour coding the states and territories by the number of social enterprises operating within them.

8.4 Appendix C – FASES 2016 Survey

Finding Australia's Social Enterprise Sector Survey 2016

Finding Australia’s Social Enterprise Sector II Survey

Swinburne Ethics Approval Number SHR Project 2014/246

The Centre for Social Impact (CSI) Swinburne, working with Social Traders, an independent company that exists to build the capacity of the Australian social enterprise sector, is reviewing the state of the social enterprise sector across Australia. Finding Australia's Social Enterprise Sector (FASES) II builds on the original FASES project conducted in 2009-10, and seeks to determine the current number of Australian social enterprises, the areas in which they operate, and their social and economic contributions. FASES II will provide information to promote the activities and developmental needs of Australian social enterprises to the public, governments, business, and each other.

As the representative of a known social enterprise, you are invited to complete this online survey. We estimate that the total time required to complete the survey will be approximately thirty minutes.
If you complete this survey, you are indicating consent to have your survey responses included in the analysis of the scope of the social enterprise sector. This will involve aggregating information from the survey responses, and will not involve disclosing information about individual organisations.

The last section of the survey will provide you with specific options to consent to any or all of:

1) *Entering your organisation in the draw to win $1000 of goods or services from the social enterprise of your choice;*
2) *remaining on a database for the purposes of being occasionally contacted to participate in non-commercial research conducted by CSI Swinburne and/or Social Traders, and*
3) *receiving promotional material from Social Traders.*

With the data, the CSI Swinburne research team and Social Traders will produce:

- *A research report on the findings.*
- *A dataset – with identifying information removed – that can be used by others for non-commercial research and social enterprise development purpose.*

The research report will be published online, and will be freely available to you. All research participants’ privacy will be protected within the limits of the law. If you have any questions about this project, please contact the research team at csiswin@swin.edu.au or by phone on (03) 9214 3881.

If you have concerns about the ethical conduct of this project, you can contact Swinburne’s Research Ethics Officer on 03 9214 5218 or resethics@swin.edu.au

Thank you again for your time and participation.

Win $1000 worth of social enterprise goods and services

All eligible organizations that participate in the research will go into a draw to win $1500 of goods and/or services from the social enterprise of their choice

Help Available

If you have problems completing this survey or require additional information, please contact the research team by email at csiswin@swin.edu.au or by phone on (03) 9214 3881.

Please read this before starting: We are seeking one response per social enterprise venture; you may wish to clarify who is completing the survey on behalf of the organization before you start. We will be asking you some questions that require responses about business activities related to the 2013-2014 financial year. You may want to make sure you have this

information to hand before you start the survey. If exact figures are not available, please provide careful estimates. If your organization was not operating in the 2013-2014 financial year, please complete the survey anyway, as there are a number of other aspects of your work we are interested in.

SOME PRELIMINARY QUESTIONS ABOUT YOUR SOCIAL ENTERPRISE VENTURE(S)

Q1: Does your organisation (please select all that apply):

☐ Produce goods for sale
☐ Retail or wholesale goods
☐ Provide services for a fee (including, for example social, cultural, or educational services)
☐ Provide a mechanism for producers to sell their goods
☐ Provide a mechanism for members to trade with each other
☐ None of the above (thank you for your participation. There is no need for you to continue this survey)

Q2: Which of the following statements best describes your organisation’s main purpose:

○ We exist primarily to fulfill a public or community benefit
○ We exist primarily to provide benefits to our members
○ We exist primarily to support the mission of our nonprofit auspice
○ We exist primarily to generate financial benefits for individuals and/or the owners
○ None of the above (thank you for your participation. There is no need for you to continue this survey)

Q3: Please select which best describes the social enterprise ventures you are reporting on in this survey:

○ A single venture (eg stand alone social enterprise, such as a community-owned shop or childcare centre, or a social business operating from a single site)
○ Multiple ventures owned by a single organsation (eg a group of opportunity or fair trade shops, a group of hospitality or landscaping services operating in multiple sites)

Q4: What number of locations were operated by this social enterprise as at June 30, 2014? Please exclude warehouse space and outlets operated by external agents on behalf of the enterprise

Q5: Please provide your social enterprise's ABN, if you have one (this will assist with cross-checking and authentication of organisational details).

If your enterprise does not have its own ABN, but operates under the auspice of another organization, please provide that organisation's ABN. If you are responding on behalf of an organization that runs multiple social enterprises operating

under separate ABNs, please provide the ABN for the organization

SECTION 1: WE ARE INTERESTED TO KNOW A LITTLE ABOUT YOUR ORGANISATION'S STRUCTURE AND ACTIVITIES

Q6: How long has this enterprise been operating?

[If you are reporting on multiple social enterprise ventures, please tell us how long the oldest venture has been operating]

It is not yet fully operational
One year or less
2-5 years
6-10 years
More than 10 years

Q7: What is your organisation's legal status?

Unincorporated association (a group with no formal legal structure)
Incorporated association (Inc or Incorporated is part of your formal name)
Company limited by guarantee (Ltd or Limited is part of your formal name)
Co-operative
Royal charter or Letters patent (created under Religious, Educational, and Charitable Institutions Act)
Legislation (own Act of Parliament such as churches, Scouts, etc)
Partnership
Publicly listed company
Pty Ltd Company
Sole proprietorship (sole trader)
Trust (have a Deed of Trust as a constitution)
Not sure
Other

If you have chosen "other", please specify:

Q8: In what industry/ies does this enterprise operate?

☐ Agriculture, forestry and fishing
☐ Manufacturing
☐ Construction
☐ Retail trade
☐ Transport and storage
☐ Finance and insurance
☐ Government administration and defence
☐ Health and social assistance
☐ recreational services Personal and other services

☐ Mining
☐ Electricity, gas, and water supply
☐ Wholesale trade
☐ Accommodation, cafes, and restaurants
☐ Communication services
☐ Property and business services
☐ Education
☐ Cultural and

Q9: What are the main purposes of your enterprise (please select up to three)?

☐ Develop new solutions to social, cultural, economic or
☐ environmental problems Provide needed goods or services to a
☐ specific area
☐ Provide needed goods or services to a specific group
☐ Create opportunities for people to participate in
☐ their community Provide training opportunities for
☐ people from a specific area Provide training
☐ opportunities for people from a specific group
☐ Create meaningful employment opportunities for people from a
☐ specific area Create meaningful employment opportunities for
☐ people from a specific group Address an environmental issue
☐ Provide a vehicle for members to trade their goods or services
☐ with each other Provide a vehicle for members to trade their
☐ goods or services on the open market Advance cultural awareness

Generate income to reinvest in charitable services or
community activities Other

If you have chosen "other", please specify:

Q10: Who are the targeted beneficiaries of your social enterprise (please select all that apply)?

☐ People with alcohol, drug, or substance use
☐ issues Aboriginal and Torres Strait
☐ Islanders
☐ A spiritual or religious
☐ community Young
☐ people
☐ A particular geographic community (eg neighbourhood,
☐ suburb or town) People with disabilities
☐ Older people Families
☐ Homeless people
☐ Migrants, refugees, or asylum seekers
☐ Lesbian, Gay, Bisexual,
☐ Transgender and
☐ Intersex (LGBTI)
☐ Disadvantaged men
☐ People with mental
☐ illness Prisoners and ex-
☐ offenders Remote or
☐ rural community
☐ Unemployed people
☐ Disadvantaged women
Animals
Environment
Other organizations
Other (please specify)

If you have chosen "other", please specify:

Q11: What best describes the location of the markets in which your enterprise trades? (select all that apply)

☐ Local ☐ Regional ☐ National ☐ International

Q12: What best describes the geographic focus of the social purpose/issues your enterprise aims to address?

☐ Local ☐ Regional ☐ National ☐ International

Q13: To what extent do you disagree or agree with the following statements?

	Strongly Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Strongly Agree
The way we do business is aligned with our mission	◯	◯	◯	◯	◯
The goods or services we trade in are directly related to our mission	◯	◯	◯	◯	◯
Our beneficiaries are FORMALLY involved in the decision-making associated with our enterprise	◯	◯	◯	◯	◯
Our beneficiaries are INFORMALLY involved in the decision-making associated with our enterprise	◯	◯	◯	◯	◯

Q14: Please select the statement which best describes what the enterprise does with profit/surplus (or would use profit/surplus):

◯ ◯ ◯

We reinvest all of our profit/surplus in the fulfillment of our mission
We reinvest 50% or more of our surplus/profit in the fulfillment
of our mission We reinvest less that 50% of our surplus/profit in
the fulfillment of our mission.

Q15: Please select the statement(s) which best describe how your enterprise reinvests profit/surplus (or would use profit/surplus):

☐ ☐ ☐ ☐

We invest it in improving or growing our
enterprise operations We return income to our
parent or auspicing organization
We donate income to external
organizations or programs We distribute
surplus to our members/beneficiaries

SECTION 2: WE ARE INTERESTED TO KNOW A LITTLE ABOUT YOUR PAID AND UNPAID WORKERS

Q16: Please let us know the number of paid FULL-TIME workers, including owners and managers, in your enterprise during the last pay period in June 2014 (please provide your best estimate if you do not have exact figures)

[ ] Full-time workers

Q17: Please let us know the number of paid PART-TIME workers, including owners and managers, in your enterprise during the last pay period in June 2014 (please provide your best estimate if you do not have exact figures)

[ ] Part-time Workers

Q18: Please let us know the number of paid CASUAL workers, including owners and managers, in your enterprise during the last pay period in June 2014 (please provide your best estimate if you do not have exact figures)

[ ] Casual Workers

Q19: Do you directly employ your beneficiaries in your organisation? If so how many FTE? (If you do not employ beneficiaries please type 0).

[ ] FTE beneficiaries

Q20: Please let us know the number of VOLUNTEERS OR UNPAID workers involved with the enterprise during the last pay period in June 2014 (please provide your best estimate if you do not have exact figures)

[ ] Volunteers or Unpaid Workers

Q21: Please estimate the total number of hours of in-kind support received over the 2013-2014 financial year?

From external organisations (eg accounting or legal support, volunteer time contributed through corporate volunteering programs).

	hrs

Q22: Please estimate the total number of hours of in-kind support received over the 2013-2014

financial year? From the social enterprise's volunteers /unpaid workers (including board members).

	hrs

Q23: Please estimate the total financial value of in-kind assets (eg use of premises, vehicles, office equipment) provided over the 2013-2014 financial year. (Please estimate to the nearest $10,000).

$	In-kind assets

SECTION 3: INCOME, EXPENDITURE AND FUTURE PLANS

We are interested in estimating the economic impact of Australian social enterprises. To do this, we need to ask you some questions about your social enterprise's financial performance. Please note, this information will only viewed by the CSI Swinburne research team and will be reported on in aggregate form only. No financial information about individual organizations will be reported on or passed on to Social Traders or any other party. Any information stored on financial matters will have organizational details removed.

Q24: What was your social enterprise's INCOME for the 2013/2014 financial year? [help prompt: If you are reporting on multiple ventures, please provide these figures as an aggregate report on all ventures]

$ Income

Q25: What was your social enterprise's EXPENDITURE for the 2013/2014 financial year? [help prompt: If you are reporting on multiple ventures, please provide these figures as an aggregate report on all ventures]

$ Expenditure

Q26: What was the reported operating profit (surplus) or loss (deficit) before tax and extraordinary items for the 2013/2014 financial year:

$

Indicate Surplus or Deficit

Q27: In the 20013/2014 financial year, what proportion of income was derived from the following (please include as a percentage, with the total adding to 100%)

(Please skip these questions if you did not operate for the whole of 2013/2014).

	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
Income from goods or services provided by the enterprise	○	○	○	○	○	○	○	○	○	○
Auspicing or partner organization	○	○	○	○	○	○	○	○	○	○
Investments or capital assets	○	○	○	○	○	○	○	○	○	○
Grants from government	○	○	○	○	○	○	○	○	○	○
Contracts from government	○	○	○	○	○	○	○	○	○	○
Philanthropic grants or bequests	○	○	○	○	○	○	○	○	○	○
Contributions from individual members	○	○	○	○	○	○	○	○	○	○

Debt finance	○	○	○	○	○	○	○	○	○	○
Finance fromexternal investors	○	○	○	○	○	○	○	○	○	○
Other	○	○	○	○	○	○	○	○	○	○

Q28: In the 2013/2014 financial year, what proportion of your expenditure was spent on the following (total must add to 100%):

	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
Salaries and wages	○	○	○	○	○	○	○	○	○	○
Running costs	○	○	○	○	○	○	○	○	○	○
Contracting of professional services	○	○	○	○	○	○	○	○	○	○
Acquisition of capital assets	○	○	○	○	○	○	○	○	○	○
Sub-contracting of services	○	○	○	○	○	○	○	○	○	○
Materials for transformation	○	○	○	○	○	○	○	○	○	○
Materials for resale	○	○	○	○	○	○	○	○	○	○
Grants, investments etc	○	○	○	○	○	○	○	○	○	○
Other	○	○	○	○	○	○	○	○	○	○

Q29: In the next three years, in terms of trading, does your organisation:

- ☐ Aim to grow income derived through trade
- ☐ Aim to grow income through scaling our business
- ☐ Aim to grow income through replicating our business model
- ☐ Aim to maintain current income levels derived through trade
- ☐ Aim to decrease income derived through trade

SECTION 4: WE ARE INTERESTED TO KNOW A LITTLE ABOUT YOUR BUSINESS ACTIVITIES AND SOCIAL INNOVATIONS

Q30: In the past 12 months, has this enterprise used any of the following business practices?

	Yes	No	N/A	Don't know
Documented formal strategic plan	○	○	○	○
A formal business plan	○	○	○	○
Budget forecasting	○	○	○	○
Regular income/expenditure reports	○	○	○	○
Evaluation or measures of its impacts in relation to its mission	○	○	○	○
Formal networking with other businesses (including other social enterprises)	○	○	○	○
Comparison of performance with other businesses (including other social enterprises)	○	○	○	○

Q31: In the past 12 months, how often did this enterprise seek information or advice from the sources below?

	Never	1-3 times	>3 times	Don't know
External accountants	○	○	○	○
Banks	○	○	○	○
Other financial institutions	○	○	○	○
Solicitors	○	○	○	○
Others in your industry/ies	○	○	○	○
Industry association/chamber of commerce	○	○	○	○
The Australian Taxation Office	○	○	○	○
State government consumer/fair trade authority	○	○	○	○
Government small business agencies	○	○	○	○
Social enterprise intermediaries (social ventures Australia, Social Traders, School for Social Entrepreneurs	○	○	○	○
A university of commercial research centre	○	○	○	○

Q32: In the past 12 months, did your social enterprise:

	Yes	No	Don't Know
Develop any new or substantially improved goods to support the development of your business	○	○	○
Develop any new or substantially improved goods to meet the needs of your beneficiaries	○	○	○
Develop any new or substantially improved services to support the development of your business	○	○	○
Develop any new or substantially improved services to meet the needs of your beneficiaries	○	○	○
Develop any new or substantially changed processed to improve your business operations	○	○	○
Develop any new or substantially changed processed to improve your social impact	○	○	○
Expand mission to target new/different beneficiaries	○	○	○

SECTION 5 - WE WOULD LIKE TO KNOW YOUR ATTITUDES FOR THE FOLLOWING STATEMENTS

Q33: Please indicate your level of agreement with the following question regarding governance and organisational culture.

	Strongly Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Strongly Agree
Our board plays a significant role in advancing the mission of our social enterprise.	○	○	○	○	○

Q34: Please indicate your level of agreement with the following question regarding marketing and communications.

	Strongly Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Strongly Agree
Our organisation would benefit from more effective marketing and communications.	○	○	○	○	○

Q35: Please indicate your level of agreement with the following question regarding demonstrating value.

	Strongly Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Strongly Agree
The lack of affordable approaches to social impact measurement is a barrier to its implementation in our organisation.	○	○	○	○	○

Q36: Please indicate your level of agreement with the following question regarding scaling impacts.

	Strongly Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Strongly Agree
Our goal to achieve commercial growth can sometimes be at odds with our desire to fulfill our mission.	○	○	○	○	○

Q37: Please indicate your level of agreement with the following question regarding policy and regulation.

	Strongly Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Strongly Agree
A new legal form for social enterprise would improve our ability to meet our goals.	○	○	○	○	○

Q38: Please indicate your level of agreement with the following question regarding networks, intermediaries and developmental support.

	Strongly Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Strongly Agree
Policy support for social enterprise at federal and state levels would encourage new opportunities for us.	○	○	○	○	○

Q39: Please indicate your level of agreement with the following question regarding access to finance.

	Strongly Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Strongly Agree
As our organization has grown, we have been able to find the necessary type of finance to support our goals.	◯	◯	◯	◯	◯

A FEW DETAILS ABOUT YOU AND THE ORGANISATION

Q40: In this social enterprise, the position that best describes you is:

☐ Business owner
☐ Chief executive or most senior employee
☐ Senior employee with direct oversight of the enterprise
☐ Board/management committee member but not a staff member (non-
☐ executive director) Chair or president of the board/management committee
☐ Other

If you have chosen "other", please specify:

Q41: Please provide the following contact details for your organisation, each on a separate line.
- Name of Organisation
- Website
- Organisation Email
- Telephone

PERMISSIONS

Q42: Do you want your organisation to be entered in the prize draw for completing this survey?

◯ Yes ◯ No

Q43: Do you grant permission for these contact details to be used to approach your organisation for non-commercial research activities (eg social enterprise research conducted by university researchers or Social Traders) in the future?

◯ Yes ◯ No

Q44: Do you grant permission for these contact details to be used to receive future information from Social Traders regarding social enterprise activities, resources and events?

◯ Yes ◯ No

Q45: Please nominate the person we should contact if we have any queries arising from this survey or to advise if your organization wins the $1000 prize (this information will not be used for any other purpose)

Name
Telephone Number
Email Address