Acknowledgements

The authors would like to acknowledge the participation of all the interviewees. We understand that every time we ask these busy people to participate in sector development activities we take them away from running their enterprises. Their efforts are central to growing this emerging sector and we honour those efforts as they undertake the challenges of their respective social enterprises.

We would also like to acknowledge the support of our respective employers. This includes the patience our colleagues and team mates have afforded us while we have juggled our responsibilities. This project is an extension of our core roles and we greatly appreciate the time that has been extended to us to make it happen.

A special acknowledgement goes to Ananya Nandakumar at CSI who has been an invaluable support in transcribing, researching, writing, proofing and overseeing contract details.
Methodology

The project has sought to provide a vehicle for Australian social enterprise practitioners to tell their stories. We felt that there was a need for the learning and insights of these experienced and emerging leaders to be shared.

As such, the stories presented provide a snapshot of the interviewees’ perspectives on their own and their organisations’ experiences. The project is not academic and does not seek to provide a representative sample, or to evaluate the social enterprises themselves or the model more generally.

It does seek to open up discussion in the Australian context, through showcasing a wide variety of social enterprises. A diversity of legal structures, trading sectors, social/environmental/cultural missions, sizes, stages of development and locations were sought.

Thirty-five face-to-face interviews with thirty-three organisations were conducted between September 2009 and February 2010, mostly at the social enterprise location. The interviews ranged from one to three hours in length, were audio recorded and in several cases more than one interviewee participated.

A semi-structured interview format and conversational style were used, with interviews structured around a core set of themes:

- What was the original vision for the social enterprise?
- What is the vision now – how has this changed, what influenced this?
- What role have partnerships played?
- What has been your experience around funding and investment, during start up and/or growth phases?
How do you approach staffing?

How have governance arrangements influenced direction and development?

Does your founder continue to be involved?

Have you handled succession issues to date, or are you thinking about this?

How does your mission affect how you manage the organisation – do the external values translate to your internal practices in any way?

Has/will any of your work contribute to ‘growing the commons’ – assist others working to achieve similar goals?

Have you/do you plan to use any social impact assessment processes – what has been your experience of this to date?

What have been/will be the critical success factors for your social enterprise?

If you started again, what would you differently?

What has kept you going – who or what has been helpful to you?

Interviewees were provided the opportunity to review the draft stories and their comments have been incorporated into the final versions.

The stories are presented thematically to seek to illuminate shared learning pertinent to a sector.
INTRODUCTION

FOOD:
Charcoal Lane VIC 7
Food Connect Qld/National 13
Mars Hill Cafe NSW 19
Mu’ooz Eritrean Restaurant & Catering Qld 25
Sorghum Sisters VIC 29
STREAT VIC 37

ARTS, MEDIA AND DESIGN:
Abbotsford Convent VIC 47
Biddy Bags Qld 59
The Big Issue in Australia VIC/National 63
Gideon Shoes NSW/National 69
Goolarri Media Enterprises WA/NT 75
Human Ventures (formerly Speak Out) Qld 81
VibeWire Youth Inc. NSW 87

ADVOCACY:
Break Out Design Print Web NSW 93
Our Community VIC/National 99

INFORMATION TECHNOLOGY:
Infoxchange VIC/Timor Leste 107
Message Stick Group National 115
Work Ventures Ltd.
ITeC Repair Centre (SIRC) NSW 121
cool nrg International 133
### ENVIRONMENT:
- Eaglehawk Recycle Shop **VIC** 139
- Outlook Environmental Services **VIC** 147
- Penny Farthings Pushbike Parking **Qld** 155
- Reverse Garbage Cooperative **Qld** 161
- Soft Landing **NSW** 169

### SERVICE/WORKS DELIVERY:
- Cleanable Property Services **VIC** 181
- Dress for Success Sydney (formerly Suited for Work) **NSW** 185
- MultiLink Interpreting Services **Qld** 191
- Nundah Community Enterprise Cooperative **Qld** 199
- Property Plus Group **NSW** 207
- Spectrum Employment Services Cooperative **NSW** 215
- Urban Renewal Landscape & Construction **VIC** 221
- youthinc **SA** 231

Shared Learning and Authors’ Observations 239
Featured Social Enterprises’ Websites 255
Useful Links 258

**Annex 1:**
The challenges and opportunities of different legal structures for social enterprises 262

**Appendix A:**
About the sponsoring organisations and authors 264
Introduction

Once in a rare while the fundamental architecture of a significant part of society shifts.

Over the last two and one-half decades the organisation of the social half of society, led by social entrepreneurs, has done so.

— Bill Drayton, Ashoka, 2002

Why? Because a critical mass of people throughout the world has responded to the compelling evidence of the failure of traditional institutions and systems to respond to the ever-increasing inequity in the way the planet’s resources and opportunities are shared and to the rising environmental and health crises; and they have concluded that there can be a different way of doing business: different starting points, different core purposes, a different attitude to profits and ownership; a different way of harnessing capital market models, incorporating traditional business tools and strategies to achieve a social bottom line; adding social value alongside the traditional financial; adding “creative capitalism” to the suite of business options.

While some definitional debate continues as the field matures, we have referred to definitions used by the Skoll Centre for Social Entrepreneurship at Oxford University and the Social Enterprise Coalition in the UK:

Social entrepreneurship is the product of individuals, organizations, and networks that challenge conventional structures by addressing failures – and identifying new opportunities – in the institutional arrangements that currently cause the inadequate provision or unequal distribution of social and environmental goods.
Social Entrepreneurship has three key characteristics: **sociality (in the public benefit), innovation, and market orientation.**

Social enterprises are businesses trading for social or environmental purposes. Many commercial businesses would consider themselves to have social objectives, but social enterprises are distinctive because their social or environmental purpose is central to what they do. Rather than maximising shareholder value their main aim is to generate profit to further their social and environmental goals. Social enterprise is a business model which contributes to a more sustainable society by offering the prospect of greater equity in economic participation.

We also acknowledge an Australian research-based definition of social enterprise from the Finding Australia’s Social Enterprise Sector (FASES) research project, developed after our project commenced:

Social enterprises are organisations that:

a. Are led by an economic, social, cultural, or environmental mission consistent with public or community benefit;

b. Trade to fulfil their mission;

c. Derive a substantial portion of their income from trade; and

d. Reinvest the majority of their profit/surplus in the fulfilment of their mission.

We have used the terms *social enterprise* and *social business* and have drawn on the typology developed, in an Australian context, by Burkett (2010). It makes the following general distinctions:

Social Enterprises are often started with charitable intent by people who have an enterprising orientation working
from within the social sector; they often have small turnovers and often have **blended funding** – some grant, some earned; they tend to skew more towards social objectives if under pressure.

Social Businesses are more often started with a business intent, by people working from within the private sector and who see an opportunity to create social impact; they usually have larger turnovers than social enterprises and rarely seek or attract grant funding, being more likely to concentrate on **earned income** and commercially oriented capital; they tend to skew more towards commercial objectives if under pressure.

Yet already these distinctions are blurring with social enterprises moving to become social businesses or setting up subsidiary commercially oriented social businesses. What’s really compelling about social entrepreneurs and their enterprises and businesses is that they go way beyond the older model of tweaking at the edges of the charity and not for profit culture: they challenge conventional structures and effect systems change. Think Muhammad Yunus and the global replication of microcredit; think Victoria Hale and her non-profit pharmaceutical company. Social entrepreneurship is a global movement within which small and/or locally focused social enterprises can also make significant contributions. In Melbourne, Rebecca Scott wants to change the end point of intermediate labour market (ILM) programs away from transitional employment to equity for marginalised workers in small enterprises similar to the ones where they receive their work experience.

Jeff Skoll, a pioneering social entrepreneur as co-founder of eBay, describes social entrepreneurs as rebelling against one of the worst ideas that has ever gripped mankind – that the problems that surround us are so big that ordinary men and women can’t make a difference. Skoll argues that social
entrepreneurs see these problems as a call to action rather than a cause for despair:

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

Robert Pekin has a systems–changing vision for his Australian social business Food Connect: to change the inequity in the current fresh fruit and vegetable distribution systems, whereby a few major providers monopolise the market through sales to supermarkets, resulting in unfair prices paid to smaller farmers and unfair prices paid by consumers. As well as restoring a focus on fresh seasonal food, in contrast to current practices which artificially extend shelf life, he also aims to reconnect city ‘cousins’ with the farmers who grow their food.

Australian Government funding programs such as the Jobs and Innovation Funds have focused on social enterprise as a vehicle for intermediate labour market models to deliver jobs for the long-term unemployed and have, as a consequence, driven a dominant welfare focus. Not surprisingly, in a funding vacuum any new funding is eagerly embraced, including by ten of our story subjects. Thus the emerging local sector has developed with less of a focus on social entrepreneurship and more on traditional business models that can be ‘tweaked’ to deliver social outcomes. The overseas experience is that social enterprise can have a much wider application.

As pioneering U.S. academic Greg Dees noted in the emerging debate of 1998, “social entrepreneurship can include social purpose business ventures, such as for-profit community development banks and hybrid organizations mixing not-for-profit and for-profit elements, such as homeless shelters that start businesses to train and employ their residents.”
Social entrepreneurs look for the most effective methods of serving their social missions.”

We thought it important and timely to capture the pioneering work of a number of Australian social entrepreneurs and their enterprises and businesses and we have aimed to reproduce their interesting narratives and to extract the learning to assist a rapidly moving Australian climate.

Our Australian social enterprise stories range across the mid-twentie year olds Workventures, Break Out and Infoxchange (which has had time to replicate successful elements in East Timor), the “adolescents” Reverse Garbage, Human Ventures and The Big Issue in Australia, and the ambitious start-ups such as Charcoal Lane, Soft Landing and youthinc. We congratulate and thank all those included; our choices were influenced by the desire to show the diversity of activity that the social enterprise model covers, including a range of stages of development; different trading market sectors; a variety of social, environmental and cultural purposes; and different organisational forms. We express our admiration for the many others persevering in an Australian climate that is on the cusp of providing enabling and meaningful funding support.

And finally, we think it’s helpful to clarify what a social entrepreneur and social enterprise is NOT, as fashionable ideas tend to be appropriated and applied inaccurately!

A social entrepreneur is not a new name for a successful business man or woman who has decided to “give back” by setting up a foundation to endow charitable works or start-up social enterprises. This person is a philanthropist and remains an important source of funding for the social sector.

A social entrepreneur is not a new name for someone who is an activist individual or NGO lobbying government for a specific policy change. This is different from providing systems-changing solutions utilising social enterprises.
And social enterprise is not a new name for a Corporate Foundation with a focus on supporting the social sector. Even if the corporation itself is a socially responsible global business that has incorporated corporate citizenship and social responsibility into its core business practice, the fact is that its core purpose is to maximise the financial returns for its shareholders. Social enterprises and businesses reinvest their profits to achieve their core social purpose.

Finally, the emergence of social enterprise is not a repackaging of community development which is essentially very highly grant-dependent.

All of these players add to the richly changing social tapestry, but we are keen to add clarity to our choice of stories.
With 14/20 in The Age Good Food Guide in a 150 year old bluestone building, Charcoal Lane is a modern Australian restaurant serving contemporary Australian cuisine infused with native flavours, employing and training disadvantaged indigenous and non-indigenous young people (www.charcoallane.com.au). Located in fashionable Gertrude Street in the Melbourne suburb of Fitzroy, Charcoal Lane was established by Mission Australia as a social enterprise that also acts as a transitional labour market program, creating training and employment pathways for disadvantaged youth in a commercial hospitality environment. Named after an important meeting place for Melbourne’s Aboriginal community in the past, Charcoal Lane also aims to positively promote Victorian Aboriginal culture through harnessing native flavours and contemporary art work, such as photography from Wayne Quillam, Aboriginal artist of the year.
The restaurant and training program began in 2006, when Aboriginal Affairs Victoria (AAV) and the Victorian Aboriginal Health Service (VAHS) offered a tender to establish a hospitality outlet at the Gertrude Street site, which lay derelict for fourteen years. Mission Australia applied, with the idea of developing a low key café and to provide training upstairs. Vicki Maughan, Mission Australia’s Community Services Manager, explains that this concept evolved during the site redevelopment process. With gentrification of the street, including art galleries and high profile restaurants opening up in the area, as well as the historic, bluestone shell, an opportunity emerged to do something more substantial than a café. As the program’s Business Advisory Group recommended, a more substantial venture was also needed if the business was going to be sustainable and create significant employment opportunities.

After its first year of trading, the restaurant is generating $1m in revenue and commercially breaking even. It is expected that after the initial three year establishment period, the restaurant and catering business will be able to generate the net profit to enable and support the integrated training program, which includes personal and group support, life and employability skills development, structured work experience and accredited Certificate III in hospitality from William Angliss Institute, with the aim of enabling a successful transition to sustainable mainstream employment.

Charcoal Lane works closely with both the VAHS and AAV. Belonging to the Victorian Government through AAV, the Charcoal Lane building is leased to VAHS, who have in turn sublet to Mission Australia. The business has not been required to pay VAHS the full market rate of rent during its
three year establishment period, while AAV also assisted in the establishment stage by contributing to fit-out costs. Vicki emphasises that the partnership with AAV, VAHS and the wider Victorian government is crucial to Charcoal Lane.

Throughout the establishment process, Charcoal Lane had both a Business Advisory Group and an Aboriginal Advisory Group. Regular reports are also sent to the VAHS through attendance at their monthly Board meetings. Vicki explains that this liaison and reporting is now undertaken by one of the young people involved in the training, as it provides an opportunity to work with their Elders. Given the site’s significance to the Aboriginal community, Mission Australia worked closely with the VAHS Board to ensure what they were doing was appropriate. As Vicki explains, the Board’s input has been crucial in shaping the restaurant’s identity. “VAHS didn’t want it to be gimmicky, so the Aboriginal themes are subtle in the fit out and the food. It’s a quality experience with good food”.

With a first class reputation in hospitality training, the William Angliss Institute has been responsible for training, given that the certificate they provide has some standing in the hospitality industry. William Angliss provides two or three chef trainers at a time, as part of their Steppers program which does not, however, cover all costs. Part of the program funding for trainees has come from corporate partners but the largest contributions have come from Mission Australia. Charcoal Lane also works with a range of referral agencies, with the Accor Group, the Retailers Association and Spotless all core partners for employment placements for trainees coming through the program at Charcoal Lane. Vicki explains that while these organisations ‘recognise that it won’t be like taking on a regular employee’, they see working with Charcoal Lane as a good way to contribute to initiatives such as Closing the Gap and to contribute to their CSR programs. Charcoal Lane is keen to develop these partnerships further, delivering cultural training to staff and moving beyond CSR alone.
According to Vicki, starting Charcoal Lane and entering into an industry they knew little about “was a huge learning curve for Mission Australia”. Having to meet their own deadlines and those of government was often difficult. Working with the expectations of partners was also “challenging” and meant that everything had to be checked and agreed to by VAHS. Vicki says that if they could do it again, Mission Australia would have clarified roles and how the various partnerships would work early in the process and hired managers for the training program earlier on. Yet such issues were expected and, as Vicki says, “Charcoal Lane had to go through the same processes as everyone in the business world. You can’t just put up good intentions and expect preferential treatment.”

Initially Mission Australia and the VAHS wanted an Aboriginal chef at Charcoal Lane but were unable to find a suitable candidate. The idea now is for one of the indigenous trainees to eventually take on the head chef role. Charcoal Lane employs youth workers to look after the trainee intake, program monitoring and support services. The program has two concurrent groups – a group of ten every six months completing Certificate II in hospitality and a group of twelve undertaking Certificate III over twelve months. The initial group had twelve trainees with eight completing, which Vicki describes as ‘fairly typical retention’ for the first group. Participants in the training program are referred by other Mission Australia programs, VAHS and other community services agencies, with their readiness and suitability assessed through an interview with the restaurant management and program manager. Vicki says that most of the referrals have been good, though there have been a couple of instances where young people have been sent over by agencies who lack a real understanding of what Charcoal Lane aims to do, which is understandable as the program was started before Charcoal Lane was open. The agreement with VAHS was that at least 50% of trainees would be Aboriginal and so far the number of Aboriginal trainees has exceeded this. Trainees are
paid and work full time, with the first group currently working towards their Certificate II in Hospitality.

“We can train the participants up and send them out into the industry, to the Accors and the Spotlesses, but if we haven’t provided the longer term and more holistic support it won’t work, particularly for young Aboriginal people”, says Vicki. Mission Australia found that a lot of young Aboriginal people had already obtained their Certificate II but that this hadn’t translated into employment outcomes. Unless they receive ongoing support and cope with the rigour of a quality commercial work environment, the training on its own was proving to be inadequate. Charcoal Lane is hoping to work closely with the potential future employers to ensure that they have a better understanding of the issues faced by the trainees and can, as a result, better support the placements when they come in. Mission Australia will continue to support trainees for around three months after they leave Charcoal Lane and move into mainstream employment, to ensure that both trainees and employers are able to cope.

On a day to day basis, Charcoal Lane is managed within the Mission Australia organisational and governance structure. The manager oversees both the social enterprise and training programs and reports to the State Director. He is supported by the infrastructure of Mission Australia in most areas, including finance, HR, marketing, media, payroll and legal services. There is also a separate Charcoal Lane team within Mission Australia, which brings together expertise and meets weekly to discuss issues. Vicki says that this is ‘an extra layer we don’t usually have’ but given the complex nature of the Charcoal Lane project, its multiple stakeholders and the high level of interest from the media, Mission Australia soon realised there was a need for a separate team. “Because Charcoal Lane is both a commercial business and transition to work program it needs all areas of Mission Australia’s resources”, explains Vicki. Of particular importance was ensuring that the restaurant
and the training arms of the business worked together well and supported one another. The Charcoal Lane team within Mission Australia has helped to ensure that the program retains its focus on the trainees, in addition to business considerations. Mission Australia’s benchmark for transitions to mainstream employment in its social enterprises in Victoria is 70%.

The plan is that it will be supported for three years and then the restaurant will be able to support itself and the training program. The restaurant is now commercially breaking even after incurring a loss last financial year (2009-10) in its establishment phase. Charcoal Lane has, nevertheless, done well over the start-up period. If it makes a surplus this will be distributed between MA and VAHS to reinvest into community programs. This, however, is not expected to happen for a few years yet.

Vicki believes that over time, Charcoal Lane will be able to use Mission Australia’s case notes on the trainees to identify peaks and troughs in the business’ activity and will feed this into planning. To evaluate Charcoal Lane’s success, Mission Australia is working closely with Monash University, as well as with its own Indigenous Adviser and Research and Policy Unit. They have been successful in their application for Australian Research Council funding to undertake a higher level evaluation of the program. Securing corporate funding relies on the program being able to demonstrate its effectiveness with concrete evidence, something that similar initiatives in the past have failed to do. “People want to see the meaty results, not just the numbers of people going through the program”, explains Vicki. As a result, Mission Australia has started to conduct interviews with the trainees and to document their stories. The collection of such information will also help to answer some of the questions about social enterprise as a whole, including in which situations it works best and how important a role support programs play. CK

Food Connect

Food Connect Brisbane started in 2004, with the vision of establishing a highly efficient food distribution enterprise that is both equitable to small farmers and provides affordable great quality fresh food to urban residents. To counteract the unsustainable and inequitable practices of the food industry, founder Robert Pekin sought to develop a participatory model for food production and distribution which would ‘look after and dignify small farmers’. The company began in Brisbane, working with farmers in South East Queensland. The model has been replicated in Sydney and Adelaide and ventures in Melbourne, Canberra, Sunshine Coast, Gold Coast and Tasmania are under development.

A nonprofit Company Limited by Shares, Food Connect is a community shared agriculture enterprise. Established almost single-handedly by Robert, Food Connect now employs thirty-five staff members with a core group of seven to ten people. Robert stresses the importance to Food Connect of finding the right people, ‘who see the job as part of their life, not just as a job’ and who are a cultural fit, understanding the purpose of
Food Connect. Employees who remain with the company and demonstrate commitment eventually receive share ownership. Recently, employees who have been with Food Connect for three to four years have been issued shares. Shareholders must be employees and while they don’t receive a dividend, they do own the company and form the board which elects managers and makes all final decisions about the company. Within the company there are four decision making teams: Board, Responsible, Coordinators and Co-workers. Food Connect’s constitution stipulates that anyone who has been with the company for a year may participate in the decision-making process (but without the right to make the final decision). Coordinators meet weekly, Responsibilities meet monthly and the Board meets on a quarterly (seasonal) basis. Bottom-up reviews are held twice a year so that Co-workers and Coordinators have the opportunity to provide feedback to their supervisors.

A former dairy farmer, Robert experienced first-hand the hardships faced by many small farmers. He explains that while CEOs of large farming co-operatives were being paid ‘obscene amounts of money’, the farmers weren’t seeing much of this and customers were also paying too much for produce. In addition, supermarkets were constantly pressuring the government to deregulate the industry nationally. Eventually losing his dairy farm, Robert realised that such problems were affecting the food production industry as a whole and identified that the real inequity was in distribution, with a few major providers monopolising the market. Seeing this as a call to action, after working for a few weeks on a Community Share Agriculture (CSA) program in Tasmania Robert went on to start his own
program and also helped others to establish. In the process, he realised that there was an opportunity to develop a model that didn’t mirror the problems with existing CSAs—namely competition between CSAs and cutting prices—and that such a model could involve a large number of farmers and customers in a more collaborative model. The end product of this idea was Food Connect.

Partnerships have been central to Food Connect’s work from the beginning. Social Ventures Australia was a supporter for some time; a collaboration which Robert says gave him insights into how the corporate world works and also increased his confidence but which also required sacrifices on his part. Partnerships with farmers have also played a major role, and some customers have lent money so that assets could be purchased along the way. Food Connect Brisbane’s landlord has also been supportive, going ‘well beyond a regular landlord’, in terms of his engagement and assistance.

At the time of interview Food Connect had not taken any grants, with all costs being covered by trading. Within eight months of establishing, it had made enough to pay out all the accumulated back-pay to employees. Budgeting was initially conducted on an ad-hoc basis, based on a selling price which was 20% cheaper than the major supermarkets. Robert admits in retrospect that they should have started out with similar prices to those being charged by competitors. Under the current model, around 50% of revenue goes back to the farmers.

Much of Food Connect’s equipment was donated; in addition, a freezer room was obtained, which took around a year and
a half to pay off at $100 per week. In spite of his bad credit rating due to the loss of his farm, Robert was also able to secure a loan from GE to buy new vans. This was achieved as the GE loan advisor knew Robert’s accountant and decided to approve the loan. Donations and people buying twelve month subscriptions also allowed Food Connect to develop and build its capital.

Given the extensive research he conducted beforehand, Robert’s vision for Food Connect has remained much the same since its inception. The participatory Community Share Agriculture model aims to build relationships and market share, while also ensuring that no individual or group can take over or take the company in another direction. Robert explains that as Food Connect develops, the more they also want to focus on social issues. The future of Food Connect is, as a result, driven more by a ‘getting deeper’ mentality, rather than aspirations of growth, aiming to drive their business ‘deeper’ by developing a land trust and a new peer review certification system for farmers, as well as adopting a model to address depression and suicide issues in rural Australia. The establishment of a ‘Council of Elders’ is also on the cards: a counselling and advisory body that can give unfettered advice, having no legal or fiscal responsibility for Food Connect’s operations.

A social return on investment assessment was carried out for Food Connect by Social Ventures Australia, which showed a very high return ratio (30:1). However, Robert believes that the assessment did not examine any of the less tangible social benefits of Food Connect’s work and focused mainly on reducing food miles. He advises that such assessments are hard to do, particularly as they are time consuming, expensive and can be quite subjective in their outcomes. He believes that the farmers’ and customers’ stories often tell a lot more about the social impact of Food Connect. Through partnerships with ARUP (a consultancy) and Planet Ark, environmental assessments of Food Connect’s activities are going to be conducted. Robert also
has a particular interest in impact internally. For example, Food Connect has some transitional employees, some of whom are refugees, upon whom Food Connect’s work has undoubtedly had some impact.

Looking to the future, Robert hopes to focus more on the replication aspect of Food Connect rather than day-to-day operations and a ‘release-Robert’ strategy has been developed to enable this. Food Connect should ideally be able to run without him, as he moves into the Food Connect Foundation and potentially onto the Council of Elders. The independent Food Connect Foundation will support entrepreneurship that promotes soil fertility, appropriate scale organic farming and small food enterprises. Along with Food Connect Sydney and Adelaide, Food Connect Brisbane will pay a levy to the Foundation as it continues to replicate the Food Connect model, in addition to developing a land trust and a farmer accreditation scheme. CK

Update: Food Connect has received funding of $210 000 through a partnership with Social Ventures Australia, which is accessing funds from the Commonwealth Government’s Jobs Fund, as well as funding through the Qld Department of Communities. This will be used to establish a commercial processing kitchen which will employ and train at-risk youth aged between fourteen and eighteen years, and also pioneer an Indigenous Food Enterprise that will blend traditional Indigenous foods and Western-style cooking.

Website: http://www.foodconnect.com.au/
Kevin and Lisa Crouse established Mars Hill Cafe in Parramatta in 2001, aiming to provide a safe and engaging space for the formation of community and the support of visual, written and performance art. The original concept and start-up funding came through association with a faith-based organisation in the US that had an interest in starting a business that provided a safe place where questions could be asked and discussions held with a broader community. Kevin notes that it was also recognised that some faith-based organisations can be judgemental of people who are different and don’t always engage well with broader communities.

Mars Hill is an incorporated association that is in the process of converting to a company limited by guarantee. Kevin reflects that when Mars Hill started in 2001, social enterprise wasn’t a well understood concept in Australia and they weren’t using the term themselves. Kevin struggled to explain to stakeholders that the cafe was part nonprofit and part business and found that real estate agents were uncomfortable leasing to a nonprofit, while funding bodies were unable to comprehend a nonprofit trading.

Early attempts to generate funds through grant programs were unsuccessful as the Mars Hill approach didn’t fit the guidelines. Later, when a new board member with experience in writing grant applications was recruited, some applications were successful. Kevin notes that whilst the money was obviously useful it did pull the focus away from establishing a sustainable business, as much time had to be dedicated to delivering the grant funded project. The projects delivered good social outcomes but with hindsight he can see how they also contributed to the financial instability. ‘Grant money is not easy money, it can have a negative impact on the organisation while still providing positive social outcomes’ says Kevin.

Through running Mars Hill, those involved have been exposed
to a wide cross section of the community, particularly the diverse communities of Western Sydney. Through this the concept and the cafe have evolved and developed. Kevin says the emphasis has now shifted to being more about running an ethical business and meeting the needs within the community. Mars Hill is still connected to and supported by the founding body but an acknowledgement of broader perspectives, multiple belief structures and diverse life experiences is at the core of what they do now. He adds that whilst this shift has challenged the relationship with the founding body, it still recognises that there is a benefit to being in the community, to providing a space that’s engaging, providing a space for musicians and poets and a space for artists to exhibit. For many regular customers Mars Hill has become their second lounge room, a neutral space where they can connect with others in their community. There is an understanding that the values and intention behind the original concept are still there, and that moving away from an overt faith focus has opened up this experience to a broader audience.

Mars Hill is run primarily by volunteers with around twenty involved at any one time. Kevin estimates that around two hundred people have been involved in this capacity over the past eight or nine years. Each volunteer commits to a minimum of one shift per week, and if they are asked to come in for an additional shift because they are needed, they are paid for the extra work (“Properly, says Kevin, “as an ethical business with tax file numbers etc – unlike many in the hospitality industry”). The volunteers are recruited through word of mouth and are usually already coming to Mars Hill for events and informal activities before committing to a volunteer role. The approach is to purposefully mix up the types of people who are rostered to work together. Some work full – time and volunteer in their spare time, others are unemployed, grappling with complex issues in their lives and in need of support. Kevin explains that this approach changes people’s opinions and beliefs about others who may be different from themselves.
Mars Hill has purposefully never publicised that it is a volunteer run organisation and has a careful philosophy of not stigmatising people and not being badged as providing a social service. Nonetheless, for those experiencing issues in their lives, having a place where they can come to work and focus on productive and positive experiences is hugely valuable.

Another core philosophy is reflected in how service in the cafe is organised. Kevin explains that counter service only is provided as it is important that all staff have time to have conversations with people visiting the cafe, and aren’t caught up in just waiting on tables. As the enterprise matures it is considering whether and how to provide some formal training and support for volunteers in performing this role.

Similarly, in the early days Lisa was the volunteer cook but they quickly recognised that this took her away from spending time with people. Because it is much more difficult to attract a volunteer to this type of role, an agreement was reached with the founding organisation to provide short term funding to take on a part-time cook as a paid position. This role has been covered by trading revenue since the agreement finished, and other than Kevin’s role (which has been externally funded to date) the cook has been the only paid staff member.

However, some of this is set to change as in 2009 Mars Hill was successful in being awarded a Commonwealth Jobs Fund grant of $368 000 over two years. This is providing funding to employ some core positions that will assist with securing Mars Hill’s longer term sustainability. An Arts, Music and Jobs Fund Coordinator will focus on developing the events and entertainment activities so they begin to generate some revenue. Mars Hill is positioned at the high quality end of the coffee experience and takes great pride in its own Jumping Lama blend of ethical coffee, in the quality of its coffee products and in Kevin’s role as a national barista championships judge. A new Head Barista position will formalise the training program and create the necessary linkages with a Registered
Training Organisation so participants receive accreditation. In addition, a new coffee carts project developed in conjunction with Parramatta City Council will expand the paid positions and training opportunities available, as well as generating additional revenue.

These new positions will also distribute some of the considerable work load carried by Kevin and Lisa. Kevin notes that being an ethical business it has been important that the ‘crazy hours and high commitment’ don’t impact on the families of those involved. ‘Otherwise all the social good achieved through the cafe is undone in the home’. That said, the family has ‘lived and breathed’ Mars Hill for many years. Succession is hard for Kevin to imagine at this point but he readily acknowledges that at some point he and Lisa would like to shift their focus and some of their time to other ventures. In particular he’s interested in focusing more on training, but the hardest part will be finding someone with the right blend of skills and attitude needed to successfully run the Mars Hill social enterprise.

The complete involvement required by an enterprise like Mars Hill has seen people come and go over the years. The make-up of the board has reflected these shifts, with the original concept developed by a group of friends moving to many present board members being recruited for specific skills and networks. But all who have been involved along the way have been regular customers of Mars Hill first and then sought to deepen their involvement. At present a stronger focus on financial sustainability is being assisted by a board member with experience running a successful family business, and proper tracking and reporting systems are being established.

Many supporters and partners have been instrumental in Mars Hill’s establishment and development. These range from funding provided by the Parramatta Leagues Club, to a band that established the Orphanage Sessions (the first regular cover charge gig) and the NSW State Library which uses Mars Hill as a heat venue for the State-wide Poetry Grand Slam competition.
In the past eighteen months or so Kevin has also participated in the Parramatta Social Enterprise Hub program – an initiative of Social Ventures Australia and Parramatta City Council – and more recently was amongst the first cohort of students graduating from the newly established Australian School for Social Entrepreneurs. These experiences have developed specific and specialist skills and, just as importantly, connected Mars Hill to a growing and vibrant network of people who understand the model.

Moving forward Kevin is looking at further developing the Jumping Lama ethical coffee blend, with a number of other outlets beginning to carry the brand. One of the current staff members is interested in establishing a coffee roasting enterprise distributing high quality ethical coffee into the Western Sydney market. Mars Hill doesn’t want to become a roaster itself but this presents a growth opportunity through a collaborative project.

Kevin also spends increasing amounts of time advising and training others interested in establishing enterprises like Mars Hill. A previous staff member is in the early business planning stages for a community cafe in Telopea, Common Grounds Community Cafe is up and running in Laylor Park, and Kevin has also assisted the Mount Druitt Community Enterprise Hub to set up its coffee equipment and operations. In this role he is careful to provide a reality-check about how difficult running a social enterprise is, and particularly a low-margin food-based enterprise. But after many years of hard work Kevin and Lisa can boast some success. They’ve survived nine years in a hugely competitive sector – the premises next door has had seven restaurants come and go in that time.

One of the challenges Kevin sees ahead is reconciling Mars Hill’s core philosophies of not stigmatising people and respecting their confidentiality with the need to report on outcomes as part of the Jobs Fund agreement. The need for accountability is understood but the team is concerned about the dehumanising effect reporting can have on people. They feel it’s critical that
Mars Hill doesn’t lose its position as an active, vibrant place in the community through a focus on these aspects. Kevin is also keen that Mars Hill begins to better reflect the diverse culture of the Parramatta region, in particular the Indigenous and Middle-Eastern communities, and is looking at ways of creating links with these communities moving forward.

In reflecting on the journey so far Kevin suggests that an earlier focus on building the sustainability of the business, including the representation of skills on the board, would probably have meant less stress along the way. But he’s philosophical about this, suggesting that maybe it couldn’t have happened earlier anyway and that now is a good time to consolidate and really focus on developing the potential they have laid the groundwork. After all the ups and downs he is still passionate about the power of an ethical business model to build community. JM

Website: http://www.marshillcafe.com.au/
Mu’ooz Eritrean Restaurant & Catering

The first a-la-carte African restaurant in Brisbane, Mu’ooz provides training and work experience to refugee women from Eritrea and neighbouring African countries, aiming to improve cross-cultural understanding in the local community. Mu’ooz empowers disadvantaged refugee women by allowing them to earn their own income, learn new skills and to integrate into the wider community. Before starting as a restaurant in 2008, Mu’ooz had been operating food stalls at festivals and had also established a catering service.

Mu’ooz is an incorporated association forming part of the Eritrean Australian Women & Family Support Network Qld, whose management committee administers the enterprise. Between the restaurant and the catering service, around fifteen paid staff members are employed, all part-time except for the manager and the chef. Most of the women working at Mu’ooz are from Eritrea, though women from other African countries are also employed (97% African origin, 3% Australian). Mu’ooz has a management committee, but founder Saba Abraham acknowledges that more skills are needed on this committee to help with decision making. Currently Saba makes all operational decisions regarding Mu’ooz and consults with the committee only as needed, when new issues arise. Aside from the restaurant and catering service, Mu’ooz also engages in advocacy. Currently in place is a cultural program for high school students, who come to the restaurant and talk to the women about refugee and settlement issues, issues on which they then complete assignments. Mu’ooz is hoping to expand this program as it allows the women to demonstrate what they are capable of, and creates opportunities for the students to learn about African cultures and about refugees.

In establishing Mu’ooz, Saba sought to provide flexible work
opportunities to refugee women from Eritrea and neighbouring countries. The vast majority of these women have limited language skills, do not work and lack confidence. These factors, coupled with family commitments, restrict their ability to obtain full time employment in the mainstream workforce.

Saba advises that a catalyst for the social enterprise idea was a program run by the Brisbane City Council which funded planning for micro-finance projects. Other early funding included: a $5 000 grant from the Gambling Community Benefit Fund, a $2 000 grant from Foresters Community Finance, a $1000 loan from Foresters, and an $8 000 grant from Moorooka Council. In 2005, Mu’ooz partnered with Spiral Community Hub to apply for a Federal Government grant; after a two year process, they received $125 000 to assist with establishment. After a year of running as a food stall, Mu’ooz was granted a further $22 000 by Brisbane City Council to extend the business. In 2006, a $23 000 grant from the Gambling Community Benefit Fund funded the purchase of a van. By this point Mu’ooz had also generated a $15 000 profit and, as a result, they were able to purchase catering equipment and pay Saba a wage. Saba asserts that ‘if you come with a clear idea and commitment, there is support’ and that making specific requests is more successful than just asking for assistance in general.

Partnerships have played a pivotal role in Mu’ooz’s development, particularly in relation to training. With the help of the Qld Department of Education & Training, Mu’ooz was able to provide four months of training for twenty two women; training which the women received free of charge and for which they were also paid. Saba explains that this training was crucial, as the women were unskilled, and being paid acted as a major incentive for them to get involved and to stay committed. Further financial and business mentoring has been partially funded by Social Ventures Australia. Spiral Community Hub continues to play a major supportive role, helping with administration, marketing and accounting. Since March 2008, Mu’ooz has by
and large covered its own operating costs, though it continues to receive funding for training through various channels.

Mu’ooz has been hard hit by the recent economic downturn. Saba explains that people spend less money but more time at the restaurant- and she still has to pay her workers. The restaurant is located downstairs without a street front and Saba feels this has compounded the recent difficulties and is looking for another location to open a second restaurant. She admits that initially the focus was on the cooking and she didn’t realise what all the other aspects of running a business would involve. Had she realised how hard it was going to be, she might not have had the courage to do it, but at the time, she thought it was worth having a go. At this stage, the business would probably fold if Saba were to leave. The issue of succession will be discussed at the next AGM, to look at who might be able to take up the main coordinating role. Saba hopes to ‘transition’ someone to take over from her, so she can scale back her involvement with Mu’ooz. Saba would also like to see regular training sessions, similar to the initial government-funded program, introduced. With such a training arrangement, Mu’ooz would become a stepping stone for women that would assist them to find permanent jobs in the wider community. CK

Update: Front of house basic training is now being delivered weekly to staff, while a new head chef is being sought to fill the currently vacant position. Saba is taking steps to hand over the management of Mu’ooz to a small degree. Despite having gained valuable experience, Saba is clear that the complex role she has been performing requires more than one person to be sustainable. She feels that a small team assisted by a mentor would be a good structure for Mu’ooz, moving forward.

Website: http://www.muooz.com.au/
Incubated by Adult Multicultural Education Services (AMES) and in operation since 2005, Sorghum Sisters encourages healthy eating and contributes to cultural sustainability by providing African staple foods to the community, school students in particular. Maria Tsopanis, AMES’ Enterprise Coordinator, advises that it also aims to address systemic disadvantages faced by refugees living in Melbourne’s Carlton Estate through an increased level of economic and social participation. Currently Sorghum Sisters delivers healthy lunches to students at Carlton and South Brunswick Primary Schools and also operates a successful catering business.

A high rise public housing estate in an otherwise gentrified area, the Carlton Estate’s population comprises a large number of refugees and migrants from the Horn of Africa, by and large from lower socio-economic backgrounds. This demographic is reflected in Carlton Primary School, which Maria and a fellow AMES colleague visited in 2004. While the English classes
Maria had come to speak about did not match the school’s needs, she did discover a lot more about the issues being faced by the school, notably the lack of parents’ engagement in decision-making and an under-utilised kitchen. Maria was able to draw on these insights a few months later when an African community leader from the estate approached AMES. While the leader’s initial proposal for a restaurant, to be set up by a group of unemployed and socially isolated women from the estate, was not feasible, AMES came up with the idea of putting Carlton Primary School’s kitchen to use. Speaking with the community, Maria and her colleagues discovered that many of the women were quite enterprising and were travelling long distances to buy staple African foods, cooking them in their flats and selling them. AMES decided to look into establishing a social enterprise around making injera and other staple foods within Horn of Africa communities. These foods would be sold to families in the Carlton Estate and at the school, as a way of bringing the parent community into the school on a regular basis, making them feel comfortable and helping to break down some barriers. The school Principal was very supportive of the idea, as was the Horn of Africa Community Network; through these partnerships AMES was able to develop close links with the local community.

Maria explains that while the basic vision behind Sorghum Sisters hasn’t changed, the structure of the enterprise and AMES’ level of involvement is different to what was originally envisaged. Initially, AMES had intended to develop Sorghum Sisters as a partnership owned and managed by the women. The plan was to recruit staff and to put them through traineeships, thereby building up their skills and developing the business at the same time. One of the women would also undergo training for a Cert IV in Hospitality and would then go on to train other community members. However in practice it evolved differently, partly due to the amount of time the women were able to commit to the enterprise as they were juggling caring responsibilities and really wanted to work, not to run a small business. Maria also
advises that at the beginning the focus was on the community
development outcomes Sorghum Sisters could potentially
deliver and that business planning wasn’t undertaken at the
start. Looking back and knowing what she knows now, Maria
says the two year time frame was very ambitious.

Sorghum Sisters is a registered trading name under AMES. All
its systems support (payroll, industrial relations, recruitment
etc) is performed by AMES. Reporting to the AMES board
(which occurs on a monthly basis) involves close scrutiny,
especially on what the social return on investment has been.
Overall decision-making sits with AMES management while
operational decisions are made by Maria and the women
through discussion. Regular meetings are also held with staff
involved in all of AMES’ enterprises, to discuss issues and to
share expertise. Based on Sorghum Sisters’ experiences to date,
Maria is currently developing a new business plan, working
closely with the women so they understand and have ownership
over the process. This business plan is being developed with
the guidance of a small business mentor, provided by the City
of Melbourne.

Partnerships have been crucial to Sorghum Sisters’ development.
Above all, Carlton Primary School has been an important
collaborator; without the support from the school’s staff and
access to the school kitchen, the enterprise would never have
succeeded. The Horn of Africa Community Network was critical
at the beginning, given their close links to the community, but
now plays less of an intermediary role as Sorghum Sisters’ direct
contact with the community has increased. An informal yet
significant partnership exists with the Church of All Nations,
which is involved with community development work in the
housing estate and has assisted in developing a pool of casual
workers and establishing further links between Sorghum Sisters
and the community. Outside of its school lunch program, the
majority of catering customers are nonprofit clients. Along
the way, Sorghum Sisters has been aligned with several other
organisations that are working with the same client group and who see the enterprise and the women involved as role models. In addition to providing mentoring sessions to Maria, the City of Melbourne has also been a regular customer, has profiled the business and also funded the launch day for the School Lunches program. Once the new business plan is developed, Maria hopes to tackle social procurement with the council with the aim of becoming a preferred supplier.

Sorghum Sisters pays a nominal fee of $1200 per annum to Carlton Primary School for the use of the kitchen. While it received a Commonwealth Department of Family & Community Services grant in August 2005 under the Strengthening Communities scheme, the start up funding was needed in April and the grant wasn’t received until August. As a result, AMES funded the work to bring the kitchen up to food service standards, and also provided other start up funding. Maria believes that while grants can be useful, government funding can be distracting and often the funding is not for what the enterprise actually needs. In the case of Sorghum Sisters, this was experienced when a community development worker was employed (in accordance with the award of the grant) when what they needed at that stage was a business development position. State government grants for enterprise development have given Sorghum Sisters greater flexibility in how the money is allocated. But rather than relying on grants Sorghum Sisters is instead focusing on customer development; developing a database, refining marketing identity and strategy and purchasing commercial equipment to boost its capacity. Maria advises that this investment is based on the high figures projected for future growth and income.

Sorghum Sisters’ trading income currently constitutes 70% of income. The School Lunch Program breaks even; margins are low but it is sustainable and achieves wider social outcomes both for the women and for the schools. At the start, Sorghum Sisters provided school lunches on one day each week, gradually
developing a low cost healthy eating menu. With demand increasing, the program expanded to more days and eventually to South Brunswick Primary School as well. In its second year, Sorghum Sisters decided to increase its focus on healthy eating in the school community, largely due to the issue of diabetes at Carlton Primary. Currently, the lunch program operates four days a week at South Brunswick and two days at Carlton.

Management realised early on, however, that the income from staple products alone would be very small and would not sustain the business. This led to the idea of establishing a catering service upon the completion of training. As Maria explains, ‘the demand came before the supply’, with many nonprofits in the area ringing and asking if Sorghum Sisters could cater. The catering business took time to launch, with menus, costing, the use of different equipment and quantity and portion control all requiring attention. Given the small margin, one of the main cultural challenges was teaching women to make smaller amounts of food than they were used to cooking, to avoid waste. AMES continues to subsidise the social enterprise and in 2009, this amounted to approximately $30,000. This subsidy includes Maria’s salary and all other costs, including the chef’s wage. Maria notes that if her salary is removed from expenditure calculations, the enterprise breaks even. There is hope that with a new business plan, it will be easier to approach other funding sources and potentially even social investors. Under the new plan, Sorghum Sisters will try to develop a system to measure outcomes, with AMES currently looking to use Social Accounting & Audit across all of its social enterprises.

With Sorghum Sisters, AMES wanted to develop a social enterprise model that could be replicated elsewhere, particularly in similarly marginalised refugee communities. It was also looking to ‘contextualise’ the English training it offered; based on the outcomes of its own Adult Migrant English program and results from research, it had identified that structured English classes were not well-suited to certain
participant groups. Research also showed that learning English ‘on the job’ would deliver better outcomes than sitting in a class room. Sorghum Sisters would provide opportunities to learn English in the context of work, making language skills more applicable to everyday life. AMES has also been able to use the social enterprise to deliver training for ten women in Certificate III in Children’s Services at the school – which Maria suggests shows a growing belief that skills training adds value to and contextualises English training and thereby produces better results. Using the experience gained through Sorghum Sisters, AMES has also established other social enterprises, including Cultural Cooks in 2008 and three other school-based social enterprises in Westall, Eumemmerring and Kensington Primary Schools. AMES is also establishing a cleaning social enterprise, having successfully obtained funding under the Commonwealth’s Jobs Fund. The Commonwealth Government is also looking at pilots of context-specific English training related to specific potential job outcomes, a direction heavily influenced by AMES’ input.

Sorghum Sisters currently employs one full time staff member, three part-time, six casuals and one volunteer. Initially four women were chosen, all of them parents or grandparents of children at Carlton Primary. They received contextualised training on site from a qualified chef, who is the food supervisor and deals with the catering customers. For the first year, AMES employed women on a paid traineeship basis, which inevitably led to issues with Centrelink, given that most of the women relied on benefits and the income received through Sorghum Sisters was irregular. With reporting requirements constantly changing and the large amount of paperwork required, dealing with Centrelink is still a major issue faced by most staff. The women are now on award wages, under staff contracts with AMES. Once the catering business took off, hours became even more irregular and were determined by demand, but the women are fairly flexible and have learnt to roster themselves around this so jobs can be covered. Maria herself was putting
in two and a half days per week with Sorghum Sisters initially, but now works about half a day to a day per week on the enterprise. As the catering side grows, Maria acknowledges that new staff will be needed, as many of the existing women don’t want to increase their hours. Women from the estate will be given preference for any new positions, though other AMES training programs in the area could be a good source of potential new recruits as well. Many of the staff members are of African background, though women of different cultures have also been involved. Altogether, fifty three women have gone through accredited training programs with Sorghum Sisters, with 70% going on to part-time or casual employment elsewhere. There have been five traineeships, twenty casual cooks, a driver and twenty two residents from the estate trained in food handling.

While she doesn’t see herself as the ‘founder’, Maria admits she has been a strong advocate for the enterprise. She believes that Sorghum Sisters probably would have gotten started without her commitment but that the longevity might not have been there. She describes her role as more ‘advisory’ now. While AMES would be happy to let the community take on running Sorghum Sisters completely over time if it wanted to, there isn’t any specific time frame around an exit at this stage. There is pressure around sustainability and funding but Maria asserts that they’re working through these issues with business planning and there is no push to get out. As she explains, most of the women ‘want to cook, not to be business women, at the moment anyway’.

The women involved in Sorghum Sisters often go out and talk to groups of women from similar socio-economic backgrounds about social enterprise. Maria sees great value in this, as it gives other women a realistic view of what social enterprise entails and also profiles the women as role models. At the same time, she acknowledges that even if other groups were to start in the same way as Sorghum Sisters, they wouldn’t necessarily
go down the same developmental or structural path. She stresses the need to be flexible, ensuring that long term goals and objectives can respond to changing circumstances. What she feels is required is careful planning and a ‘two pronged approach’, involving community development and business development aspects progressing together in stages. CK

Update: In May 2010, Malou Pascal Anes took over from Maria Tsopanis as Social Enterprise Manager for AMES, with responsibility for all its social enterprise activities. In 2010, Sorghum Sisters was also successful in obtaining funding through the Commonwealth Government’s Jobs Fund. This funding will enable the enterprise to develop a commercial kitchen and cafe. AMES has recently announced a further five year commitment to the enterprise.

Website: http://www.sorghumsisters.com.au/
A Melbourne-based social enterprise, STREAT has set out to stop homelessness ‘the delicious way’: by providing homeless and disadvantaged youth with supported training and employment opportunities within the hospitality industry. The business revolves around street cafes, with youth receiving hospitality training as they work at food carts. Currently, STREAT operates a food cart in Melbourne’s Federation Square as well as a coffee cart at Melbourne Central. STREAT comprises three core areas: the provision of social support, the training and employment of disadvantaged youth and the efficient running of a business.

STREAT has also attempted to develop a business model that can scale and also be replicated elsewhere.

The idea behind STREAT developed when co-founders Rebecca Scott and Kate Barelle were working for KOTO, a social enterprise in Vietnam running a training program and restaurant providing Vietnamese street youth with hospitality and life skills. Their experiences in Vietnam exposed Rebecca and Kate to a vibrant street food culture and also illustrated to them the power of social enterprise to improve the lives of the most vulnerable. Prior to launching STREAT, Rebecca conducted
extensive research on social enterprise and undertook a study tour of seven countries, visiting social enterprises and building on what she had learnt in Vietnam. Following this research, according to Rebecca, “everything evolved so quickly”.

Along the way, there have been some fundamental shifts in STrEAT’s structure and outlook. While the enterprise has always been about creating training and employment opportunities for young people, Rebecca soon realised that STrEAT didn’t have to be restricted to an intermediate labour market model and that ‘the end point didn’t have to be young people in jobs in hospitality’. She saw the potential for STrEAT to scale, creating more small enterprises and jobs, and, over time, moving to a partnership or equity share model, where the young people would own and manage their own enterprise. Another big shift has been what the social enterprise looks like. While the original business plan assumed that the business would set up a cafe, from which food carts would run, a decision was made to start with the carts alone, avoiding the high overheads a cafe would incur. The economical nature of STrEAT’s street-based and mobile concept was important, given that the business has extra social support costs to meet. While Australia may lack the huge street economy present in many Asian countries, Rebecca says that a number of people in the public sector are increasingly looking at how to use socially inclusive public spaces to increase economic participation. One of the advantages of being a start up business, she believes, is the ability to be flexible and to seize opportunities as they arise. In January 2011 STrEAT reached the milestone of 30,000 customers.
The vision behind STReAT has grown a lot over the past four years, partly due to the partnerships the enterprise has developed. Having mapped out the three core areas of the business, STReAT set about determining what they could do themselves within these areas and what they could partner on. STReAT’s partners are all philosophically aligned with the enterprise; for example, STReAT is partnered with the AFL’s Ladder Program, the AFL’s start-up youth homelessness program sharing similar objectives to STReAT. Partnerships have been crucial to the social support aspect of STReAT’s business: “the young people come with really complex issues, and if you don’t support these, you won’t get the training and employment outcomes”. Initially, STReAT intended to provide case management itself, employing a clinical psychologist and youth workers. Case management is now provided through a partnership with Melbourne Citymission (MCM), which has an integrated unit within STReAT. The partnership was a ‘natural fit’, says Rebecca, since the MCM were thinking about youth homelessness issues in the same way as STReAT were. MCM has also become STReAT’s sole referral agency for young people, simplifying the youth employee selection process and also providing a safety net if employees drop out of STReAT. Other service providers don’t always take (young people) back, but MCM will keeps working with them. The co-location of MCM staff with STReAT has also increased the potential for the organisations to develop other joint programs. The outcome for disadvantaged young people was therefore seen as better if STReAT partnered with MCM, rather than working with several referral agencies. Hospitality training has also been provided
through a partnership, with the William Angliss Institute. Chosen largely for its philosophical fit, William Angliss is also Australia’s only national hospitality TAFE, an important factor given that scaling and replication are the end results STrEAT want to achieve. “With William Angliss, we can go anywhere in Australia, and even overseas”, explains Rebecca.

A key aspect of STrEAT’s partnerships is that partners agree to help capacity build back into the enterprise. Intellectual property is equally shared, with both partners able to use jointly developed programs. While many partnerships have been actively pursued, others have evolved unexpectedly. STrEAT’s partnership with Michael O’Brien Catering was one such instance, initially suggested by a STrEAT board member who works in international hospitality consultancy and who proposed that STrEAT view big service providers in the catering industry as partners instead of competitors. Michael O’Brien, who hold the ten year catering contract for the Melbourne Rectangular Stadium, provide catering services to STrEAT, whose carts often aren’t big enough to accommodate food preparation. In addition, the company grants STrEAT access to its supply chains and, as a large employer who understands STrEAT’s work, is a potential future employer for the young people working with STrEAT. “As an industry, hospitality hasn’t done as much as it could and they recognise that”, says Rebecca. “For them, it’s about being able to demonstrate what they do for communities”. Another factor is that large hospitality tenders are often with the State government, who are increasingly thinking about social procurement. As a result, having STrEAT as a partner can help companies with their bid for a tender. STrEAT has to look carefully at where partnerships will work and to clearly articulate where they won’t compromise; what they seek is a genuine commitment. With Michael O’Brien, STrEAT dealt directly with management and could therefore be assured of top level support. “Structural changes in these big organisations are an issue”, explains Rebecca, “and we wanted to make sure (their commitment) was embedded”.

STREAT has also developed relationships within the social enterprise community. In 2009 it helped set up the Socially Enterprising Foodies, a network of forty Melbourne-based food social enterprises, most of which were unaware of one another. STREAT organised an informal dinner, where the social enterprises were able to discuss their common experiences. Rebecca says that while STREAT doesn’t want to run the network in the long-term, the business is happy to act as a catalyst, helping to organise online forums and more sessions to help kick-start the process of sharing and discussion.

Rebecca herself spends a lot of time talking to people about what STREAT has learnt along the way. She has also shared templates and processes with social enterprises at the earlier stages of development and while this does take a lot of time, Rebecca believes that it is important. “STREAT is the product of a lot of people’s generosity with time and information, so we want to make sure we give this back”.

“Every social enterprise starts with an idea and then a leap of faith”, says Rebecca, and STREAT was no exception. Rebecca and her partner have personally invested over $300 000 in STREAT, as well as years of Rebecca working for no wage, knowing it was money they would never recover. Believing strongly in the project, however, they felt that with meticulous preparation and research, they would be able to find people willing to invest in their idea. In addition to her self-funded study tour of global SEs, Rebecca’s overseas research also involved a funded ethical leadership fellowship from the St James Ethics Centre, through which she visited Asian social enterprises and identified interested overseas philanthropists. The majority of these philanthropists fund international development work in developing countries but had never funded a social enterprise.

STREAT’s initial feasibility study was funded by Danish investors, the TK Foundation. This feasibility study was presented by Rebecca and Kate to the Foundation’s Trustees in Copenhagen in September 2008. The Foundation was not specifically interested
in Melbourne’s homeless youth; rather, it was interested in the scaleable model STREAT put forward. While they wanted the enterprise to start in Asia, Rebecca successfully made a case for Australia based on the level of expertise, partners and the existing social enterprise community that STREAT could draw on. Melbourne in particular was highlighted as the hospitality and philanthropic capital of Australia. Asserting that the replication model would have a better chance of succeeding if the foundations of the enterprise were correctly established, in Australia, STREAT was successful in obtaining most of its start-up funding from the TK Foundation. As Rebecca says, “we always knew that if we got that first injection of capital, it would be easier to attract others: if you come with that sort of capital you’re clearly a serious player”. STREAT went on to obtain funds from other sources, including its first Australian investor, the R.E. Ross Trust, and in 2009 also gained $1.2million under the “Get Communities Working” stream of the Jobs Fund. This funding will support the expansion of STREAT’s street cafes to five locations across the Melbourne CBD. Having seen others struggle because of limited start up funding, STREAT prepared extensively during its long start up period and aimed to have operating costs for a year and a half in hand before launching. For a start-up social enterprise, therefore, STREAT was well resourced. Rebecca admits that looking well-resourced could pose an obstacle to continued future investment, which it will need as a buffer if problems with the business’s cash flow arise. Government funding was STREAT’s last resort, as it wanted more flexibility and discretion in how money could be used within the enterprise. Rebecca stresses that STREAT is nevertheless very grateful for the funding obtained through the Jobs Fund.

STREAT is now mapping its growth strategy and is aiming to rapidly diversify its revenue streams. Rebecca is examining what types of capital the business will need over the next three years and what the potential sources of this capital might be. She admits that there is not much social investment in Australia to date and that STREAT may well be among the first asking for
this type of investment. In relation to its goal of new enterprise development, STREAT is also exploring the structural options available and how these would be financed, without having to rely on ongoing funding.

In the young people it takes on as trainees, STREAT looks for those most likely to succeed amongst the most disadvantaged: namely youth with a level of literacy and numeracy, stability and an interest in hospitality. If any of the trainees drop out, MCM will continue to work with them and will help to find STREAT a replacement. In October 2010, the first group of trainees graduated from STREAT’s program with a Certificate II in hospitality. The majority of the nine trainees are now working in restaurants around Melbourne, with many of them undertaking full apprenticeships. In January 2011 it welcomed its third student intake.

Through its feasibility study, STREAT mapped out what positions it would need and the types and level of skills it would require for these. Apart from the CEO and the General Manager, there are also units with responsibility for social support, training, food service business, marketing and communications and administration. The business has had no difficulty recruiting at a high level; it received one hundred and seventy-five applications for the General Manager position alone, with people from corporate, nonprofit and food service backgrounds all applying. Rebecca explains that many people hadn’t previously realised that they could use the skills they have for a social purpose. STREAT advertised its managerial positions just as the Global Financial Crisis was emerging and found that many people were eager to move into a social enterprise, having become disillusioned with the corporate sector. With STREAT’s middle range pay structure, it is planned that those who came from the nonprofit sector are paid relatively well, whereas those from the corporate sector ‘would be taking a step down’. Currently comprising a core team of eight to ten people (not including the young trainees who stay on to become
employees), STREAT’s staff is expected to increase quickly as it increases the number of carts across the Melbourne CBD.

The enterprise looks for a combination of values alignment, cultural fit and specialist skills in its staff. While she acknowledges the importance of a work-life balance, Rebecca also believes that as a social enterprise, STREAT needs people who are passionate and who think about their work ‘more than just when they clock on’. The business is in the process of developing a dedicated HR unit, to help build a culture that rewards people thinking creatively, promotes a team spirit and that is supportive of the young people and staff. While it seeks to avoid a culture of ‘staff versus young people’, STREAT cannot put this into practice until the young people transition into staff and board positions. In the future, Rebecca wants to see STREAT develop as a highly participatory, egalitarian organisation, though she admits that this will become harder as the business grows and people are spread across multiple sites.

The assessment of social impact is seen as a tool that can be used to STREAT’s advantage, helping to determine where to place resources and how to leverage the time she and other staff invest in the business. Given that Rebecca and Kate both have a background in research, measuring impact has been a key part of the thinking behind STREAT from the beginning. STREAT has chosen the Social Accounting & Audit methodology to measure the social impact of its work, a method that will sit within the broader research framework the business is developing. The research framework will aim to capture data from the young people when they first come into STREAT, so that the program’s impact can be tracked. Given STREAT’s focus on replication, its data collection tools are not unique to Australia. This also means that STREAT’s data can be easily cross referenced to data collected by other organisations globally.

STREAT is also going through the process of developing its first Social Accounts, with Rebecca hoping to report annually on the indicators the business has developed, to ensure transparency.
She also wants to share what STREAT has learnt, recognising that there are not many Australian examples available of experiences in social enterprise. She puts this down to the tendency for many people to conceal failures or incomplete projects, focusing on only the positive stories in order to attract funding. While Rebecca admits that it can be hard to find time to measure impact and to document findings when running a social enterprise, she asserts that it is pointless “spending all your time on something and not knowing if you’re doing it well”.

Having seen what can happen to a business when the founders stay on for too long, Rebecca is also starting to build succession planning into the organisation. While it’s too early to say when she’ll leave, Rebecca is determined to ensure STREAT will never be in a position where it would collapse if she was no longer involved. Already grooming the general manager to take over, Rebecca says that while she finds the start up phase of an organisation invigorating, if it ever felt like ‘business as usual’, she would be bored and ready to move on. Having said that, she admits that STREAT is the sort of organisation with which new and interesting developments could keep happening for a long time. Given the business’s focus on scaling and replicating, there will also be constant new challenges. In the longer term, Rebecca envisages the establishment of a STREAT “Brains Trust”, comprising Kate and herself, as well as a core group who’ve been intrinsically involved in STREAT and know how the business was built. This group would have high level oversight of STREAT, working on the establishment of new projects and potentially advising on matters such as the feasibility of new locations. CK

Website: http://streat.com.au/
Abbotsford Convent

Abbotsford Convent is located four kilometres from Melbourne’s city centre on almost seven hectares of land. The eleven heritage buildings on the site are the legacy of the original Sisters of the Good Shepherd settlement, which was founded in 1863. The entrepreneurial Sisters started with one house and gradually established a self-contained settlement that provided its own food and operated a number of enterprises, such as a large industrial laundry. The approach taken to its mission to look after wayward and fallen women was a reflection of its times. Maggie Maguire, the CEO, advises that it was a separatist settlement with ‘lots of gates and keys’ and that the Sisters’ enterprises were often in court for undercutting competitors’ prices, which they were able to do through the use of free labour. The site has many stories to tell about these early years and some of the ‘girls’ and their families have sought compensation from the Order.
In 1975 the Sisters sold the site to the State Government, recognising that a social isolation model was not the best way to rehabilitate women. The State Government gifted it to the La Trobe and Lincoln Universities for twenty years, but it was eventually returned as the costs of operating the heritage site were prohibitive. It was at this stage that the story of the current Abbotsford Convent social enterprise began. When the State Government advertised that the site would be sold to a group of developers (or ‘destructors’, as Maggie calls them) who planned to build multi-storey apartments on the site, a group of local community members conceived and offered an alternative solution.

The Abbotsford Convent Coalition (ACC) fought against the development plans for seven years, through numerous court proceedings and challenges. The members went to their networks and developed partnerships to secure professional expertise, from lawyers and real estate agents who provided major pro bono support, and a huge community campaign was mobilised. The vision for the site evolved from heritage-based arts and tourism precincts that had been visited in Europe and elsewhere. After a massive effort by the ACC and its supporters, by 2001 the project had secured in-principle support from the State Government. The Abbotsford Convent Foundation (ACF) was established as the legal entity to manage the project, and in 2004 the title for the land was formally transferred in what is now recognised as one of Australia’s highest profile community asset transfer cases. In 2005 the northern part of the site was added to the original title, to be retained in public ownership. The site is Crown Land and ACF now leases and manages it on a perpetual basis.

With the transfer, the State Government committed $4 million in seed-funding and the City of Yarra added a further $1 million. These funds were primarily allocated to getting the buildings and grounds into a state where they could be used, as some of the buildings had been derelict for forty years. For the first
twelve months the ACF had to close the site to the public in order to focus on these major works. Maggie reports that at the end of this stage the site was a ghost town, the gates were locked at five o’clock every evening and people were not using the space.

Today the vision is to be a unique arts, cultural and learning precinct and to be a community resource, an incubator for creativity and the sharing of ideas, and a place of enjoyment. The Abbotsford Convent site has twelve thousand visitors per week and is open seven days a week. Maggie reports that development is years ahead of the plan and that it’s still growing fast. She’s justifiably proud when she says ‘and it could have ended up another gated apartment community covered in car parks’. As activity builds, security is becoming more of an issue, with some incidents of vandalism, but the ACF is committed to
maintaining access in keeping with the public ownership of
the land. Maggie stresses that community outcomes are always
a top priority, ‘otherwise we’d be just a bunch of old buildings’.

The agreement with the State Government included a clause
that precluded ACF from taking any further funding from the
State Government and from borrowing against the site’s assets.
The venture was viewed as highly risky and Maggie notes that
this unusual clause was originally intended as a safeguard
to ensure the State would not have to ‘bail it out’ if it didn’t
work. This has meant that financing has been challenging but
Maggie also suggests that it has meant ACF has had to ‘grow
up fast’. No entry fee is charged, as the site is owned by the
people. So developing viable revenue streams has been critical
to surviving the early years and growing to realise the vision.

The major income earner is rent. Whilst the bulk of tenancy fees
are kept very low to provide opportunities for artists, because
there are over a hundred of them, the rent adds up. Many different
types of artists work out of the site and this diversity has been
deliberately fostered. They are all expected to contribute to the
site’s community, not just use it, and one of the questions on the
application form specifically asks about this. Not surprisingly
there is a register of people waiting for these tenancies and
Maggie advises that they are looking at inserting a clause into
the tenancy agreements to ensure they have a way to manage
the community contribution commitments made by tenants.

Small business start-ups and nonprofits also make up some of
the tenant profile, and these pay an inexpensive rate, whilst the
more commercial businesses pay ‘high street’ rates for access
to spaces. Some tenants are individual practitioners, and some
are much larger – such as the volunteer-based Community
Radio station 3MBS. A Wellbeing Wing has been established,
with complementary and holistic therapy practitioners working
from a series of what were previously nuns’ cells. Maggie sees
this as a broader interpretation of the term ‘culture’ on the site
and the careful attention paid to creating a unique experience
is reflective of the ‘curatorial’ approach Maggie has taken to the site as a whole.

This approach is also clearly evident in the events strategy, which is also a key income earner. Maggie notes that ACF doesn’t produce the events and that they have been very specific in choosing which events to allow to access the site. In particular, it is critical that the event will be unique in some way, that the organisers are interested in holding the event at the Convent over a number of years, and that any event is site specific or site responsive (eg. a puppetry performance telling the story of the Sisters and the girls). The Convent isn’t positioned as a site for performance in general, but as a site for artistic research and development. It becomes intrinsic to the event’s development, with a clear reason why it would be held at the Convent, rather than being hired as just another venue.

Maggie notes that this curatorial approach required some hard calls and steely determination at times. It would have been easy, especially during the early stages, to ‘take all the boring events that came along’ just because they would have provided a steady income stream. Similarly, some potential tenants that came with offers of funds to restore buildings have been turned away. She admits it was often tempting, and that the Board’s willingness to take risks has been a big factor in remaining true to the vision. The truly unique space created is now being sought out.

Some of the events held regularly include: the world’s only Crime & Justice Literary Festival; a Writer’s Festival; the Victorian Vegan Festival; The Push; the Victorian Government’s Annual Youth Music Festival; and the Australian Opera Festival. A number of smaller, regular events are also held, including: a monthly Sunday Arts gathering, where artists come to sell and talk about their work; the monthly Shirt & Skirt market, for emerging Australian apparel and accessory designers, which has quickly grown to fifty stalls and draws big crowds; the monthly Slow Food Farmers Markets; and, over summer, a
Friday night Supper Market, which brings together arts, crafts and food from migrant and refugee communities. Maggie advises that the large events provide a good income stream, and whilst the smaller ones usually end up not making much money they achieve other social objectives.

ACF also provides short term venue hire and clients include (for example) a group of women who come together to sew, and a number of corporate and government clients who regularly hold meetings there. Maggie stresses that these spaces are not ‘flash’, with data projectors etc, but that the spaces are interesting and the client gains access to the whole site – with its coffee shops, gardens, artworks and ambience. A function space is in high demand by brides, and this aspect has been outsourced, with the venue hire coming back to ACF and the Function Space Manager earning income from the flowers, catering etc.

Revenue earned from the car park across the street is another significant stream. Volunteer community members come out each Saturday to do the marshalling and ACF donates 20% of the income generated annually to the Collingwood Children’s Farm located next door. Maggie advises that they will also shortly install a donations box, and she feels that the community is ready for this as the value of the site is now recognised and it has become an integral part of local people’s lives. Many residents jog, walk and relax in the gardens and see it as very much part of their community. She hopes the donation box might help pay for some of the 170km of toilet paper they go through each six months across the site!

Tours are also provided on site and these are delivered through a partnership with a group of volunteer tour guides. Because each guide has a different interest the focus of each tour varies – religious history, architecture, arts etc. A rigorous selection process is in place to ensure interesting and committed people are engaged in these roles and the tours return a good income to the ACF. A lease has also just been signed for a new shop
that will sell Abbotsford Convent merchandising and the work of tenant artists. Maggie sees this as the next stage in ‘being grown up’.

Maggie advises that in 2005/06 the social enterprise’s operating profit before depreciation and grant income was ‘in the black’. An economic impact analysis has confirmed that once the site is fully operational it will become self-sustaining. Maintenance funds will be generated by the new leases and a sinking fund will be established. At that point any further funds sought will be only for major capital refurbishment works.

However at this stage the income streams aren’t generating enough revenue to bring the buildings up to compliance standards and to do the major maintenance works that are ongoing (eg. overhauling a very old plumbing system). Works on one of the buildings have just been completed, and this was funded through a Commonwealth Government grant that was matched with philanthropic funding. A Myer Foundation grant funded the works to finish another building. These sorts of injections of philanthropic funds have been targeted at the building upgrades; being heritage listed and very old, renovating each building is an expensive exercise. Maggie is clearly happy that two buildings were completed in 2009 and will soon begin generating an income. ACF was also successful in receiving $1.75 million from the Commonwealth Government’s Jobs Fund towards work on the final building, but Maggie advises it will cost $8 million to complete it so they will be looking for potential partners who can contribute to this. Arrangements such as being a free rent tenant for a period, in return for financial contributions, are being considered.

As each building is brought ‘on line’ careful attention has been given to how it interacts with the rest of the site to protect the heritage values and integrity of the space as a whole. One building provides a space where people can come and watch artists at work, and has a retail aspect to engage people further. An area that had been earmarked for commercial rental
to architects has been reassigned to take up an opportunity to lease it to the local Wurundjeri Indigenous Council. The projected rental was lowered and the original owners of the land are now housed on the site. They have become an integral part of the community and once fully established will deliver language classes and other cultural activities.

Whilst ACF doesn’t see itself as an incubator specifically, it has played this role with a number of community cultural development organisations and this lends itself well to the wider social purpose. Having access to the site and leases has fostered a number of organisations as well as collaboration between organisations on site. For example, the tenant Interact is a school in visual and performing arts for adults with a disability; Lentil As Anything, one of the cafes on site, provides training and opportunities for refugees and also does joint projects with Interact; and the onsite Bakery hosts an annual exhibition of the Interact students’ work. And a number of small to medium community cultural development organisations have grown too big and have moved out to external tenancies.

ACF is also playing a key role in developing the Abbotsford locality as a significant ‘place’ in Melbourne. It has consciously developed relationships with neighbouring organisations, such as the Collingwood Children’s Farm next door and the Early Learning Centre nearby. Maggie explains ‘we are helping to look after the community’. In the early days this was also evident in the working relationship with the City of Yarra, which established a working party for the project and provided office spaces and other support to the ACF team. The Council co-funded the economic impact study and a monthly meeting is still held with Council staff, where issues are tackled together. It has also invited developers to visit the site to stimulate their thinking about how to integrate arts and culture into new developments.

The ACF is currently run by ten full time staff, four part time staff and twenty-four volunteers. These oversee all the works,
all the events and functions, the visitors, the tenancies etc. Maggie is quick to compare this to the Melbourne Recital Hall, which is housed in one brand new building (no maintenance or refurbishment issues), doesn’t program its own work and has approximately sixty paid staff. When La Trobe University managed the site it had seven full time gardeners; ACF has two part-time gardeners and volunteers. She suggests they are able to run this ‘lean ship’ because it isn’t there to ‘build an empire’, it’s there to establish a community. Local community involvement in volunteering and other activities is testament to this. Maggie says its ‘like a village here now, but one that’s connected to the community not shut off from it’.

The staffing model has evolved organically as the ACF has grown. A venue-hire role was created when it became obvious this was needed due to the level of income being generated by this activity. A Tenant Liaison Coordinator was established in a similar way, and is responsible for coordinating all the tenant issues and ensuring they are handed to the right team members, for issues ranging from policy to building maintenance. Now that there are over one hundred tenancies, a weekly tenants’ newsletter is also distributed to ensure everyone receives the latest news and has the same version of information.

Most of the staff come from arts backgrounds and have arts degrees, but not all. Maggie stresses that ACF isn’t solely an arts enterprise, it’s actually primarily a landlord. The Business Manager came from working in a golf club, and apparently he is fascinated by the diversity and ‘all the crazy things that happen in a day’. The team put in long hours and work very hard, because everyone is dedicated to the vision. Maggie advises that the retention rate is high, despite a limited salary budget, and there is a strong culture of internal promotion. Several staff who began in administrative roles have been moved into other areas, and Maggie notes that staff who work in administration get to know everything about the organisation and all the people involved and are therefore a great asset.
Constant requests for student placements can’t always be met as there is neither the space nor time to accommodate them.

Maggie’s own background has brought diverse experience to a diverse role – she’s owned a restaurant, been a theatre director, and worked in community building. These non-linear career paths are often seen in successful social enterprise practitioners as the work is so varied. Maggie describes going from a meeting about door knobs, to a marketing meeting, to a tenants meeting, to a meeting about types of grass to plant, to writing funding applications, to liaising with community and board members. She says ‘it’s what makes it so great, but it’s also a challenge’.

Maggie suggests that such challenges mean there’s definite potential for leaders in the social enterprise sector to burn out. It’s important that Boards support these roles and in ACF’s case the Board has demonstrated tremendous commitment. There is a difference between support and getting ‘operational’ though and Maggie says it took about six months to shift the early-days culture and build confidence so the Board felt it could trust the team and focus on governance matters.

There are ten board members with a mixture of community focus and business focus, with the main areas of professional expertise covered. Four members of the ACC remain on the Board and have brought great continuity. Interestingly, when the ‘fight was won’ the main driver of the ACC sold her house around the corner and moved to New Zealand. Maggie advises that she was exhausted and had to get away, but has been back to visit and spent the whole time very excited about what has been achieved.

Maggie reports that the Board has ‘healthy’ meetings. They hold a substantial quarterly meeting, with an operational and a strategic paper from Maggie and papers from the team. In between there is a conversational meeting, where a set topic is discussed more informally – for example a ‘hot topic’ of the minute or a staff member might attend and discuss their work in more detail. The
Board also receives an occasional bulletin update from Maggie. She advises that she has Chaired and sat on a number of boards herself and says ‘you can’t expect a Board member to be engaged unless you give them regular information’.

Whilst she feels personally very responsible for the site, Maggie acknowledges the role that the Board and team have played in ACF’s success to date. The trusting relationships and long-term strategic approach have enabled a strong vision to be established and for this to remain central to decision-making, even when it meant taking risks along the way and to being ‘malleable’ to opportunities that have presented themselves. This approach is evident in the new landscape master plan that has recently been completed – there’s no money to actually implement it, but now there’s a strategy and if an opportunity arises it can be acted on quickly.

Maggie advises that there aren’t any other sites like Abbotsford Convent in Australia as yet. But she has been spending quite a bit of time talking to people interested in the model, particularly of late in Toowoomba (QLD) and in Bendigo (regional VIC). In Europe there is a network of historical monuments that are arts and cultural precincts. ACF participates actively in this network to learn and share. Maggie has identified sharing the knowledge arising from this and from the ACF experience to other sites in Australia as a way to spread the impact nationally.

Evidence of the social impact of the ACF is palpable on the site, and Maggie advises that local stakeholders are increasingly recognising the site as the ‘jewel in the crown’ of the locality, and that it is returning significant value to the local community. Tangible evidence of this is seen in real estate listings citing proximity to the Convent site as a significant sales feature. Whilst ACF hasn’t begun formally tracking its social impact as yet there are plans to start work on this in the consolidation stage. To date all resources have had to be prioritised towards getting the buildings refurbished and the site operational, and as they don’t have a parent funding body there hasn’t really been
a strong driver to focus on this to date. Maggie acknowledges that this ‘on your own’ model to start-up has been terrifying at times, but ultimately has afforded enormous freedom to develop the community vision for the site.

Maggie reflects that at the core the vision was a good idea. It came out of the community and people have ‘stuck with it’. She says the original ACC members laugh at some of the issues they face now, that they could never have dreamed of and that are indicators of success. For example, a commercial bread manufacturer tried to give its products away free at a Slow Food Market. As Maggie asserts, “The fact that the commercial businesses want to be here that much is testament to our extraordinary success”. JM

Website: http://www.abbotsfordconvent.com.au/
Living in an area with a sizeable retired population, Samantha Jockel noted the isolation of many older women, stemming from their lack of involvement in the economic and social life of the community. Recognising that the elderly have much to contribute, Samantha launched Biddy Bags in 2007, with an aim to value the skills and abilities of the ageing population and to give them a continued valued role in society. Biddy Bags focuses on economic participation, the sharing of skills and intergenerational contact, with women working on a paid casual basis to make bags and to conduct workshops.

Biddy Bags is a Company Limited by Guarantee, with a small board comprising Samantha, her sister and a friend. In practice, however, Samantha makes the decisions regarding the enterprise. While this structure works fairly well for Biddy Bags, as it is currently small, Samantha explains that starting up a national social enterprise in Australia is difficult, due to the absence of a suitable company structure. Given the current
need to register the company name in each state, Samantha suggests that there is a need for a new structure for social enterprise that isn’t as complicated but which still ensures transparency and accountability.

Biddy Bags currently employs six paid staff and two volunteers. The ladies are employed on a product by product basis and are paid for each product made, in addition to receiving over half of the profit of each product actually sold. Samantha herself works part time for no wage. One of the key hallmarks of the product is that the traditional knitting and sewing skills of the ladies have been adapted to modern designs, that are attractive to a much broader audience.

Samantha has had several business ideas in the past but her concept for Biddy Bags was the first to garner enough support to encourage her to pursue it. The difference that even a small amount of money (e.g. $25-$300 per week) could make to a lady on a pension was evident, as was the social benefit that could result and the skills she could share through workshops. At first Samantha had imagined that the women would get together to knit products but soon found that many of the women preferred to work alone and saw interaction with younger people through the workshops as more beneficial. Biddy Bags is now paid to conduct workshops and the products have also diversified; nevertheless, the vision behind the company is very much as it was at the start.

Having little business experience, Samantha successfully applied for the Young Artists Mentoring Program with Youth Arts Qld. She obtained a one year mentorship, with Aleem Ali from Speak Out (now Human Ventures) as her mentor. Human Ventures has since been a major partner, contributing around $10 000 in pro bono input, including the design of Biddy Bags’ website; and with Aleem personally supporting Samantha in technical areas and in establishing networks. Youth Arts Qld has also played a significant role in providing Samantha with useful contacts.
While Biddy Bags had the right company structure and was theoretically an ideal candidate for grants, Samantha, being young and unknown, found it difficult to obtain funding. She secured a $5000 grant from the regional arts development fund and $1000 from a community fund for materials. Yet these amounts were not sufficient to cover the start-up costs so the bulk of her start-up funding came from a $10 000 grant from a Uniting Church Mission Fund. Samantha explains that while she had been reluctant to rely on this option, given her close connection to the church community and the funding committee (her husband being a Minister), there were few other avenues of funding available. The grant was specifically for the making of the first two hundred bags and paying wages and this, in addition to Human Ventures’ support, meant that when Biddy Bags launched, it had a fully operational website and two hundred bags in stock.

With very few social enterprises focusing on the social inclusion and meaningful engagement of older people, there has been a high level of interest in Biddy Bags’ work. Products that people can relate to, strong support networks and consistently good publicity have been crucial to Biddy Bag’s ongoing success. Adopting the structure of a social enterprise has also meant that funding bodies don’t drive Biddy Bags direction and that Samantha can continue to make decisions herself. Accumulating profit almost from the onset, Biddy Bags has covered its costs with around $25 000 in grants and the rest through its own revenue. Project based commissions from art galleries in NSW and Brisbane to produce items that complement exhibitions have also been a source of revenue. While no formal assessment of social impact has been undertaken, Samantha asserts that she can see the financial impact Biddy Bags has had whenever one of the elderly women is able to afford something she couldn’t have prior to earning an income through the enterprise. Similarly, she believes that the workshops Biddy Bags conduct have created a positive social impact by encouraging intergenerational contact and building a sense of community.
Samantha says that if Biddy Bags wanted to grow, it would require a significant grant and changes in management to produce more stock and to employ more staff. But she says that she isn’t sure whether growing indefinitely is the right way for Biddy Bags to go as the production process is so unique. She finds it hard to imagine being able to achieve the level of engagement with the ladies and the quality of the product if they were trying to produce at a large scale. Samantha suggests that sometimes the work of an individual person can’t be replicated and scaled and that this is an issue that needs to be considered in the nonprofit sector as a whole. CK

UNBIASED.
WORLDLY.
FRIENDLY.
JUST LIKE THE MAGAZINE.

FROM EVERY $5 ISSUE, VENDORS EARN HALF.

THE BIG ISSUE
The Big Issue in Australia

The Big Issue Street Magazine Enterprise provides opportunities for disadvantaged people to improve their circumstances by selling The Big Issue magazine. The publication and sale of the magazine is only one of The Big Issue Australia’s activities but remains the largest source of income for the organisation.

The Big Issue was first launched in the UK as a magazine in 1991. A response to the growing number of homeless people in London, The Big Issue magazine presented selling the magazine as a legitimate alternative to begging: “from victim to vendor” in the words of the founder, John Bird. From the magazine grew a wider organisation that now also targets the underlying causes of homelessness and supports magazine vendors in housing, health and financial matters. In 1996, this model was brought to Australia, with Graeme Wise and The Body Shop key drivers in the establishment of The Big Issue Australia. In its early days, The Big Issue Australia was essentially an off-shoot of the Body Shop and continues to have only limited contact with the original UK organisation. At first, The Big Issue (Australia) magazine was published on a small scale and sold only in Melbourne. It has since expanded but the vision and ethos behind the magazine have remained consistent: publishing a product that is attractive to customers but which also assists the people who are selling it.

Not all magazine vendors are homeless, though the vast majority are unemployed or unable to hold down steady employment. The Big Issue has no ‘check list of criteria’ for its magazine vendors and it is understood that if someone approaches the magazine asking for support, they usually need it. Vendors pay for copies of the magazine up front, though there is a closely policed system which occasionally allows for small amounts of credit. The Big Issue’s offices and outlets such as The Body Shop serve as collection points, where vendors purchase copies of
the magazine for $2.50 each and then attempt to sell for $5. The amount vendors earn from magazine sales varies: some only sell a few magazines while others are more entrepreneurial, selling hundreds and generating a sizeable income in the process. According to magazine editor Alan Attwood, however, selling The Big Issue magazine represents more than just money for the vendors. It also provides them with a sense of purpose and, given that they are interacting with the community and working instead of begging, it raises vendors’ self esteem. The Big Issue also employs vendor support staff, to ensure that vendors are not competing at the same locations and also to assist with problems in relation to health and housing. Alan says that vendors don’t often move on to better employment, given that the same issues that have led them to sell the magazine prevent them from entering mainstream employment. One of the main advantages of selling The Big Issue magazine is that vendors can work their own hours. Many long term vendors have accepted that this system works for them and don’t seek employment elsewhere.

While the wider organisation has received several government grants, The Big Issue magazine has by and large been self-sustaining. The Body Shop has remained a crucial partner. Alan admits that for a long time, the magazine would have folded if The Body Shop had backed out. To reduce its vulnerability, the magazine has made a concerted effort to bring in more partners and supporters over the last decade. Advertising revenue is another source of income, though Alan says that nurturing lasting partnerships is favoured over the constant pursuit of advertising. The advertisements that do appear in the magazine vary, with some companies paying regular prices for advertising space while other like-minded social organisations are often given space at reduced rates or for free. Large firms such as Freehills, Origin Energy and Corrs Chambers have all recently advertised in the magazine, with Alan believing they partly do it to support the magazine and also because they provide copies in their offices to staff. While there is no specific
criteria around what the magazine would or wouldn’t advertise (apart from political advertisements, which are rejected), Alan says that it “would be fairly obvious if something wasn’t a fit”. This became evident a couple of years ago, when Lynx bought a series of double page ads. While they were a big source of revenue, the ads generated protest letters and complaints of sexism from readers. This incident, for Alan, illustrated the clear ideas that The Big Issue’s readers have about what is acceptable, “and it’s a big cost to alienate them”.

The magazine has three full time staff, several part-time employees and a “small army” of regular contributors who are paid for their pieces. “Our contributing writers and photographers are important – they provide content for much less than they get elsewhere, to support us.” While a number of writers and photographers contribute out of support for the magazine’s social purpose, it can also be advantageous to them professionally, given the magazine’s professional standards and reputation. Initially the magazine actively pursued well known contributors, but staff soon learned that people did not buy The Big Issue for this. At the same time, since it is a means for vendors to earn an income, the magazine can’t merely contain ‘rubbish’. Vendors themselves frequently write pieces for the magazine, and are able to attend regular writing workshops. The small editorial department handles the magazine content while administration and accounts are by and large coordinated by the wider Big Issue organisation. “The amount and quality of content we generate every fortnight with the resources we have is pretty amazing”, says Alan. He admits that while it can be a hard sell convincing potential employees to work for less than they’d be earning elsewhere, there are people willing to do so.

The Big Issue organisation has a board, comprising people from a mixture of backgrounds and with different skills. It focuses primarily on governance, rather than direction, and has minimal involvement with The Big Issue magazine. Alan
views this separation of operations as a “mixed blessing”: he
does feel there ought to be greater interaction between the
magazine and the board, given that the magazine is the public
face of the organisation and its main income generator. He also
feels that closer consultation with the board would enhance
discussions surrounding advertising strategy and the magazine’s
future direction. He concedes, however, that the core aim of
the board in relation to the magazine remains aligned with his:
to sell as many copies as possible. During the recent financial
crisis, sales figures did fall, with people increasingly reluctant
to part with their money. Sales of the magazine are constantly
affected by a wide range of factors, including bad weather,
issues with public transport, holidays and the availability of
free newspapers.

Until recently, subscriptions to The Big Issue were not common,
catering almost exclusively to those who had moved out of the
major cities and no longer saw a vendor. In 2010, however,
the subscription side of the magazine has expanded with the
launch of the Women’s Subscription Enterprise.

Approximately forty-six thousand Australian women are
homeless every night, with women also making up 40% of
those sleeping outdoors or in improvised shelters. While
the Street Magazine Enterprise has operated successfully for
fourteen years, street vendors are still predominantly male,
given what the Big Issue organisation has identified as safety
issues and negative connotations associated with homeless and
otherwise disadvantaged women working as street vendors.
Many women’s capacity to be vendors is also complicated by
child care responsibilities.

The Women’s Subscription Enterprise, which was launched
in July 2010, aims to employ disadvantaged women to work
as dispatch assistants and to collate and sort magazines for
distribution. Focusing primarily on libraries, schools, public
agencies and businesses, subscriptions are sold by professional
salespeople and aim to complement rather than compete with
street vendors. For every one hundred magazines it sells, the Enterprise will provide one homeless woman with a part-time job as a dispatch officer in its distribution centres. As more subscriptions are sold, more disadvantaged women can be employed, with revenue directed to women through wages, training and support. The enterprise is developing quickly, with the Melbourne distribution centre having opened in September 2010 and currently employing seventeen women to sort, collate and distribute subscriptions each fortnight. After the start-up phase, it is planned that the enterprise will become a self-sustaining initiative through the sale of subscriptions: an income-generating social business with the social purpose of employing, training and supporting formerly homeless women. CK

Update: At the time of printing, Distribution Centres were soon expected to open in Adelaide and Sydney as part of the Women’s Subscription Enterprise’s expansion.

Website: http://www.bigissue.org.au/
Gideon Shoes was established in 2007 as a small ethical business selling shoes at markets and online for $40 a pair. Gideon was a young Sydney University law student at the time and so the shoe business was managed in addition to his studies. Matt Noffs co-founded the Street Uni, a program of the Ted Noffs Foundation, with his wife Naomi. Demonstrating his commitment to ethical business, Gideon approached Matt wanting to make a donation to the Street Uni of $5 from each shoe sale. They started working together in the evenings with Matt volunteering his time whilst still building the Street Uni program. These early efforts were successful and an arrangement with a large retail chain was secured, and $10 000 was donated by Gideon Shoes to the Street Uni in the first eighteen months.
As things progressed Gideon decided he wanted to spend more time on his studies and establishing himself in his field, but both he and Matt were loathe to let Gideon Shoes just fade away. A solution was found and the Street Uni bought Gideon out by returning all the money donated to date. Matt advises that this approach was acceptable to the Ted Noffs Foundation board as it technically didn’t cost the foundation anything, as it wouldn’t have had access to these funds without Gideon’s donations anyway.

Gideon Shoes was established as a social enterprise wholly owned by the Ted Noffs Foundation and with a social purpose of generating revenue to support the Street Uni program, to provide employment for marginalised young people, and to contribute to the no sweatshop movement.

A successful application to the Commonwealth Government’s Jobs Fund has secured $930000 over two years for Gideon Shoes. Under the funding agreement Gideon Shoes will employ young people from South West Sydney. Matt explains that the balance between expert staff and the pathways positions will be carefully monitored over the first year to ensure the enterprise develops a model that can meet both its financial and social targets.

Matt is also developing an approach that will create interesting and empowering opportunities for the young people. He explains that a shoe is something that they intrinsically understand – it’s something everyone needs and, especially for young people, is a symbol of identity. However, the vision is not to just teach them how to sell shoes to a distributor. Social marketing will be central to the approach and will allow Gideon Shoes to extend the employment and training experience beyond just sales to marketing, media, promotions etc. ‘The aim is not to teach young people how to be employees, but how to be entrepreneurs’ says Matt. With this in mind the core team will be made up of trainers who work with the young people to develop relevant skills and attitudes. This approach is
likely to mean that each young person stays with Gideon Shoes for longer than they might in a more traditional intermediate labour market (ILM) model.

In addition to the employment and training objectives Matt is clear that a core priority for the first year is securing the ‘no sweatshop’ supply chain for the shoes. Before the Ted Noffs Foundation purchased the business the shoes were made in Vietnam. Now they are Australian made. But part of the social purpose of Gideon Shoes is to drive the no sweatshop agenda further. Whilst they are beginning to receive a lot of attention and kudos, Matt understands that ‘ethical’ can be a grey area and that in the longer term it will be critical for Gideon Shoes to really focus in on, and continually refine, what this means through developing and benchmarking against specific criteria. He feels there is a lot of room for improvement, for example eventually manufacturing from recycled materials, and projects that it will take around ten years to fully benchmark ethical shoe production. Matt suggests that at present other businesses are ‘just scratching the surface’ with little accreditation in place and that Gideon Shoes presents a unique opportunity to highlight the issues and present a sustainable business approach to doing things differently. Through a social marketing and entrepreneur driven approach he plans to drive greater awareness of the power of consumer choices and make these choices transparent in the market place.

The Ted Noffs Foundation board has shown a high degree of risk tolerance and innovation in how it has responded to the opportunity presented by Gideon Shoes. Non-traditional decision making can be seen in the approval to buy-out the enterprise, in supporting the Jobs Fund application and in accepting that, like most start-up businesses, it may be up to five years before Gideon Shoes returns any surplus and begins contributing to the Street Uni. As with most nonprofit entities, capital is utilised in program delivery, rather than accumulated as a commercial business would do, and therefore there will
be limited reserves to draw on during the establishment phase. And as Matt is quick to point out ‘it costs money to make money’. This is a challenging scenario for anyone governing in the nonprofit sector. Both Gideon Shoes and the Street Uni generate positive public and media interest in the work of the Ted Noffs Foundation and the willingness of the board to ‘give some rope’ can be attributed in some part to this.

The support of the board has been critical to Gideon Shoes progressing as far as it has. However, the skills required to govern a social enterprise are different from those needed in a foundation or traditional nonprofit setting. Matt has received considerable advice and pro bono support from some significant business people to date and will be establishing a Steering Committee for Gideon Shoes in the near future. Matt considers support from the CEO of Mounties, Greg Pickering, Phillip Adams AO, and the owner of Street Press Australia Craig Treweek as instrumental to Gideon Shoes’ success to date. In particular, simplifying the ideas and prioritising activities have been areas where their input has been very useful to date. The steering committee will operate under the umbrella of the foundation but will be designed to provide access to specific business skills and experience for the enterprise. Some key partners, such as Street Press Australia, are also bringing know-how that is assisting Gideon Shoes to hone its market offer.

The management of Gideon Shoes is also going to require a different skill set and orientation to the programs Ted Noffs Foundation is used to running. An Operations Manager position will be established to work alongside Matt and he says it will be important that this person has experience in running a commercial business, but is also passionate about the concept of social enterprise. In the longer term the Operations Manager will be responsible for delivering on and balancing the financial and social outcomes and so this mixture of capability and attitude will be critical to success in the role.

However Matt is philosophical about how to approach
demonstrating Gideon Shoes’ impact. He notes that while reporting to the Commonwealth is part of the Jobs Fund agreement that there are no specific requirements about the method used. He also explains that Ted Noffs Foundation traditionally has a strong focus on data collection and reporting, with robust statistics generated on a regular basis. For Gideon Shoes, Matt feels that it will be important to also capture the qualitative data, the stories of those involved, and not to overcomplicate the process. He also stresses that it is most important to keep in mind the point of assessing impact, which ultimately should be about discovering and spreading knowledge rather than just justifying the company’s existence.

Matt also maintains that to bring about social change, particularly when working with young people, enjoyment must be central to the approach. A lot of the young people Gideon Shoes will work with are involved with crime or drugs, have mental health, education and family-related issues, and are new immigrants or refugees. Matt is clearly excited by the prospect of developing opportunities where they can enjoy their lives, have fun while they learn and work and also suggests that if this isn’t part of the process they won’t opt in anyway. He says these are smart young people who aren’t going to be satisfied with a life in pursuit of a big wage and in many cases the activities that are increasing their marginalisation (such as crime) are chosen because they are more adventurous, more creative and often pay better than the mainstream alternatives. Matt understands that there is an imperative to find jobs for these young people but stresses that just ‘throwing them in a factory’ isn’t going to address the deeper social issues. His vision for Gideon Shoes is to ‘not just teach a kid that he can sell a shoe, make money and become a rich man – but that he can sell a shoe, have a comfortable life and make a comfortable life for someone else somewhere too’. He adds that there’s no point employing young people in Australia to help improve their lives, only to make a young person in China (or wherever the shoes are being made) suffer for that. And if these young people who’ve
had very little fun in their lives can see that they can do this and enjoy themselves in constructive ways – rather than the destructive ways they are choosing now – then you have a real recipe for change.

Matt also reflects that as the social enterprise movement is growing in Australia it is validating and empowering to feel that you aren’t alone – that other people think like you do and understand what you are trying to do. He stresses that it isn’t important that we create more social enterprises in the world, but that enterprises the world over recognise that they could all operate as social enterprises. By making sustainable choices that contribute to a healthy society and environment business models have the potential to drive change on a massive scale. For Gideon Shoes, the objective is to demonstrate publicly and transparently its internal values through the choices it makes as a business. JM

Update: Since the time of interview Glenn Smith has been employed as Operations Manager of Gideon Shoes. Matt advises that Glenn has been instrumental in establishing the enterprise and has the business on track. Glenn comes with experience in social enterprise management, such as at The Big Issue, and this has been of huge benefit.

Website: http://www.gideon.com.au/
Goolarri Media was formally established in 1996, consolidating five years of activity led by the Broome Aboriginal Media Association (BAMA). Activities evolved in line with the interests of the founders and when a television licence was purchased, BAMA recognised this would be an expensive operation and that it would need to branch out into income generating activities to sustain it. Goolarri Media was created with a social purpose of ‘digitising our culture and community’. It does this through radio, television, events management, music, marketing services and training programs. Through these services it provides employment opportunities and pathways, and reality based training for local Indigenous people. Goolarri is based in Broome and has staff across the remote Kimberley region of Australia, an area of 1 million square kilometres and encompassing many traditional language groups.

Goolarri maintains a strong and structural connection with BAMA, with a Heads of Agreement in place and a joint Chair between the two organisations. The Chair serves for four years, providing stability and continuity in governance.
The connections between, and separation of, roles and responsibilities between the two organisations have been considered carefully and enshrined in policy and practice. BAMA oversees the cultural protocols, advocacy and political lobbying, and through policy ensures the social purpose remains central to all activities. The Goolarri management team has jurisdiction over all operational matters. Profits generated by Goolarri are returned to BAMA for allocation to education and cultural related activities, and the organisation’s objectives clearly specify that benefit cannot flow to any individual. For Goolarri’s Managing Director, Kevin Fong, the structure works well as it allows the enterprise to make a profit, but also protects the social focus. There is a strong link but also a separation with the parent nonprofit, and this has been a critical success factor for Goolarri.

Goolarri has developed a convergence model for its internal structure and staffing. This means it operates on business unit lines (e.g. intellectual property, business development, training
etc), rather than the creative units structure common in media organisations (e.g. separate teams for television, radio etc). Kevin advises that this approach creates innovation advantages, both in the market and in the training and development of staff. For staff it means that they get to see their work from beginning to end – creating pride, satisfaction and ownership internally and building a positive culture. In the market it has allowed Goolarri to develop a vertically integrated service offering, with customers and partners often utilising a number of complementary service areas to deliver a project.

Training and development with local community members is central to Goolarri’s purpose and creating pathways into and out of the enterprise that are available and accessible has been a focus. Staff who leave to work elsewhere are welcome to return and often do. Some have worked on big productions, like the movie *Bran Nue Dae* and TV series including *The First Australians* and *The Circuit*. Kevin is clear that this fluidity is considered an asset as people bring important resources – knowledge, expertise, new networks and inspiration – back into the remote region that benefit the whole community. Pathways within the organisation are also fostered, with the vertically integrated service offering facilitating skill development and expertise sharing.

Succession is also being considered with some interested young people being prepared to take on possible BAMA board positions. Kevin believes in creating structured pathways for new perspectives and that an organisation’s leader shouldn’t stay more than ten years. In keeping with this philosophy he is preparing to transition out of the Managing Director role and will ‘go sideways’ into other projects and take on a Director role with BAMA. To facilitate this he is currently mentoring the Chief Executive Officer to take on managing Goolarri in the near future.

Being a proudly Indigenous owned enterprise Goolarri has also put substantial emphasis on developing innovative ways
of working with its staff, who currently number thirty-five, plus twelve regular volunteers. The ‘Goolarri Way’ governs how people work together – we strive for excellence, we are a family, we come with good inner strength, we don’t play politics, we ensure our products and services are continually relevant to our vision, we don’t do anything for just commercial reasons. It’s written down but, as Kevin says, more importantly it’s understood through behaviour and leadership and this has been critical to Goolarri’s development. In some cases staff may come with poor literacy levels or work history issues. Kevin explains that they ‘map the individual’, identifying what motivates them and being careful not to use a ‘three strikes and you’re out’ approach. The respect Goolarri has in the wider community and people’s pride in the enterprise are also strong motivators. Kevin suggests that the strong core values have freed the enterprise up, allowing it to be flexible and responsive as decision-making criteria are clear and well understood.

This strong sense of identity and focus also translates into how Goolarri works with partners. Kevin advised that in the early days there was a sense that the Goolarri Way needed to be protected and there was some reluctance to partner as it would mean giving up a level of control. But as the enterprise grew and diversified into new markets, partnerships became more
important. Now partnerships are evident across the enterprise’s activities, for example: TAFE use Goolarri’s production studio as the market is too small for TAFE to sustain their own; Goolarri do filming for the health promotion work undertaken by other Indigenous organisations across the region; Telstra Foundation is a partner in the Open Learning Centre; Goolarri partnered with Microsoft on developing interactive prototypes, and with Cyberport in Hong Kong, examining encryption programs. Kevin emphasises that partnerships have been sought strategically and specifically to address identified capacity gaps and to open up new markets.

In extending its reach Goolarri is looking to replicate sideways into like-like organisations and activities. The vertical integration model facilitates this approach and the constitution enables the creation of spin-off entities. Kevin notes that this has been key to Goolarri’s commercial success as it has limited the need to extend its own capital expenditure. Currently a focus is on establishing the Kimberley Institute, which will extend significantly on the education and training programs offered by Goolarri. A separate company delivering a newspaper is also being considered.

Goolarri has recently contracted Curtin University to undertake a longitudinal study on its Kimberley Girl program, tracking the girls’ journeys over time. At the time of interview 75 had completed the program and this is having an impact on the whole community. But generally, because Goolarri generates its own operating budget, there isn’t an external requirement to report on impact. For Goolarri accountability is in its relationships and deep connectedness to its community. The enterprise is also highly visible in the region and Kevin laughs when he says people definitely don’t hold back in providing feedback. If for some reason the radio broadcast goes off air for even a few minutes the switchboard lights up, testament to the popularity of the service. Confidence in Goolarri’s impact is clear and Kevin stresses that ‘we don’t need to spend a whole lot of money getting someone else to tell us that’.
Despite the success of Goolarri’s commercial activities Kevin is acutely aware that a longer term core funding solution is needed to ensure BAMA’s community programs continue and grow deeper. If this isn’t achieved the ‘side-by-side’ status of the non-income generating community programs will be impacted. Goolarri’s commercial activities are all designed to deliver social or community outcomes, however it is important that these are provided in addition to many of the non-income generating programs delivered by BAMA rather than being seen as a replacement strategy. BAMA believes that the Federal Government has a central role to play in digitising Indigenous culture and that it should assist with addressing this funding gap. In its lobbying and advocacy role BAMA is in discussions with the Federal Government about developing a more permanent funding stream for its community programs, and is using this opportunity to also highlight the need for development funding for social enterprises nationally.

In looking back over Goolarri’s development Kevin acknowledges that it would have been useful to have had many of the technical aspects of the enterprise in place earlier. As is common in many social enterprises technical processes, policies and the organisational structure all developed organically as need dictated and as the resources were available. However he reflects that if a lot of time and energy had been invested into this at the start they would have had ‘a house but nothing to fill it with’. After fourteen years, the Goolarri ‘house’ is a vibrant social enterprise adding value to its community in significant and practical ways. JM

Website: [http://www.goolarri.com/](http://www.goolarri.com/)
Human Ventures (formerly Speak Out) is a Brisbane-based organisation engaged in communication design, community engagement, enterprise development and participatory arts, using these disciplines as vehicles to empower the most vulnerable members of society.

The organisation established as Speak Out in Sydney in 1995. Originally, the focus was on t-shirt design and manufacture, with the aim of giving marginalised young people the opportunity to access employment and career pathways outside of traditional channels. Over four years a series of successful projects, involving around forty disadvantaged young people, were established. With this success came a fairly prominent profile, leading to contracts with General Pants Co and Levi Strauss among others, as well as widespread publicity in magazines. With its focus on fashion designed by and for young people, Speak Out’s social message was evident mainly in the supply chain, rather than on the retail side. However, it became difficult to run a competitive fashion manufacturing business on shore in Australia, a difficulty augmented by the introduction of the GST and the loss of key staff members. As a result, Speak Out was closed in late 1999, with the business plan and concept left with Alex McDonald (Executive Director of the Wise Foundation). Drawing on his local connections in Brisbane, in 2001 Alex decided that it was worth pursuing Speak Out in a new form.

While the focus was still on disadvantaged young people, the new Brisbane Speak Out would shift its enterprise focus to creative industries, mainly multimedia. Working for Brisbane City Council at the time, Aleem Ali first became involved with Speak Out as a volunteer board member. He explains how Speak Out conducted market research to determine what
would be a viable business enterprise and where the greatest need, in relation to their social mission, existed. The results of this research showed that traditional ‘crisis’ youth services, providing housing, food and clothing, were struggling to transition disadvantaged young people into the mainstream sectors of education, training and employment. Speak Out consequently decided to position itself in the area between the crisis service providers and the mainstream.

Aleem, now the CEO, admits that going into the high knowledge and skills driven industry of multimedia was a risky decision, given that many of the young people Speak Out was working with had only completed up to years nine or ten. Initially, Speak Out was working predominantly with young men, many of whom had been involved with juvenile justice for graffiti related offences. While this group wasn’t specifically targeted, youth justice services in Queensland picked up on the advertising campaign for Speak Out’s first intake and saw the potential, referring ten young men to the organisation. These men clearly had an interest in creative pursuits; what was needed was an opportunity to channel this interest. This led to the creation of Orbit, Speak Out’s creative industry-focused employment and training program, which took on board twenty three young people. Eleven of these participants were then selected to participate in a twelve month full-time traineeship.

When Speak Out re-formed in 2001 as a Company Limited by Guarantee in Queensland, only Alex McDonald continued from the previous board. Alex has since stepped down from the board, which now comprises five people, including Aleem. In addition to this, the board has a couple of ‘critical friends’; that is, people under no legal obligation but with specific skills who provide advice to the board. Legal, finance, marketing and PR advice are provided by these ‘friends’, who may become board members in the future. Aleem says the board has been a real journey, with its composition having changed several times over the years. In some situations, board members had the requisite skills on paper but did not fully grasp how much work was
required in an emerging organisation; in other instances, there was something of a disconnect between some board members and the day-to-day operational aspects of Speak Out. The recent re-branding and re-positioning of Speak Out as Human Ventures have also led to further changes in the board. While Aleem acknowledges there is still a level of development to occur, in terms of bringing new board members up to speed, this poses much less of a challenge than in the past, given that Human Ventures is now well established.

Brisbane City Council (BCC) played a key support role in Human Ventures’ development, granting them a low cost lease for premises in central Brisbane, which the organisation continues to use as its head office. BCC has also been a major client from the beginning, which has made approaching other large organisations, such as the Port of Brisbane, a much easier task for Human Ventures. The Queensland State government is another ongoing supporter, providing $15 000 to conduct initial market research, as well as grant funding for training programs. A three year funding plan was negotiated with the state government, an agreement which gave the fledgling organisation stability but, with its limited duration, also ensured that it would not become dependent on grants for its survival. Funding from the Foundation for Young Australians, the Qld Department of Employment, Arts Qld and from the Westpac Foundation all assisted with further establishing the enterprise. With its 2008/09 net annual trading profit of approximately $99 000, Human Ventures’ trading income currently comprises 36% of gross annual income.

Human Ventures has gone through several stages in its development as an organisation. Aleem explains that in Speak Out’s early days, potential clients were not sure whether it was a graphic design agency with a social mission or a youth service organisation engaging in some amateur graphic design. To address this, key areas of the organisation were re-branded, with the social justice arm named the Speak Out Foundation, the design studio enterprise named Speak Out Creative and a
design studio doing paid Community Cultural Development work named Speak Out Connect. However, they soon realised that by creating the Foundation, they had marginalised the core reason for the organisation’s existence: its social mission. From then on, the different aspects of the organisation were treated as departments under the one Speak Out brand which, in 2009, became Human Ventures.

The switch from Speak Out to Human Ventures occurred largely due to a perceived need within Speak Out to rejuvenate and re-invent the organisation. Aleem explains that they were finding that having an exclusive focus on young people was actually marginalising young people and that there was a need to engage young people more broadly. The original constitution, inherited from 1995, was becoming increasingly irrelevant and, having adopted the focused principles of the youth sector, Speak Out was being restricted as an organisation. By rewriting the constitution, which contained new cross cultural and inter generational foci, Aleem says that the organisation was also able to be clear about what it was offering and to present itself as a fully integrated social enterprise. He believes that the new Human Ventures brand has given the organisation more credibility with corporate customers by eliminating the confusion about whether they are ‘just another youth organisation’ or a truly professional creative services provider.

Human Ventures currently employ twelve staff and eight volunteers. Previously employee numbers have been as high as fifty (including of trainees) but Aleem believes that going forward, twelve to sixteen staff members will become the norm. A finance manager with experience in the corporate sector was recently brought on board and has enhanced the sustainability of the organisation by ensuring that financial systems and processes develop alongside the operations. Volunteers are also taken on by Human Ventures, mostly for their professional skills, while final year university students also complete formal placements.
As part of the commitment to community cultural development, both Human Ventures, as well as Aleem on a personal level, provide mentoring and support to a number of organisations. This is done either pro bono or at cost if there are significant costs involved. Notable examples of organisations that Human Ventures has assisted around design and brand development include Biddy Bags and Black Star Coffee. As an organisation, Human Ventures is trying to focus increasingly on creative industries enterprise development, as well as on Business Babes, an enterprise supporting young mothers to start micro-enterprises.

To measure the social impact of its work, Human Ventures recently underwent a Social Return on Investment evaluation, delivered by Social Ventures Australia. While he found it useful on some levels, Aleem says that it was far too resource intensive and that if Social Ventures Australia had not paid for it they wouldn’t have continued with the process. The flexible process of evaluation did allow them to change the measurements to suit their organisation but this didn’t give them a benchmarked value which they could compare or communicate for external purposes. Aleem notes that another difficulty with the Social Return on Investment model was that it doesn’t differentiate between the government as a funder and as a purchaser; although it was able to accommodate the fact that Human Ventures has legitimate government clients who are not funders. Despite the limitations Aleem advises that the evaluation process was beneficial as it made the staff and board more aware about how they communicate Human Ventures’ value to stakeholders.

The evolution to the Human Ventures model has been a significant contributing factor in Aleem’s continuing involvement. Discussions around succession have been taking place for several years and Aleem believes that the systems are now in place as well as a strong enough reputation to continue to succeed without him. But while he admits to having thought
about going to work for a government body or a larger NGO, he says that the comparative mobility and broader reach that Human Ventures’ has have kept him focused. Human Ventures often works in areas where the government and corporate sector ‘throw money... but don’t actually know what to do’. Aleem suggests that as long as this is the case there will always be a level of excitement around developing new solutions to address social problems. CK

Website: http://www.human.org.au/
Vibewire Youth Inc.

Vibewire Youth Inc. exists to create opportunities and to develop career prospects for young people in media, the arts and entrepreneurship. Founded in Sydney in 2000 by Tom Dawkins, Vibewire started as a university project, organising art auctions, film festivals and media projects to promote youth expression. As the organisation grew, it also developed a focus on supporting youth innovation and entrepreneurship.

Co-Directors (at the time of interview) Annie Le Cavalier and Mary Nguyen explain that when Vibewire launched its website ten years ago, the internet was still under-utilised by young people as a medium of expression. Vibewire.net was conceived as a space for young people to connect and to engage across a range of topics; this then led to the creation of various youth-led projects in the arts and media. As a projects-based organisation, Vibewire soon identified a lack of office space for young people wanting to get their projects off the ground. In response, they established the Vibewire Enterprise Hub, through which office space is rented to young entrepreneurs during the start-up phase of their initiatives. Workshops, master classes, mentoring and practical office support are also provided. Several youth organisations – notably the Oaktree Foundation, Live Futures 2020 and Fundbreak – have occupied the space in the inner-city suburb of Ultimo. The City of Sydney provides ongoing subsidised rent, while seed funding for the development of the Enterprise Hub program came from the Foundation for Young Australians (FYA).

Mary acknowledges that Vibewire ‘couldn’t have survived’ without the financial support and mentoring provided by the FYA and the City of Sydney. Another crucial partnership developed with SBS (Australia’s multicultural and multilingual broadcaster), who gave VibeWire a contract to deliver content on World Youth Day (WYD). The contract facilitated the growth
of Vibewire’s youth media arm, allowing the organisation to recruit a team of sixty young people for two weeks. Mary and Annie admit that SBS took a big risk in taking on Vibewire’s largely unskilled team but it also made economic sense for them to work with Vibewire instead of a mainstream supplier: ‘they got a lot more for their money’, Mary asserts.

However, working as SBS’ ground media team for WYD took its toll on Vibewire, with all other programs effectively being shut down for the duration of the contract. While SBS wanted to continue working with Vibewire after WYD, a decision was made not to pursue it at that point. The Vibewire board acknowledged that major structural changes were required before the organisation would be in a position to handle a long-term sustainable partnership. Rather than seeing it as a missed opportunity, Mary says that turning down the opportunity to continue working with SBS was ‘better than taking it on and not doing it well’ as this approach has protected the organisation’s reputation for the future.

Shortly prior to the WYD contract with SBS, Vibewire’s founder and CEO, Tom Dawkins, left the organisation. His departure had a major impact, given that most of Vibewire’s work had revolved around his passion and vision. ‘A lot of Vibewire was bound up in the charisma of the individual leader’, Annie advises. While Annie and Mary had both been working in Vibewire alongside Dawkins, they had little knowledge of the whole-of-business operations, which were later found to be lacking sound and sustainable structures and management processes. These factors, coupled with dramatic changes in the online landscape since Vibewire’s establishment, quickly set the organisation almost back to where it had started.

Annie took on the leadership during the difficult transitional period, following the resignation of Dawkins’ immediate replacement. Mary joined her as Co-Director in 2009. Under their charge, sweeping changes have been implemented to Vibewire’s structure and operations. Vibewire continues to
operate as an incorporated association, but prefers to operate as a profit-for-purpose organisation than as a traditional nonprofit. Structural change has also involved a shift from being entirely youth run, and taking on very little advice from other parties, to a much more diverse board and advisory network. Annie feels that Vibewire has learnt from past mistakes, where a youth-led board and poor succession planning left the organisation on the verge of collapse. By focusing on restructuring the core of the business and looking for specific skill sets to make up the board, she hopes to make Vibewire a long term sustainable organisation that is not dependent on any one individual. Vibewire is also focusing more on its social enterprise model through revenue generation, with trading income constituting around 40% of gross annual income in 2009. Such a focus was necessary because of the lack of any other regular income sources, with private donations and media contracts coming in only sporadically.

Amidst all the structural changes, however, Vibewire has retained its core mission of providing a platform for youth expression, but because they do not require young people to have any experience, they are therefore constantly searching for innovative ways to balance development opportunities for young people with the delivery of quality products and services. To avoid duplication and to potentially build a youth media support framework across Australia, the organisation is looking at possible collaborations with other peak youth bodies, including the Australian Youth Affairs Coalition (AYACC).

While the social impact of Vibewire’s work has not previously been measured, it is being considered. Important for Vibewire’s Board is determining what they are measuring and whether such measurement will be useful for the organisation, in terms of the time and resources required. Annie was also hesitant to assess the impact of Vibewire’s work in terms of the ‘categories of young people’ affected. She feels that by ‘boxing people’ into categories of ‘indigenous, disadvantaged or disabled’, this
focus is perpetuated in the lives of these young people, even if that isn’t how they want to define their lives. Even though grant funding is often allocated to these specific groups, Mary claims that chasing funding on these grounds ‘does a disservice to Vibewire’s participants’, given that it detracts from the core focus of the organisation. If Vibewire undertakes a social impact assessment, it will be self-initiated, not driven by a funder, and will most likely draw on different approaches to develop a model that works for the organisation.

Both Annie and Mary are clear that keeping Vibewire running has required patience, perseverance and innovation. Staying true to Vibewire’s vision has also sustained them through the difficult transitional periods. Mary stresses the importance of people sharing their own stories about mistakes and failure, arguing that in a risk-taking entrepreneurial environment, it is crucial that people share experiences and that they ‘don’t stigmatise failure’. Through the Enterprise Hub, Vibewire is attempting to pass on its own experiences, to prevent other organisations from making the same mistakes.

With most other programs in the area of youth empowerment and expression geared towards setting up permanent organisations, there is little support for those who want to run short-term campaigns. ‘For most social mission organisations, the purpose of your existence is to remove the need for your work,’ Mary argues. ‘That is the definition of success’. Often what are most needed are fast-moving, flexible and responsive approaches without the trappings of an organisation. ‘Yet the current legal and financial structures available for social enterprise in Australia, are limited and do not support young people aiming to establish anything other than a permanent organisation’. As long as this gap exists, the Vibewire Board believes there is a risk of alienating an entire generation of young people who have the requisite ideas but lack adequate support. CK
Update: Mary Nguyen stepped down as Co-Director of Vibewire in March 2010. In 2010 Vibewire successfully ran electionWIRE.net in partnership with YouTube to provide critical youth perspectives and reporting on the Australian Federal elections.

Website: http://vibewire.org
Breakout Design Print Web is a social justice enterprise engaging in advocacy targeting abuses of authority, particularly in relation to correctional services and mental health facilities. This advocacy work is supported by Breakout’s provision of design, print and web services to unions, community groups and corporations across Australia.

The idea for Breakout started in the early 1970s at a Sydney half way house for recently released prisoners. Founder Brett Collins was himself released from jail in 1980 and became an employee of the half-way house. The house employed five people and was funded by both the State and Federal governments, with Brett eventually becoming Chair of the Board. Yet he soon found that having government funding restricted the advocacy the organisation could engage in; any major criticism of the
government led to confrontations with funding authorities and the risk that funding would be discontinued. Brett explains that to pursue justice advocacy, it was critical that an autonomous revenue stream was established. In 1982, he set up an arts and craft shop, funded through a one-off Federal Government grant aimed at creating employment for ex-offenders that was to be an employment generating enterprise. He admits that there was a limited market for this, with the enterprise eventually diversifying by obtaining commercial cleaning contracts and purchasing printing presses. With the printing business proving to be the most successful venture, the group decided to expand it. He explains that while the purpose of Breakout is its politics, he always recognised that the business had to come first otherwise the organisation would not be able to independently fund its advocacy work. There has, therefore, been a consistently strong emphasis on creating a sustainable and disciplined business from the beginning.

Initially Breakout was an association within the structure of
the half-way house. After Breakout withdrew from the funded half-way house it established as a new un-funded association, and over time transitioned into a workers co-op. The establishment of this structure was supported by a state government scheme, though the conditions they placed on the co-op were not conducive to the independence the workers had hoped for. Breakout eventually bought out the capital provided under the scheme, to pursue a more independent path. The original structure has changed to that of a Proprietary Limited Company, with Breakout’s advocacy arm, Justice Action, embedded within Breakout as an unincorporated organisation. Brett explains that the relationship between Breakout and Justice Action has always been the focus of marketing strategies. Breakout also shares equipment and staff with and spends the bulk of its profits on Justice Action’s criminal justice advocacy.

Breakout received $108 000 in seed funding in 1984, for its first twelve months, under a Federal Community Employment Program. Brett explains that while there was a lot of support to initiate an ex-prisoner employment project, he knew that such funding could only be a one-off given Breakout’s desire for complete independence. The state government scheme which initially supported Breakout invested capital in the workers co-op model; when Breakout moved from this structure, it bought out this capital using funds personally invested by Brett. Brett continues to invest personal money in Breakout (including $200 000 from the proceeds from his house sale); initial difficulties in borrowing through mainstream channels aside, he also sees investing his money to build Breakout as a more useful application of his funds than putting them in a bank. Breakout’s current annual turnover is between $1.5 and $2 million.

Breakout has constantly adapted the services it provides to meet the changing demands of the market. In recent years, there has been a shift from printing to digital media work and, within the printing business, from books to magazines. Over
twenty six years, Breakout has gradually built up industry-specific expertise, allowing it to operate successfully in the competitive design and print industry. While Breakout does target the sectors that receive the benefit of its advocacy work, such as legal firms, it has also sought large commercial clients in the open market. Brett notes that this has been more difficult to negotiate, given the difficulties in navigating internal supply processes, and despite the willingness of management in many large corporations, including Citibank and the Macquarie Group, to support Breakout through printing work contracts. Social-to-social marketing has also become a major focus.

After three years, Breakout started to receive contracts that were too big to perform alone. As a result, ‘Alliance Partnerships’ were set up with other organisations to allow Breakout to handle large volume contracts and also to build up trade relationships. These relationships are based solely on trade, not on social enterprise, Brett explains, with other businesses happy to work with Breakout because of its reputation for reliability. This type of approach is typical in the industry and partnerships are crucial to ensuring on time delivery as work volumes fluctuate. He acknowledges that there have been issues with some clients
expecting Breakout to do all the work itself, especially when the clients are supporting the enterprise because of its social focus. Yet Breakout is transparent about how contracts are managed and Brett maintains that working with other organisations is conducive to the provision of a quality product.

Initially, people came to Breakout through friends, with the organisation later starting to advertise through allied networks. The advertising of positions increased as more people with specialist skills were needed. Around twenty people are employed in the printing workshops, with managers responsible for the various operational areas of Breakout’s business. Given the ever-changing nature of the work, however, the operational structure is continually evolving in response to changes in the industry and in the market. Most of Breakout’s employees are ex-offenders, who receive hands on training in different roles. A mix of men and women are currently employed, with an average age group of thirty five to forty years. Brett explains that employees are encouraged to stay, as this creates stability for themselves and also minimises disruption to the business. As the organisation began to hire people with specific skills sets, some employees hadn’t had an experience of being imprisoned or of mental health issues. However, the underlying principles of openness and directness and allowing people to express themselves and be heard have been maintained. Breakout also employs staff for Justice Action, whose advocacy work is presented as an advertising budget within Breakout’s accounts.

Brett acknowledges that the current structure of Breakout depends a lot on him personally; while this structure probably wouldn’t work for other organisations, it has worked for Breakout for twenty five years. There have been several enquiries about setting up something similar to Justice Action in other states, supported by social enterprises like Breakout. Seeing itself as working for the general community, Breakout makes a point of sharing material and advice with other organisations. Brett explains that ‘succession in a straight line’ isn’t necessary and that the focus is on ‘spinning off’ other related organisations.
An example is the establishment of the Women In Prison Advocacy Network (WIPAN) in 2007 by an employee of Breakout. While WIPAN deliberately began at arms length from Justice Action, by setting up as a separate organisation it was able to gain the support of women’s organisations that may not have supported Justice Action’s wider-reaching work. Brett says that Breakout is now at a phase where it is trying to have the business arm running as smoothly as possible so that it can continue to expand its political activity, especially in the areas of mental health, privatisation of the prison system, juvenile justice and women’s issues.

The expansion of Justice Action’s advocacy role has seen the organisation being asked to speak on behalf of NSW, Australian and New Zealand’s prison populations before various government committees and councils on prison reform. Justice Action’s key achievements have included its exposure of the miscarriage of justice around the Hilton Hotel bombing, the defence of the right to vote for prisoners nationally, and its successful lobbying of the NSW government to move the control of a prison hospital to the Department of Health. Brett believes that Justice Action’s success is proof that in pursuing a social focus, accountability to a community network is far more effective than having to report to an external funding organisation.

More broadly, Brett believes that by starting with the focus of justice advocacy and building the social enterprise behind it, Breakout has been successful in keeping its vision central to all of its activities without sacrificing its independent voice. Even though Brett has legal control over Breakout, he doesn’t need to exercise this and, as a result, there is a strong sense of group ownership over the enterprise. This, coupled with a disciplined approach to business, has made the Breakout model one which several similar groups are seeking to replicate. CK

Website: http://www.breakout.net.au/
In 2000 Denis Moriarty established Our Community, a Pty Ltd social enterprise with a specific purpose of providing advice, tools and training to Australia’s community groups and schools and creating practical linkages between the social sector and the general public, business and government. A fully integrated social enterprise, Our Community’s social purpose is its core business.

The original concept was borne out of the founder’s combined experience in the social sector, and particularly with nonprofit boards. On one side he recognised a growing frustration with the inefficiencies in nonprofit governance and management, and on the other had first-hand experience with how resourceful nonprofits can be. At the same time the ‘technology revolution’ was in full swing and he saw opportunities to improve the functioning of the sector through this. And for Denis, founder and Managing Director, a course at the St James Ethics Centre
helped clarify his values and how he wanted to translate these into his work life.

At that time there were few facts and figures on Australia’s social sector available but an early analysis conducted by the late Professor Mark Lyons identified there were 700,000 organisations spending $54 billion per annum. These statistics reinforced that this was a sector in its own right, and one that required its own specialty products and services. There were also obvious benefits to be had from sharing learning and practice across the sector. In particular, Denis had an interest in democratising access to information and wanted to provide services that would build the capacity of small to medium community organisations.

Research into models in place in the UK and US identified that supporting infrastructure for the social sector could have a big impact and that this was sadly lacking in Australia. But Denis was clear that the entity needed to be autonomous and self-sustaining, and therefore couldn’t be dependent on grant funding. The concept planning had shown that whilst Our Community would never make a lot of money that there was strong potential to break even, whilst delivering quality capacity building services to the sector. This was identified as an ideal scenario for a social investment approach.

Our Community has had six social investors over its ten year history, providing $1.7 million in capital. Five of the six were secured by the Chair, Carol Schwartz AM, and her reputation and enthusiasm for the concept played a major role in this. She had experience with running her own family foundation and businesses, and with the issues that short-term grant funding creates for the sector. She had an interest in building capacity and, in addition to being a primary and long-term social investor in Our Community, has acted as Chair to the Board for ten years. Rhonda Galbally AO became Our Community’s founding CEO. Rhonda came with considerable media and public profile and was highly respected for her past endeavours.
To match the needs of the commercial structure with the social purpose, Denis knew from the outset that he would need a different kind of board. This has been kept deliberately small and tight over the years, and currently there are three members (including Denis). Three of the social investors were also keen to be involved and attend and contribute to board meetings in an ex-officio capacity to this day. Denis notes that this close level of engagement with the social investors has been key as it has meant, when tough decisions had to be made, that they knew and understood the business. They each have experience in both the commercial and social sectors and this perspective has also been useful.

Eventually the plan is to return the original capital but to date no financial returns have been generated to the social investors as a business decision was made to build the enterprise, and the free content and services. Their close engagement with the board and Our Community’s activities has meant that the social returns being generated are very real to them. Consequently they have been less concerned about financial returns than they may have been otherwise. Denis notes that without this, during the tough establishment phase, they could have required some sacrifice of the social purpose to achieve a stronger financial position in the short term.

Denis advises that for five years it was ‘touch and go’ and there were times when he didn’t draw a wage. About five years ago a significant profit could have been returned, but only through cutting the staff base and dramatically reducing the free content available on the website. Denis notes that as a social enterprise financial returns will never be Our Community’s primary focus as it is passionate about all the non-commercial services it offers and any surplus is directed into funding these. It has only started returning a surplus in the last two years, before that all income went into covering operational costs. During that time, the initial capital investment acted as a back-up pool that covered the gap when there was a shortfall between incomings
and outgoings. The small surplus now being returned is being reinvested into developing new and innovative resources.

The social investors hear about the good work through their own networks, reinforcing their commitment and Our Community also receives on average a staggering 400 emails per day with feedback on its services from the sector. The commercial sector would surely envy this level of engagement and it is testament to the relationships developed with the constituent base. This kind of ‘real time’ data guides the development of programs and services, providing a simple mechanism for assessing effectiveness and keeping staff very close to constituents needs. Denis notes that he is often asked about more formal social impact assessment and advises that if there was a lot of money to spare he might hire a researcher to do some qualitative and quantitative assessment. Because grant funding is not a core driver for Our Community and as it has a high level of commitment from its social investors there has been no incentive to go down this path. He’s realistic when he suggests that if he had a spare $50 000 there would mostly likely be other more pressing priorities for the money anyway.

Our Community has made some significant contributions to Australia’s social sector over the past ten years and Denis advises that partnerships are core to the model. When public liability insurance was first introduced in 1994, in response to members’ feedback on the difficulty with obtaining the required insurances, the team worked with the Queensland and Victorian State Governments on a survey that identified that from a relatively small sample of the sector, $34 million in insurance premiums were being bought and not $1 was being paid out on claims. Over 1800 community organisations completed the survey, which required them to provide five years of detailed insurance history. This led to major pressure on the insurance industry to better accommodate the requirements of the social sector. This was Our Community’s first big piece of advocacy work and led to new government
and local government cooperative schemes being established and provided State and Federal government treasurers the data needed to push the insurers for reform.

A key project has been working with the banking sector on developing specific products for community organisations. With every community organisation having a bank account and with $54 billion being spent in the sector every year the lack of specialised banking products was recognised as significantly impacting the capacity of the sector. Our Community saw that the banks did a lot for small to medium enterprises in the commercial sector but weren’t recognising the social sector as having unique needs, nor the potential market this represented. Originally Denis approached NAB to partner but the response was to offer a donation indicating it was viewed as a ‘charity’ project, not what Our Community was looking for. There was also a cultural hurdle to overcome, with there being a sense of it being considered a bit ‘grubby’ to see the social sector as a potential market.

Eventually Westpac was approached, and Denis notes that in the first couple of years there was a similar response. Finally one staff person – the critical intrapreneur – understood the concept and saw the potential. It is still a work in progress, but six years on Westpac now has a social sector banking division and is developing financial products tailor-made for the social sector. It has also been a key partner in the development and promotion of Our Community’s Giving Centre (Give Now website), which handles the back end processing of online donations for 1800 community organisations at no cost so the full donation is received by the beneficiary, providing over $16 million in donations. Prior to the establishment of this, only the five largest charities in Australia had an online giving presence and this piece of infrastructure has enabled a diversification of funding streams for many small – medium community organisations. Westpac also now provides free resources for treasurers and runs the annual Treasurer’s Awards, and has
recently launched Financial Literacy Week with free training available to community organisations. Over time this will have a big impact on the sector’s capacity through improving its financial management capabilities.

A similar starting point is seen in Our Community’s partnership with Australia Post. It was identified that small – medium community organisations aren’t good at marketing themselves, and so an approach was made for assistance with resourcing this area. The idea was that the more the sector marketed itself by post the more business Australia Post would receive, a clear business proposition. It took three years before the concept was grasped, and again credit is due to a lateral thinking intrapreneur. Australia Post now sponsors the Marketing Media & Post Centre section of Our Community’s website, including funding a journalist to prepare fact sheets and other free resources.

A new partnership with Telstra has seen the recent launch of the Get Connected Join Up program which links potential volunteers with community organisations. The health and wellbeing benefits of volunteering are a core message of the program and a partnership with the Pharmacy Guild of Australia is helping to promote it through 5000 pharmacies across the country. Pharmacists provide information to people they feel might be in danger of becoming a bit isolated (such as new mums), who can then search by postcode for organisations in their area. This approach clearly demonstrates Our Community’s philosophy of linking with a partners’ core business, moving the program out of the charity dimension.

Most recently Our Community has established its own Foundation and the Giving Centre will become part of this. With a small surplus now being generated Denis advises that the time was right to take this step. In the future surplus will go to fund the foundation’s work, including establishing a grant funding pool and other capacity building activities. And with the recent launch of Smarty-Grants, a new software service
product with the potential for more commercial returns, the future is looking bright for continued sustainability of the non-commercial programs that are critical to delivering on Our Community’s purpose.

Denis reflects that ‘not believing their own publicity’ has been a key factor in Our Community’s success. Ensuring the products and services are very practical, pitched at a level that is useful to the constituent base, and highly accessible is at the core of this. He’s also philosophical about where they’ve experienced setbacks, such as in the failed negotiations with NAB. Ultimately this meant they were in a much stronger position to negotiate with Westpac and helped refine what they were looking for in a partner.

He also has some interesting reflections on Our Community’s financial journey. Originally the business plan identified that $3 million would be needed, but they stopped at $1.7 million from social investors and designed the enterprise accordingly. Looking back, and with the difficult years behind him, Denis feels that having less at start-up has been a positive for the organisation. He thinks that if they’d had the extra they would have tried to do too many things too quickly, which would have impacted on sustainability. It took longer than originally planned, but has given a better outcome in the long run. The extra time has allowed the team to build its credibility, expertise and to develop relationships with the sector and key partners. Denis says, “You can do a lot with a little and throwing money at something doesn’t always solve the problem”. Our Community’s philosophy is not to waste money, not to be ‘measly’ but not to waste. For example staff do all the office cleaning to save money on cleaning costs and build ownership – every Tuesday at 10am everyone stops and cleans the office on a rotating roster for different jobs. Denis suggests that this type of ‘lean’ approach is characteristic of successful social enterprises and will be important for Australia’s emerging social enterprise sector and its supporters to consider.
As Our Community enters its second decade it is turning its attention to its longer term future. Succession plans are being developed, processes and systems are well established and a committed staff base has been secured. As the social enterprise model becomes more established and better known in Australia, Denis believes that issues such as the legal structure of the organisation will no longer be as central. Our Community made a decision to forgo the opportunity to seek and receive grant funding and stuck to its guns on this, even during difficult times. With its social purpose, if it had chosen a nonprofit legal structure, it would have been in a strong position to attract external funding. But in the long run working within a commercial structure has forced the team to stay absolutely focused on the core purpose and to develop innovative services and programs. Denis believes that as the sectors continue to converge, ‘nonprofit’, will become widely recognised as just a taxation status rather than a management style. JM

Website: http://www.ourcommunity.com.au
Infoxchange Australia is a social enterprise that uses technology to promote social justice. The enterprise’s initiatives centre around two main objectives: to ensure all those in our communities who wish to access new technology and the benefits that this brings are able to do so irrespective of income, ability, disadvantage or location; and to improve the efficiency and effectiveness of the NGO sector through service coordination and shared information systems. Established in Melbourne, Infoxchange now runs initiatives across Australia and has also supported the development of a similar community based enterprise in Timor Leste.

Working with homeless people on the streets of Melbourne in 1988, Infoxchange’s founder Andrew Mahar discovered that finding emergency accommodation was a major challenge. Without a directory of available beds, ‘the only way to find accommodation was to get on the telephone and call all the housing agencies one by one until you struck gold’, Andrew says.
‘And no sooner had you found appropriate accommodation for someone, than someone else was on the doorstep and you’d have to go through the whole process again’. When a friend suggested he develop a computer database to list vacancies, Andrew immediately saw the possibility of ‘using technology for social justice’.

At the time, Andrew was working for the Inner Urban Regional Housing Council, which applied for and received a small $2500 grant from the Victorian Government to undertake a feasibility study. Computer consultants advised Andrew and his colleagues that they would need between $250 000 and $300 000 to get the project off the ground, an inconceivable amount at the time. As a result, rather than undertaking a feasibility study which was ‘likely to gather dust on a shelf’, they decided to use the grant money to start building the database. With two donated computers and purchased modems, Andrew and his colleagues created the Housing Bulletin Board Network (HBBN) over eight months. While the Bulletin Board was basic by today’s standards, its potential soon became apparent. Often the first port of call in the search for available beds for homeless youth, the Victorian Police was an early adopter of the electronic database.

Andrew and his colleagues soon realised that extending the database to other service areas would make it an even more useful resource. With many homeless people experiencing multiple problems requiring simultaneous attention, employment, counselling and mediation, drug and alcohol and education services were added to the database. By the end of 1995 over seven hundred people were registered service users, the database contained information on over twelve thousand services and the Housing Bulletin Board Network (HBBN) had nine staff.

HBBN continued to evolve and expand its services and activities, moving onto the Internet in 1995. Around this time emerged the principle of the facility becoming
self-sustaining, generating funds to pay for its operations and its future maintenance and upgrade. In 1996, HBBN separated from the Inner Urban Regional Housing Council and changed its name to the Victorian Housing and Youth Information Exchange (Infoxchange). Infoxchange began to act as an ISP for community sector organisations, providing them with internet access, developing and maintaining their websites and setting up State-wide intranets connecting community service providers. The business employed four workers through the Federal Government’s Jobskills program and trained young people from inner city refuges in internet use.

Over the next decade, Infoxchange continued to grow and by 2010, the enterprise was a social sector business registered as Infoxchange Australia Ltd with tax-exempt status. It employs seventy people, with operations throughout Australia and in the Asia-Pacific.

The original Bulletin Board continues to operate online under the name Service Seeker and is Australia’s most extensive community services directory, with information on over two hundred and fifty thousand services. Focussed on bringing users targeted information with minimal effort, it can be searched by keyword, geographic region, specific suburb location, practitioner name, service name or service focus and is available in print and on CD-ROM as well as online. One of the services on offer is to partner with community and government agencies to help them develop their own databases, or to tailor Service Seekers’ interface and content to suit their individual organisation’s needs. This is in keeping with Infoxchange’s creed that social justice is enhanced by using technology to better allocate scarce resources, by ensuring organisations co-operate with each other and work is not duplicated, for example.

One of Infoxchange’s best known initiatives is Green PC, which cleans and upgrades computers donated by over one hundred and fifty government and corporate organisations, installs licensed software and provides the package at an affordable
price with a service warranty. ICT services offers a complete suite of ICT support for individuals and organisations, including internet access, computer support, wireless installations, networking, hardware and software, online support and ICT health checks assessing an organisation’s ICT capabilities and shortcomings, and a help desk providing on-the-spot technical advice during business hours.

In most of its individual business areas Infoxchange competes keenly with other providers, although it has no rivals in the range of its offerings. In the words of Andrew Mahar, Infoxchange has become ‘a fair dinkum business that needs to make a surplus to keep going’. It has ‘the same tensions as any other commercial-type business, except that our processes are different and our surplus stays within the company, and no individual makes a personal financial gain’.

Infoxchange’s most ambitious project has been the Digital Inclusion Initiative, a direct action program aiming to provide affordable access to information technology and IT skills to residents in disadvantaged communities. With $6 million from eleven corporate partners and the Victorian government, Infoxchange has wired up two Melbourne public housing estates, Atherton and Collingwood. Some 1570 computers have been installed, 2,100 residents have received computer training, and 1980 properties have been wired up. The residents get access to low-cost ADSL broadband, low-cost refurbished computers, training in how to use them, access to an on-site help desk and an intranet service that keeps them in touch with what’s happening on the estate.

Not surprisingly, fortifying Infoxchange’s revenue stream became a high priority. In particular, the enterprise has sought to reduce its dependence on government funding, which has fallen from 100% in the beginning, to about 50% early in the decade, to 20-25% currently.

A strategy review in January 2003 noted that ‘government funding submissions are increasingly unpredictable’ and it
was estimated that the loss of key government projects could result in a hit to revenue of over $700,000. Infoxchange had to consider how it could best capitalise on its strengths to generate a revenue stream independent of government contracts, sufficient to make it sustainable in its own right and allow it to invest in R&D and provide seed funding for other initiatives. By 2006 a business plan had identified six core activities (Service Seeker, Web Design and Support, Training, Green PC, Interstate, and ISP Help Desk) budgeted to bring in revenues of $4.45 million for 2006-07 and to occupy a staff of fifty.

While it was determined that the enterprise should continue to invest in its businesses in Victoria, Infoxchange also decided to develop a full service offering in Queensland. This was to be a stepping stone to national and, ultimately, international expansion. However, the plan did question whether this idea was realistic, and noted, prophetically, that ‘staff and logistics issues can be difficult’. At its high point the Queensland Green PC business employed thirty five people. However the 2006 business plan ultimately proved unrealistic. Despite Andrew spending weeks at a time in the Brisbane office, it turned out to be ‘extremely difficult to try to run the interstate offices remotely, to get the culture and the understanding of where we are going as an organisation...to be able to manage this and get the right culture and staff mix happening, we just weren’t able to do it in the end’. Although Infoxchange now has strong activities in other states including Western Australia, Queensland, NSW and the ACT, these concentrate on web-based applications (allowing organisations to share data) and service co-ordination work which do not require a large staff presence on the ground and can be run on a fly-in, fly-out basis.

Despite some setbacks, the strategy of reducing dependence on government funding has worked, and this has allowed Infoxchange to focus more clearly on the communities it wishes to serve, according to Andrew. Relying on government funds raises the question of ‘who are you working for and where does
your accountability lie...’. He says the question is a ‘live one’ for the health and welfare sector. ‘Currently most organisations (in the health and welfare sector) sign their agreements with government, not with the communities they are working in, so (their) accountability is to government not the communities’.

The growth of independent revenues and a reduced reliance on government has been ‘exhilarating’, says Mahar. ‘If we have the dollars to invest ourselves, it gives us a huge amount of freedom to do what we want to do, as opposed to getting government grants which come with strings attached’. In any case, the pioneering nature of much of its work makes it difficult for Infoxchange to tick many of the right boxes for government grants, he adds.

To ensure a sustainable future, Infoxchange has focused on four areas: governance, human resources, a diversified revenue stream, and a succession plan. As the organisation grew, Andrew began to see that ‘if it was going to become seriously viable in its own right, it needed a committee or board of directors with skills in areas we didn’t have – we were just community workers and social activists’. From 2000 he set about finding people who could bring legal, marketing, business management and IT expertise for a board of directors to coincide with Infoxchange’s registration as a company in 2001.

The board, which meets monthly, focuses on issues of operational purpose, including setting and monitoring the organisation’s strategic direction, priorities and values. It also defines the nature of the relationship between itself and the executive director, including setting the boundaries on the executive director’s remit and ensuring ‘that no-one has unfettered powers of decision-making’. An independent board means that Andrew’s vision is no longer accepted without challenge.

Andrew says there is ‘an inherent tension’ between the commercial values of a professional board made up of successful business people and the ethos of a non-profit organisation committed to social justice. ‘Both sides need to
be aware of the different values their professional lives entail’. A 2006 business plan noted the challenge for Infoxchange in balancing the requirements of social justice with the need for a commercial justification for its activities, and ‘trying to recognise the separateness and interconnectedness of the two’. In general, however, Andrew admits that ‘if the key social indicators are going okay, you know the financial performance is going okay, because they are linked’. Success in one tends to flow into success in another: selling lots of Green PCs not only widens digital access in marginalised communities but enhances revenue.

With the board overseeing management decisions and responsibility for day to day operations devolved to a general manager as part of deliberate succession planning, Andrew was increasingly able to focus on projects such as the Digital Inclusion Initiative and ‘Info Timor’. The latter has been set up by Infoxchange as a sustainable ICT social enterprise following the Green PC model, to be run by Timorese staff.

With the support of the Victorian Government, in 2006 Infoxchange created an opportunity for six Timorese students to study in Melbourne and to be trained at Certificate Level III in Information Technology. Learning how to build computers and networks, the students also observed how Green PC was run, in order to replicate the model as a social enterprise in Timor Leste. Info Timor now runs fully functioning computer upgrading workshops similar to Green PC as well as ten computer training centres across the country. Its aims are similar to those of Infoxchange: to address the low national level of technological infrastructure and skilled IT staff and eventually address further issues such as unemployment and the digital divide. While Info Timor is ‘run by East Timorese people for East Timorese people’, Andrew continues to provide guidance and assistance to the enterprise and visits frequently. In addition to Info Timor, Infoxchange has also successfully set up Carbonxchange in Timor Leste. A social
enterprise facilitating the establishment of the first certified Tree Cooperative in Timor-Leste, Carbonxchange is also aiming to create an online carbon trading service between the Tree Cooperatives and those wishing to purchase carbon credits. This sustainable reforestation scheme has the potential to lift subsistence farmers’ income from $AUD180 to as much as $AUD600 a year as well as carrying with it environmental benefits. Infoxchange is distinctive in the Australian landscape in having replicated its model in an overseas setting. CK

Website: http://www.infoxchange.net.au/

The material in this chapter was adapted from a case study written for CSI by Catherine Armitage. It has been checked by Infoxchange for inclusion in this book.

In March 2011 Infoxchange signed a million dollar plus contract with the Australian Institute of Health and Welfare for the purchase of a software licence for an online service coordination tool. The tool is part of the Infoxchange S2S suite of applications and will be used by the Specialist Homeless Services across Australia. This is a significant breakthrough for Infoxchange which has spent the last eight years building these online applications in collaboration with agencies delivering health and homelessness services. It is also significant in that more than twenty years ago Infoxchange was established for the purpose of coordinating bed vacancies in the homeless sector in Victoria and now will deliver a sophisticated online system that will improve the effective and efficient delivery of homeless services.
The Message Stick Group was established in 2004 and includes Message Stick Communications Pty Ltd and Message Stick Carbon Group, a sleeping subsidiary. Message Stick has a core social purpose that aims to promote, encourage and stimulate growth in Indigenous owned businesses and Indigenous entrepreneurship.

Michael McLeod, the CEO, is a member of the Stolen Generation and has personally experienced many of the issues experienced by Indigenous Australians. He notes that Message Stick has both a micro and a macro agenda and that its story is powerful in providing a real and practical example of how barriers can be overcome. At the micro level through Message Stick, he and the team have demonstrated that establishing a successful, financially viable Indigenous owned business in a competitive market sector is possible. In keeping with their vision this has been achieved without relying on any grants or subsidies. At the macro level Message Stick has a three-pronged approach to establishing social infrastructure to support the establishment of Indigenous owned businesses nationally.

Message Stick is majority owned by Michael and its Chairman David Liddiard, with employees also holding shares. Dug Russell, the Chief Financial Officer, has been an integral member of the team since the beginning and comes with a ‘corporate warrior’ background. The commercial model was chosen as it provides flexibility, autonomy in decision making and in itself demonstrates the core aims of the enterprise. Michael and Dug are clear that a successful Message Stick is the best way they can shift thinking about Indigenous business ownership on a broader scale. Similarly, the team is acutely aware of its governance practices and that they are ‘under the microscope’ as a demonstration Indigenous owned business.

Having established Message Stick under a commercial business
structure Michael and Dug didn’t initially consider it a social enterprise. But this has changed as they recognised that the core ‘dual purposes’ characteristic of social enterprises – financial and social or environmental – is very similar to that found in many Indigenous owned businesses, including their own. In fact, they report that 95% of the Indigenous businesses they are in contact with could be classified as social enterprises on these grounds, and also due to the similarity in management skills needed to balance the competing priorities that multiple bottom lines bring.

To achieve the longer term social purpose it has been critical that they deliver on the short term goal of establishing a successful business. Michael and Dug advise that many of their corporate customers have played a critical role during this phase. In particular, taking the risk of engaging in discussions about the ‘real business’, ie. contracts and service delivery, rather than confining contact to their corporate social responsibility programs has been crucial. Moving away from being ‘a good cause’ to becoming relevant as a ‘good supplier’ has been particularly important when people and/or structures have changed within customer organisations.

Message Stick operates in a highly competitive market, not a differentiated one. Michael and Dug note that their aim is not to grow market share endlessly, they have a target number of customers they are aiming for. As a result of this they have a strong focus on relationship building and to maintain their niche are very flexible in accommodating customer requirements. Message Stick prides itself on bringing a level of honesty and credibility to negotiations that has often surprised those used to working solely in the corporate world.

Whilst they would like to employ an Indigenous person into the small staff base they would deplore any tokenistic approach that attempts to ‘socially engineer’ the business, and to date they have been unable to find anyone with the specialist skills required. Michael believes that over time
the skill profile of Indigenous Australians will change as the broader work in supporting Indigenous business development progresses. Similarly the possibility of donating a percentage of profits to Indigenous programs has been considered but it was recognised that this approach wouldn’t fit with the core philosophy of developing alternative income streams that aren’t reliant on grants and donations.

Over time Message Stick’s activities in supporting Indigenous owned businesses will lead to the development of many more employment opportunities and many more independent income sources for community programs than they could ever generate through the enterprise itself. But this approach has required patience as it meant Message Stick needed to be working well as a business before it could focus on its broader social impact activities. This has been challenging on a personal level as in Aboriginal culture, it is natural to give back to your community as soon as things go well. It took four years to prove the concept of an Indigenous owned business, but Message Stick is demonstrating that taking the time to establish strong foundations is critical to tackling entrenched issues of exclusion.

Message Stick is now forging ahead with the establishment of three social infrastructure organisations that will support different aspects of Indigenous business ownership. Together these will create customers for, represent, promote and facilitate Indigenous owned businesses. This is a long term strategy aiming to increase the participation of Indigenous Australians in the national economy and thereby decreasing poverty levels. It requires a sector of resilient and flexible Indigenous businesses that operate well beyond Indigenous communities. Each of the three organisations has been established as a separate entity with a representative governance structure.

The first of these is the Australian Indigenous Minority Supplier Council (AIMSC), which is based on models in operation in the US, Canada and more recently the UK. It has been established
as a Company Limited by Guarantee and has a focus on promoting commercial transactions between Indigenous owned businesses and corporates and government entities. Its establishment has been seed funded by the Commonwealth Department of Education, Employment & Workplace Relations and the NSW Government and a detailed business plan provides the framework for working towards the agreed goal of self sustainability over the three year establishment period. AIMSC launched in September 2009 with fifteen Indigenous owned businesses participating in the pilot program and thirty-three corporate partners signed up. Michael says the key to the success of the program will be in building Indigenous owned businesses that provide products and services relevant to the market, and in developing solid relationships based on quality of supply with the already engaged customer base. In this the participating businesses will be attempting to replicate many of the unique selling points achieved by Message Stick in its operations.

The Indigenous businesses participating in the pilot program are mostly based around the Greater Sydney area and all have an existing business but have been struggling to maintain and to grow. Michael and Dug appreciate that the program will be challenging for them and stress that each of the business owners is demonstrating leadership in their communities and being personally courageous in putting themselves forward into a very bright spotlight.

The second social infrastructure organisation is the Indigenous Business Council of Australia (IBCA) which recently received three year seed funding from Indigenous Business Australia (IBA) and is in the process of establishment. Its role will be to represent the interests of Indigenous owned businesses at the peak body level. The third organisation is in the early development stage. The Australian Indigenous Entrepreneurs Academy (AIEA) will have a focus on Indigenous young people learning about establishing businesses.
Michael and Dug particularly stressed the role of timing in their case. Whilst these ideas had been under discussion for many years it took some major policy catalysts to bring them together. The Apology by Prime Minister Kevin Rudd to Australia’s Stolen Generations was one of these, as was the Closing the Gap policy framework. They believe that these have created a platform that has legitimated other sectors and organisations taking on a focus around Indigenous exclusion. The AIMSC model hinges on corporates and government agencies using their purchasing power to assist Indigenous businesses establish, sustain and grow and this legitimising has therefore been critical.

Message Stick gauges its success through the sustainability of its business and in the achievement of its broader social impact goals. The establishment of AIMSC and progress towards the IBCA and AIEA are clear demonstrations of intent and delivery on its social purpose. Michael and Dug explain that Message Stick is about ‘actually doing stuff’ – it’s not about meetings, donations, sponsorship etc. It’s structural, it’s about changing the ‘nuts and bolts’. They have banished ‘good will’ from their vocabulary as they believe that it will not be enough to impact the deeply embedded issues of exclusion faced by Australia’s Indigenous peoples. They see Message Stick as being in the business of translating ‘corporate will’ and ‘political will’ into action. They stress that for social enterprises to thrive and tackle these and other similarly entrenched issues a vibrant social infrastructure sector is needed in Australia. JM

Update: In October 2010 Message Stick signed a three year conferencing contract with KPMG.

In 2011, a three year contract to do all of Goldman Sach’s teleconferencing in Australia was also entered into.

WorkVentures Ltd

WorkVentures’ origins sit in a series of programs run by a local community church group in La Perouse in Sydney, which began in 1979. Former CEO and founder Steve Lawrence AO advises that it ‘crept up on us almost’. The original programs included a clothes recycling enterprise, a post office agency and vacation care for local children. Peninsula Community Services was eventually incorporated in 1984 so that Compuskill, a computer training centre, could be established. During this period the country was experiencing high unemployment and there were a number of government funding programs available that were focused on job creation. Steve reflects that the climate had a similar feel to that recently created through the Commonwealth Government’s Jobs Fund stimulus package. But he notes that ‘a lot more money was spent then on community sector job creation than has been this time’.

Whilst a social enterprise philosophy was always at the core of WorkVentures, the Compuskill venture in 1984 and Sydney Information Technology Centre (ITeC) in 1986 were the first deliberate attempts to develop an ongoing social enterprise activity to generate employment opportunities. Their purpose was to train people to use computers and to provide services to the community and small business sectors. An early key contact was the founding Managing Director for Microsoft Australia and New Zealand, Linda Graham. She started the business in her garage, but was very excited about Sydney ITeC’s potential to create employment pathways for marginalised people and provided a lot of pro bono support to the fledgling organisation. WorkVentures’ partnership with Microsoft continues to this day.

It was in 1986 that the social enterprise activities really began in earnest. The then Minister for Employment was interested in replicating an ITeC (Information Technology Centre) being run in the UK and funding was provided to establish three pilot ITeCs in Sydney, Melbourne and Perth. In Sydney, WorkVentures built
on the Compuskill program and created Sydney ITeC. One of the program activities was to take the trainees to visit corporate partner sites to see the IT repair workshops. This gave the team a chance to observe how maintenance divisions of many of the major IT companies were being managed, as well as to identify many opportunities for improvements. They also saw a lot of potential repair work that wasn’t being done, as the accepted process at the time was to import new parts rather than repair locally. The ITeC team went to IBM with a proposal to establish a mini-business employing its trainees to repair keyboards. It was a win-win situation and the numbers quickly stacked up. A new market was created and around the same time a shift towards local outsourcing of repair work began in the domestic IT industry. Steve says they were ‘in the right place at the right time’ and offered a niche service that filled a gap in the market.

The early partnership with IBM saw it investing fairly significantly in building the capacity of the business, known as SIRC (Sydney ITeC Repair Centre), around quality standards, including its Quality Manager working with the team to achieve ISO accreditation. This critical input came through IBM wanting to support the SIRC team, but was also driven by a hard business case that was testing the outsourcing model. The arrangement was a core business relationship and was not driven by the corporate social responsibility, philanthropic or sponsorship arms of the business. SIRC was part of the supply chain, and the focus was on developing a quality low-cost source.

As the trend around outsourcing grew, a contract with NCR was won and when it decided to close down its national repair centre it contracted the work to SIRC. The arrangement negotiated had SIRC leasing a lot of the equipment from NCR, which minimised the capital outlay required; and favourable (shorter) payment terms were also agreed. This type of practical business-to-business support was instrumental in allowing SIRC to establish and rapidly secure significant market share in its sector. Service contracts with Fujitsu were added to
the widening business relationships and progressively SIRC expanded into more complex technical work such as power supplies, ATMs, and retail electronic scanning and distribution systems, and more recently telecommunications equipment.

Ralph Gatt, SIRC Manager, identifies these commercial relationships that included a capacity building approach as an integral part of SIRC’s development. Because the enterprise had an entrepreneurial style and a focus on employment it was fairly easy for commercial sector companies to understand the model. The original vision was for an integrated social enterprise that provides employment pathways for those excluded from the labour market, using any surplus generated to fund the social programs of Peninsula Community Services, which formally changed its name to WorkVentures in 1991.

When SIRC was established as a division of Peninsula Community Services it was obvious that a practical approach to the electronics training was required, and also that these skills weren’t available in the existing team. Eventually two young men from the navy who wanted to use their electronics backgrounds to train unemployed people came forward. Steve reports that ‘due to their backgrounds they were nervous about coming to work for a ‘churchy’ organisation but decided to give it a try’. They took a twelve month leave of absence from the navy to establish the training team, and eventually took on managing the enterprise. Four of the original team that started in the mid 1980s are still with SIRC.

Staff were also recruited from each of the corporate repair centres that were taken over as the enterprise has grown. It was felt that this was a way for SIRC to demonstrate an ethical approach to managing the retrenchments that resulted from the outsourcing trend. Today SIRC employs over one hundred staff and there is very low staff turnover. Ralph advises that there have been times when a commercial business would probably have ‘cut heads’ to increase its surplus, but being a dual purpose organisation, a social enterprise, they have been
able to ride out these periods and retain and increase the jobs over the long term. He stresses that they are ‘real jobs’ that while people are given chances all team members understand that they have to take responsibility.

A driving force behind SirC realising its potential has been the committed, passionate and savvy entrepreneur found in Ralph. Ralph’s commercial acumen has guided SirC’s positioning in the market and underpinned its contractual relationships. SirC positions itself as a back office service provider that brings a quality capability to its corporate partners’ service offers. It provides ‘engine room’ services and usually works closely with the corporate partner on the bid process. Ralph notes that at that level ‘it’s got nothing to do with social conscience, it’s purely about the business’. Sometimes the contracting party isn’t aware that SirC is involved, as it is positioned as part of the supply chain of the lead tenderer. In one case, when SirC was presented as part of the core bid team, the contract was lost as the contracting party was under the impression that its nonprofit status made it unstable, that it would be unable to meet quality standards, and that its staff weren’t paid award wages. None of this was true, but illustrates the perception issues that social enterprises have to navigate when they trade in commercial market sectors.

The social enterprise model is also evident in how competition issues are handled. Early on it became clear that there were practices in the industry that would be considered unethical, such as third-party suppliers being expected to pay to be included in bids. SirC made an early decision not to engage in this practice and eventually won the market around on its quality service. It is also in the highly sensitive position of providing back-room services to a number of companies that are in stiff competition with each other. Again, the values base of the organisation has guided the behaviour. In some isolated cases there was pressure to release information on competitors from SirC’s considerable databases, but this was refused. One
major customer withdrew contracts resulting in significant financial repercussions for SIRC, and also for WorkVentures’ social programs. But the ethical approach paid off in the long run as it demonstrated they were trustworthy – ‘if we wouldn’t do it for one, it was pretty clear we weren’t doing it for any of the others’ says Ralph. This, together with the focus on quality service, eventually saw these contracts being won back. Ralph asserts that ‘others make the mistake of entering a saturated market – you have to differentiate yourself and pay attention to quality’. This, underpinned by the strong values base and ethical practice, has been the cornerstone of SIRC’s success.

WorkVentures steadily generated surpluses, reaching a peak of $20 million turnover in 2000. After this a number of decisions saw the organisation hit the ‘wobbles’, and it was quickly realised that some of the new ventures weren’t sustainable and were overstretched capital and cash flow. The period of growth and prosperity encouraged diversifying into non-core activities and this, coupled with changes in the external environment (such as with Commonwealth Job Network contracts), meant the mid-2000s was a tough time for the organisation as it had to go through a period of restructuring. Today WorkVentures offers a wide range of IT related training and support programs for socially excluded and isolated communities. The revenues generated by SIRC and WorkVentures’ other social enterprise activities continue to underpin the financial sustainability of the organisation and its social programs.

In 2008 WorkVentures went through its first major succession process with Steve, the founding CEO, transitioning out of the organisation. Steve describes it as the transition from ‘visionary founder to manager leader’ and notes that this is fairly common when social enterprises mature and develop into larger organisations. With twenty-eight years in the role, he’d been considering when the best time for him to move on would be as he’d read a lot about ‘founder traps’ and had also seen other social enterprises run into trouble when they didn’t make the
transition at the right time. In 2007 he became seriously ill and this brought the decision to the fore. A bridging position was offered by the Board and Steve took on the Founder & Social Entrepreneur role for a year in 2008.

Arsenio Alegre had been with the organisation as the Chief Financial Officer since 2004 when he was appointed as the new CEO. He notes that transitioning from a CEO who has been in the role for twenty-eight years is going to be challenging for any organisation, but his view is that WorkVentures has gone through the process reasonably well, retaining a lot of goodwill with those involved. He also believes that it was critical to have active Board involvement throughout the process, which should be handled transparently so that all the stakeholders can take the time needed to adjust to the change. A number of the long standing staff left around the same time and it was acknowledged that the organisation had reached a new stage in its development and needed new skills. Arsenio feels that being an already known entity, part of the existing staff base, helped in the transition process.

Arsenio’s background is in the commercial sector, and he had previously worked in different countries for a multi-national corporation where he was involved in many trouble-shooting situations. He had also volunteered with the Prince’s Trust in the UK and was interested in contributing further to social outcomes. Originally he thought he would stay at WorkVentures for a couple of years as that had been the pattern with his previous roles. But ‘I’m still here’ he says, and it’s clear that he believes strongly in WorkVentures’ mission, enjoys working with the team and tackling the complex challenges the nonprofit sector faces.

There hasn’t been any significant change to the WorkVentures vision as a result of the transition – it’s still about making communities work and, in fact, stronger emphasis has been given to its social impact objective of helping improve the employability of the people it works with, which goes back
to the roots of the organisation. However Arsenio notes that some changes were inevitable and necessary even without the transition to enable WorkVentures to face new challenges and grow.

One of the operational tensions for the organisation over the years has been how to reconcile the internal ethos that was committed to ‘simple living’ with running an enterprise. For the first fifteen years three of the original founders shared one salary, a very practical and real demonstration of the ‘simple living’ ethos through income sharing. Other staff were paid usual community sector salaries and Steve notes that ‘we were quite tight on salaries and probably missed out on some good people as a result’. Whilst this practice served WorkVentures well during the early years, Arsenio believes the current environment requires a different approach to compensation. He says ‘just because we’re a nonprofit doesn’t mean we should assume paying people less is the norm, we need to be able to compete on a level playing field and attract the right people if we are serious about achieving social outcomes’. And he notes that there are different ways of achieving this, that it’s about identifying what motivates a person. For example, providing additional annual leave in lieu of more money may be more attractive to some individuals.

The origins of the organisation were in a local Parish church and an associated income sharing community, but Arsenio notes that it’s no longer faith that drives the organisation. The staff are very passionate and committed to the vision, and it is this commitment to the organisation’s purpose and the outcomes it is trying to achieve that drives people now.

During the difficult period in the mid-2000s it was recognised that a broader set of skills were needed on the WorkVentures Board and a renewal process was started. The current Board members represent a range of skills with the longest tenure being five years. The Board now operates much more efficiently, with meetings every two months that are focused on strategic
issues and operational matters are dealt with by management.

WorkVentures has a six-pronged strategic plan that provides a framework for prioritising and integrating activities across the organisation. Conscious decisions have been made to invest in building the capability to support its growth. Some of the recent changes include a more business-like discipline, with attention on presenting a professional organisation which also helps with changing perceptions of nonprofits. For example, a new website that is driven by the customer experience has been installed.

Over the years WorkVentures has tried a number of approaches to reporting on its social impact, and struggled with juggling the reporting requirements of all its supporters and funders, along with meeting its own organisational learning needs. An internal system that was designed to deliver some sense of longitudinal impact was developed, and customer satisfaction surveys were completed regularly. At one stage they were looking for a funding source to establish a Social Audit team to work alongside the Accounting team. But all of this was difficult to maintain when resources became tight and didn’t progress further. Realising the importance of measuring its social impact, WorkVentures’ current strategies include developing a framework which could be applied across the organisation, and linking all programs to its intended social impact.

Arsenio uses an interesting matrix approach that shows dimensions of sustainability and social impact. By plotting programs and enterprises on the matrix, the relationship between these two dimensions can be easily communicated to a variety of audiences. Arsenio gave an analogy for this – ‘we’re riding a bicycle and the front wheel is our social purpose, that’s what guides us to where we’re going. But we need the back wheel too, that’s what provides the power to move forward’. He says he’s always looking for a balance between the ‘front and back wheels’. Over time, this approach will also facilitate analysis of the balance of focus across the organisation to
ensure it is on track with the overall strategic direction. He reflects that the ideal balance between the two will always be difficult to achieve, but being aware of the tension between these dimensions helps guide decision-making and facilitates communication with a diverse stakeholder base.

Using this model, the social dimension of impact can be further categorised into ‘local and specific’ if the program runs in just one area, or ‘sectoral and regional’, or ‘national and systemic’ (eg. improving a government policy). This provides a visual representation of how a program or enterprise is contributing to a particular impact goal. A program might require investment currently, but has the potential to lead to systemic change so is worth persevering with.

Tackling complex and entrenched issues requires collaboration between many players and WorkVentures continues to build on its track record for working in partnership with other organisations. WorkVentures has partners in all sectors and Arsenio says it’s vital to understand what is important to them. Some relationships are strictly business, while others combine both business and social elements with WorkVentures contributing its social expertise to the community programs of its corporate partners. Arsenio says it’s important to identify where the alignment of objectives between the partners lies from the outset, otherwise difficulties can arise later on. He stresses that if the alignment isn’t there that ‘it’s better to walk away, even if they have lots of funding’. Ultimately the goal is to generate enough revenue through social enterprise activities so that WorkVentures can come to the negotiating table as an equal partner, with as much to offer as it stands to gain.

WorkVentures is one of Australia’s more established social enterprises and its journey into the mature stage of its life cycle is an interesting one for new and emerging practitioners to observe. Steve speaks from experience when he says that it’s much more difficult to create a sustainable business with a dominant social purpose that creates real social impact than
it is to establish a ‘regular’ business. Steve and Arsenio agree that it isn’t enough to have good intentions and creative ideas – good process and clear-sighted strategy are critical because essential community programs are reliant on the social enterprise remaining sustainable and growing.

WorkVentures has a strong tradition of sharing its learnings and contributing to the development of both the nonprofit and social enterprise sectors nationally. It is clear that this role is valued internally and in this way WorkVentures looks set to continue its much-needed leadership role in the sector. JM

Established in 2007, cool nrg International promotes action on climate change by designing, developing and delivering mass scale emission reduction projects in partnership with governments and businesses around the world. The company generates income through carbon sales and through its projects which currently focus on the mass distribution of free energy efficient light bulbs. To deliver on its purpose, cool nrg advises it has developed world leading expertise in programmatic Clean Development Mechanism (CDM) in developing countries, and domestic energy efficiency market regulation in developed markets.

According to cool nrg’s Founder and Executive Chairman, Nic Frances, the company’s primary objective is to act in scale on carbon-reduction issues globally. It also looks for ways to include the poorest members of communities in its projects, which are skewed towards alleviating poverty. Cool nrg’s third goal is to be profitable, though Nic admits that as cool nrg doesn’t receive funding from other sources this is more of an imperative than a goal. To bring about the mass scale of change the company strives for, a profitable business is crucial. Nic advises that ‘we marry those three goals pretty comfortably all the time.

Cool nrg is a privately owned for-profit environmental purpose company with a Board of Directors. Its shareholders include staff, friends and three private investors all of whom have agreed that Nic should retain 50% of the company in order to maintain control of the organisation’s direction. The nature of the Board is such that it is able to change strategy quickly and has a degree of flexibility that Nic believes both nonprofits’ and commercial companies’ boards lack. Nic explains that for nonprofit organisations who want to undertake significant scale projects, the level of financial risk is likely to outweigh the
organisation’s assets and the board would be under a fiduciary duty to prevent such risks from being taken. The boards of commercial companies owe a similar duty to shareholders not to make decisions that could adversely impact on financial returns, even if there is a good social outcome. According to Nic, these financial and social considerations can be balanced in the cool nrg structure.

As a small organisation, the bulk of cool nrg’s projects are undertaken through partnerships. It delivers projects on a mass scale by working with governments, local businesses and other local partners. “The Great British Light Switch”, the largest ever energy efficiency program in the world, was delivered by cool nrg in 2008 through such a partnership. The distribution of 4.5 million energy-saving light bulbs on a single day was carried out by Britain’s large supermarket and newspaper chains for no cost: Cool nrg itself had only three people working on the program over six months. The success of the British project was also attributable to the CEO of Scottish & Sutherland Electric, who backed cool nrg from the beginning. For Nic, this willingness to take a risk was a big move for a commercial company and it is this kind of ‘spiritedness’ that has been vital to cool nrg’s growth. Outside of project delivery, Nic advises that cool nrg generally steers clear of networks and groups. The company is, however, starting to help other groups by leveraging its own resources and investment networks for like-minded activities. Nic also speaks regularly at events about the value of energy efficiency and carbon trading and how these link to poverty reduction.

Given that Australia has been slow to develop an agreed model for carbon trading, Nic admits that the company ‘would be better placed in Europe’. He could not find a bank or body in Australia ‘that understood what cool nrg was doing and that wanted to get involved’. As a result, the company had to go off-shore. A business was set up in the UK and an initial loan obtained from a Dutch bank, with a Dutch company supplying
light globes. Family and personal connections have, however, kept cool nrg in Australia to date. It was through these personal networks, and Nic’s own investment, that cool nrg sourced its start up funding and investment. ‘When people are investing significant amounts of money, they will mostly invest firstly in the person, then the idea, then the level of return’, Nic suggests. Having had good experiences investing in Nic’s previous initiatives, several friends and contacts were willing to invest in the business. Cool nrg proved to be a financially sound investment, with investors getting their money back within a year, as well as receiving a share in the company. Furthermore, earlier investors were interested in social investment in broad terms and were happy to help achieve the company’s social outcome benefits.

Social investment has also been the driver of cool nrg’s Luz Verde, an energy efficient lighting project in Mexico. Operating under the UN’s Clean Development Mechanism, Luz Verde is being delivered on the ground by Mexico’s two largest hardware chains. Previously, the high cost of electricity had meant that the poorest sections of the population required assistance in the form of government subsidies. Through the switch to energy efficient globes, the Mexican government will save $200million per annum in subsidised electricity it will no longer have to provide. To put this into perspective, the whole development budget from the USA to Mexico in 2008 was $30 million. Nic advises that Cool nrg ‘won’t make anything commercially out of the first project in Mexico’ and that it won’t recoup its investment into developing new technology, but that the project is seen as a long term investment in the future of energy efficiency.

The company currently employs twenty-five staff members, who come from a mix of nonprofit, private sector and government backgrounds. Staff are often over-skilled for where they start in the company, with the recruitment emphasis more on looking for culture fit rather than on skills. According to Nic, the internal
culture of cool nrg is one of ‘support, celebration and stuff ups’. The company’s flat structure means that staff are heavily involved in planning and have a representative on the Board; staff are also largely left to work out for themselves their role within the organisation. Since the staff and the company learn a great deal and grow through the project innovation process, mistakes and unsuccessful projects are celebrated as much as successful ones. This openness has also secured cool nrg the trust and support of its partners. In setting up cool nrg, Nic says he’s learnt a lot about risk and scale – ‘I’ve been willing to risk everything and I’m willing to fail. I’m not worried what people think’. While he reflects that he had expected cool nrg’s projects to make an impact faster than they have, he maintains that he would not have done anything differently.

Measuring the social impact of Cool nrg’s work relies on the company knowing what impact the thirty million energy efficient lights bulbs it distributes each year has. ‘The metrics are actually simple’, says Nic, with energy efficient light bulbs saving poor people money on their electricity bills, money that can then be spent on other things. In Mexico, to ensure that light bulbs were reaching the poorest people, distribution was monitored and the results were then audited externally. How the poor spend the money they save, however, is research that is more the domain of ‘social engineering’ according to Nic, and beyond the scope of cool nrg’s work.

As a self-confessed ‘serial social entrepreneur’, Nic set up cool nrg in such a way that it could survive when he moves on. Believing that his job is to ‘take good people to the point where they don’t want [him] anymore’, Nic asserts that for most social enterprises the problem is not that there aren’t people to succeed the founder but rather that the founders won’t let go. With cool nrg ‘growing a life of its own’, Nic sees himself as only one part of the company and while he is certainly engaged with its work, he’s not attached.
Nic’s advises that his views on the term ‘social entrepreneur’ have evolved over the years. Having been named by the World Economic Forum as one of the world’s leading social entrepreneurs, Nic initially liked the term as it ‘brought two worlds together’ for him. He wanted to drive a social outcome but without having to rely on charity, a vision reflected in his business ventures over the years. Yet Nic feels that the term ‘social entrepreneur’ has now became the new word for charity and no longer describes what he does. He sees his and cool nrg’s work as ‘at the cutting edge’ and as being more about the role of markets in changing society than merely innovative charity. He now prefers the phrase ‘purpose driven for-profit business’. While Nic acknowledges that the market has certainly not succeeded in creating products that add value to the planet, he nevertheless believes that the market economy’s scale and resources are essential to achieve cool nrg’s social and environmental objectives.

Creating projects that reduce carbon and deliver huge anti-poverty wins are possible but, under current carbon trading regulations, are extremely complex, costly and time consuming. For Nic, the current regulations reflect the main problems in Australia in relation to reducing emissions: a lack of creativity and vision, coupled with poor leadership.

Cool nrg is currently developing further programs and activities in collaboration with partners and clients in a range of countries. These include energy efficient lighting opportunities as well as a range of other technologies such as solar hot water and wastewater management.

Nic articulates the need for social enterprises and his views on the role of government in empowering more social business in his book ‘The End of Charity’ (Allen & Unwin 2008). CK
Update: In October 2010, South Africa’s Standard Bank announced a multi-million dollar investment in cool nrg’s Luz Verde program. Standard has expressed its interest in leveraging the Mexican model globally, particularly in Africa, to reduce both carbon emissions and the cost of energy to the poor.

Website: http://www.coolnrg.com/
Operating since 1994, Eaglehawk Recycle Shop (ERS) was established by Future Employment Opportunities (FEO) to create jobs, reduce landfill and promote re-use. The social enterprise helps deliver on FEO’s mission to create opportunities for people who seek employment by providing training and support, by establishing self generated work enterprises and by contributing to building a vibrant and sustainable community.

ERS is a business unit of FEO, which is an incorporated association in the State of Victoria. In practice the enterprise runs like a small workers’ cooperative, with surplus being retained in the enterprise and day-to-day decision-making occurring at the enterprise level. But Peter Cox, long time CEO of FEO, stresses that as a nonprofit with social goals, governance and accountability are very important. Each of FEO’s business units, including ERS, has an Advisory Committee (five at present) and an FEO Board member is the Chair of each committee, with skilled community members filling the other positions. The staff report to the committee and the committee reports to the FEO Board. The separation of powers is seen as important, and respect between staff and committee members is crucial. ERS’ Manager is the Secretary to its committee, an approach that facilitates the development of relationships at all levels.
As a vocational training provider in the early 1990s FEO recognised that the fundamental issue was that there weren’t jobs available for those coming out of training programs. At the time unemployment was around 20% in Eaglehawk, a suburb of Bendigo in regional Victoria. An opportunity emerged when the City of Greater Bendigo announced it would need to invest $5 million in the establishment of a new garbage tip, as the old one was nearly full.

Peter explains that FEO paid a staff member from Revolve recycling enterprise in Canberra to spend a week with them on the ‘tip face’. The following eight months were spent preparing a basic feasibility study for the social enterprise concept. This convinced the Council the enterprise could be sustainable and it subsequently approved access to waste going into land fill and provided a small piece of land inside the site on which to operate. Peter advises it was important that this was all the Council had to commit at that stage, otherwise it may not have progressed further.

FEO placed an advertisement in the local paper and ten participants were selected from those who attended an information session about the project. These were officially participating in a training course for the first six months, and retained their welfare benefits. This meant they weren’t paid anything extra so they had to be keen. FEO’s approach is based on an adult learning model, so it’s all about giving people choices Peter explains. From the beginning the arrangement was time-limited and it was agreed that wages would be paid after the first six months. ‘You can’t underestimate how important this wage free period was to getting the enterprise up and running’, he reflects, and within six months five participants were employed full time.

FEO believes that those who put in the effort should reap the reward and consequently any surplus generated by ERS is not transferred to FEO. Peter also notes that models that require social enterprises to return surplus to a parent organisation make
it very difficult to achieve sustainability. ‘What other business would have all its profits removed every time it did well?’ he asks. However, as a social enterprise, neither is it paid out to the staff. All surplus goes back into the enterprise to improve or grow the operations – for example, a second hand forklift has been purchased and a truck, and the number of positions has been increased over time. ERS makes a contribution to FEO for the administrative services it receives, such as accounting, but this is a fixed payment for services rendered.

This approach is central to the wider adult learning model also, as it builds ownership into the enterprise and has developed a strong culture of accountability amongst the staff. FEO and ERS also have a core value that centres on resourcefulness and Peter suggests that there has been a close fit between this, the type of enterprise (recycling) and the participants – who through being long term unemployed were used to being resourceful. This resourcefulness value can be clearly seen in the progress of the early years. An old shed was purchased from the Water Authority and paid off over two years. Small grants were sought from a range of sources, including environmentally focused grant funds, to purchase items of equipment as they were required. Peter’s dedication to building ownership and commitment is clear, including through limiting the FEO CEO’s salary to twice that of the lowest paid worker.

On the first day the ten original ERS staff went to the tip face picked up ten items, brought them back to the site and started to talk about what they could do with them. Peter explains that if FEO had tried to put them in a room to write a business plan at that stage it would never have worked. But through the weekly Wednesday morning meetings they gradually established a way of working together, and developed the systems and processes needed to run the enterprise. ERS now employs twenty-two staff and has ten regular volunteers. The constitution states that people who are unemployed will be given preference when recruiting new staff. And whilst Peter advises this isn’t always
strictly possible in practice, particularly for managers, the ratio is about 80%. New staff are trialled as culture fit is important.

Currently ERS breaks even, with 100% of income coming from trading and it met its own operating budget within twelve months of establishment. In the previous financial year it turned over $515 000 and Peter is clearly moved when he says they never imagined it would grow to this size. With a number of other contracts ERS now holds, staffing other recycling sites around Bendigo, its turnover is almost $900 000 per annum.

Peter notes that an early decision to focus on being ‘collectors and sellers’ has been critical to this. He says it’s easy to get side tracked into taking on various ‘value-add’ activities. But there’s no money in these as the labour costs are too high, and also the customers are usually the type of people who want to do this themselves anyway. Now they focus on getting the items in and out the door as quickly as possible.

Peter is clear that ERS would not have been possible without the support of the Council, which has provided access to the tip and a site for operations. However, at the start some Council staff strongly opposed the project as they had previously been taking useable items from the tip and selling them privately. For the first two years ERS paid them 10% of gross takings to compensate for this, a huge overhead for the fledgling enterprise, but without this arrangement the goods would have been damaged and become unviable. After two years a receiving point was established and this was the trigger for tackling the issue. When ERS first advised it would no longer pay the overhead cost ‘black bans’ were threatened and things got heated, but ultimately were resolved. Peter reflects that maybe they should have challenged the arrangement earlier but says that could have jeopardised the whole project, and in the end they were able to demonstrate the benefits before having to take on this complex issue.

After fourteen years the City of Greater Bendigo was clearly seeing the benefits as it decided to build a million dollar
recycling centre. The centre is on a site just outside the landfill, not inside like previously. Rather than ERS sorting items after residents have entered the land fill site, residents can now drive into the centre and off load recyclable items before weighing in their tip load. The money that can be saved is a big incentive and diversion from land fill has increased dramatically as a result. ERS now has a peppercorn lease ($1 per annum) over the site, with the Council investing in the infrastructure and retaining ownership.

In addition to the major partnership with the local Council, Peter advises that a range of other local organisations have been important contributors to the success of ERS. For example, a local business provided the bins and trucks for metal recycling at a slightly reduced price. This meant ERS didn’t have to invest in expensive infrastructure to establish this side of the operations, and it is now the biggest supplier of scrap metal in Bendigo. The same partner has been in place for many years, but Peter advises that at one stage ERS wasn’t happy with the price being offered and went out to tender. Another company won the contract for two years. The original partner won it back later, but this showed them ‘we were a serious business’.

In pursuit of its employment goals FEO also established and manages the Eaglehawk Enterprise Park, a small business incubator enterprise. This is located on a former tip site which was Crown land which was bought with a grant from the Commonwealth government. The title was created in the City of Greater Bendigo’s name and it owns the land and the buildings with FEO renting the whole site for $1 per annum. Fifteen warehouses were originally built on the site and the rental income from these returned to FEO. A further seven have recently been completed, using the income from the rent. Tenants take a three year ‘establishment period’ lease, which keeps the new businesses cycling through. Peter advises that a lot of successful local businesses have established there and occupancy rates are high with a waiting list. These
local businesses create additional local jobs, furthering FEO’s objectives.

Peter reports that FEO is interested in scaling or replicating the ERS model. To assist others interested in this a guide has been developed, with support from Social Ventures Australia, outlining how to establish a community recycling enterprise and is available on the FEO website. A labour intensive process for e-waste has also been developed, making it appropriate for an employment-based social enterprise, and Peter advises there is potential to replicate this around Australia. Other Councils have expressed interest in the ERS project and a pilot site has been established in a neighbouring council area. And FEO is participating in the establishment of a new National Recycling Network, based on models from the UK and NZ.

The ERS experience will also be a cornerstone to the new industrial recycling centre FEO will be establishing in Bendigo, with $1.5m received through the Commonwealth’s Jobs Fund. A key learning will be to ensure staff are given two or three year contracts. This means the new enterprise will be based on an intermediate labour market (ILM) model, creating pathways into mainstream employment. Peter advises that this approach will ensure a greater number of people can benefit from the new project. As ERS wasn’t established to be an ILM enterprise there is no mechanism for moving people on and, whilst a number have gone on to other things, some will likely stay for the long term. Peter notes that having a lead agency behind an establishing social enterprise has also been a useful lesson. It can take some of the load by handling administrative tasks that staff may not have the skills to manage in the early days.

Peter talks passionately about the need to be completely accountable, particularly when public money is involved. He advises that the tip was due to close in 2001 and is still open, but hastens to add that this isn’t all as a result of ERS but that its presence has generated other activities that have contributed to the overall objectives. Council reduces waste to landfill;
FEo provides a meaningful program for job seekers with real jobs involved; the Commonwealth government reduces benefit payments and collects more tax; the job seekers find jobs; and the environment is also a winner. But these must be measured, he argues. Under ERS’ latest agreement with Council it has to prove it is meeting the agreed landfill reduction targets and has really opened itself up to scrutiny in this area.

ERS has also had a Social Return on Investment (SROI) assessment undertaken on its operations, by a consultant from Social Ventures Australia. The SROI ratio was quite high, showing that ERS successfully generates savings to the public purse through its model. ERS has used information arising from this a little, for publicity and media purposes, and Social Ventures Australia has used it quite a lot to promote the assessment framework. Peter notes however that ERS and FEo staff are none-the-wiser about how to actually conduct an SROI for themselves, nor would they be able to explain it in any detail to an interested party. He also expresses some concerns about subjective measures and a preference for focusing on measuring what’s tangible. For example, five ERS staff have bought houses – ‘now that’s an indicator’, he says. He suggests that the information coming out of any social impact assessment has to be practical and useful, otherwise it doesn’t deliver enough value for the effort put in.

Peter’s personal beliefs and convictions have played a large part in shaping FEo and ERS. He’s proud that he’s never earned a lot money but has all the material possessions he could ask for, and suggests that by being resourceful a satisfying life can be had without needing ‘exorbitant wages’ to make it happen. He says this is at the heart of the social enterprise model as it is about really living values and culture, not just turning up to work for a number of hours a day.

After 20 years Peter resigned as CEO at the end of 2009. He now works part time for FEo while spending more time as a Councillor for the City of Greater Bendigo, a role that has
become an increasing focus. This will make way for someone who can devote all their time to FEO and its activities, and allow him to contribute to other outcomes for the Eaglehawk community. Peter says effective succession is about being open to learning, not necessarily about knowing everything. FEO and ERS are staffed by good people who know their jobs. The systems and processes are mature and reliable. He says no organisation should become reliant on one person and FEO has a lot of committed and engaged people involved so he’s confident about the future. JM

Update: Since the interview Rebecca Dempsey, who has worked for FEO for ten years, has taken on the leadership role of CEO.

Website: http://www.feo.net.au/recycle-shop
Outlook Environmental is part of Outlook (Vic) Inc, a nonprofit community-based social enterprise dedicated to creating opportunities for disadvantaged people through employment, training and social integration. Outlook was established in 1975, with the first trading business commencing in 1992. It began recognising itself as a social enterprise in 2007. Surplus revenue is reinvested in the umbrella organisation to fund programs and services for the disadvantaged and the community. The model is an integrated one and Tony Fitzgerald, long time CEO, explains that a strategic decision was taken to bring all the activities under one brand. A core objective in doing this was to create a new perception and break down stigma in relation to disabilities and disadvantage. Tony says the local community and government perception of Outlook was that it was a traditional Disability Day Service, which he explains is incorrect as they had been gradually moving towards a fully community integrated, sustainable organisation for over fifteen years. Outlook Community Centre, also operates as a seven-day-a-week community centre and has provided vital infrastructure into a high growth corridor where services are unable to keep up with population growth. Anne McCormick, Outlook’s Deputy CEO, advises that breaking down silos is the aim with ‘clients into the community and community into the centre’ at the core of the approach.

The culture change needed to make this shift, both internally and in working with key external stakeholders, was significant. Anne notes that the community staff were fairly institutionalised in the old model, with a strong focus on the routines of the Centre, but now are much more responsive and flexible as they have adapted to clients being out in the community and community members being more involved in the Centre. Mixing up the traditional clients with community members, both in the Centre and in the social enterprises, is shifting attitudes and
perceptions of disability and other forms of disadvantage. Tony reiterates that at the core of Outlook’s approach is a belief that everyone has something to offer and shouldn’t be subject to charity: ‘an empowerment model not a custodial approach’.

With strong links in the Victorian disability sector both Tony and Anne draw on multi-faceted and practical experience when they say that the public sector has yet to demonstrate a clear understanding of integration models. They suggest that these models are being promoted through high level strategic plans, such as the Victorian State Plan, without fully comprehending the costs and impacts of implementation. For example, the funding available for support workers dictates a 1:6 ratio, but an integrated approach requires much higher supervision levels as the work environment is not controlled to the extent it would be in a ‘sheltered’ scenario. Public sector officers also regularly ask to see the ‘area where the disadvantaged people work’. The point of the model is that they are integrated around the sites so there isn’t a specific area, and while these officers understand this in theory it seems they haven’t fully comprehended how it translates on the ground. Tony says that whilst government has documents specifying integration models and an interest in promoting these, it is really being left up to organisations like Outlook to test and demonstrate how they actually work in practice, and that there is little support for this role.

Today Outlook operates five waste recovery sites, recycled goods shops and a nursery. It employs one hundred and seventy staff, forty regular volunteers and in 2008/09 financial year delivered $638 000 trading profit from a $10m turnover. Since 1995 it has paid award wages, including for low productivity workers, an approach that most working in the high needs employment sector don’t match even today. Anne chuckles when she says they also grapple with hugely diverse operations across three different industries – ‘everything from incontinence aids to running waste transfer stations’. This kind of diversity is common in social enterprises, whereas businesses
operating in the commercial sector often take a much more specialised approach.

Outlook’s first waste-related social enterprise activity was established in 1992 outside a Council tip. The potential was demonstrated through this and Outlook negotiated with the Council to fund about $120 000 worth of infrastructure to establish it properly. Tony notes that these days funding the infrastructure is included in tender processes as Councils increasingly move to externalise the risk and responsibility. Outlook’s contracts are won through commercial tender processes and as there’s a requirement that the contractor will invest in the infrastructure these are usually around fifteen years’ duration. As a social enterprise that reinvests its profits into community outcomes Outlook often struggles to find the capital needed. In addition to the costs involved in setting up a site, waste transfer also relies on large and expensive equipment, which depreciates quickly.

Anne explains that the waste transfer industry has moved away from being handled solely by engineers, and that with more staff with broad environmental training now involved there is growing interest in the social outcomes Outlook can deliver. This has opened up a number of joint and sub-tender opportunities as partner organisations are increasingly recognising the value a social enterprise adds to their tender response. And some contracts have been won as a result of Outlook’s social outcomes, Tony reports.

Outlook was the first organisation in Australia to undertake a Social Return on Investment (SROI) style assessment in 2005. Funded by Social Firms Australia and conducted by Social Ventures Australia it found a favourable return through creating jobs, reducing welfare payments, raising additional tax, reducing waste to landfill and providing low costs goods to the community. Anne notes that it was a bit of a turning point for Outlook as it confirmed what they knew they were doing, and provided a level of quantification for this. They have since put
the information to good use in partnership negotiations, tender responses and grant submissions and it has been very useful for differentiating Outlook’s case. Outlook is currently working with Social Firms Australia to develop a replication model and as part of this will be bringing the SROI assessment up to date.

Tony advises that sometimes there can be a perception amongst partners and contracting bodies that they ‘aren’t up to scratch’ because of the community focus. Because of this Outlook decided to invest in securing ISO9002 accreditation. Accreditation is common in the waste industry now, but back in 2002 Outlook was ahead of the field in this decision. This has promoted a culture of commitment to quality, to taking time to get processes and systems right and to doing robust due diligence on potential partners. Tony suggests that this has been critical to Outlook’s success. He says it’s important to never forget that any partnership is a legal and commercial one, no matter how strong the relationship appears to be. He also notes that those operating in the community sector often think that commercial businesses will be more efficient and organised. Yet as they have observed this sector more closely the Outlook team has been reassured about the quality of their approach, and about how efficient and resourceful they are. In some cases their approach has even helped to ‘prop up’ commercial partners’ performance.

Tony and Anne have worked together for many years and recognised that they would need new management team members who could bring additional business skills to the social enterprise activities. But they were also clear that these people would have to be chosen carefully as an alignment with the values of Outlook would be critical to successfully integrating them. Godfrey Agius came across from the commercial retail sector to take up the General Manager role in 2008. Godfrey explains that he saw the potential in what Tony and Anne were creating at Outlook and that he was interested in a change of focus that would bring more purpose into his work. Rob Dobin
followed not long after into the Operations Manager role for Outlook Environmental. His motivations for making the jump from the commercial sector were similar and he says that whilst it’s been challenging he’s not looked back. Tony advises that they have worked hard to create a balanced management team and that this is paying off, with the values and skill sets meshing well.

When Tony became ill for an extended period in 2008 the team was really tested. Anne advises that they probably weren’t quite ready for it at the time, but that they learnt a lot in the process. It has forced them to focus on systems and processes, rather than relying on one person being across the operations. Tony says organisations that run on ‘the cult of the personality’ are always in danger as there is generally poor documentation of what they do, and it also leads to burn out. He admits that you need to get to a certain size to really be able to afford to embed the knowledge in the organisation though, as it usually comes down to having sufficient resources (time, money, people) to tackle the task.

Around 50% of Outlook’s workforce comes from a disadvantaged background. Godfrey notes that they’ve found this to be about the right balance as it allows productivity to be maintained, while also ensuring the support levels needed are available. He explains that they didn’t set a target level, but do use positive discrimination in their recruitment practices. When an analysis was undertaken the proportion was found to be about 50% and this has now become the stated aim.

Most of this group usually start with no skills and learn on the job. Outlook is a Registered Training Organisation and has delivered a range of its own traineeships and certificate courses through this. There are plans to develop this aspect further so that staff interested in this can move through clear pathways. Over the years many have moved from assisted to open employment. The intention is to create long term jobs but Outlook also provides intermediate/transitional opportunities
– ‘it’s about the people, what’s right for them, not about the numbers’. Godfrey notes that retention rates are improving, as are the skill levels, and a high percentage stay from five to ten years. Conscious choices about employing people who can be difficult to work with are made, and managers who can handle this are critical to putting this into practice. But it has to work commercially too, says Godfrey. Consideration is given to people’s circumstances but at Outlook they are careful not to create a culture where people feel they can get away with anything. ‘That’s the difference between our approach and the charitable mind-set’, says Tony, ‘and we wouldn’t be doing the right thing by them or their work mates if we didn’t support them on behaviour issues’.

Outlook operates as an Incorporated Association and currently has six board members. Tony advises that it is a stable group focused on governance and they have been very supportive over the years. They are a mixture of people who bring specific skills sets and community representatives. There is currently a debate on the social enterprise direction as some feel that this means disability is no longer the core focus. Tony notes that growing awareness and educating about the true nature of integration models is a big job on all fronts.

The team is clear that being a social enterprise allows them to take risks and innovate in ways they wouldn’t be able to do if they were reliant on government or philanthropic funding. Having their own earning power and capital pool to draw on, albeit small, is central to this. And it is this that is providing the resources to fund the shift to the integration model that the public sector is promoting. It has also allowed Outlook to grow beyond a narrow disability ‘pigeon hole’ to take up a broader position in the sector. This position means they are engaging with an ever broader network of partners, in both the nonprofit and commercial sectors, with the opportunities this brings to demonstrate new models and influence attitudes.

Tony reflects that to run a successful social enterprise you
really have to know what you’re doing – ‘after all 90% of small businesses fail’, he says. He suggests that the Commonwealth Government’s recent rounds of short term funding, through the Jobs Fund and Innovation Fund, may not be the most useful approach. Providing access to ongoing and quality expertise on business planning, accounting, marketing and other operational matters should be the focus. This coupled with an ever-green loan fund that provides access to various types of capital – risk, bridging, growth – could really go a long way towards enabling the development of a robust social enterprise sector in Australia. JM

Website: [http://www.outlookvic.org.au/](http://www.outlookvic.org.au/)
During a year in France finishing his business degree, Penny Farthings Director Mark Rossiter developed a passion for cycling. On his return to Australia he realised the extent to which the climate and the urban sprawl of our cities create barriers to people using cycling as a form of transport. He started to explore end of trip facilities for cyclists and eventually came up with the Green Pod. In 2007, with his old school friend and new business partner Tim Ceolin, Mark established Penny Farthings Push Bike Parking with a social and environmental purpose of making sustainable transport, through cycling, easier. This simple purpose expands into the many benefits...
cycling delivers, such as improved health, reduced emissions and reduced traffic congestion.

Mark reports that they are receiving very positive responses to the Pod and that the focus at present is on converting the excitement to sales. Penny Farthings’ business plan has identified universities, city Councils, large employers and public transport providers – in that order – as its target markets. Universities were targeted first as there are only thirty-nine in Australia, they have large purchasing budgets relative to the number of decision-makers involved and cycling is popular on campuses. Penny Farthings also specifically targets facilities managers, architects and others on the design end as the Pods are designed into spaces (either pre-build or retrospectively). This approach has made the most of a limited marketing budget and sales have started.

Penny Farthings has also developed a key relationship with Queensland Rail. From the concept stage, staff have shown interest and have been providing input on how the Pods could be modified to fit with rail facilities planning. Cycling increases the catchment area for railway stations and also reduces the amount of parking needed. Heavy rail infrastructure is very expensive and so there is interest in how cycling can contribute to increasing its viability as a form of transport.

Developing a system to track the use of the Green Pods is another way of maximising interest from potential customers as it facilitates impact reporting. A counter type system is being integrated so users can enter details of where they live, allowing calculation of distance travelled and emission reductions as a result. Ways for the purchaser to recover some costs are also being explored. These might include advertising space on the outside, or a ‘gym membership’ style system that allows users to purchase a swipe card with a number of uses on it.

At the time of interview Penny Farthings employed Mark and Tim, and they were drawing a very minimal wage with Tim also doing some other part-time work to supplement his
income. Coming from regional Australia, both Mark and Tim have witnessed first-hand the barriers faced by Indigenous Australians, such as reduced life expectancy. Eventually they plan to integrate Indigenous employment opportunities into the enterprise and hope they may be able to employ around 50% Indigenous staff in the longer term. Because the work will be technically focused there will be opportunities to link this to training pathways also.

As it grows, Penny Farthings will also establish a more comprehensive structure to ensure a level of separation between governance and operations. Advice and input has been sought from a range of individuals and organisations to date and several people have been acting in informal mentoring capacities. Mark suggests that continuing in this vein with an Advisory Board approach will probably suit them best. A number of people have expressed interest in taking up these roles when the enterprise is ready to enter this phase.

During the establishment phase a production process that has kept overheads as low as possible has been implemented. Outsourcing means they pay a little more to produce each Pod, but haven’t had to invest in expensive infrastructure. Design and marketing are done in-house and production is handled by a team based at Logan Village in Brisbane. By sticking to their core capabilities they have been able to stretch their budget and, importantly, their cash flow.

Being a design and manufacturing based enterprise, access to start-up capital was critical and Mark laughs when he says their initial funds were raised through ‘friends, family and fools’. Once into the prototyping phase this had to be extended and both Mark and Tim successfully applied for Micro Enterprise loans through the National Australia Bank (NAB). Both partners were granted separate personal loans, meaning they both have ‘skin in the game’, which Mark says has helped the relationship develop productively. The NAB scheme allows entrepreneurs to take on personal debt for business expenses of around $20
000 at a fixed interest rate. This is particularly useful for start-ups where the trading history required by most loan processes isn’t available, and where repayment capacity is usually not well defined. Mark notes that NAB staff have been very helpful beyond the financing, providing a range of advice, and that when interest rates dropped dramatically in 2009 the fixed rate was adjusted down by four percentage points, despite there being no obligation to do this.

Mark advises that access to capital was the major factor in deciding to form Penny Farthings under a for-profit structure. They recognised early on that to take the enterprise to scale they would need external financing through debt and equity. Penny Farthings has a clearly articulated environmental and social purpose, but accessing capital would be difficult if they chose a nonprofit structure. For example, they were successful in receiving an R&D grant from the AusIndustry Commercialising Emerging Technologies (COMET) fund to assist with scaling their operations. This provided 80% of the R&D cost, matched to 20% contributed by the enterprise, but is only available to for-profit companies.

In the longer term Penny Farthings will look to equity capital as the base for scaling up operations and bringing down the per unit cost of the Pods. Mark is unsure as yet whether Penny Farthings will suit an equity finance model, due to potential for high rates of return usually being a requirement. He suggests that a social investment model would suit Penny Farthings best, with its focus on environmental and social outcomes. Mark and Tim are eagerly watching how the work of key organisations like Foresters Community Finance around the development of social investment products is progressing. Mark stresses that there would have to be a very strong match with Penny Farthings’ social purpose and values base for them to enter into a social investment relationship, a view shared by many social enterprise practitioners.

In line with its broadly conceived purpose of ‘making cycling
easier’ Penny Farthings is also involved with other activities that contribute to this. A long-term project is looking at urban design issues, trying to determine how the parks across Brisbane could be connected to create cycling corridors throughout the city. The vision is that the land between the parks could be zoned for medium density housing that builds up slightly to reduce the land area footprint. Mark suggests that if developers were given incentives for building a little higher, so as to make space for cycle freeways, a profitable model could also be developed. He sees this as a socially enterprising way of working, finding ways to bring about social good using private money.

In these ‘big picture’ endeavours Mark and Tim regularly come back to Penny Farthings purpose to ensure they aren’t drifting off course – ‘we just keep asking, is this going to make cycling easier’. This provides flexibility to grow and explore innovative approaches but keeps the focus on outcomes.

Mark is clear that his passion for cycling drives Penny Farthings, his eyes light up when he says ‘every time I cycle I know why I do it’. He proposes tenacity as a key ingredient needed by social enterprise practitioners and advises that everything takes longer than you think it will so not being a ‘quitter’ is critical. He also notes that you probably work twice as hard for half the pay, and because you invest a lot of yourself in it you really want to see it succeed. JM

Website: http://www.pushbikeparking.com/
In 1997, John Hepburn, an activist involved with a recently established grass roots environmental organisation – Friends of the Earth Brisbane – began gathering a team of people together to create a social enterprise that would provide financial and infrastructure support for its activities and campaigns. An autonomous income stream was considered critical for the fledgling organisation as part of its purpose is to advocate on environmental policy and it needed to be able to do this unencumbered by the restrictions that can accompany grant funding. Reverse Garbage Coop Ltd was established with the purpose of providing this support, and would do this through engaging in the creative and sustainable re-use of resources within the local community. Reverse Garbage also aimed to provide meaningful local employment for people seeking ethical
work, and to embody the principles of democracy and equity in the workplace. The two organisations are co-located and support for Friends of the Earth (such as subsiding rent) is enshrined in Reverse Garbage’s constitution. As a non-trading cooperative, surplus cannot be distributed to members but is either reinvested in the enterprise or donated to Friends of the Earth.

Reverse Garbage’s constitution states that its operational costs (for wages, rent etc) must be funded through its own revenue streams. Grant funding can only be used for one-off events, such as the purchase of a van to enable educational workshops to be run at schools. The start up costs for the enterprise (excluding wages) were fairly low as many of the operational items (e.g. desks, computers) were sourced through donations and as the primary business activity was the collection and sale of waste materials, retail stock did not have to be purchased. The majority of the additional funds required were for rent and here Reverse Garbage was fortunate in that the owner of the building generously provided the first three months rent free. A small grant was used to purchase an old postal truck for collection of the waste and the remaining start-up capital came from personal loans from the founding members.

Bill Ennals, one of the current (though not Founding) Members and Directors advises that over the past twelve years Reverse Garbage has been heavily subsidised by the low wages drawn by the members and the large amount of volunteer labour they have also contributed. The original directors/members were participants in the Commonwealth’s New Enterprise Incentive Scheme (NEIS) and as such were eligible to retain benefit payments for the first year while the enterprise was established. Along with the personal loans to Reverse Garbage they provided significant ‘sweat equity’ through working long and unpaid hours. During periods when cash flow was limited, particularly in the first five years, they also paid themselves very low wages. Under the constitution, wages are capped at a wage rate equivalent to $17.50 in 2000 (adjusted by CPI),
which at the time of interview was approximately $20.50 per hour. At that time Reverse Garbage was paying $17.37 per hour and Bill reported that wages had not needed to be adjusted downwards for the previous four years, and that it was looking positive to continue moving towards the cap. Capping the wages is part of the philosophy of the enterprise as it seeks to reduce consumption.

The worker run cooperative currently employs eleven staff and two volunteers. Bill describes working at Reverse Garbage as a life-style choice, not just a job, and that whilst those involved clearly see the benefits that it’s ‘not for everyone’. Reverse Garbage is worker-run and Bill says this is one of the main attractions for those who have worked there for a while. The organisational model closely involves workers in decision-making and managing the organisation that they in turn work for. There is no overall manager and no external Board Directors. The constitution requires workers to apply for membership once they have completed a minimum employment period and number of hours. Once membership is successfully obtained, workers automatically qualify for Directorship. Consequently, the Board consists of the people who do the day-to-day work and this engenders a deep sense of stewardship, and indeed, affection for the workplace. Similarly, the risks and responsibilities of running the enterprise are shared evenly between the workers and high levels of camaraderie and workplace morale result.

Within this approach, investment in members and relationships internally is obviously critical to the functioning of the enterprise. Over time the processes and systems for this have been refined. A consensus decision-making model is used. Decisions are based on compromises so all can move forward together, and though there is a fallback voting mechanism should consensus be blocked, this has only occurred once in the past nine-and-a-half years. Bill notes that this can act as a ‘handbrake’ at times, slowing down responsiveness, but over time as the directors
have become closely aligned with Reverse Garbage, this has become less of an issue. Each staff member also has an area of responsibility that has broad position objectives, which they decide how to achieve and report back to the rest of the Board.

Board meetings with all the member directors are held fortnightly during working hours. In the past these could be lengthy and heated with informal hierarchies influencing the process, but over time the investment in relationships and processes has paid off and the meetings are now time efficient and produce more effective decisions. Bill adds that discussions are still robust, but that policies and a culture around things like ensuring all have the opportunity to speak and not using inflammatory language keep things on track.

Becoming very smart about recruitment has been key to this. This lesson has been won the hard way and Bill reflects that a key milestone was the establishment of a policy to manage laying off staff members. As each staff member potentially goes on to a decision making role on the Board, it’s crucial that there is a tight values fit. Interestingly, board participation and a decision making role in the organisation haven’t been major attractors for recruits. Bill suggests that most people haven’t really thought about working in this kind of model before and don’t have a good understanding of what is involved and what the potential benefits could be.

Reverse Garbage’s constitution requires a minimum of five member directors and a maximum of twelve. There are also two independent (non-member) director positions, chosen for particular skill sets and networks. There are currently seven member directors on the Board, four prospective workers approaching membership and a high likelihood that the workforce will continue to expand. So the twelve director limit under the constitution could be reached for the first time quite soon. This is signalling a new phase for the enterprise and the directors are thinking through what changes will need to be made to the governance structure as a result.
In addition to the board, Friends of the Earth Brisbane plays a custodial role. It is also a cooperative with a separate board and members. Until recently, there had only been one director involved in both organisations (founder John Hepburn), though a current joint director is in the process of establishing this cross-over again. There are safeguards in Reverse Garbage’s constitution that ensure its purpose is protected, including approval from Friends of the Earth for any structural changes. However, to date Friends of the Earth has never had to intervene in decisions and there is no formal reporting either way.

Developing the educational programs side of Reverse Garbage’s activities supports the objectives of both organisations and this is a key focus at present. The aim is to educate people about reducing patterns of consumption at a broad level, and in particular there is a focus on children as this has the potential to change behaviour over a life time. Bill advises that three part-time facilitators are currently employed and are running environment and art programs in schools all over South East Queensland, three or four times per week. On site school holiday programs are also offered and presentations at educational conferences are a regular activity. In-servicing the professional development of teachers is another growing area. School-based activities are organised through each school directly and as yet the Department of Education hasn’t taken on coordinating these on a broader scale. Bill advises these services are becoming a viable income stream. The sale of materials salvaged from the waste stream has a very low profit margin but produces a great resource, so they are focusing on how to leverage this resource and generate revenue from their time and expertise as well as from the materials.

This strategic approach is building on early business planning work and is seeking to capitalise on the strong track record Reverse Garbage has established. With so much of the focus on establishing an ethical organisation in the early days, financial viability has hung in the balance for some time. But Bill and
the team can now see clearly how the hard work they have put in over the past decade is positioning them strongly in the high-growth environmental education and services sector.

Bill advises that the strong track record is a result of paying as much attention to external relationships as they do the internal ones. From the beginning there has been a strong focus on the local community and many Brisbane and West End locals are regular customers. Bill laughs when he says one local customer who was renovating his house almost single-handedly kept Reverse Garbage afloat during a tight period. Businesses that supply waste have also been instrumental, with many going to extra lengths in sorting their waste which helps keep Reverse Garbage’s labour costs down. The drivers play an important role in this as they are the ones who regularly meet the suppliers and have the opportunity to build relationships and also to educate on environmental issues as they go. Accordingly these positions are approached strategically and are seen as much more than just a driving role.

The drivers also impart valuable ‘report back’ information to the suppliers. Bill notes that the majority haven’t asked for any sort of formal reporting and currently diversion from landfill figures are only provided to a few specific suppliers that have requested this information. He adds that they used to do more tracking and reporting in the early days (every bin collected up to 2005 was recorded) but as the information wasn’t being requested and due to the labour intensiveness of maintaining the databases this has dropped away. The systems are still in place and could be put into use again but the resourcing tension is still an issue. Bill is excited when he suggests they would be keen to work with someone appropriately qualified to undertake a detailed environmental impact of Reverse Garbage’s operations including, for example, carbon emissions saved. Realistically he suggests that to focus on regular impact reporting it would need to be included as a requirement in a commercial relationship.
Prospects for Reverse Garbage are positive with strong signs of growth on all fronts. The most pressing issue is finding and securing a new premises as the operations have outgrown the original location. This will be central to expanding the educational programs also. Bill is hopeful that Reverse Garbage’s long term relationship with Foresters Community Finance will assist here as they are the only provider that he is aware of that offers social investment loan products designed to secure long term premises for social enterprises and nonprofits. An agreement with a mainstream bank would be financially prohibitive or might only allow them to establish elsewhere in the suburbs of Brisbane, a move that would almost certainly be detrimental as Reverse Garbage’s focus is on, and relationships are with, the local West End community. Bill says the co-op members are hoping they will be able to purchase a premises, or secure a long-term lease with an option to buy. This asset base will be a key factor in securing Reverse Garbage’s long term sustainability.

JM

Website: http://www.reversegarbage.com.au/
Soft Landing

Soft Landing is a mattress recycling business operating in the Illawarra region of NSW. As one of Mission Australia’s social enterprises, Soft Landing has created training and employment opportunities for marginalised people, while assisting in reducing the volume of waste that enters local landfill since its beginning as a pilot program in early 2009. Old mattresses are stripped down in Soft Landing’s Bellambi warehouse, with the majority of the reusable mattress components being recycled to generate income. Mattresses which are in good condition are refurbished and sanitised and are then sold to low-income families through Mission Australia’s Big Heart stores or their online site.

The idea behind Soft Landing stems from Mission Australia’s Big Heart Enterprise, which began twenty years ago. According to Bill Dibley, NSW Social Enterprise Operation Manager, Mission Australia originally created the Big Heart retail shops to assist with providing skill opportunities for youth at one of their youth residential programs. This then grew over the next fifteen years to five retail shops aiming to provide affordable home wares and furnishings to low income families through op shops and factory seconds’ stores. These stores also employ people struggling to find work elsewhere. All revenue from the stores goes towards purchasing more stock, building new outlets and funding Mission Australia’s community programs. However there was and continues to be limited scope for moving volunteers into opportunities for employment within op-shops, warehouses and sorting. Essentially in each shop there is one full-time and a few casual paid staff members, with a team of around twenty volunteers. With the ratio of volunteers to paid staff at this level, the opportunity to move into paid work is low, with twenty people often applying for the one position. According to Andrew Douglas, Soft Landing’s Manager, while there were embryonic stages of an employment model in the
Big Heart stores, there was a need for initiatives that would generate a greater return, in order to give more marginalised people paid work opportunities.

Over the past ten years Big Heart, by way of volunteers and Work for the Dole programs, have been refurbishing computers that were donated and on-selling these at a low cost to low income families. In 2007, Big Heart started a computer recycling program. After a presentation by Big Heart and discussions with their national office an arrangement was made with Mission Australia, whereby the program would receive the organisation’s off-lease computers and would perform security data wipes to ensure no client or staff information was left on the drives. These computers were then on-sold to low-income families and to Mission Australia staff. The IT program produced marginally better employment results and volunteer to paid staff ratios than the Big Heart stores, employing three or four people. The work was casual and employees received on the job training. Accredited training towards a Certificate II in IT was initially provided by Big Heart and was later taken over by a registered training organisation.

A large furniture donation from the Stockland group kicked off Mission Australia’s next social enterprise, Big Heart Logistics. Stockland donated seventeen floors of office furniture at the same time as Mission Australia was moving into its new national office. As a result, Mission Australia was able to fit out its office at significant cost savings. However, given the large volume of donated furniture, Mission Australia had to lease a warehouse, with the cheapest available one located in Wollongong. All of the furniture was sent down to the warehouse and brought back to Sydney as required. Yet even after the fit out was completed, Mission Australia still had a warehouse full of office furniture. Andrew explains, “that’s when we started looking at how we were going to pay for the warehouse, how we would retain warehouse staff and how we were going to get rid of the furniture without simply throwing it all out”. This led to the
development of Big Heart Logistics, a social enterprise which accepted donations of office furniture, which would then be on-sold either on eBay or through Mission Australia’s retail outlet in Wollongong. The enterprise was quite successful, employing six staff and selling furniture to nonprofits, to the general public and within the Mission Australia organisation. Thirty new Mission Australia sites across the country were fitted out by Big Heart Logistics.

The difficulty with the enterprise was the nature of the work. It became apparent that many marginalised job seekers who were entering the work force simply didn’t have the “work muscle” to move heavy desks and filing cabinets. Over the two years of the program, modelling showed potential risks with such things as complex dismantling and reassembly work, the use of low skilled labour and the highly competitive pricing of the commercial sector. This led to reconsiderations of whether Big Heart Logistics could be a viable enterprise. While the enterprise was eventually phased out, it had allowed Big Heart to establish good relationships with corporates and hotel chains, relationships which have been a vital factor in Soft Landing’s development. A positive outcome from this was that Big Heart was able to convert the furniture warehouse into one of its large factory outlets and ensure all jobs created were retained. This now proves to be one of Big Heart’s leading retail warehouses turning well over half a million dollars by way of sales each year.

Along with furniture and clothing, mattresses have been collected for the twenty years that Big Heart has been operating. Given that the rubbish tip fee is $22 per mattress, a lot of illegal dumping was taking place around Big Heart clothing bins and Mission Australia was struggling to deal with up to fifty mattresses a week. The solution devised right from the start was for good mattresses to be resold and for the rest to be stripped down, selling the steel to a scrap-metal recycler, using the material as scrap clothing pile or rag and sending
the remaining parts back to landfill. While Andrew admits this system was not ideal, it saved Mission Australia money and the process of stripping down the mattresses undeniably took out the bulk of the amount going to landfill.

According to Andrew, Big Heart ‘probably always has been’ a social enterprise, but the term was simply never used. As the Big Heart retail outlets continued to grow in size and other states looked at new and innovative programs with the potential to generate income whilst building community capacity, Mission Australia transitioned from a full Community or Employment based focus to a Social Enterprise model for these programs. To gain greater understanding and skill in this area Mission Australia’s Research and Social Policy Unit undertook research and realised that social enterprise was what they had been attempting with its Big Heart stores for the last fifteen years. From that time on, more of Mission Australia’s work that could generate income via a business trading model, as opposed to fee for service, was referred to as ‘social enterprise’ instead of community services.

In 2009, Big Heart held discussions with a national steel recycler, to see if they were interested in assisting with the mattress recycling contract held with the Wollongong Council. According to Andrew, Big Heart’s contact at the recycling company, was ‘very socially focussed’ and the potential for Big Heart to fine tune what they were already doing into a tight business model was recognised.

Soft Landing began as a pilot program in early 2009, with the aim of ascertaining whether the program could employ three people (with the given volume of mattresses) and also generate a return sufficient to cover wages, overhead costs and to run a truck. The pilot began by employing three long-term unemployed as casuals (they are still with Soft Landing). Receiving no initial funding to set up, Andrew admits that the program was originally only a pilot program, with little likelihood initially of being replicated into a full commercial operation. It operated
out of an existing clothing sorting and storage warehouse, historically used for bulk storage of used goods. Within the first two months of the pilot, however, a surplus had been generated and large quantities of mattresses and their components were being recycled. The pilot continued in an ad-hoc manner until June 2010, when Mission Australia successfully tendered for funding under the federal Government’s Jobs Fund Round 2, which provided capital to Soft Landing to set up.

Andrew and Bill realised early on that they had certainly identified a huge market and therefore the importance of keeping up with the supply of mattresses coming in. Once they began collections, they were receiving mattresses by the truckload, including from commercial retailers who accepted trade-ins at their stores. To date, Soft Landing has kept up labour to service the supply. Furthermore, the Bellambi warehouse also has the capacity to expand as the business grows. When the warehouse was taken on, there was already the intention to dedicate the entire site to mattress recycling if it were to take off and to move the other businesses and operations in the warehouse elsewhere.

Risks were identified in the original pilot. After undertaking risk assessments of all related tasks a number of issues were identified such as mattresses left at the tip becoming susceptible to ticks and bed mites and heavy waterlogged mattresses being too heavy to lift. Working around heavy machinery also required detailed work procedures to ensure that vehicle movement around the tip face was safe. All the identified risks were mitigated by the development of safe work practices, including correct use of PPE, waterproof storage areas for mattresses and the adoption of the council’s vehicle movement guidelines whilst working at the tip face.

The pilot program and the lessons learnt from it gave Soft Landing a ‘leg to stand on’, forming a crucial part of the extensive research conducted before the business launched. Andrew explains that thorough preparation was important not
only because he and co-founder Bill would be held accountable if the business model didn’t work, but also because if the business went into deficit, this would have to be made up from other areas of Mission Australia’s work. Mission Australia sent all proposals to Price Waterhouse Coopers to undertake a review of the proposed pricing methodology and budgets on a pro bono basis. The feedback was that Soft Landing’s was one of the most rigorous cost analyses of any program they’d seen.

Additional advice was sought by an expert within the field of recycling from Melbourne. He spoke with Andrew and Bill about the viability of the project and provided further assurance regarding its viability. He recommended that the program should be submitted for a Federal Government Jobs Fund program.

After presenting their extensive research and letters of support from academics, Wollongong Council and the NSW Department of Environment, Climate Change and Water along with their detailed knowledge from developing and writing the tender, Bill was able to easily convince the expert of Soft Landing’s potential. The expert was impressed by the diligence and background research that had been undertaken on the program.

Soft Landing won a Jobs Fund Round 2 tender for a structured program that included a pre-employment phase, a twelve month traineeship period and a transition phase which assisted participants into sustainable on-going employment after twelve months. The Intermediate Labour Market model formed the framework for the business in its current form. As the Jobs Fund phase of the project ends Andrew believes there are opportunities to further refine the business model potentially evolving from an enterprise to a social business. He feels that the nature of both the participants and of the program itself is better suited to permanent ongoing employment. He admits that he may have underestimated the barriers faced by participants and the amount of support they’d require, as well as how quickly employees could be moved into open
employment. The Department of Education, Employment and Workplace Relations (DEEWR), which manages the Jobs Fund, expects Soft Landing’s current trainees will move on and a new group will come through before June 2011. Andrew feels it could still fulfil its core social purpose by retaining staff for a longer time and it would achieve a better outcome for those participants.

Transitioning the project from an Intermediate Labour Market program to an integrated social business offers several advantages. These include certainty of employment for participants, a return on training and skills investment and a workforce which is able to mature with the business. To date, Soft Landing has managed to retain all but two participants, a remarkable achievement for a program working with marginalised people. Andrew believes this has largely been due to Mission Australia’s ability to provide a support worker, without which the program would probably have lost most of its trainees. This, he says, highlights the need for additional funding for one-to-one support. The program has needed to implement a firm but fair approach to the trainees. Problems around substance abuse, absenteeism and acceptable employee behaviour have required some lateral thinking to keep the program operational. A balance needed to be struck between the competing interests of needing the participants to remain engaged and ensuring sufficient labour is available to handle the mattress volumes. An example included one participant who had problems with punctuality due to the medication he was receiving. When he was at work he gave his all, but his unreliability began to affect the team and made planning very difficult. It was decided that rather than finish him up he would move into casual employment. Therefore he has remained with the project and is remunerated for the time he is at work. Since this change has been implemented his anxiety has decreased and by his own volition his punctuality is improving.

Most traditional businesses don’t have to factor the specific
support needs of employees in to their day to day operations. Andrew asserts that it is crucial in their case that supervisors constantly communicate with the participants, thus reinforcing the type of behaviour and work ethic that would be acceptable in the open labour market. “If we do not operate as a commercial business we are only setting the trainees up to fail when they move on to the next stage in their career. We are not interested in creating an artificial environment.”

Along the way, Soft Landing has learnt more about the component parts of mattresses and their potential uses, thereby reducing their contribution to landfill and giving rise to fruitful partnerships and income generation. The business currently supplies foam to carpet manufacturers to make carpet underlay. It is also examining the viability of manufacturing carpet underlay from the pulped fibre contained in the mattresses either by Soft Landing and on-sold, or by selling the raw material to a manufacturer with the finished product re-sold through Soft Landing.

In addition to stripping down mattresses, Soft Landing also refurbishes mattresses that are in relatively good condition. These are often sourced from major hotels, which generally turn over their mattresses every two and a half years. The business has purchased a commercial vacuum cleaner with inbuilt UV light, which eliminates all organic matter in mattresses. Sterilised, sanitised and re-packaged mattresses are sold through the Big Heart op-shops to low income families or they are sold online through Mission Australia’s eBay store. Soft Landing sells to the stores at a wholesale price and the proceeds go back to Soft Landing. Andrew believes that reselling refurbished mattresses will eventually provide half of Soft Landing’s revenue.

Soft Landing is currently reusing some of the mattress components to fill punching bags for a sporting supply company. Experience has proved the process to be labour intensive and diverts staff from fulfilling the core business of mattress recycling. To address this Soft Landing has engaged
an engineering firm to design a hydraulic punching bag filling machine. “As far as we know a purpose built machine doesn’t exist for this purpose, so we are talking to the engineering firm.”

Working closely with Wollongong Council, Soft Landing is also changing its current model of mattress collection, which Andrew predicts will lead to a sizeable increase in the number of mattresses the business collects. The original system involved residents taking mattresses to the tip and paying a fee, which covered the Council’s administrative costs and the cost of Soft Landing picking up and recycling the mattresses. The council has proposed a free service, where Soft Landing would act as the subcontractor for the major waste contractor for the Wollongong area, and would pick up mattresses from individual homes, whose council rates would cover two free mattress pick-ups each year. The Council would also send a spreadsheet to Soft Landing each morning with a list of mattresses to be picked up and Soft Landing would then invoice the Council. This system is now being implemented, giving Soft Landing certainty of supply and also discouraging ratepayers from dumping mattresses illegally to avoid the tip fee. While Soft Landing is currently picking up six to seven hundred mattresses on average each month, it’s now expecting to collect up to two thousand a month through the new system.

Operating in a commercial space and competing with other businesses, Soft Landing’s good relationships with local government as well as retailers and hotels in and beyond the Illawarra have been crucial. The business is currently in talks with several Councils about obtaining mattress recycling contracts as a form of social procurement. Andrew explains that the difficulty is that waste contracts go to tender for a three year period and are usually won by larger commercial waste management companies which then subcontract activities such as recycling to other private companies who are able to offer services at a commercial rate. A major factor in this is that the private businesses do not have the impact
costs of marginalised employees. Andrew believes that social procurement options such as giving a weighting in the contract for the social outcomes achieved should be clearly articulated and embraced by local government. This could include an assessment of social return gained for paying a premium rate for services. That is, Local Governments would take into account the positive social impact that projects such as Soft Landing have on the community (i.e. reduced crime, improved health and increased employment) and factor these savings into the increased business cost.

If Andrew and the team had the opportunity to do things differently with the benefit of hindsight they would have “loaded a much longer ramp-up time to full production” into their budget. They are aware of underestimating the output capacity of their trainees in the first six months. They also think they could better highlight the social benefits of the program when talking to customers as most of their feedback suggests that people are prepared to pay more if the service has additional community/social benefits.

As a manager Andrew has appreciated the open-minded and supportive leadership team at Mission Australia and the strong commercial background of his immediate superior, Bill, in changing mindsets from running a community program to embracing a social business. At the personal level he has found his current study for the Graduate Certificate in Social Impact at UNSW really useful for providing access to the latest tools, research and trends in the emergent social enterprise space. CK
Website:  http://www.softlanding.com.au/
See  http://www.csi.edu.au/our-research-projects/#social-procurement

Cheryl Kernot would like to acknowledge that Andrew Douglas brought unique practitioner experience to share with his peers in her class.

**Update:**

An arson attack on Soft Landing’s Bellambi warehouse in early March 2011 led to all mattresses stacked in the warehouse sustaining smoke and water damage. Around 1300 mattresses have had to be disposed of after extracting some recyclable elements, with Soft Landing’s Bill Dibley admitting that the damage will have a serious impact on Soft Landing’s ability to supply mattresses under its commercial contracts.
Cleanable Property Maintenance Services was established in 2005 to provide sustainable employment for people living with a mental illness. Established by Westgate Community Initiatives Group (WCIG) and Social Firms Australia (SoFA), Cleanable began as a social firm providing commercial cleaning services to offices in Melbourne’s western suburbs. The business has since grown and now services the Greater Melbourne area.

Social Ventures Australia (SVA), the Department of Victorian Communities, SoFA and WCIG provided the money to establish Cleanable. A van was purchased, along with equipment, uniforms and other materials. Cleanable now employs thirty-three staff, thirteen of whom have a mental illness. Manager Peter Crouch says that while Cleanable has policies and procedures, its goal is to provide a laid-back and supportive working environment. The business aims to give staff reasonable hours and to have a number of other staff on back up rosters to keep stress levels down. Given that many staff members with a mental Illness are challenged by early starts and longer shifts, Cleanable also employs cleaners to work the uncovered earlier and later hours, to keep the business viable.
Employees are generally offered between eight and fifteen hours of work each week, taking into account their capacity and the potential impact on their Disability Support Pension payments. Employees are often first referred from mental health service providers to WCIG, who then assess whether the person is suitable for Cleanable. They then undertake a two hour unpaid work trial and, if this is successful, they are hired on a permanent casual basis with a three month probation period. A criterion is that potential employees are managing their mental illness, with support from a mental health provider and a family and friends network.

Cleanable has a good relationship with Clean Force, a similar organisation owned and operated by WISE Employment. The two share information on how they’ve handled situations with staff and management and are aiming to work together to transition certain staff members into open employment. Mercy Health and Aged Care is also an important supporter and, after competing against several other groups, Cleanable is now Mercy’s preferred cleaning supplier. According to Peter, Cleanable does not rely too heavily on others, though initial funding and assistance with contacts from SVA and SoFA played a significant role. Cleanable also has an agreement with a mental health provider, whereby occupational therapists hold monthly consultations with Cleanable on how to improve staff management.

Initially, Peter imagined that Cleanable was going to be a stand-alone entity, but with a change in management at WCIG, it was brought under the WCIG governance structure. He admits that when then CEO Nerida Nettleback, the founder of Cleanable, left WCIG he was concerned that the new CEO would not understand the business and why it was making a profit. However WCIG has continued to provide support and guidance, with Peter advising that Cleanable probably would not have survived the early years without WCIG’s assistance. As WCIG’s first social enterprise, Cleanable is watched closely by
the CEO and Board, and the relationship is an overwhelmingly supportive one. WCIG provide all initial training to employees, who work towards an Asset Maintenance Certificate II; a WCIG case manager and employment consultant also frequently visit Cleanable. Peter reports directly to the CEO, who then reports to the Board. Cleanable follows most of the existing WCIG systems, though there has been some flexibility, given the need to support the commercial side of the business.

Over the five years it has been operating, Cleanable has run at a deficit of between $15 000 and $30 000 per annum. The business reached $700 000 turnover in the 2009-10 financial year, which WCIG’s board considers to be break-even, as they are aware of the extra overheads, the reputation Cleanable has built up and how difficult it is to get the mentally ill into employment through other programs. Given that WCIG currently provides HR support free of charge, whenever Cleanable has made a surplus, this has gone back to WCIG. At this stage, WCIG pays for anything Peter needs to improve Cleanable. In the future, he hopes that Cleanable will start making a regular surplus, which will enable the business to improve and expand and to pay a service fee to WCIG for payroll and other systems support. Peter says that Cleanable is positioned in the middle of the pricing in the market, and has had to contend with more people performing cash in hand work ‘out of the back of their cars’. ‘It’s going to be a slow pick-up for cleaning after the recent economic downturn’, he says.

Initially, Cleanable only had referred clients as staff members and this was a huge drain on resources. For between eight to twelve months, no supervisors were hired and Peter managed everything, a set up which very soon proved unsustainable. Peter’s commercial retail experience has been instrumental in establishing Cleanable as a viable business, but he maintains that a general compassion and motivation to do the work are just as important. Using these criteria for recruitment has often made it difficult to find supervisors who can help with and
oversee the cleaning, but who are also able to identify with the issues faced by employees. Peter also notes that ‘because our business isn’t contained in one location, we need so much additional support for employees’. He reflects that there have been times when he hasn’t known whether he was a business manager or a social worker.

Peter says he would be interested to see whether and how working with the business has enabled clients to better cope with their lives and the impact this has had on the wider community, but to date hasn’t undertaken a social impact assessment. Looking to the future, Cleanable is hoping to develop more opportunities for its clients based on its current model, including maintenance services, domestic cleaning, retail and manufacturing of products for the shopfront. While Peter acknowledges that he and WCIG ‘were naive in the beginning’, he believes that along the way, they’ve learnt how to balance operating as a business in a competitive industry with providing employment for people experiencing mental illness.

CK

Update: WCIG reports that the 2010-2011 budget has a planned surplus for Cleanable Property Maintenance Services, which now includes Cleanable Commercial (cleaning), Cleanable Domestic (cleaning) and Cleanable Maintenance (a handyman service), expanding the Cleanable cluster of social enterprises considerably.

Dress for Success Sydney

Dress for Success Sydney has been in operation since May 2009, aiming to support women experiencing difficulties in achieving self-sufficiency and financial independence through the provision of appropriate clothing and styling advice and initiatives to build women’s confidence in their pursuit of work-related opportunities.

A Sydney-based incorporated association, Dress for Success Sydney was initially set up under Melbourne’s *Fitted for Work* program. Dress for Success currently relies solely on around forty volunteers and three hundred supporters, though there are plans to hire a paid coordinator soon. Dress for Success has a small core management committee, with sub committees overseeing fundraising, referral agency liaison and volunteer coordination. Co-founder Megan Etheridge notes that when starting out as a charity, there were no considerations of social enterprise as they had never heard of it. In the early days of operation, however, Megan and her colleagues realised that there was potential to raise income through the sale of unsuitable clothing, given that all clothing is donated to the organisation by individuals and boutiques.
Given the nature of the services they provide, Dress for Success think of everything they do as a partnership. There is heavy reliance on individuals and companies alike for clothing donations, as well as for volunteers. Interest from Cisco has opened the door to discussions with other corporations, such as IBM and Clayton Utz, regarding volunteer packages, whereby staff from these firms would volunteer with Dress for Success. Elsewhere, Dress for Success is looking to build on their existing links with employment referral agencies, such as Max Employment. The common vision shared by such agencies and Dress for Success has made the development of partnerships in this area a priority. Dress for Success is for now focusing on clothing and general confidence building in an attempt not to encroach on these agencies’ employment-related activities (e.g. interview skills, writing resumes).

Megan explains that while the enterprise was initially based on the Fitted for Work model and began its work in the Melbourne group’s offices, subsequent developments led to the Sydney group establishing an independent service. The difficulties in finding premises and storage facilities in Sydney and establishing a management structure were compounded by the fact that most of the founders had no prior experience in setting up a charity. Currently housed at the back of the Smith Family Store in Burwood, Dress for Success is no longer linked with Fitted for Work Melbourne (though it maintains links with the newer Dress for Success Brisbane group). Whilst independently responsible for its own fundraising and management, Dress for Success is now an affiliate of the Dress for Success Worldwide network. This affiliation brings with it the advantage of having the backing of a much larger entity and examples to follow in carrying out their activities, working as what Megan describes as a ‘social franchise’.

Women from diverse groups, including those from job training programs, homeless shelters and immigration services, can come to Dress for Success for clothing as well as styling
advice which will prepare them for job interviews. In addition to clothing, clients will also have access to confidence building initiatives which will allow them to remain employed and assist them in becoming self-sufficient. A recent grant has enabled Dress for Success to also hire a coordinator to oversee the development of a mentoring program, which will draw on its corporate network. The program is set to launch in September 2010.

Megan advises that Dress for Success also works extensively with Corrective Services NSW, often assisting recently released female inmates. Having received a grant from the Minister for Women, in April 2010 Dress for Success will launch a mobile service for women in the Silverwater correctional facility. The service is designed to bring clothing to women who are ill-equipped to re-enter the community, appear before a court and to look for employment. In addition, Dress for Success has also been given funding by Corrective Services to offer a Personal Presentation Program to selected clients; a program which will consist of modules designed to enhance women’s self-esteem and confidence.

In its early days, Dress for Success received $5000 from a supporter, money which, along with other donations, was used to pay for storage space, association costs and other general expenses incurred in setting up. In addition, around $20 000 has been raised through fundraising dinners, events which are subsidised by Accor Hotels. The hotel chain is also about to take over all of Dress for Success’ telecommunications costs.

In relation to management, Dress for Success has had to deal with several issues, with Megan admitting that the group is looking for a better model for social enterprise. Currently, the management committee is heavily involved in the operational running of Dress for Success rather than focusing on strategy. The recent establishment of sub-committees has gone some way to addressing this. Comprising eight members, the committee is still looking to bring on board someone with
nonprofit company director experience, as well as someone to coordinate grants. Without staff or active volunteers with relevant expertise in these areas, Dress for Success’ ability to develop the partnerships conducive to obtaining philanthropic funding is limited and the group is also wary of conducting recruitment drives without the capacity to properly manage any more volunteers (or even paid staff in the future).

At present, the only way to measure quantitatively the impact of Dress for Success’ work is the number of their clients who successfully find a job. Megan explains the difficulty in capturing the whole impact of Dress for Success’ work, with employment figures not always solely attributable to its work and outcomes such as women’s increased confidence hard to quantify. She does, however, suggest that through their affiliation with the international Dress for Success group, they may be able to ‘tap into the knowledge’ of other groups who’ve faced similar issues. Furthermore, the shift to having social enterprise as the mission will allow Dress for Success to establish quantifiable revenue targets, as well as employment targets for clients. Megan is keen for Dress for Success to be able to present clear indicators of the impact of its work as such data is seen as key to Corporate Social Responsibility activities and to improving access to mainstream funding and grants from the government and private sector.

Looking to the future, the issue of succession is evident, highlighted in 2009 by the hole created by the departure of Dress for Success’ co-founder Melinda Huggins. If Megan were to leave Dress for Success, it probably wouldn’t survive at this stage. She is not happy with this situation and sees the creation of a paid coordinator position and other paid positions as key to a more sustainable structure. Yet therein lays the ‘catch 22’ says Megan, as Dress for Success doesn’t have the capacity to oversee the area of grants and income from grants will be needed to establish the paid coordinator role. CK
Update: Since the time of interview Dress for Success Sydney has employed two part time staff members. Their roles encompass general administrative duties, development of the Career Support Program, development of partnerships with Referral Agencies and coordination of the social enterprise. Client referrals have dramatically increased and the mobile service to Silverwater Women’s Correctional Centre commenced in July with visits timetabled for the first Monday of every month. The social enterprise, comprising grooming and presentation skills and costed to the referring agency, is set to start in September and bookings are already in place for the remainder of the year. It was decided to base the social enterprise on the skills of the volunteers as well as the core business of the service rather than compete in the crowded second hand clothes sale market. A Grants Convenor has commenced in a voluntary capacity. With the appointment of staff, the ability to develop quantifiable measures of success including value of volunteer time, value of clothing distributed and client employment success will, it is hoped, improve the success rate of grant applications. Funds are still raised primarily through major events which continue to be sponsored by Accor Hospitality and new initiatives include development of a corporate sponsorship/partnership program which will include corporate volunteer opportunities.

Dress for Success Sydney continues to pursue its growth through volunteer participation and partnership development rather than a strategy of increasing paid positions. The aim is to maintain and enhance the grass roots, community based operations. In order to keep pace with growth, Dress for Success Sydney is now working with AMP on the strengthening of its governance arrangements, focusing on the establishment of a Management Board with clearly defined roles and responsibilities for Directors, which will support the attainment of the targets in clients, services and fundraising which have been set for the next three years. This will also address the issue of succession and, coupled, with the employment of two staff on a part time basis, will
ensure a stable future for the service. With the improvements in infrastructure, a public relations campaign is currently being developed and will be aimed at increasing buy-in from volunteers and potential community partners.

Website: [http://www.dressforsuccess.org/sydney](http://www.dressforsuccess.org/sydney)
MultiLink Inc has been operating in Logan City south of Brisbane, Queensland for twenty years. One of its core values is to build the capacity of communities to independently live, work and play in society. Its social enterprise, MultiLink Interpreting Services, was established in 2003 with an aim to provide employment and training opportunities for local migrants and refugees and to generate revenue for the parent organisation, which was 95% government funded at the time. Working from a strengths based approach it was recognised that whilst many clients struggled to find work in the Australian market they had good dual language skills, in their own language and in English. Seventeen people were approached and offered a small loan to gain accreditation in their language of origin. If they were successful they were offered work through MultiLink, and if not the loan was written off. Today around
two hundred interpreters working in eighty five languages are available through MultiLink’s services.

A key factor in this rapid growth was the early establishment of a relationship with the local district of Qld Health. It was seeking to improve its services to Culturally & Linguistically Diverse (CALD) communities and recognised that purchasing interpreter services from MultiLink delivered the additional benefit of linking into its extensive community networks. Within twelve to eighteen months Multilink was able to increase the local district’s use of interpreter services by 300%. This was achieved through providing free training to Qld Health staff and through the fee based interpreter service.

During this time Qld Health became 90% of the business and when the central Department made the decision to change contracting processes across the State MultiLink was hit hard. Peter Forday, CEO, explains that the new processes meant that consistency in interpreting services across the State became the first priority. He notes that MultiLink supports this approach in principal, but that the decision to take this further to a single supplier model is not something they believe benefits clients. Qld is a very large and varied state and it is difficult to deliver a quality service into regional areas from Brisbane.

This decision was made in 2007 and came into practice during 2008. MultiLink tendered for the new contracts but was unsuccessful as it was only seeking to deliver services in its local area. They also worked with Disability Services Qld on a capacity building model, which would have seen MultiLink working with local organisations in regional areas (eg. the Migrant Resource Centre in Cairns) to support the development of local service provision, utilising the processes and systems developed by MultiLink. Whilst the feedback from Disability Services Qld was positive around the capacity building model this was also ultimately unsuccessful as the Department was not prepared to invest in the establishment time needed to operationalise this approach.
The contracts were won by a Victorian based for-profit business which undercut all the local suppliers. Peter describes this organisation as a ‘very hungry competitor’ that appears to work on tight margins and seems prepared to absorb significant losses in the first few years while it establishes in a new area. MultiLink also approached the new supplier to discuss possible subcontracting opportunities and had on offer its substantial local track record and networks, but was advised that the new supplier saw no business sense in doing this. Peter explains that, aside from losing the contracts, a key concern is that this business appears to pay its interpreters the same rate whether they are qualified or not, which will impact the quality of service provision to highly vulnerable groups. It also acts as a disincentive for the interpreters to become accredited, which is one of the key development opportunities that MultiLink aims to achieve for its client base.

The contract has been awarded for three years and will be reviewed at the end of this time, but Peter believes it will be an almost impossible challenge to recapture even a small percentage of the business MultiLink had previously. In particular he notes that the new provider has integrated a number of its systems with Qld Health’s systems and it will therefore be a complex task for this to ever be separated out in the future.

Peter is clear that they have learnt many lessons from this experience, most notably ‘not to put all your eggs in one basket’ and to always be monitoring the wider context, not just the local area. When social enterprises are competing with mainstream businesses it is also important that they are not to be lulled into a false sense of security because a better quality or more embedded social outcome is achieved.

MultiLink has not rested licking its wounds, however, and it is proactively seeking out other contracts. Peter explains the Qld Government has recently committed to its departments providing interpretation services and in finding budgets to
purchase these. He also sees the corporate sector as potential future partners, but is quick to note that they are looking for business relationships here, not philanthropy.

A new Business Development position has also recently been created. Social Ventures Australia (SVA) brokered a public sector contribution to funding this position, with MultiLink funding the rest. Peter explains that they were originally approached by SVA to participate in its Brisbane Social Enterprise Hub and became involved in the program to gain access to business skills. The key delivery of this is through matching with a business mentor. Peter notes that his mentor is a successful business person, but has little experience with the community sector or social issues so there is a lot to be learnt on both sides. In terms of the other support offered by the Hub program, Peter felt that it would be more beneficial if the assistance could be provided in a format that built the capacity into MultiLink’s operations. It could then in turn work this capacity back into the local area, acting in an incubator role for the enterprise aspirations of community members. Negotiations resulted in the establishment of the Business Development position, which Peter is pleased to report is working well to date.

Whilst there have been some internal culture issues as staff have grappled with the increased business focus, Peter attributes much of this as related to wider changes taking place in the organisation. A focus on, for example, quality assurance is driving a more business-like approach across the operations and happens to be occurring at the same time.

Peter advises that the interpreters themselves prefer to work for MultiLink because they are treated well. The organisation has a strong reputation and Peter is clear that this has been built on the strong values base that underpins their work. He notes that on occasion they have missed out on funding for refusing to compromise standards. This flows through to how staff work with the translators, who also receive support to undertaken accreditation processes. The national
accreditation framework is a complex process and provides little in the way of support for those working through it. This is particularly challenging for refugees and recently arrived migrants to navigate. MultiLink’s approach couples community development and personal support with the process, which increases its accessibility to a much wider group of potential interpreters. MultiLink’s model has the potential to assist with addressing the national shortage of interpreters in many languages, particularly the ‘emerging’ languages.

For MultiLink the key driver in establishing the social enterprise has been to create a local employment pathway for its constituents. And whilst the numbers show that it has been highly successful in this regard Peter advises that they haven’t as yet attempted to assess the social impact in further depth. He thinks this type of information would be useful in contracting processes, particularly for government contracts. He also notes that in the Logan City area there has been little change on some social indicators in thirty years, despite a significant amount of funding being invested in the area, and that data would be useful in targeting activity towards impacting these.

While the employment pathway objective is being met Multilink’s management and Board have seen the benefit in continuing, even when the secondary objective of returning a profit to the parent organisation hasn’t always been achieved. Peter notes that like any small business cash flow has gone up and down over the years, but that 100% of the enterprise’s gross annual income has come from trading with no other external funding sources (until recently with the contribution to the Business Development role). MultiLink’s reserves provided the small start up capital needed, funding the loans to the original seventeen interpreters.

The Interpreting Service operates as a business unit within Multilink’s operations and a management fee is applied to (for example) administrative costs. Peter advises that the accounting systems ensure that a clear and accurate picture of the true
costs is available at all times. Detailed line items are used and a monthly variance report against budget ensures they know from month to month whether it’s in surplus or deficit, which allows fast responses when required.

Prior to losing the contract with Qld Health MultiLink Interpreting Services was beginning to turn a profit and overall Peter advises that it has been cost neutral for the organisation, with shortfalls in some years being offset by surpluses in others. The primary objective has always been to create the employment pathway, and as long as this is being achieved and it’s breaking even it is considered worth doing. Peter explains this decision is core to being a social enterprise, as it isn’t one a commercial business is likely to make, but that the tension between the social purpose and generating an income is a constant balancing act.

Any longer term and/or more significant shortfalls would have to be met through MultiLink’s reserves so sustainability will become an issue if it is not at least breaking even. With the new Business Development position in place MultiLink is working to capitalise on opportunities created through its strong attention to quality and reputation. Peter explains that previously they were managing the enterprise ‘around community service frameworks’ and are now looking to introduce a greater focus on the business aspects and the longer term profitability.

He also notes that they aren’t ‘locked in’ to the interpreting service and are open to seeing how it evolves. A marketing and re-branding exercise is underway with consideration being given to establishing the Interpreting Service as a separate entity, one that distributed its surplus back to MultiLink. They are currently exploring whether this approach would ‘free up’ the entity, particularly if it were to begin generating more significant revenue. Several small start-up social enterprises are also emerging and these may become viable over time. Peter advises that the focus is on the outcome, not on the vehicle.
MultiLink has already survived one transition from long-standing CEO, Lynda Ford, who Peter advises was the driving force behind the establishment of the enterprise. He believes that the operations are sufficiently stable now and that there is enough support from the Management Committee to see it through any further transitions. Taking over as the ‘second CEO’, Peter says his role has been to focus on the ongoing development of the Interpreting Service.

Previously Peter had spent twenty years working in the social welfare sector, primarily in areas where the issues are fairly entrenched. Having taken a substantial pay-cut to take on the role with MultiLink Peter explains that he was excited at the opportunity to work with a resilient group of people who are looking for opportunities. He believes that if you tell people they are disadvantaged and damaged they’ll act that way. If you work to people’s strengths and tell them they are capable of achieving their goals they’ll grow into this. Peter also saw the social enterprise model as an opportunity. He says ‘in the social welfare sector we do the same thing over and over and can’t be sure it makes any difference, and I don’t know if this will work either but intuitively it makes a lot of sense’. He suggests that maybe the multicultural sector has been at an adolescent stage of development and that it’s now time to grow up. He laughs when he says ‘I knew I was grown up when I went out for dinner with my Dad and when we argued over who was going to pay he let me’. He reflects that agencies are always saying they need more funding, but he’s not so sure that’s the answer anymore. JM

Website: http://multilink.org.au/interpreting/
Nundah Community Enterprise Cooperative (NCEC) was formed in 1999 to create sustainable part time employment and training opportunities for long term unemployed people with intellectual disabilities. This group often experiences other social disadvantage such as mental illness, substance abuse, homelessness, poverty, abuse and victimisation, and contact with Corrections. Park and village maintenance, along with the operation of a café and catering service, are the key business arms of NCEC, which operates in Brisbane.

The formation of the cooperative was a response to deteriorating mental and physical wellbeing, and expressions of boredom.
and a desire to work from a number of people the Community Living Association (CLA) was working with at the time. The CLA works with people with intellectual disabilities, many of whom are in their mid to late 20s and 98% have never been consistently employed. Morrie O’Connor, NCEC Board member and CLA staff member, explains that ‘it was clear that a number of people’s lives were pretty aimless’. Many of the CLA’s clients had been placed in jobs by disability employment agencies but had trouble retaining jobs, with some losing their positions after only one day. Morrie notes that while many of these people had undergone various training programs targeted at people with disabilities, this had had no impact at all on their life skills, including literacy and the ability to work. Given the tradition within the CLA of bringing clients together if there were common themes emerging, a group was established by Morrie and fellow worker, John Hooper. From here, the general idea of finding paid work by doing odd jobs was developed. It was recognised at this early stage that only part time and casual work was realistic, given that full time work would require sizeable infrastructure and capital. Furthermore, as Morrie explains, the participants were simply not ready for the demands of full time employment, especially those who were living independently and who needed more time to perform daily activities without family support.

Starting out, Foresters Community Finance offered NCEC free premises and secured a couple of small loans. NCEC relied on donations from local Catholic Nuns, the Presentation Congregation, to fit out the café and from the Newman Foundation to upgrade equipment. Along with being a cooperative, NCEC also has charity status and can therefore seek grants. They obtained funding through a few small grants, as well as through a local initiatives grant scheme under the Commonwealth government, funding which they and the CLA used as a deposit to gain a loan from Foresters Community Finance for a shed. The loan was taken out and repaid by the CLA, with income generated by sub-leasing NCEC’s space.
making a contribution to repayments. Morrie advises that the parent organisation’s involvement in this was critical as NCEC couldn’t have serviced the loan on its own.

From the beginning, the cooperative was membership based, with participants paying a $1 fee to become a member. Members were paid for jobs they performed and a small percentage of their earnings went back to the cooperative. The longevity of employment varies according to what each worker wants; of the fifteen who started, over half are still members ten years on. Some have obtained employment elsewhere, while others left and later returned. NCEC reflects the CLA’s strong locality focus, with its geographical intake area focused around the Brisbane suburb of Nundah. Several people became involved through word of mouth; parents in particular often approach NCEC wanting to find work for their children. There is, however, a Memorandum of Understanding with the CLA which gives preference to people introduced through its programs. The MoU also means that CLA support services are available to NCEC, who are also able to discuss issues about members with CLA supervisors. Morrie sees the evolution and development of this relationship between the co-op and the CLA as critical to the social enterprise working. He points to a number of instances where people have started ventures similar to NCEC around the Brisbane area and disability agencies have placed people with them without access to ongoing support. The CLA, by contrast, provides ongoing case management support, which allows the co-op to be more flexible in how it works with people than it could have been without this specialist expertise.

Morrie says the CLA has been the most important partner to NCEC. In addition to its critical case support role, the CLA was also able to provide premises to NCEC when the idea for the Espresso Train café and catering business first came up. Brisbane City Council has also become a key partner. Initially the Council was unable to contract NCEC to maintain parks, given that it wasn’t a preferred supplier and could not
demonstrate a good track record. When a Council community leadership program was being developed, however, NCEC was suggested as a group to work with. NCEC asked for a contract to maintain three parks; while it took around eight months for the Council to navigate competition policy, once finalised, the contract made a huge difference to NCEC. Establishing a regular income stream, the contract with the Council also meant that the co-op didn’t have to deal with a large number of individual customers and the large number of issues that could consequently arise. Morrie reflects that the slow start helped, as it allowed the co-op to work through issues as they arose, to put into place a training system and to slowly build structures and processes. NCEC now hold the contracts to twenty two parks, in addition to Nundah Village maintenance.

The board of NCEC currently consists of four community members (with one vacancy), with all board positions being elected by co-op members. The key positions of treasurer, president and secretary are held by the community members and Morrie advises that this has been important due to capability levels amongst co-op members. Workers’ meetings are held once a month, meetings which generate many ideas but do not often result in decisions being made. Morrie acknowledges that the structure of the co-op has been challenging; while a representative board fosters participation and involvement, there have been workers on the board who don’t have literacy skills and only limited problem solving and comprehension skills. Consequently, in many instances it is possible there hasn’t been full cognisance of the decisions being made. Yet overall Morrie feels that the co-op structure’s benefits outweigh the drawbacks and while it may be unsatisfactory in some regards, he says ‘the level of empowerment couldn’t have been generated with any of the other available models’. Morrie is still involved with NCEC, with board member Dave Langdon also having played a crucial role in the organisation. NCEC’s first co-ordinator, Dave joined the organisation as a social work student, returning as co-ordinator around the time when the
first parks contract was obtained. NCEC’s second Coordinator, Jackie McKean, also returned as a Board Member.

The co-op supervisors were originally volunteers, who were able to provide valuable feedback to the CLA as they saw parts of the participants’ daily lives that the CLA workers did not. Morrie cites the examples of workers turning up inebriated, without shoes and with bottles of soft drink instead of water as some of the instances where co-op supervisors were being exposed to problems the CLA workers had not identified and were not used to confronting. Morrie feels that the discovery of these issues led to a gradual culture change within the CLA, as it began to change its approach based on the co-op’s practical experiences.

The focus of NCEC’s work is on supported and long term involvement. Given the low skill level of the workers, support is needed from someone without a disability. Volunteers from the community would initially work on a one-on-one or at the most a one-on-two basis with the workers, a structure which has since been replicated as the NCEC moves into higher skills areas. With the opening of the Espresso Train café and the need to meet higher Occupational Health and Safety standards, however, NCEC has taken on paid supervisors. There are now three full time and two part time supervisors, recruited mostly by word of mouth. A paid coordinator oversees all of NCEC’s operations.

NCEC uses Slow Workers Awards under the Supported Wage System, with workers paid according to their level of productivity. This is necessary, given the gaps between production and participation arising as a result of the workers’ disabilities. Some of the more established workers have moved from 60% to 80 or 90% productivity over the years. The main issue is with new workers – under the Supported Wage System, a person must work a minimum of eight hours and this poses a major hurdle in cases where workers aren’t up to working those hours. Once they start working, their social welfare benefits are
also gradually reduced. New workers’ low productivity costs the organisation, as they need to employ supervisors and pay the workers eight hours’ wages under the award. (This results in many disability employment organisations dropping the most difficult cases early on). Yet Morrie points to the fact that there are many workers who are happy to work more hours and who don’t mind losing the benefits as an indication that workers appreciate the additional outcomes they gain from working.

NCEC currently breaks even, with 95% of gross income coming from trading. More parks maintenance work is trickling in, as other Councils learn from Brisbane City Council on how to work with competition policy in the contracting process. Dave Langdon is doing some consultancy work with Sandbag, a community based organisation that is looking to replicate the NCEC’s work, with the income from his work coming into NCEC. The Council has given NCEC $5000 to publish a short booklet on their experiences; they have also been approached by Social Ventures Australia to mentor other community enterprises. Morrie, however, doesn’t see longevity in NCEC’s mentoring and promotion of community enterprises, seeing these as more the business of intermediary organisations.

While NCEC participated in a session on Social Return on Investment (SROI) run by Social Ventures Australia, the board thought it was of no real use to the organisation, because such an assessment would not come close to capturing the full extent of its impact. This workshop was based on Social Ventures Australia’s first SROI tool, not the one more recently developed in the UK, which NCEC hasn’t been exposed to. The SROI assessment looked at financial impacts and cost savings to government, Morrie explains that people’s behaviour changes are the most useful indicator to NCEC. The organisation can provide stories about individual journeys for all the workers and while financial values could potentially be attached to these, the preventative side would be difficult to capture. Morrie suggests that in intensive support situations
data is difficult to generate and is often meaningless. NCEC has, however, tried some ‘most significant change’ mapping, in an attempt to report on the individual journeys involved with their work. Morrie points to the holiday club established by NCEC as a real example of people’s lives changing. Before they started to work with NCEC, holidays weren’t even a possibility for the workers, but earning some money has had a cumulative effect over time.

All decisions taken by the NCEC board, from what jobs are taken on to what equipment is purchased, have been guided by the co-op members’ needs and issues. With its focus on employing a long term unemployed group, the organisation strives to understand the issues contributing to the unemployment cycles so that it can work with each individual’s unique circumstances. Morrie believes that one of the major problems is that workplaces are, in general, geared for full time work. So when someone with a disability performs well in a job, the disability employment agency will increase that person’s hours, often without consideration of whether they can cope with this increase or not. Social enterprise, however, allows for workplaces to be designed around the needs of employees instead of trying to fit them into existing structures.

Based on NCEC’s experiences, Morrie warns against a ‘one-size fits all’ response. He says ‘you can’t just replicate something that worked in one place or with one person; there are too many variable factors involved’. Yet with more larger agencies becoming involved in the area of disability services, Morrie suggests that various groups with ‘roll out agendas’ are promoting versions of the situation in ways that will attract government funding. As a result he feels that many of the initiatives being funded may satisfy the government but do not actually provide outcomes for the participant – an example of this is literacy training for people with intellectual disabilities.

CK

Website: http://www.ncec.com.au/
The Property Plus Group provides job opportunities in commercial cleaning and gardening to disadvantaged members of the community, primarily young homeless people and public housing tenants. Operating within the Salvation Army structure, the program aims to provide employment, training and to generate revenue to support the Salvation Army’s broader services.

In 2003 a program coordinator for the Salvation Army’s work experience program for young people first noticed a NSW Department of Housing (now Housing NSW) tender for cleaning and gardening services. Oasis Youth Support Network, the Salvation Army’s youth services arm, tendered for $1.2 million worth of work, expecting to be awarded around $300 000 worth. The Department ultimately decided to award Oasis the whole $1.2 million contract, with the condition that 75% of the employees had to be Housing NSW tenants or legally homeless (and therefore under the Department’s responsibility). Property Plus thus formed under the umbrella of Oasis’s training and employment services.

Under the original contract, Property Plus followed an Intermediate Labour Market (ILM) model, aiming to give participants six months of work experience before moving them onto other employment. Former General Manager of Property Plus, Russell Workman, felt that as long as it continued to lose trained staff every six months, building a sustainable initiative would be impossible. He also believed that six months was not enough time for many of the program’s participants to develop employability skills and the work ethic that would create meaningful change in their lives. As a result, Property Plus approached Housing NSW to change the model. It was initially cautious as the proposed changes were outside the terms of the contract, however it also wanted to ensure long
term sustainability for the participants and agreed to work closely with Property Plus to negotiate a sustainable way forward. Russell believes that the success of these negotiations, the courage of key Housing NSW staff to try something new, as well as the expansion of the initiative into the private sector, allowed the program to continue after the Housing NSW funding period ended – whereas six of the seven other similar organisations operating at the time folded after their government funding ceased.

The program started with sixteen participants, four of whom had some prior experience and the rest not having worked before. This initial group was a selection of homeless young people, people in drug and alcohol programs and Housing NSW tenants, all experiencing long term unemployment and many of whom had criminal records, low literacy and numeracy skills, and/or identified as Indigenous Australians. As Russell says, the bulk of the program’s participants had ‘very entrenched social welfare issues’. Since most of the participants hadn’t worked before, attendance at jobs was an issue. In the first three months, staff had claimed over two hundred sick days and on average only 60% of staff would turn up at any one time. These issues were compounded by the departure of the initial coordinator three weeks after the program began. A caseworker with the Salvation Army at the time, Russell stepped in, keen to take up the program and to see it evolve into a social enterprise.

Dealing with a particularly disadvantaged group, the enterprise could not operate on usual workplace norms. Coordinating staff were exposed to abusive behaviour and language on a regular basis, and were provided with extensive mentoring and support to work through behaviour issues. Russell says that the constant presence of these issues illustrated why participants couldn’t hold down regular work, and why the opportunity provided by Property Plus was so important. Property Plus also frequently encountered issues in relation to work cover and insurance, notably when working with people on methadone
programs. At the same time as dealing with this, coordinating staff also had to have the awareness and the skills to ensure the smooth running of Property Plus’ contract work. Working through these issues was crucial to Property Plus’s survival since, as Russell explains, as a social enterprise it had to deliver high quality contract services to ensure it passed the scrutiny of its customers.

Following the change to Property Plus’ model, Russell pursued a strategic plan to win business in the corporate world. He approached Railcorp and Property Plus eventually became a preferred service provider. Like many other corporate customers, Railcorp was supportive of Property Plus’ social purpose agenda and began by giving them small pieces of work to first test their capacity, gradually increasing the workload. The original Oasis initiative was also re-branded as Property Plus Group to create a more corporate image and to thereby attract more corporate customers. To ensure the efficient management of the enterprise, Russell hired experienced people from the corporate sector to manage the contracts, finding that it was easier to train these professionals in the social welfare aspects of the business than to teach social workers how to run a business. Russell also found that the commitment of Property Plus’ employees increased with time and he cites this improvement as proof that such initiatives have to be long term and that “it’s a waste of taxpayers’ money to do short term programs”. “Once our participants realised that they wouldn’t be moved on after six months they gradually took ownership of quality and their own self-development”, advises Russell. Over four to five years, eighty people worked with Property Plus and were able to deliver top quality work in spite of their initial inexperience with equipment and machinery and complex employability issues.

So long as the enterprise did not lose or cost Oasis money and created jobs for young homeless people, the Director of Oasis was very supportive of the enterprise. Property Plus was
formally governed by the Salvation Army board and ran as a regular program. From the start, however, there were problems with integrating the business into the regular nonprofit systems. For example, the original $1.2m contract with the Department of Housing had been budgeted without including GST. Russell explains that “the original Oasis tender team estimated the cost of delivery of services to be $1.2 million, and so Oasis tendered for this amount. It was only after I began as the manager that I discovered 10% of this amount ($120 000) was a GST component that would be paid straight to the Federal Government – therefore Oasis would only receive $1.08 million. I had to do some quick thinking and make some hard decisions about going on.” Russell reflects that “there’s nothing like an important mistake to sharpen your focus” and advises that this setback motivated the team to be as efficient and productive as possible, and not to make similar mistakes again.

Russell advises that in the three years he managed Property Plus it won $7 million worth of contracts and that when he departed a $400 000 cash reserve had been established to ensure the enterprise had the leverage to continue. Russell says that “this was essential – you can’t run with no reserves like many Not-for-profit programs”. However, within a few months the cash reserve was almost completely depleted. The differences between running an enterprise and a nonprofit are significant and not well understood by many within the nonprofit sector. Russell suggests Property Plus was very much an experiment for the Salvation Army, so the idea of having $400 000 in reserves when there were people in need was a new concept for the organisation.

Another area where new practices were developed was in the use of participants’ case notes. Russell, although a professional case worker himself, would not allow Oasis’ social workers to share with Property Plus’ coordinating staff the participants’ case notes or history. He wanted to create an opportunity for people to work and create a future for themselves without
being judged on their past. Again, this went against the social welfare sector’s strong reliance on case notes and while the Director of Oasis was supportive of the approach, other staff were challenged by the practice. Russell advises that he saw Property Plus’ purpose as creating a space where participants could learn and develop, and that there are few opportunities to do this in job-related positions, whereas there are many sources of counselling available.

Russell believes that, with a few small exceptions, social enterprises shouldn’t run any differently from an ordinary business. He asserts that any difference can create a diversion and extra costs, which inhibit the main focus of creating opportunities and achieving a social purpose. Believing that a governance board would bring about too many extra costs for Property Plus, he instead established an Advisory Group. This was made up of a talented pool of individuals who could give advice and provide creative approaches to leveraging the business. The Advisory Group also enabled Property Plus and Oasis to create relationships in the corporate sector, with the Group members often going on to join the Oasis board, arranging for large personal and corporate donations and sponsorships, establishing media relationships and using their existing corporate networks to raise funds and awareness. Russell believes that this type of support structure is what small enterprises need. However, since Russel’s departure, the Advisory Group is no longer involved in the Property Plus’ operations.

Operating within the Salvation Army structure did, in several instances, make developing Property Plus a lot easier, allowing the enterprise to draw on existing resources. Yet in other instances, the bureaucracy of the systems in place created obstacles. One problem was that the enterprise could not make purchases over $5,000, a major issue given that it had a monthly turnover of $90,000, utilised nine vehicles and had an enormous petrol bill, as well as using expensive industrial equipment. Decisions on higher expenditure had to go to head
office and the approval process could take up to three months. This meant Property Plus was inflexible and couldn’t move quickly in the market.

After three years facilitating growth and opportunities for the enterprise Russell sought to purchase Property Plus from Oasis, as an agreement had been negotiated with a funding organisation that had agreed to support this proposal as long as he remained a part of it. The plan was to leave the $400,000 cash reserve with Oasis’ broader programs and for Russell to negotiate new contracts with customers, clients and the workers. Russell also gave Oasis a guarantee that Property Plus would still focus on creating jobs for disadvantaged people. This arrangement did not eventuate and Russell reflects that it was perhaps only natural, given that, with no precedent to guide them, it would have been difficult to separate the social enterprise from the Salvation Army structure.

Russell’s subsequent departure from Property Plus created a vacuum. He was essentially the entrepreneur behind Property Plus and had developed it with the vision of a sustainable social enterprise. After he left, the enterprise lost its momentum. As mentioned, the substantial cash flow reserves that had been painstakingly accumulated were depleted within a few months and have never been recovered. His position was not filled by someone with the requisite skills and experience: instead, it was simply absorbed by another team member. Property Plus does still hold a small number of Government and private contracts, with all profits going to Oasis.

Russell suggests that having an entrepreneur with passion and commitment and a clear understanding of the social realities facing participants is the critical factor to making an employment-focused social enterprise work. Proof of this, he says, lies in Property Plus’ decline after he left. He advises anyone thinking about starting a social enterprise that they will need to have a passion to serve people and the community, and to be able to push boundaries. This passion also needs to
be accompanied by a willingness to take personal risks and the ability and determination to realise ideas, in spite of the many difficulties which inevitably arise.

On a parting note, Russell said “managing Property Plus was one of the most challenging roles I have ever done. It was a roller coaster ride and I never knew what would happen from one day to the next. I had to use every part of my ability to stay committed to the focus of the enterprise, which was to serve people. I loved the work, as it was exciting, rewarding and great fun and I would gladly do it again”. CK

Spectrum Employment Services Cooperative

A collaboration between Newcastle Labour Cooperative, MTC Work Solutions and WorkVentures provided a non-recourse loan of $280 000 in 1995 to establish Spectrum Employment Services Cooperative (originally called the Labour Cooperative Sydney). Spectrum aimed to provide employment and training for disadvantaged groups through an ethical labour hire business and was modelled on the (still existing) Newcastle Labour Cooperative. Over time the relationship with the founding partners evolved until they no longer played a governance role and the original loan was written off their balance sheets.

From 1995-2001 Spectrum ran a small labour hire business delivering services primarily to Councils in the inner city Sydney area. In 2001, as part of a growth and diversification strategy, Mark King was appointed as the new CEO and charged with expanding the business beyond labour hire. The new direction included a focus on providing more direct assistance to people facing barriers to employment as it was recognised that labour hire wasn’t a good vehicle for taking people from disadvantaged backgrounds into mainstream work, as employers are looking for people who are job ready. Eventually Spectrum established five business units – Employment, Property, Landscaping, Training and Community Services. The Training Unit achieved Registered Training Organisation status and in addition to delivering accredited training also delivered ‘soft’ employment related skills for disadvantaged job seekers.

Spectrum folded in 2009. At the time of closure its trading activities provided 100% of its income, it had grown from a $3 million turnover in 2001 to a $20 million turnover and had four hundred employees. With a turnover of $12 million the labour hire business acted as a ‘cash cow’ for the enterprise, funding the other business units including the community service
programs. These programs made Spectrum different from other labour hire businesses and were the vehicle for delivering on its social purpose, but they cost a lot to maintain. Aside from the initial modest investment from the founding partners for fourteen years Spectrum funded its own operations, growth and diversification assisting over six hundred disadvantaged people into employment in its last eight years of operation.

Mark advises that a major factor contributing to the folding of Spectrum was the global financial crisis. Labour hire markets are one of the first to suffer in a downturn and with so much of its operations dependent on the profitability of this business unit Spectrum was in a vulnerable position and ultimately couldn’t sustain its operations. Other commercial labour hire businesses were also significantly affected during this period and some did close, but because they didn’t have the additional overheads that Spectrum carried they generally weren’t as badly affected.

Compounding the high overheads issues, as with many social enterprises, Spectrum was severely under-capitalised. Ultimately it didn’t have the financial reserves an organisation of its size needed to protect itself during down times. As a social enterprise, the nonprofit model meant it also couldn’t do what its competitors could do: generate additional capital through shareholding and loans. Mark is clear that if Spectrum had had access to sufficient reserves and/or bridging capital through this critical period it would still be operational today.

The pre-employment training model developed by Spectrum for its Property and Landscaping businesses has influenced the development of the Australian intermediate labour market social enterprise sector (ILM – also known as social employment, pathways or transitional labour market models). Participants do six weeks unpaid work, during which time they are trained in a range of ‘soft’ employability skills as determined by their individual needs. Usually only those who are committed and motivated make it through this stage, so it acts as a screening process also. Similar models are now quite
common in organisations with an ILM focus, but in Spectrum’s case the pre-employment programs were resourced through a mixture of internal and external funding.

Through statistics it generated from data captured in simple spreadsheets Spectrum was able to demonstrate to its public and private sector clients that its model transitioned people from training into employment, either in its own businesses or externally. It also collected a lot of case study information, which brought to life the stories of individual participants. Mark advises that they had begun looking at different methods to aggregate the data, but hadn’t made any decisions on this. He notes that they were interested from a practical perspective, they needed the data to be able to demonstrate why it was important that clients be ‘a bit kinder on the pricing’ in recognition of the additional social impact Spectrum’s model delivered and the additional overheads required. Mark notes that data collection and social impact assessment is a difficult area for social enterprises, as they usually have limited resources available to allocate to these tasks. He suggests that the development of an open-source template for data collection would be a huge contribution to the sector.

Spectrum’s relationships with its clients were always on a commercial basis and it delivered contracts for a number of government and corporate clients. Mark advises that for the majority of the commercial clients Spectrum’s social enterprise focus wasn’t a factor in awarding contracts. A major client was Housing NSW (the State department), which contracted the delivery of services on various social housing estates. For it the social enterprise element was a deciding factor and a number of contracts included social clauses detailing numbers for employment of social housing tenants from specific estates. Spectrum had two points of contact in the department in these cases, through the regular contracts unit and with the tenant participation team, and therefore different contract management and client relationship approaches were needed
than were used on straight commercial contracts.

Assisted by the evidence base generated by Spectrum and by internal champions, the approach gained support and in 2008 Housing NSW implemented its New Maintenance Reform Program, and specific social employment clauses are now in place with a number of commercial suppliers. As the social clauses were increasingly used in the mainstream market Spectrum recognised that it would become increasingly critical that delivery was checked more thoroughly than had been the case in the past. It influenced the department to check on the follow-through of the contracted body, to ensure it delivered on what was included in the contract bid. The Reform Program has now embedded this approach into the department’s practice, and has the potential to influence a number of other departments to include social clauses in (for example) cleaning contracts. Mark notes that these appear to be having a positive effect through increasing apprenticeships, Indigenous employment and the like.

The potential of government procurement practice to act as a market expansion strategy has become particularly evident recently. For example, a number of cleaning and horticultural social enterprises focusing on employing people from social housing estates have been funded under the Commonwealth’s Jobs Fund. Mark sees this area as one of Spectrum’s lasting impacts, having been at the forefront of the development and trial of social clauses in Australia. He advises that it’s critical for social procurement approaches to be embedded in systems, otherwise arrangements are dependent on individual staff who could move or leave at any time and potentially undo years of work and progress.

Spectrum provides a stark lesson in the realities of social enterprise. Despite having a dedicated and talented Board, a committed and skilled CEO, a solid and stable management team, a good reputation and secure clients, and a strong trading history it wasn’t able to overcome one of the most
significant barriers faced by social enterprises. Without access to appropriate options for capitalisation it had little chance of surviving a major downturn. This resulted in the closure of one of Australia’s most successful social enterprises and the loss of the experience and opportunities it had established. When the size of the initial investment is considered, the impact achieved by Spectrum does great credit to demonstrating the potential of the social enterprise model.

In reflecting on advice to others working in this complex environment, Mark suggests: secure your capital base before expanding too far or too fast; ensure a balanced portfolio of income generating businesses (don’t put all your eggs in one basket); fully research new markets before entering them, particularly what the costs will be; pay a lot of attention to the commercial side of the enterprise, otherwise you may not have the chance to fulfil the social objectives; build capital reserves as a matter of priority; and be patient. It’s hard work balancing social and financial objectives and there are no ‘tried and true’ formulas. JM
The Urban Renewal landscape and construction business, an initiative of Mission Australia, is a social enterprise that provides fixed-term intermediate/transitional employment opportunities for local disadvantaged individuals. Urban Renewal was developed to further Mission Australia’s vision to see a fairer Australia by enabling people in need to find pathways to a better life. Started in 2006, each year it now offers thirty-six disadvantaged people from around Victoria the opportunity to gain an industry-recognised qualification in a sector experiencing a significant skills shortage. Stuart McGougan, Mission Australia’s Social Enterprise Operations Manager for Victoria and the person who operationalised the social enterprise vision for Urban Renewal, explains “it’s about ‘trade and transition’.

A previous program delivered by Mission Australia for seven years in Shepparton and Bendigo (in regional Victoria) had been achieving over 80% long term outcome rates with disadvantaged young men. Analysis identified that the twelve month duration of the program, the additional personal support provided, and the peer group relationships developed were key success factors. This original program had a number of local partners involved in an advisory group but over time the partnership was dissolved.

It was decided to bring the successful intermediate labour market (ILM) model to the city and rather than run it as a program, to try and establish it as a business operating in the building and landscaping sectors. This was a whole new area for Mission Australia and Stuart says at the start they had a good program, but not a great business. Urban Renewal is now...
a registered building practitioner in the State of Victoria, and is compliant with all the requirements this entails. It is a social enterprise that uses an ILM model by providing a supported real-work environment for highly disadvantaged unemployed people, particularly young men, to assist their eventual entry into mainstream employment. Stuart notes that a lot of those participating in the program would previously have come out of high school at around fifteen or sixteen and gone into a technical school to learn a trade. When these schools were closed down, there were fewer options gap for those neither suited to nor interested in academic learning and many dropped out of school. Now aged around twenty-two, many have experienced years of disconnection and, at this young age, are in danger of becoming long term unemployed.

At the time of interview, across its operations Urban Renewal had forty-two staff, including trainees. Stuart explains that early experience showed that a balance was needed on the work crews, so the teams are now made up of 50% ‘semi-productive’, 25% ‘great today poor tomorrow’ (i.e. variable) and 25% ‘high needs’ participants. This balance is critical to maintaining the productivity levels needed to successfully deliver contracts on time and within budget. Whilst the focus is on young men, Stuart advises that involving a few older participants helps to settle the group of trainees.

The participants are referred through Job Network and Neighbourhood Renewal programs and all have chosen to be involved. The first four week pre-employment course is unpaid which, according to Stuart, helps to identify those who are keen to make a genuine change in their lives. He explains that it has also proven necessary as the referrers often send people who aren’t suitable. After working with the participants every day for four weeks it’s clear to Urban Renewal’s support staff what each person’s issues are and who they work well with. Stuart notes that having more issues makes a person a higher priority candidate, not lesser.
After this preparation stage participants enter into a twelve month traineeship. All trainees are paid and the full-time participants stop receiving welfare benefits. The ‘variable’ and ‘high needs’ participants tend to work part-time at first and continue to receive part benefit payments as a result. Stuart advises that the referring agencies push to bring their hours up to full time as quickly as possible, but Urban Renewal manages this quite strictly and won’t increase hours until a trainee is ready. Raising the hours to full time is in the interests of the referring agencies as at this point, under their contracts, they receive a payment from the government and can also stop providing placement support services.

The program is flexible and the trainees can transition out earlier if they demonstrate “work readiness”. With support and advice, the participants find their placements themselves so that they ‘own’ their decision and this, says Stuart, is a factor in retention rates.

Urban Renewal employs a full time support worker who is split between the two current crews. The model is specific in not allowing participants to deal with ‘welfare issues’ during work time. It has to be a ‘real job’ as this plays a big part in changing mind sets around what comes first and takes priority in a day. If an issue (such as alcohol or drugs) is impacting upon a trainee’s work, it is tackled as a barrier that’s affecting their ability to achieve their work goals. Stuart explains that in this way the issues become part of their story, and the balance of dominance in their lives begins to shift, and that this is the difference between providing a supported approach to transition and a regular welfare program.

As Mission Australia is a Registered Training Organisation and a Group Training Company it could provide the certificate training and employment arrangements directly itself. However it has developed key partnerships with TAFE and Apprenticeships Plus (in these roles respectively) as this ensures the trainees engage with the broader system and don’t become insulated
on the program. The partnership with TAFE has also allowed them to develop a modular approach to skills development that allows trainees to build towards a certificate, if this is a goal for them, without having to take it on all at once.

Apprenticeships Plus has also proven a good partner for the social enterprise as it provides around three times the job support it would to a mainstream client, despite receiving the same payment from its government contract for this extra level of service. Stuart explains that for the first thirteen weeks both the Urban Renewal and the Apprenticeships Plus support staff visit around three times per week, while a ‘regular’ client may only require one visit in three months. Stuart suggests that intermediate labour market social enterprises need to collectively highlight this issue with the Commonwealth government as in effect this is acting as a disincentive for group training companies to take on people with high support needs. They know they will have to do a lot more work but will only receive the same service payment. For the ILM model to really work in Australia Stuart argues that it will be critical that these extra support costs are somehow reflected in the system. He explains that Mission Australia’s analysis shows that the ILM model on which Urban Renewal is based is a cost effective way to achieve employment outcomes for the high needs groups, when compared to other employment service programs. The biggest additional cost the model incurs is in the provision of support staff, a cost that mainstream businesses don’t incur. During the establishment phase Mission Australia heavily subsidised these costs for Urban Renewal, a pathway that isn’t available to ILMs not linked to a large parent organisation. Stuart suggests a useful approach for governments interested in supporting the development of ILM social enterprises would be to provide funding for the support workers, rather than for establishment costs or to support commercial activities.

A clear way that support for establishment and commercial activities can be provided is through contracts. In the early
stages Urban Renewal was offered two public sector works contracts, even though it had little in the way of trading history at that stage. It was a closed tender and they competed with one other for the work. This type of ‘leg up’ approach is seen as the most effective way to support social enterprises as it encourages attention to the business side of the enterprise from the beginning and establishes the ground work for building a sustainable business. Stuart notes that Urban Renewal’s trading relationships with local Councils and other public sector agencies are critical to its future. At the time of interview it was earning 95% of its gross income from trading and will break even on its operating costs for the first time in the current financial period. Stuart feels that it’s well on the way to achieving the goal of self sustainability by the end of the three year establishment period.

A lesson Stuart offers for those working in or looking to establish ILM social enterprises is to be careful about pricing from the beginning. Urban Renewal has been operating in Bendigo and Shepparton for a number of years and in these areas Mission Australia subsidised the costs as it was originally run as an employment program, rather than a social enterprise. This means that the purchasers received the service for half the cost and now aren’t prepared to pay commercial rates, preferring instead to try and source volunteers to deliver the work. Stuart explains that there is now a big re-education process that needs to take place and that under quoting also adversely impacts market development, and could lead to larger issues of anti-competitiveness in cases where public subsidies or funding is involved. He is also clear that this approach devalues the work of the participants and keeps them in a marginalised environment, which defeats the purpose of the enterprise. Stuart’s experience is that social enterprises must market themselves based on providing quality service, a fair market price as well as delivering value-add social outcomes.

In terms of demonstrating the additional social outcomes that
a social enterprise approach to employment can deliver, Stuart explains that Mission Australia is in the process of rolling out a new system that will facilitate capturing much more in-depth case data. A national research project currently underway will develop the indicators and measures that Mission Australia as a whole adopts, and will then flow down to Urban Renewal and its other social enterprises. It is recognised that a consistent approach across all the activities is needed and that the measures will be ‘fit-for-purpose’ and unique to Mission Australia. It is also important that key stakeholders are consulted to determine what they are interested in seeing reported on in relation to outcomes. Because the ILM model delivers significant savings to the public purse it has been determined that the Social Return on Investment (SROI) framework is appropriate and this will form the basis of the new reporting, with a predictive SROI being undertaken as a first step. Utilising funding received from the Commonwealth’s Innovation Fund Mission Australia is working with Associate Professor Jo Barraket (Qld University of Technology) and Social Ventures Australia on this project, and under the Innovation Fund agreement the entire process will be documented and made publicly available so others can learn from the experience. The new internal system will facilitate collection of the data that will be required for the new reporting framework. Stuart sees that having ready access to this data and robust reporting on social outcomes will be an important differentiator in the market.

Stuart is optimistic about the value that the new data collection and reporting system will deliver to Urban Renewal but expresses frustration about the limitations experienced by a social enterprise operating within the other systems of a large nonprofit. Urban Renewal is a business unit within Mission Australia and is supported by its infrastructure – finance, HR, payroll, legal etc. However all these systems are geared towards running the ‘regular’ programs that are by far the major part of Mission Australia’s operations. While Mission Australia is committed to social enterprise as a strategy, it is
sometimes difficult to accommodate the commercial needs of the enterprises within existing systems. For example, explains Stuart, a regular community program often views a staff vacancy as a salary saving to the program but for a social enterprise no staff means no earnings, with contract delivery requirements and the bottom line impacted. Stuart stresses that a successful social enterprise must have systems that are responsive to the business environment and operations.

Stuart is also familiar with the common tension between business and social expertise and objectives that social enterprises often experience. He advises that as things progress and grow he has been less involved in each of Urban Renewal’s sites and crews and is taking more of an overseeing role across all operations. In the early stages the ‘social’ staff outweighed the commercial staff, however this balance is shifting. Now there are four ‘social’ staff and seventeen others, when at the start it was two and two. Stuart recognises that it is a big culture shift for staff coming across from the commercial sector to work in a social enterprise. It can also often be difficult for the ‘social’ staff to understand the motivations and decisions of staff from commercial backgrounds. Stuart says, “A good welfare person with a bit of commercial nous isn’t enough. A good business person with a bit of social nous can work, but it totally depends on what their drivers are.” Skills and culture fit are equally important.

To address these issues Urban Renewal has an induction process in place and in the past this was delivered by Stuart, but as he has become busier it is increasingly delivered by others and the emphasis has shifted somewhat. These are issues faced by any social enterprise trying to go to scale and Stuart advises they are working through how to address them effectively. He is clear that at the core is the need to break down the perception that the welfare issues are ‘someone else’s problem’, and to instil a genuine understanding of the integrated model that an ILM social enterprise is based on. Social enterprises need the
business focus that people from the commercial sector bring, but the social purpose has to remain central otherwise it will become just another business. Stuart believes it is critical that a truly hybrid culture is established if the model is to prove effective over the longer term.

Stuart advises that Mission Australia is keen to contribute to the development of the social enterprise sector in Australia, and specifically to the ILM sub-group within this. It is well positioned, as a national organisation, to play a strong role in this. He notes that the other large national nonprofits are not really active in this area and that some of the other key organisations are state-based and therefore have less reach. In particular, Mission Australia is working with Social Traders and Social Ventures Australia to develop social procurement practice for ILM social enterprises, particularly through the use of community benefit clauses in tenders and contracts.

Stuart feels that what are needed in the Australian sector at this point in time are documented cases that demonstrate the benefits of the model. Without these people don’t really understand the difference between “running an employment program and building a sustainable business that employs people who are tough to employ.” In growing awareness about these hybrid entities, business people will need to recognise that it’s not a business with a social side, it’s one business and the social side is integral to this. And the ‘social’ people need to understand that profit isn’t a dirty word.

Stuart stresses that it is hard work; the fatigue rate for those taking on key managerial and development roles in social enterprises is very high. The issues are complex and constantly changing and the hours are long. Stuart says he was talking to a local business person recently who, when he finally understood the model, said “good luck with that mate, you’ve clearly got lots of courage”. He laughs when he says, “that’s business talk for ‘you’re an idiot’!” No commercial business would go through the establishment agonies a social enterprise faces. Yet when
one of the trainees gets a job it makes it worth it. This approach goes beyond basic welfare: by giving people a job, it hopes to change their lives in the long term. JM

Work on the youthinc concept started in 2006 when the Managing Director of Adelaide’s Commercial Retail Group (CRG), Spero Chapley, and his wife Kate decided they wanted to develop their disadvantaged youth support activities to have a more strategic focus. Youthinc, formally established in 2008 with the employment of General Manager Fred Heidt, has a mission to provide life-changing opportunities for disadvantaged young people through a range of leadership, employment and enterprise education programs.

CRG is a family owned business that was established in the 1950s by two Greek brothers who arrived in Australia following time in refugee camps in the middle-east. Fifty years later CRG owns $750 million in retail assets, own and operate eight shopping centres around Adelaide, and operate the Foodland supermarkets in these shopping centres. This portfolio gives it both retail and property development foci. From the beginning there has been a history of giving to the community and this
has permeated the company’s culture. Fred recognised that CRG’s own operations, as well as the hundreds of tenant and thousands of supplier relationships it had access to, provided a unique opportunity to develop a more embedded approach to their community support activities.

Through youthinc the full resources and business acumen of CRG are being leveraged towards social outcomes. The approach differs from other approaches, for example those adopted by family foundations, in that it is seeking to align the core business of CRG with the social enterprise activities it will support. Fred is quick to point out that it is very early days and that much of the vision is still in the planning phase. The model will see the establishment of viable social enterprises that will provide employment and training opportunities to disadvantaged young people and be sustainable through earned revenue. Essentially it is about harnessing the existing business processes, resources networks and experience and directing these towards enterprises that are focused on delivering social outcomes.

Fred is clear that having the time and space to fully explore the planning phase has been critical to developing a vision with such strong potential. However he notes that even mature businesses like CRG don’t have perfect operations and are continuously improving, and suggests that “you don’t have to do everything at once and if you wait to get everything perfect you won’t get started”.

Once fully operational youthinc’s social support model will demonstrate how corporate social responsibility programs and the community engagement programs of businesses can be fully leveraged and integrated with the core operational focus. The social enterprises will be aligned to CRG’s operations through the supply chain network. One of the first concepts to be tested is packaged food products which would be distributed straight into the supermarkets with a preferred supplier arrangement. This type of labour intensive
business is ideal for the intermediate labour market model that youthinc has adopted. The possibility of buying into an existing franchise, to avoid much of the start-up risks and lag time, is being considered. Fred notes that management positions will need to be filled by people with business skills who have an interest in young people and the work. He stresses that “you can’t have social workers running bakeries”. CRG operates under the ‘Adelaide’s Finest Supermarkets’ brand and youthinc is also looking at developing a branded line of products for this. The social enterprise activities would focus on the processing and packaging of imported products (such as olives and coffee) for distribution into the supermarket chain. The capital costs for establishment of these enterprises will be high but with CRG’s operations, plus one hundred and twenty four independent supermarkets in South Australia operating under the Foodland brand, there is a guaranteed distribution chain to get the products to market.

Youthinc is a separate legal entity but CRG meets all its coordination costs, including Fred’s salary and administration. Youthinc is also physically embedded within CRG’s offices and this has facilitated cross-fertilisation and learning opportunities, adding up to a lot of volunteer time from CRG staff, during the course of regular daily operations. It usually takes considerable time to develop relationships with business partners, but the youthinc model has circumvented this process. Fred notes the proximity and familiarity have also assisted with moving what was a fairly traditional ‘charity ethos’ to an enterprise focus.

The Board has been kept deliberately small so it can make decisions quickly. The traditional nonprofit approach of large boards with many stakeholder representatives and subcommittees wasn’t adopted as it was felt that, at least in the early stages, this could hamper responsiveness. Fred notes that as youthinc becomes more established and grows it may need a more diverse governance structure so this may change over time. At present, input from a range of stakeholders is
sought on a project-by-project basis and this is reflective of
the business-like approach that aims to keep youthinc’s culture
close to its CRG parent.

At this early stage, while its own social enterprises are in
development, youthinc is meeting its goals through placing
young people into employment. Some of the key stakeholders
are the partnering referral agencies who identify the young
people participating in the program. Since it can see the
potential in the innovative model, one of these agencies has
also seconded a staff member to youthinc which is further
cementing the relationship. At the time of interview, youthinc
had placed forty-five young people into employment, with
thirty of these in CRG supermarkets, and was focusing on
expanding placements into the supply chain with a further
sixty-five placements in the pipeline.

Fred notes that every employee is paid from day one and that
this is an important aspect of the program, as it changes the
participants’ mind sets towards work very quickly. At this stage
youthinc’s approach is a hybrid version of an ILM model as
it doesn’t prescribe a particular pathway or timeframe for
participants. So some have transitioned into permanent roles
within CRG, some find an area they really like and opt to
stay there, and others have transitioned into the mainstream
employment market. Fred stresses that it isn’t a pseudo
recruitment program for CRG and that if it wanted that there
are much more cost effective ways of doing it. It’s all about
the overriding purpose, using work as a context for change for
long term disadvantaged young people. Youthinc recognises
that with complex needs people if you try to deal with all the
issues before getting them into work you may never get there,
and that once they start working the issues can be tackled in a
context where they are no longer the person’s whole story. Fred
is also clear that the purpose isn’t to put people into jobs. The
employment focus is a vehicle for the bigger picture purpose
of bringing out the best in people and providing a context in
which lives can genuinely and significantly change. To this
end, over time youthinc will also provide opportunities for the young people to get involved in the design and implementation of the new social enterprises, and to participate in the Board.

At the core of youthinc’s model is self-generated income. Fred explains that youthinc wants to be independent and as commercially driven as it can be, whilst retaining its core social purpose. With this goal the social enterprise approach was a natural fit as it would ensure a more autonomous approach than standard recurrent funding models allow. Fred says they’d “rather do it than acquit it” and notes that with grant funding you don’t own anything in the end and this impacts long term sustainability. He is confident that their model is viable and will, at a minimum, cover its operational costs. However the need for one-off seed capital is a different matter and is similar to the needs any business has in this area. In addition to the $200 000 seed funding it received from the Commonwealth Government’s Innovation Fund and the $338 000 from the Jobs Fund, youthinc is exploring a range of options with some potential corporate partners, including social investment loans and patient capital approaches. These partners may also be able to assist with specific needs, such as fridges and fit-out materials. But Fred is very clear that they are looking for seed capital, not ongoing recurrent funding.

With the opportunity and resourcing available to properly plan the model, the ability to identify social impact assessment has been a consideration from the beginning and a ‘theory of change’ has been developed. Fred also considers social impact assessment essential for maintaining clarity of purpose over time, an ‘internal compass’ to guide operations. The ‘good news’ story bank is growing and this is particularly useful for communicating with corporate partners and supporters as they are interested in the human element. Fred considers that the social return on investment framework (SROI) will also be useful for youthinc, and a projected SROI has been undertaken to assist with determining the potential of the model. However it needs to be relevant, which means populating the overarching
framework with the tools that will yield the data required in this specific situation. They are looking for a mix of quantitative and qualitative indicators that will be able to demonstrate and communicate value to stakeholders. For youthinc, including the approximated financial value of social outcomes is appropriate as it is based on a commercial model and the parent body is a commercial business. Yet whilst the intention is there Fred advises that, as with many social enterprises, there are more immediate and pressing needs and at this stage spending a lot of time or money on social impact is low on the priority list.

In true entrepreneurial style Fred’s vision for youthinc is big. In the long term he talks about the potential to franchise the social enterprises youthinc establishes, scaling and extending the reach of its immediate work. He also sees opportunities to broaden CRG’s existing business model of owning large supermarkets in large suburban shopping centres to owning smaller suburban supermarkets in disadvantaged areas. This would extend the employment transition opportunities that could be offered. It would also create anchors for a place-based community renewal approach through guaranteeing access to a vital service, improving the quality of food supply, providing local jobs and acting as a hub for community activity. With CRG’s expertise in supermarket development and operations and extensive supplier networks, plus access to government wage subsidies, Fred thinks a break-even model is achievable. In this the difference between a social enterprise approach and a commercial approach is clear. A fully commercial business would never enter a market with the intention to just break even, but for a social enterprise working towards a social purpose (in this case job creation and community renewal) this can be an attractive proposition as it means limited competition from commercial competitors. All of this is for the future and Fred knows that they are ‘the new kids on the block’ and need to establish a track record before tackling these ambitious projects.
The unique approach that the CRG / youthinc relationship demonstrates is one with much potential for commercial businesses interested in contributing to real and lasting social change through sustainable models. The ability to leverage CRG’s commercial expertise and networks provides youthinc with immediate and guaranteed distribution channels for product lines. With careful choice of these products the potential to establish a number of self-sustaining social enterprises is clear. The strong values base and culture of CRG has obviously made this possible, along with the hard-nosed business sense to stick to what they know – supermarkets. Fred notes that delivering the outcomes is what is important in this climate, the Board aren’t all that interested in interrogating the social enterprise model they just want to see young people’s lives changing. JM

Update: In August 2010 youthinc had placed ninety-three young people into employment to date, with fifty-nine of these in CRG supermarkets and an additional one hundred and ten jobs into the supply chain are in the pipeline.

Website: [http://www.youthinc.org.au/](http://www.youthinc.org.au/)
Shared Learning and Authors’ Observations

There was much useful learning from each social enterprise and we have attempted to summarise it and make some further observations.

Founders and Succession Plans

Founders of social enterprises are usually too busy to consider even the medium term future and are often too emotionally involved to envision a future without them! Many founders and those who succeeded them reflected that it was very important to have succession plans in place from early on as the departure of a founder or key staff member, from what is usually a small team, can set the enterprise back and create problems, including involuntary organisational restructuring (Property Plus, Vibewire). Over-reliance on the founder can cause burn-out: the founders of both Mu’ooz and Dress for Success have said that their businesses would probably fold at this stage if they were to leave.

There is huge potential for leaders and managers in the social enterprise sector to suffer burn-out. Competing priorities, ‘schizophrenic’ job descriptions and the high level of personal commitment required take their toll on even the most passionate. Urban Renewal stresses that no commercial business would go through the establishment agonies a social enterprise has to navigate. Mars Hill Cafe says, for their husband and wife team, it has been important that the ‘crazy hours and high commitment’ don’t impact on the families of those involved. Otherwise all of the social good achieved through the cafe is undone in the home’.

The current Managing Director of Goolarri Media believes that an organisation’s leader shouldn’t stay more than ten years.
In keeping with this philosophy he is preparing to transition out of the role and will ‘go sideways’ into other projects and take on a Director role with their structural partner Broome Aboriginal Media Association. To facilitate this, he is currently mentoring the Chief Executive Officer to take on managing Goolarri in the near future.

**Mission Conflict**

Often competing issues arise between the social enterprise’s business operations and its social purpose. Cleanable initially had only clients as staff members and this was a huge drain on resources. For the first twelve months, no supervisors were hired and Peter the CEO managed everything, a set up which very soon proved to be unsustainable when he found himself constantly changing between being a business manager and a social worker. Both Urban Renewal and Outlook Environmental Services saw similar tensions arising between their business and social objectives, with long-term staff struggling at first to understand the commercial aspect of their organisations.

In the case of Human Ventures, there was public confusion as to whether they were a graphic design agency or youth service organisation.

A common issue reported by those managing social enterprises that sit within the structure of a large nonprofit is the mismatch with the organisational systems. A social enterprise is a business and needs to be flexible and responsive in the market place. This means it needs to be able to make decisions quickly. Property Plus reports that all expenditure decisions over $5000 had to go through the Salvation Army head office and could take up to three months for approval. This significantly impacted on its ability to compete with mainstream businesses. Similarly, reconciling the idea of having $400 000 in reserves when there were people in need was very challenging for the charity. Yet without access to sufficient reserves, a social enterprise becomes vulnerable and
unable to sustain its operations during a downturn, as Spectrum Employment Services Co-op discovered during the Global Financial Crisis. The ability to retain operating reserves and/or access to sources of bridging capital can be critical to social enterprises achieving sustainability.

By contrast, Our Community’s decision to operate from day one within a commercial structure has forced the team to stay absolutely focused on the core purpose and to develop innovative services and programs.

Message Stick has also placed a strong emphasis on its belief that to achieve its longer term social purpose, it is critical that they deliver on the short term goal of establishing a successful business. Also crucial to this has been the willingness of their corporate customers to rethink their relationship: moving away from being ‘a good cause’ within a Corporate Social Responsibility framework to becoming relevant as a ‘good supplier.’

**Preparation for Start up**

A slow start up and careful preparation and research has been crucial to the success of many in this sample. When sufficient time is dedicated to developing strategies to address problems, it often prevents replication of what is already being done which in turn maximises the impact of limited resources (STREAT, Food Connect, Nundah Community Coop, youthinc).

Human Ventures conducted market research to determine what would be a viable business enterprise and where the greatest need existed, in relation to their social mission. The results of this research showed that traditional ‘crisis’ youth services, providing housing, food and clothing, were struggling to transition disadvantaged young people into the mainstream sectors of education, training and employment. Human Ventures consequently decided to position themselves between the crisis service providers and the mainstream.
Choice of Product/Service

Cafes, and to some extent food generally, can be problematic in the sense that there is a heavy reliance on patrons’ disposable income. Mu’ooz has been hard hit by the recent economic downturn, which also had an impact on The Big Issue, where sales figures fell.

Our Community places a strong emphasis on ensuring that their products and services are very practical, pitched at a level that is useful to the constituent base, and are highly accessible. WorkVentures were also clear on the importance of differentiation and product quality from early on.

Staffing and people

Many of the interviewed enterprises that work with complex-needs clients using an intermediate labour market (ILM) model identified that a key motivation for establishing their social enterprise was to remove the unacceptable approach to employment services, which resulted in their clients going round and round on the training and job placement merry-go-round, but rarely finding any permanency. Social enterprise offers a model that tailors the workplace to fit the staff, rather than the other way around. This may include, like Nundah Community Enterprise Cooperative, enshrining the right to part-time work in the constitution of the entity.

Many social enterprises reported that recruiting staff with experience in the commercial sector was a useful strategy. However, it was also stressed that it is critical for these staff to be supported to adapt to the social purpose context otherwise it is easy for them to revert to commercially driven decision-making (particularly in times of crisis or high pressure). WorkVentures believes that salaries and other employment benefits need to be pitched more generously across the social sector to attract and retain the skills needed in the evolving social impact landscape. STREAT has modelled a middle-range pay structure.
Costing services: full cost recovery?

A number of ILM social enterprises, operating as group training companies with a focus on clients with high support needs, drew attention to current major disincentives whereby they will receive the same service payment for supporting those with high needs as is received for those not requiring that level of support. Issues with the Slow Workers Award were also reported – specifically that a client must work a minimum of eight hours, but when new workers don’t have the capacity to work the stipulated hours the enterprise must either cover the costs or lay off the client. Interviewees noted that this results in many ‘difficult cases’ falling between the cracks.

On a related issue, Outlook Environmental stressed that whilst the public sector is moving to give contract preference to ‘integrated models’ in the disability employment sector, there is limited understanding within government of the costs and impacts of implementation. High level public policies are specifying integrated models, but it is the nonprofits and social enterprises that are left carrying the costs of testing how they actually work in practice. There is a need to address such systemic disincentives and to account for the costs of implementing specified employment models, to guard against unintentionally ‘outsourcing’ impact costs to the nonprofit sector.

The extra ‘social costs’ the ILM model attracts (additional supervision, ongoing personal support, extra training, and constant replacement of staff) make it vulnerable because of the difficulty of achieving even a break even position, let alone a surplus. These ‘social costs’ should also be acknowledged. This acknowledgment would differentiate the extra costs a social enterprise incurs to fulfil its social purpose from costs that are the same as those a regular business competitor must meet.
Constraints around legal entity options

The existing narrow legal and financial structure options available to social enterprises in Australia have been identified in these stories as being often unsuitable: they aren’t conducive to expanding interstate (Biddy Bags) and for running high impact short-term projects (Vibewire).

In response to constraints such as accessing funding, the legal capacity to trade, ownership structures etc arising from operating as a charity or as a limited company, the UK introduced, in 2005, a new type of limited company, the **Community Interest Company (CIC)**. It is designed specifically for those wishing to operate for the benefit of the community rather than for the benefit of the owners of the company. This means that a CIC cannot be formed or used solely for the personal financial gain of a particular person, or group of people.

CICs can be limited by shares, or by guarantee, and have a statutory “Asset Lock” to prevent the assets and profits being distributed, except as permitted by legislation. This ensures the assets and profits are retained within the CIC for community purposes. A company that is a charity cannot be a CIC, unless it gives up its charitable status.

The US has responded with the Benefit Corporation (B Corp) law designating a new kind of company that creates social benefit and shareholder value. It was first signed in the state of Maryland in April 2010 with committed interest in many other states.

As well as legal entity obstacles, regulations can also prevent certain initiatives from operating in Australia. For cool nrg, the fact that Australia has been slow to develop an agreed model of carbon trading and has not signed up to an Emissions Trading Scheme, has led the Executive Chairman to reflect that the company ‘would be better placed in Europe’.
Constraints around Government Contracts and Grants

Constraints influenced by the terms of government contracts were mentioned: for example, the focus on social enterprise as a vehicle for a short-term Intermediate Labour Market program, as in the Jobs Fund (and Innovation Fund) grants, when in the experience of the host recipient it would be more beneficial to disadvantaged participants and the enterprise’s long term sustainability for participants to remain with the enterprise for longer periods, to benefit from the mentoring and skills training (Property Plus, Soft Landing).

The co-founders of STREAT say they soon realised that it didn’t have to be restricted to an ILM model and that ‘the end point didn’t have to be young people in jobs in hospitality’. They saw the potential for STREAT to scale, creating more small enterprises and jobs, and, over time, moving to a partnership or equity share model, where the young people would own and manage their own enterprise. That’s certainly systemic change.

For Sorghum Sisters it was felt that reliance on grant funding misdirected their efforts to an extent, as they employed a community development worker (in accordance with the award of the grant) when what they needed was a business development position. The Mars Hill Cafe founder made a similar observation that whilst grant money is useful, it can often shift the focus away from establishing a sustainable business.

Abbotsford Convent Foundation’s land use agreement with the State Government included a clause that precluded it from taking any further funding from the State Government and from borrowing against the site’s assets. While this unusual clause was originally intended as a safeguard to ensure the State would not have to ‘bail it out’ if it didn’t work, it meant that for ACF, financing has been challenging and that it had to ‘grow up fast’. No entry fee is charged, as the site is owned by the people, so developing viable revenue streams has been critical to surviving the early years and growing to realise the vision.
The importance of long term partnerships

Long-term partnerships have helped to reduce reliance on grants for funding, assist the exchange of knowledge and contacts, and also to provide social support for employees/trainees (STREAT and Melbourne City Mission, Charcoal Lane and VAHS). Complete dependency on a single partner for the capacity to continue to operate could be seen negatively by some prospective funders (Sorghum Sisters and Carlton Primary School, MultiLink and Queensland Health).

Multiple partners were actively sought by Break Out when, after three years, it started to receive contracts that were too big for it to complete alone.

The continuing partnership between Nundah CEC and Brisbane City Council meant the establishment of a regular income stream and the benefits for the cooperative of streamlining its processes, in not having to deal with a large number of individual customers and the large number of issues that could consequently arise. Similarly, the support of the City of Greater Bendigo has been critical to Eaglehawk Recycle Shop’s success, with the council allowing access to the tip and providing Eaglehawk with a site on which to operate.

Outlook Environmental competes in a highly regulated industry and over the years has learnt that it is critical to treat every partnership as a legal and commercial arrangement – no matter how strong any long-standing informal relationship appears to be.

Boards and Advisory Committees

It’s tempting for founders to ask friends who already support them personally to form a founding board, but strategic choices which match organisational needs against individuals’ skills has proven to be more useful to an enterprise’s sustainability whether a social enterprise or not.
Vibewire identified its learning from past mistakes especially where a youth-led board and a lack of succession planning left the organisation on the verge of collapse. It has focused on restructuring the core of the business and looking for specific skills sets to make up the board, reducing its reliance on any one individual. Infoxchange’s founder believes that having board members with expertise in specific areas is crucial to a social enterprise’s becoming “seriously viable” as is a board’s willingness and ability to take risks and to innovate. This was also seen as crucial to the ongoing success of Gideon Shoes and Abbotsford Convent.

Our Community has kept its board deliberately small (three) and tight over the years. Some of the social investors are offered closer engagement and participation through ex-officio attendance at meetings. It is felt that has been key to keeping collective, informed decision-making around the tough decisions.

Reverse Garbage has no external board; as a worker-run cooperative, all major decisions are instead made by the workers themselves, using a consensus decision-making model.

The board of Human Ventures has a couple of ‘critical friends’: people under no legal obligation but with specific skills who provide legal, finance, marketing and PR advice to the board. These “friends” may become board members in the future.

Goolarri Media provides an interesting and successful example of how practical and workable governance arrangements can be developed between a parent nonprofit and a social enterprise. This is an area that was reported by many as fraught with difficulty, with multiple iterations a common experience.
Access to Capital

Many social enterprises reflected on the link between choice of governance structure and consequent options open to them for access to finance (see Table at Annex 1).

Penny Farthings recognised early on that to take the enterprise to scale, they would need external financing through debt and equity and that accessing capital would be difficult if they chose a nonprofit structure. They were successful in receiving an R&D grant from the AusIndustry Commercialising Emerging Technologies (COMET) fund to assist with scaling their operations. This provided 80% of the R&D cost, matched to 20% contributed by the enterprise, but is only available to for profit companies.

Cool nrg attracted investment from Africa’s largest lender but was unable to do the same from any Australian bank or company.

Having seen others struggle due to limited start-up funding, STREAT prepared extensively during its long start-up period and aimed to have operating costs for a year and a half in hand before launching.

Reverse Garbage has reached a stage where it needs to secure larger premises whilst at the same time remaining connected to the (Brisbane) West End community it was in part designed to serve. It is hopeful that it will secure financing through a social lender, like Foresters Community Finance, as a mainstream bank would be financially prohibitive and/or could force a move out of the area. Many social enterprises face this type of financing dilemma once when they reach a growth phase.

Money - other

Developing an independent income stream was a strong motivator in establishing a social enterprise for many of the entities interviewed. Outlook Environmental’s team says that
being a social enterprise allows them to take risks and innovate in ways they wouldn’t be able to do if they were reliant on government or philanthropic funding. It has also allowed Outlook to grow beyond a narrow disability employer ‘pigeon hole’ to take up a broader position in the sector. This is bringing increasing opportunities to demonstrate new models and influence attitudes amongst an ever-growing network across all sectors.

A number of interviewees stressed the danger of relying on “being a good cause” to win business.

Grant funding, whilst welcome, was subject to frank discussion by the interviewees. Mars Hill Cafe noted that it can pull the focus away from establishing a sustainable business, as a lot of time has to be directed to delivering the grant funded project. Its experience is that whilst these projects deliver positive social outcomes, they also compounded financial instability.

Large nonprofits that seek to establish social enterprises under their operating umbrella should realistically plan to invest considerable sums into the early establishment phase, and possibly to subsidise the entity in some manner on an ongoing basis. AMES advises that in 2009, after four years of operation, it continues to subsidise Sorghum Sisters’ operational costs; and Mission Australia’s Urban Renewal has a goal of breaking even following a three-year establishment period.

Not surprisingly money often isn’t enough, or at least isn’t the only ingredient that makes a social enterprise tick. Our Community reports that it reached just over half of its originally projected start-up budget, but that looking back this has been a positive for the organisation, allowing time for critical skills and capacities to develop. It has also created a culture of “not wasting” and has really embedded the organisation’s values into daily practice: all staff participate in cleaning the office every Tuesday at 10am. A ‘lean approach’ is considered by many interviewed to be a characteristic of successful social enterprise.
Recognising that there is an emerging market for social impact investment to develop in Australia, the Australian government is seeking to address the lack of access to capital for social enterprises to develop and scale their business beyond early stages. It announced in 2010 that it will provide $20 million to seed the establishment of at least two Social Enterprise Development Investment Funds (SEDIFs) to target seed and growth capital for social enterprises and to contribute to the development of social impact investment in Australia.

Its published rationale is that the government itself is seeking to leverage its own investment through fund managers securing additional investment from other sources on at least a 1:1 basis- attracting more investment over time and building and sustaining the funds for the medium and longer term.

In 2010 the Victorian Government, through Social Traders, launched the $1 million Crunch Fund, an investment and development initiative with the aim of preparing eight to ten Victorian based social enterprises to be ready to pitch for a share. It is based on the successful UK equivalent, Spark Challenge.

The WA Government, in early 2010, announced its Community Development Investment Fund which will provide $10 million through which low-interest loans (as distinct from grants) will be offered to eligible community sector organisations for capital purposes such as building an income-generating asset base to deliver services more effectively and enable the organisation to become financially sustainable.
Demonstrating Impact

Responses ranged across the spectrum: from having a desire to formally measure the social impact of their work, but constrained by a view that the process is too resource-intensive and not as high a priority as other aspects of the enterprise (HumanVentures, WorkVentures, Abbotsford Convent Foundation, youthinc), to a strong view that being able to demonstrate impact is crucial to securing funding and ongoing support for the social enterprise’s work (STREAT, Outlook, Charcoal Lane.)

The authors contend that as the sources of social investment continue to widen from grant-making philanthropists and governments to corporate foundations, private ancillary funds and more engaged venture philanthropists, this will drive a demand for a more sophisticated approach to measuring and demonstrating an enterprise’s social impact.

In this landscape, having systems in place to capture the relevant data early on in the enterprise’s life will become more critical.

Social Return on Investment, Logic Frame, Social Accounting and Social Auditing are some of the tools available. Nundah CEC and Food Connect thought that formally measuring impact through SROI or other methods is sometimes less relevant than measuring impact based on the experiences of employees and clients.

WorkVentures’ current strategies include developing a framework which could be applied across the organisation, and linking all programs to its intended social impact.
For most small local social enterprises this is not an issue. However, there are instances where the strength of the business model draws attention to the opportunity for commercial competitors to replicate a similar model minus the core social purpose such as employing, training and supporting marginalised workers; an opportunity to strip away these “added impact” costs for extra commercial benefit.

Commercial competition tactics, such as absorbing losses to gain a foothold in the specific delivery area, were experienced by MultiLink, who found this impossible to compete with. For them the hard reality was that social impact outcomes such as better conditions and career pathways for interpreters and higher quality services valued by them were unlikely to sway the purchaser if the commercial supplier was able to significantly undercut prices.

One policy response to this could be the adoption of social procurement processes at all levels of government. Social procurement involves using procurement processes and purchasing power to generate positive social outcomes in addition to the delivery of efficient goods, services and works.

While Australia has not had the same degree of focus on generating direct social impacts from procurement processes as in the United States or Europe a number of local governments have explored social procurement using social enterprises as suppliers.

Incorporating social benefit into a council’s procurement framework can involve requesting that suppliers deliver social impacts as part of a contract. It can also involve ensuring that a diversity of suppliers are able to respond to the tender process, including those who, through their organisational purpose or by the nature of their structure, have a specialised focus on
delivering social impacts. It can involve strategic use of localised supply chains to encourage local economic development. It is a very positive policy tool.\textsuperscript{12}

**Using the learning from failure or near death experiences**

We are grateful to those who shared these stories for the benefit of the sector and we emphasise that it is unrealistic to expect that because a venture is initiated from a core social purpose it is immune from the effects of most start-up small businesses.

Spectrum was severely under-capitalised and didn’t have the financial reserves an organisation of its size needed to protect itself during down times. Its nonprofit model meant it also couldn’t do what its competitors could do: generate additional capital through shareholding and loans. It folded in 2009 and its CEO is clear that if Spectrum had had access to sufficient reserves and/or bridging capital through this critical period, it would still be operational today. His suggestions: secure your capital base before expanding too far or too fast; ensure a balanced portfolio of income generating businesses; fully research new markets, particularly what the costs will be, before entering them; pay a lot of attention to the commercial side of the enterprise, otherwise you may not have the chance to fulfil the social objectives; build capital reserves as a matter of priority; and be patient!

As part of a stepping stone to national and, ultimately, international expansion, Infoxchange decided to develop a full service offering in Queensland. However, the business plan did question whether this idea was realistic, and noted, prophetically, that ‘staff and logistics issues can be difficult’. At its high point the Queensland Green PC business employed thirty five people. However the 2006 business plan ultimately proved unrealistic. Despite the Executive Director spending
weeks at a time in the Brisbane office, it turned out to be ‘extremely difficult to try to run the interstate offices remotely, to get the culture and the understanding of where we were going as an organisation...to be able to manage this and get the right culture and staff mix happening, we just weren’t able to do it in the end’.

For MultiLink, the danger of relying on one contractor, Qld Health, for 90% of its income was exposed when the Department made the decision to change contracting processes across the State, impacting significantly on it. ‘Not putting all your eggs in one basket’ and continually monitoring the wider context, not just the local area, was important learning to prevent failure. Combating the cultural complacency of being lulled into a false sense of security that contracts will automatically be renewed because social enterprises deliver “a better quality or more embedded social outcome” when competing with mainstream businesses, is also very important.

Don’t be afraid to challenge the original starting points: Human Ventures needed to re-write its constitution to avoid the restrictions of its original one; restrictions that worked against cross-cultural and intergenerational engagement fundamental to its future.
Featured social enterprises’ websites

Abbotsford Convent Foundation  

Biddy Bags  

Break Out Design Print Web  
http://www.breakout.net.au/

Charcoal Lane  

Cleanable Property Services  

cool nrg International  
http://www.coolnrg.com/

Eaglehawk Recycle Shop  
http://www.feo.net.au/recycle-shop

Food Connect  

Gideons Shoes  

Goolarri Media Enterprises  
http://www.goolarri.com/

Human Ventures  
(formerly Speak Out)  

Infoxchange  
http://www.infoxchange.net.au/

Mars Hill Cafe  

Message Stick Group  
Multilink Interpreting Services
http://multilink.org.au/interpreting/

Mu’ooz Eritrean Restaurant & Catering

Nundah Community Enterprise Cooperative

Our Community

Outlook Environmental
http://www.outlookvic.org.au/

Penny Farthings Pushbike Parking
http://www.pushbikeparking.com/

Property Plus Group

Reverse Garbage Cooperative

Soft Landing

Sorghum Sisters

Spectrum Employment Services Cooperative

StrEAT

Dress for Success (formerly Suited for Work)
http://www.dressforsuccess.org/sydney

The Big Issue in Australia
http://www.bigissue.org.au/
Urban Renewal

Vibewire Youth
http://vibewire.org/

Work Ventures Ltd.

youthinc
http://www.youthinc.org.au/
Useful links

Examples of Australian social enterprises

Lentil As Anything – http://www.lentilasanything.com/
Mad Cap Café -http://www.ermha.org/madcap.html
Sweet Freedom – http://www.sweetfreedom.org
Tribal Warrior Association – http://www.tribalwarrior.org/
Yackandandah Community Development Company – http://www.yackandandah.com/ycdco/
Australian social enterprise resources

Australian Employee Ownership Association – www.aeoa.org.au


The Centre for Social Impact – www.csi.edu.au

- The Finding Australia’s Social Enterprise Sector project (FASES)

- Forester’s Community Finance – http://www.foresters.org.au


- The Mercury Centre – www.mercury.org.au


Parramatta City Council’s social enterprise capacity building program –

QUT’s Social Enterprise wiki – https://wiki.qut.edu.au/display/se/Home

School for Social Entrepreneurs Australia – http://www.sse.org.au


Social Traders – www.socialtraders.com.au


International social enterprise resources

- Ashoka – http://www.ashoka.org/

- Canadian Community Economic Development Network (CED) –
  http://www.ccednet-rcdec.ca/en/node/

- Canadian Cooperative Association – http://www.coopscanada.coop/

- Citizen Base – http://www.citizenbase.org/
- Changemakers – http://www.changemakers.com/
- Community Wealth Ventures Inc – http://www.communitywealth.com/
- Craig Dearden Phillips – http://www.craigdeardenphillips.com
- Employee Ownership Association (UK) – http://www.employeownership.co.uk/
- Enterprising Nonprofits – http://www.enterprisingnonprofits.ca/
- FourthSector.net – http://fourthsector.net/
- Idea Tree (UK) – http://www.ideatree.org.uk/
- Institute for Social Entrepreneurs – http://www.socialent.org/
- International Cooperative Alliance - http://www.ica.coop/
- Non-profit Enterprise and Self-sustainability team (NESsT) – http://www.nesst.org/
- Office of Social Entrepreneurship – http://www.crt.state.la.us/ltgovernor/socialentrepreneurship/
- Regional Infrastructure for Social Enterprise (RISE) – http://www.rise-sw.co.uk/
- School for Social Entrepreneurs – http://www.sse.org.uk/
- Skoll Foundation – http://www.skollfoundation.org/
- Social Edge Social Entrepreneurship – http://www.socialedge.org/features/resources/social-entrepreneurship
Social Enterprise Alliance – http://www.se-alliance.org/
Social Enterprise Magazine – http://www.socialenterpriselive.com/
Social Enterprise Reporter – http://www.sereporter.com
Social Entrepreneurs Ireland – http://www.socialentrepreneurs.ie/
Spark Challenge (UK)- http://www.sparkchallenge.org/
University Network for Social Entrepreneurship – http://www.universitynetwork.org/
UnLtd – http://www.unltd.org.uk/
Virtue Ventures Social Enterprise Typology – http://www.virtueventures.com/resources/setypology
Annex 1:  
The challenges and opportunities of different legal structures for social enterprises

<table>
<thead>
<tr>
<th>Legal Structure</th>
<th>Challenges</th>
<th>Opportunities</th>
</tr>
</thead>
</table>
| Proprietary Limited Company (Pty Ltd) | ◗◗ Tax liability  
◗◗ Can be difficult to structure in a ‘for benefit’ clause or social mission  
◗◗ Difficult to access grants  
◗◗ or philanthropy | ◗◗ Ease of setting up and reporting  
◗◗ Relative ease of attracting investment capital and debt capital  
◗◗ Governance structures can be relatively straight-forward. |
| Company Limited by Shares (Ltd) | ◗◗ Can be difficult to enshrine the social mission into the structure long term (equity partners may not always share original social vision) | ◗◗ Capacity to offer and hold equity capital |
| Company Limited by Guarantee (Ltd) | ◗◗ No options for equity capital  
◗◗ High establishment and compliance costs | ◗◗ Can offer some of the benefits of both corporate and nonprofit worlds and therefore access to earned income, debt capital and grants/philanthropic capital  
◗◗ National registration means that they can trade nationally. |
<table>
<thead>
<tr>
<th>Legal Structure</th>
<th>Challenges and Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cooperative Trading (for profit)</td>
<td>Reporting and governance structures can be onerous. Can build share capital into the structure. Can join social mission and objectives with democratic governance and a legal structure that draws on the benefits of company law.</td>
</tr>
<tr>
<td>Non-Trading (nonprofit)</td>
<td>Can be less understood by financial institutions and investors.</td>
</tr>
<tr>
<td>Incorporated Association (Inc.)</td>
<td>Can be quite difficult to attract non-grant capital. Can be best where the social mission is much more pressing than the possibilities for business returns.</td>
</tr>
<tr>
<td>Partnership</td>
<td>Can be risky financially for the partners involved. Can open up possibilities for accessing a wider range of options for non-grant capital. Can be difficult to access grant or philanthropic capital and to build in the ‘for benefit’ or social mission (with non-profit intentions) into the structure.</td>
</tr>
</tbody>
</table>

Adapted from “Table 5: The challenges and opportunities of different legal structures for social enterprises”, in Foresters Community Finance (2010), Financing Social Enterprise: Understanding Needs and Realities, pp.37-38.
Appendix A:

About the sponsoring organisations and authors

This publication results from a collaboration between The Centre for Social Impact and Parramatta City Council.

The Centre for Social Impact

CSI is a unique partnership between the Business School of the University of New South Wales, the Asia Pacific Social Impact Leadership Centre of the Melbourne Business School, Swinburne University of Technology and the University of Western Australia Business School. Our mission at CSI is to create beneficial social impact in Australia through teaching, research, measurement and the promotion of public debate. We bring together the business, government, philanthropic and social (not-for-profit) sectors, in a collaborative effort to build community capacity and generate social innovation.

We aim to deliver our mission in five key ways:

- By promoting public debate and influencing public policy through our action based research
- By building collaborations and partnerships and developing strong national and international affiliations
- Through the creation and transfer of knowledge, promoting best practice and keeping participants abreast of trends and developments in the social sector
Through our teaching program which is aimed at supporting the next generation of leaders, providing professional development, mentoring and networking opportunities

Through the demonstration and measurement of social impact

At CSI we seek to respond to the rapidly evolving needs of the social sector, the emerging framework of social entrepreneurship and social investment, the creation of social value and its measurement and the developing challenges of a new era of corporate responsibility and accountability. We offer the unique Graduate Certificate in Social Impact. Our students include social entrepreneurs who bring leading edge learning to their peers.
Parramatta is located just 24km from Sydney city and is both the geographical heart of Sydney and one of its most historic neighbourhoods. As the capital of Western Sydney, a region with the third largest economy in Australia and a population of 1.8 million people, Parramatta is recognised as the key employment centre, transport hub and cultural destination outside of the Sydney CBD. For Parramatta City Council, our social enterprise capacity building program, the first of its kind in local government in Australia, links to a number of core directions we have adopted for our city. Through the Vision 2025 strategic plan for the City of Parramatta, the Council has committed to working towards seven key destinations over the coming twenty years. The strategic plan is based on triple bottom line principles and therefore provides strategies designed to positively impact the wellbeing of Parramatta’s communities and the environment. More recently, our ten guiding principles have refined our focus on Sustainability & Community, Innovation and Leadership. We see that supporting the development and growth of social enterprises assists us to deliver in all these areas.
Cheryl Kernot

Cheryl is currently the first Director of Social Business at the Centre for Social Impact. One of the National Trust’s 100 National Living Treasures, she was Leader of the Australian Democrats from 1993-1997 and the Member for Dickson and a Labor Shadow Minister from 1998-2001. Her political portfolios included, amongst many, Indigenous Affairs, Treasury, Employment, and Women’s Policy. She played a major parliamentary role in the introduction of compulsory superannuation and in the introduction of Native Title. Her policy interests have been in social justice and social structural reform and in 1994 she introduced legislation to legitimise parental leave; in 1998 she introduced trial social inclusion projects involving social entrepreneurs to the Labor Party’s employment platform. Her work in the UK has been an extension of this pioneering policy interest. She was a member of the Council for Reconciliation from 1992-1997.

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

Cheryl was patron of the Australian Women’s Cricket Team from 1994-2000, successfully working to address the disparities in funding for women’s cricket and she was also one of Australia’s first female qualified cricket umpires.
She has recently been re-elected Chair of the Fair Trade Association of Australia & New Zealand. Since December 2007 she has been an honorary board member of Foresters Community Finance, which is pioneering social investment in social enterprises, and is also on the founding committee of a UK charity which works to provide shelter and education for street children in Kampala, Uganda.
Joanne currently holds the position of Community Capacity Building Officer Social Enterprise at Parramatta City Council in Sydney, Australia. This role, the first of its kind in local government in Australia, is responsible for a program promoting growth and sustainability of social enterprise in Western Sydney and contributing to the development of the national social enterprise movement. Joanne has been involved with the social enterprise sector in Australia for almost ten years and is a keen advocate of the social enterprise model. In 2009 Joanne was awarded a Churchill Fellowship, which saw her undertake a study tour to the United States, Canada and the UK, exploring how the public sector can support social enterprise development. Prior to the move to Parramatta, Joanne was a Senior Communication & Consultation Specialist with Sinclair Knight Merz, managing community engagement programs for environmental management and infrastructure development projects. Previously, Joanne was the Network Relations Manager for the pilot of the Prime Minister’s Community Business Partnership initiative, where she worked closely with a diverse range of stakeholders to stimulate the uptake of corporate social responsibility practice nationally. Joanne has recently commenced a Doctorate in Political & Social Thought through the Centre for Citizenship & Public Policy at the University of Western Sydney. She holds a Master of Arts in Communication Management, a Diploma in Management Studies and has briefly worked in the nonprofit sector, in events management and community theatre, and also spent two years living and working in Central America with her then young family.
Endnotes

1. Bill Drayton, Ashoka, 2002
4. FASES research project June 2010 delivered by Australian Centre for Philanthropy and Nonprofit Studies (ACPNS) at Queensland University of Technology in partnership with Social Traders http://www.socialtraders.com.au/
6. Intermediate labour market programs are active programs that seek to create pathways into employment for those facing multiple barriers to participation. They combine paid training and social support
7. In a speech to the Skoll World Forum in 2006