

# THE WINSTON CHURCHILL MEMORIAL TRUST OF AUSTRALIA

Report by: **Joanne McNeill**

*To study how the public sector can support  
growth and sustainability in social enterprise activity.*



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**Signed:** Joanne McNeill

**Date:** 20/04/09

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## INTRODUCTION

Social enterprise is an evolving and, particularly in Australia still emerging, field of activity with a range of definitions currently in use. A universally agreed definition has not been developed and little discussion on the various viewpoints on this has as yet surfaced in Australia. Elsewhere there is a strong argument that the 'broad church' nature of the field of activity is critical to retaining flexibility and realising its potential to innovate. The various proponents do generally agree on some version of the following characteristics<sup>1</sup>:

- Social objectives are core to the purposes and focus of the enterprise.
- Limited distributions of profits – the majority of profits are reinvested in the enterprise and/or an associated social entity.
- Mixture of capital inputs – the enterprise is supported through a mixture of grant income/subsidised income and earned income.
- Generation of a social return in addition to a financial return.

In addition, it is also generally accepted that social enterprises favour democratic decision-making structures and seek high levels of accountability to their stakeholders, rather than just to shareholders<sup>2</sup>. From a public sector perspective (and others), there is also interest in some form of 'asset locking' for public benefit.

This report positions 'social enterprise' as a verb rather than a noun, that is it is a way of working rather than an organisational type. It is not a new phenomenon, recent activity and interest is more an evolution and consolidation of practices that have been evident for many years and that have strong roots in the cooperative sector. For some social enterprise is a form of third sector organisation and for others it's seen as part of a new 'fourth sector'. From the learnings generated through this Fellowship study tour social enterprise is discussed not as a sub-set of an existing sector, or even a new sector, but as a hybrid that sits at the intersection of the three major sectors (possibly a post-sector model).

Social enterprise is a practical model that can provide an important 'how' strategy for delivering on much wider agendas, such as activating community participation and developing leadership capacity in communities. Governments are increasingly recognising that engaged citizens are critical to effectively tackling a myriad of social and environmental agendas. In the UK the 2008 release of the 'Communities in control: real people, real power' White Paper<sup>3</sup> aimed to catalyse activity and enabling policy development in this area, and the Scottish Government's<sup>4</sup> 'Scottish Community Empowerment Action Plan'<sup>5</sup>, released in March 2009, has a similar focus. Both these recognise that the social enterprise model has an important and useful role to play in delivering on these agendas.

Practitioners, supporters and policy makers acknowledge that there is still limited data available on the size and breadth of social enterprise activity<sup>6</sup>, particularly when using broad definitions, and that evidenced-based broad-scale and longitudinal research into

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1 As summarised, in a recent Australian paper - Burkett, I and Drew, B; 2008; *Financial Inclusion, market failures and new markets: possibilities for Community Development Finance Institutions in Australia*; Foresters Community Finance; Queensland; p16

2 See for example – Pearce, J; 2003; *Social Enterprise in Anytown*; Calouste Gulbenkian Foundation; London; p31-32

3 <http://www.communities.gov.uk/communities/communityempowerment/communitiesincontrol/>

4 Jointly with the Convention of Scottish Local Authorities (COSLA)

5 Available for download at: <http://www.scotland.gov.uk/Publications/2009/03/20155113/16>

6 In Australia Queensland University of Technology's Centre for Philanthropy & Nonprofit Studies and Social Traders have recently commenced a mapping study looking at the extent of social enterprise activity nationally – information on the 'Finding Australia's Social Enterprise Sector' (FASES) study is available online at: <https://wiki.qut.edu.au/display/se/Home>

the benefits<sup>7</sup> of the model is also needed. Methods and frameworks for this work are beginning to emerge. In the meantime, the range of public sector activity in this area demonstrates that key actors are convinced of the potential wide-ranging benefit of the model to the extent that they are willing to invest in its development while this work is progressing.

Interest in and activity around social enterprise and social entrepreneurship has been bubbling away in Australia for many years. More recently there has been a surge of activity and discussion, including (for example, but by no means exhaustively): the Commonwealth Government's Jobs Fund announced in April 2009, and which includes seed-funding for social enterprises; the Victorian Government's October 2008 \$11 million commitment to the establishment of Social Traders in Victoria; the creation of the Centre for Social Impact at UNSW; creation of a Chair in Social Enterprise and Entrepreneurship at QUT's Centre for Philanthropy & Non-profit Studies; the establishment of the School for Social Entrepreneurs Australia, commencing in 2009 and based on the successful UK model; the 2<sup>nd</sup> Social Enterprise World Forum being held in Melbourne in October 2009; Westpac Foundation's focus on social enterprise in its funding program; Social Ventures Australia's investment activity, including its Social Enterprise Hubs program; Forester's Community Finance's recent report into financial exclusion in the social economy; and Brisbane and Parramatta City Councils' social enterprise support programs.

This rapidly evolving landscape provides an ideal context for targeted public sector investment into development as, in comparison to the countries visited, a recognisable social enterprise 'movement' still remains underdeveloped in Australia. In particular, how government can support development, growth and sustainability - in ways that enable citizens to engage and that foster innovation - has received very little attention. Underpinning this it is clear that to facilitate the public sector's engagement robust and user-friendly social impact methods need to be developed and tested in the Australian context. Learnings around these topics arising from this study tour are the focus of this report.

### ***Acknowledgements***

I am most grateful to all those I visited and who contributed to my learning along the way, overwhelmingly people were very generous with their time and sharing of information. People's passion for and commitment to their work was evident across the organisations I visited and this was particularly inspiring.

For frank and insightful discussions, I would like to particularly acknowledge Kirsten Gagnaire of The Social Enterprise Group in Seattle and the US Social Enterprise Alliance; David Le Page at Enterprising Non-profits; Miia Chambers at Camden Council in London; Lea Esterhuizen at UnLtd; Neal Mackay at Forth Sector; Scott Anderson at Social Investment Scotland; Aidan Pia at SENS Scot; John Pearce at the Social Audit Network; Gerry Higgins at CEiS; Jeremy Nicholls at the SROI Network; and Ted Fowler at Bristol City Council.

Also, my sincere thanks go to the Winston Churchill Memorial Trust for investing in me and in the development of social enterprise activity in Australia. I sincerely hope that this report will contribute to stimulating dialogue and developing our practice.

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<sup>7</sup> The focus of this study tour was not on evidencing these benefits, and a previous Fellowship provides some useful information in this regard - see the Fellowship report on "Successful models of social enterprise that can be promoted within Australia" compiled by 2004 Churchill Fellow Matthew Jones for a discussion on benefits; available online at: <http://www.churchilltrust.com.au/content.php?id=105>; a number of the organisations visited also have material on their websites (addresses provided in the footnotes throughout this report)

## **EXECUTIVE SUMMARY**

### ***Fellow details***

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### ***Project description***

This Fellowship study tour explored how government can support the growth and sustainability of social enterprise activity, and the associated practice of social impact assessment. Study visits with over 40 organisations contributed to the learnings presented in this report. Around two-thirds of these were based in the UK, as the practice of public sector support for social enterprise development is most developed there, and the six US and seven Canadian organisations visited also provided relevant and interesting insights into the North-American context.

### ***Fellowship highlights***

The Fellowship was a unique experience that allowed me to 'dip into' a wide range of programs. The creative and diverse approaches people are taking to their work were inspiring. It is difficult to choose specific 'highlights' as it was really the sum of the experience that was so valuable and which I will draw on for many years to come. The range of public sector approaches to supporting social enterprise activity sharpened my focus on the limited support occurring in Australia. Learning more about the various ways people are approaching the development of social impact methods was very useful in this regard. The ability to assess and report on social impact is becoming increasingly critical and there is an urgent need for robust but practical tools and frameworks. In addition to strategic alignment benefits, demonstrating social impact is particularly critical for social enterprises as they compete with commercial sector organisations for access to capital and income streams and with traditional third-sector organisations for access to grant funding. It is also critical to enabling public sector support.

### ***Learnings, conclusions and recommendations***

The learnings ranged across tactical, strategic and conceptual issues in the field. They have led to the development of a number of initial conclusions. At the conceptual level, it is recommended that social enterprise be positioned within policy work as a business model that sits at the intersection of the social economy, commercial sector and public sector. Specific recommendations for public sector involvement in Australia are presented, and are focused on four key themes: supporting social enterprise and social entrepreneur development; increasing access to assets and capital; implementing outcomes-based commissioning approaches; and supporting and stimulating a focus on outcomes and impacts.

### ***Sharing and integrating the learning***

This report will be widely distributed as I hope that it will be of interest to a range of people and organisations, and that it will contribute to furthering discussion and action in this field. To integrate the conclusions and recommendations into practice, I will also be undertaking a number of immediate and specific actions within the remit of my current position. Ongoing opportunities to act on the learnings will be sought and it is anticipated that these will continue to evolve, particularly as this field develops and matures in the local context. I sincerely look forward to continuing contact with the inspiring people I met on this Fellowship and am optimistic that opportunities to collaborate will emerge.

## FELLOWSHIP PROGRAM

This Fellowship explored how the public sector can support the development and sustainability of social enterprise activity, and the associated practice of social impact assessment. Study visits with over 40<sup>8</sup> organisations over seven weeks contributed to the learnings presented in this report. Around two-thirds of these were based in the UK, as public sector support for social enterprise development is most developed there, and the six US and seven Canadian organisations visited also provided relevant and interesting insights into the North-American context. Of course, these visits have just scratched the surface of related activity occurring in the three countries visited but despite the sheer volume of practice underway the study tour has provided a valuable opportunity to observe, discuss and reflect on key drivers and enablers.

Each of the organisations and individuals visited was chosen for either their role in enabling, delivering or receiving public sector support for social enterprise activity and/or because they are working with innovative social impact assessment methods. This specific focus was chosen as the experience, particularly from the UK, shows that public sector involvement in some key areas can play a critical catalysing role. There are obviously substantial and significant roles that the philanthropic, third, academic and commercial sectors can and are playing in this area also.

Location	Organisation	Contact
Portland, USA	City of Portland	Lyn Knox, Program Manager Economic Opportunity Initiative Madeline Mader, Housing & Community Development Officer
	Verde	Alan Hipolito, Executive Director
	Outside In / Virginia Woof Doggy Day Care	Kathy Oliver, Executive Director Outside In Nexus Nichols, Manager Outside In Youth Department
Seattle, USA	Social Profits	Mark Pomerantz, Principal
	United Way King County	David Okomoto, Senior Vice President Community Services Damien Spence, Planning Research Associate Community Services

<sup>8</sup> Website references for the majority of these organisations are provided in the footnotes throughout this report. References for the individual social enterprise organisations visited are: Verde - [www.verdenw.org](http://www.verdenw.org); Virginia Woof Doggy Day Care/Outside In - [www.virginiawoof.com](http://www.virginiawoof.com) and [www.outsidein.org](http://www.outsidein.org); Tradeworks Training Society - [www.tradeworks.bc.ca](http://www.tradeworks.bc.ca); HAVE Café & Culinary Training Society - [www.have-cafe.ca](http://www.have-cafe.ca); Pot Luck Catering - [www.potluckcatering.org](http://www.potluckcatering.org); Lu's Pharmacy/Vancouver Women's Health Collective - Lu's Pharmacy doesn't have a website yet but some information is available at <http://bctsvp.com/grantees/lus-pharmacy> and [www.womenshealthcollective.ca](http://www.womenshealthcollective.ca); Haven Products - <http://www.momentumscotland.org/web/OurServices/HavenProducts>; The Soap Co. - [www.thesoapcoedinburgh.co.uk](http://www.thesoapcoedinburgh.co.uk); and Novas Languages - <http://www.novasscarman.org/social-enterprise/novas-languages/>

In addition to the formal study visits a number of informal 'drop-ins' were made to local social enterprises, including: Café De La Soul in Portland; Fare Start restaurant in Seattle; Novas Contemporary Urban Centre in London; Coin Street Neighbourhood Centre in London; The Hub at Islington in London; The Melting Pot in Edinburgh; New Lanark Village in Scotland (a historical site linked to the development of social enterprise models); Love Café in Glasgow; and Novas Contemporary Urban Centre in Liverpool.

Location	Organisation	Contact
	The Social Enterprise Group and the Social Enterprise Alliance	Kirsten Gagnaire, Principal Board Member
Vancouver, Canada	Enterprising Non-Profits	David Le Page, Program Manager
	Enterprising Non-Profits	Peter Roundhill, Program Coordinator
	VanCity Community Foundation	Bryn Sadownik, Project Lead Demonstrating Value Project
	Canadian Government, Western Economic Diversification	Wendy Rogers, Senior Business Officer
	Tradeworks Training Society	Ross Gentleman, Executive Director
	HAVE Café & Culinary Training Society	Brad Mills, Director
	Pot Luck Catering	Heather O'Hara, Executive Director
	Vancouver Women's Health Collective / Lu's Pharmacy	Caryn Duncan, Executive Director
London, UK	School for Social Entrepreneurs	Nick Temple, Policy & Communications Director
	Freelancer	Martin Cooper
	UK Government, Office of the Third Sector	John Marshall, Policy Manager Public Sector Partnerships team
	UK Government , Office of the Third Sector	Tamsyn Roberts, Social Enterprise & Finance team
	Camden Council	Miia Chambers, Social Investment Manager Bob Davis, Social Enterprise Officer
	Social Enterprise London	Mei Yee Hui, Business Research Manager
	UK Government, Department for Communities & Local Government	Amanda Gregory, Social Enterprise Unit
	Charities Evaluation Service	Tim Wilson, Director of Performance Program
	Social Enterprise Coalition	Kirsten van den Hout, Projects & Programs Manager Daniel Shah, Research & Policy Officer Richard Startari, Membership Services Manager
	UnLtd	Lea Esterhuizen, Head of Research
	Development Trusts Association	Steve Wyler, Director
	Knowledge to Action (K2A)	Justin Sacks, Principal

Location	Organisation	Contact
Edinburgh, Scotland	Scottish Social Enterprise Coalition	Antonia Swinson, Chief Executive
	Scottish Government, Third Sector Division Scottish Government, Procurement Policy & Development	Geoff Pope, Head of Opportunities for Growth team Josephine Mitchell, Procurement Policy Manager
	Forth Sector	Neal Mackay, External Relations Director
	Social Investment Scotland	Scott Anderson, Chief Executive Officer David Herd, Loans & Investment Manager
	Social Enterprise Academy	Neil McLean, Director Daniel Scott, Information Coordinator
	Social Entrepreneurs Network Scotland (SENScot)	Aidan Pia, Executive Director
	Social Accounting & Audit training workshops (3 days)	John Pearce, Social Audit Network Board Member
Glasgow, Scotland	Community Enterprise in Scotland (CEiS)	Gerry Higgins, Chief Executive
	Community Enterprise in Scotland (CEiS)	John Hughes, Enterprise Programme Manager
	Haven Products	Tom Henderson, Business & Development Manager
	Glasgow City Council	Alan Davidson, Principal Economic & Social Initiatives
Manchester, UK	AGORA project and the Institute of Place Management	Cathy Parker, Project Director Gareth Roberts, Research & Learning Manager Daniel McGrath, Operations Director
Warrington, UK	Northwest Regional Development Agency	Gary Skelley, Strategy Manager Enterprise Support Malcolm Kennedy, Equality & Diversity Manager
Liverpool, UK	The Social Return on Investment (SROI) Network	Jeremy Nicholls, Chief Executive Officer
	Novas Languages	Anne Wright, Manager
Birmingham, UK	i-Social Entrepreneurs (i-SE)	Sarah Crawley, Chief Executive
Bristol, UK	Bristol City Council	Ted Fowler, Economic Regeneration Officer Social Economy & Community Initiatives
	Social Enterprise Works	Elaine Flint, Director
Oxford, UK	University Network on Social Entrepreneurship (1.5 days)	
	Skoll World Forum on Social Entrepreneurship (3 days)	

## LEARNINGS

The following provides a synthesis of the learnings gained through this study tour. As they primarily focus on the learnings, conclusions and recommendations relating to public sector policy and practice in this area they do not necessarily reflect the full breadth of learnings arising from the activities of the organisations visited, most of which have a diverse focus. They also provide just a glimpse of the extent and depth of activity underway and so where possible I have provided links and references to further information. For myself, it will take time to delve deeper into the materials people provided and fully reflect on the rich data recorded. With this in mind I am aware that Insights are likely to continue to develop and therefore this report is really a starting point for processing the learnings.

### **. . . about definitions and positioning**

The focus of this study tour was not on defining social enterprise. This is an area of major discussion and debate which will no doubt continue to evolve and to generate proponents of various definitions. This section is therefore a very light touch on some of the key concepts around definitions that emerged through the Fellowship and in no way intends to do justice to the complexities and developments in this area.

At the conceptual level there are calls to define social enterprise as a 'movement' rather than a sector. This approach is inclusive as it allows for diverse forms, multiple markets and a variety of social objectives and follows from positioning social enterprise not as an organisational type, but rather a way of doing business. Definitions are of pointed interest to funders, supporters and researchers and, driven by practitioners, there is a movement underway in the UK to implement the use of a 'Social Enterprise Mark'<sup>9</sup> to differentiate social enterprises that meet specified criteria in the market place. In late March 2009 the Social Enterprise Coalition announced it will work with the proponents to develop the Mark further.

There is also wide-spread recognition that due to its diversity definitions in this field of activity are difficult. For practitioners they can limit flexibility and responsiveness, and impose what can in practice be arbitrary constraints. At the wider conceptual level, and within the paradigm that positions social enterprise and social entrepreneurship as part of a social change process, it is the very permutations that definitions limit that are sought. For example, influencing main-stream business practice to integrate social objectives into their core practice will have a much wider scale impact than simply focusing on social enterprise alone.

Public sector related programs are increasingly positioning social enterprise as a business model, rather than as a type of third sector organisation, but one that has social objectives at its core. This approach has advantages and disadvantages, and implications for the type and delivery-style of support programs. Amongst the advantages are the embedded-ness in an economic development agenda which can be less susceptible to politically motivated direction changes. Key disadvantages include the potential for the social impact focus to lose precedence and an over emphasis on public-sector contracting as an income source, leading to skewing the development of the field in a particular direction and thereby maybe limiting the potential to deliver the full range of social innovations that could be possible.

From Scotland, where social enterprise activity is comparatively mature, come cautions to ensure definitions don't include single-entity public sector 'spin-off' organisations. This new organisational form gained ground in the leisure and sports sector, but is now

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<sup>9</sup> See [www.socialenterprisemark.co.uk](http://www.socialenterprisemark.co.uk)

emerging in other areas and represents an evolution in the configuration of the public sector. The public authority retains the controlling interest and therefore this organisational form doesn't meet the broader governance and membership characteristics that are core to the social enterprise model. The Scottish Government has recently determined that organisations of this type will be excluded from funding and other opportunities intended for social enterprises.

### **... about social enterprise and social entrepreneur development<sup>10</sup>**

- Overseas a combination of networks and specialist social enterprise development organisations provides a tier of infrastructure that delivers support across a range of functions and through a variety of operating modes.
- In the UK and Scotland a number of key networks have been instrumental in advancing the social enterprise agenda. In addition to membership based support, initial resourcing through the public and philanthropic sectors was instrumental to the establishment of the infrastructure tier.
- Supporting these organisations to research and develop social enterprise concepts played a significant role in advancing practice and uptake across the country, and their expertise is now regularly drawn on by various levels of government in determining policy direction and program design.
- These relationships have seen the rapid emergence of significant policy commitments and resulted in major public sector investment in social enterprise as a model. Without the activity of the infrastructure organisations it is unlikely that this would have evolved so quickly or so comprehensively.
- As the social enterprise field is maturing there is increasing discussion about the roles and focus of these organisations, particularly in light of: changing needs in their membership bases, evolving trends in definitional positioning, their independence from and/or influence on government and the level of resourcing required.
- The development needs of social enterprise organisations are complex and diverse, and social enterprise managers are as diverse as their organisations and come from all sectors. This is resulting in innovative approaches and cross-sector knowledge transfers. It also reinforces the need for flexibility in the type of support available, as depending on the skill mix more or less emphasis may be needed in various areas.
- Support on the business side of operations is important as it relates directly to sustainability. However, the specialist and often competing priorities that a social enterprise has differ from those of mainstream businesses so the support offered by straight-commercial-business programs is often not sufficient. Quality support to integrate managing the 'social' and 'business' aspects of the enterprise is most critical.

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10 The key infrastructure organisations and social enterprise and social entrepreneur development organisations (in various forms) visited were: Enterprising Non-profits - [www.enterprisingnonprofits.ca](http://www.enterprisingnonprofits.ca); The Social Enterprise Group - [www.socialenterprise.org.uk](http://www.socialenterprise.org.uk); Social Profits - [www.socialprofits.com](http://www.socialprofits.com); Social Enterprise Alliance - [www.se-alliance.org](http://www.se-alliance.org); School for Social Entrepreneurs - [www.sse.org.uk](http://www.sse.org.uk); Charities Evaluation Service - [www.ces-vol.org.uk](http://www.ces-vol.org.uk); Social Enterprise Coalition - [www.socialenterprise.org.uk](http://www.socialenterprise.org.uk); Social Enterprise London - [www.sel.org.uk](http://www.sel.org.uk); UnLtd - [www.unltd.org.uk](http://www.unltd.org.uk); Development Trusts Association - [www.dta.org.uk](http://www.dta.org.uk); Forth Sector Development - [www.forthsectordevelopment.org.uk](http://www.forthsectordevelopment.org.uk); Scottish Social Enterprise Coalition - [www.ssec.org.uk](http://www.ssec.org.uk); Social Enterprise Academy - [www.theacademy-ssea.org](http://www.theacademy-ssea.org); SENScot - [www.senscot.net](http://www.senscot.net); CEIS - [www.ceis.org.uk](http://www.ceis.org.uk); i-SE - [www.i-se.co.uk](http://www.i-se.co.uk); Social Enterprise Works - [www.socialenterpriseworks.org](http://www.socialenterpriseworks.org); University Network on Social Entrepreneurship - [www.universitynetwork.org](http://www.universitynetwork.org); and the Skoll World Forum on Social Entrepreneurship - [www.skollworldforum.com](http://www.skollworldforum.com)

- The most effective social enterprise development is being delivered by specialist, independent entities that are social enterprises in their own right. These specialist development organisations are funded through a combination of government (all levels) contracts, investment of profits generated by their range of activities and grant funding received from philanthropic organisations. The investment by external bodies recognises the vital contribution these organisations are making to social enterprise activity through the identification, development and growth stages.
- It takes time for development organisations to establish and mature and resourcing is required during the early start-up phase. With the right approach to the resourcing profile there is potential for them to eventually generate a healthy portion of their own income. The size of the catchment area the organisation works in has an impact on this however, as it dictates its ability to grow to a size that allows some flexibility and buffering against changes to external income streams.
- In addition to its internal sustainability, the catchment size of its region also affects the development organisation's ability to effectively deliver its services. Once established and sufficiently stable it can leverage income streams and networks on behalf of those it works with, and also play a key role in informing policy development. Once a development organisation is performing this strategic coordination role in a region activity begins to accelerate.
- Development organisations design the support programs, including where their services are delivered on contract, and provide a continuum of support from concept through growth stages. Support frameworks have similar components, relating to: encouraging awareness and demonstrating the value of social enterprise; enhancing enterprise skills; assisting access to capital and investment; and expanding market opportunities<sup>11</sup>. The specifics of the programs vary, as determined by the funding mix, but generally include some version of support on: diagnostics; organisational development; establishing values, mission and social objectives; stakeholder engagement; strategic and business planning; marketing; advice on potential sources of capital; contracting and tendering; consortia/partnership working; and social impact assessment and reporting.
- As social enterprise activity is so diverse development teams need a mix of skills that draw on expertise across a range of market areas. They also need skills in facilitating the establishment of organisational values and in designing social objectives, targets and reporting processes. This mixture of skills can be difficult to come by and therefore attention to the make-up of the team is critical to effective delivery.
- The skills and program types needed to support social enterprises (organisations) and social entrepreneurs (individuals) are different and therefore a distinction is usually made between which of these the development organisation works with.
- The support required by social enterprises at start-up stage is different to that required to support organisations that are already trading, and it is important that support is provided across the full continuum to ensure integrated pathways are available and so that new activity continues to emerge.
- A social entrepreneur may eventually establish an organisation, but this will not automatically be a social enterprise as they may choose to further their goals in a variety of ways and across sectors. If a social enterprise model is chosen, it is important that good networks and referral processes are in place so they can easily

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<sup>11</sup> As summarised in a report prepared by Enterprising Non-profits and arising from the 'BC Social Enterprise Summit' held in November 2008 – available online at [www.enterprisingnonprofits.ca/summit](http://www.enterprisingnonprofits.ca/summit)

progress to social enterprise development support. Social entrepreneurs, across the broad range of social and environmental impact areas in which they operate, have proven and effective positive impacts in communities and on the social economy whatever form their work takes<sup>12</sup>. Therefore support programs should not necessarily privilege adoption of the social enterprise model during their development journey.

- Development takes considerable time and, to be effective, support programs should span over a number of years with the nature of support evolving as the initial concept matures. In start-up cases, for social enterprises and social entrepreneurs, coupling the development program with a seed-funding opportunity provides the mixture of support that is most likely to progress the activity to the implementation stage. UnLtd<sup>13</sup> provides an innovative social entrepreneur funding program, and is also in the process of documenting a more longitudinal evidence base on the impact of its approach.
- For local government an important and useful program developed by infrastructure organisation Social Enterprise London is Local Government Connects<sup>14</sup>. Supported by London Councils, the program is a forum for local authorities to share learning and work in partnership when engaging in social enterprise development. Of London's 33 local authorities, 28 are currently members.
- In addition to practice-based development programs, there is also a focus on developing a socially enterprising or entrepreneurial culture at the broad level. Programs range from the 'Social Enterprise Schools' program<sup>15</sup> in Scotland to the multitude of University-based courses that have been established in recent years<sup>16</sup>. These are most commonly associated with MBA programs, but there is also growing interest in integrating a social entrepreneurship 'lens' across other faculty areas. Ashoka has also established a pilot 'Ashoka Campuses'<sup>17</sup> program working with four Universities in the US.

### **... about public sector support programs and opportunities<sup>18</sup>**

- In the countries visited, the public sector at all levels is increasingly focused on creating a more enterprising culture in the social economy, and the social enterprise model is seen as a key ingredient in this. It is important to note though that there is general recognition that the model is not relevant to all social economy

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12 As discussed in the recent monograph '*Sustainable Pathways to Community Development*' by Charlotte & Don Young – executive summary available online at: [http://www.sse.org.uk/news\\_article.php?artid=34](http://www.sse.org.uk/news_article.php?artid=34)

13 See <http://www.unltd.org.uk/template.php?ID=1&PageName=whatareunltda>; and also Ashoka – <http://www.ashoka.org/> and [www.changemakers.net](http://www.changemakers.net) - and the Skoll Foundation - <http://www.skollfoundation.org/> - for two US-based programs with a focus on supporting social entrepreneurs with potentially scaleable projects

14 More information available online at <http://www.sel.org.uk/laconnects.html>

15 Managed by the Social Enterprise Academy for the Scottish Government, see: [http://www.sesscotland.org.uk/what\\_is\\_ses\\_award.html](http://www.sesscotland.org.uk/what_is_ses_award.html)

16 Statistics presented at the University Network on Social Entrepreneurship (hosted at <http://www.skollfoundation.org/>) meeting in late March 2009 indicated there are now over 200 courses globally, with the number growing rapidly.

17 See <http://www.ashoka.org/changemakercampus>

18 The public sector organisations and related programs visited were: Portland City Council - <http://www.portlandonline.com/bhcd/index.cfm?c=30143>; Canadian Government, Western Economic Diversification; UK Government, Office of the Third Sector - [http://www.cabinetoffice.gov.uk/third\\_sector.aspx](http://www.cabinetoffice.gov.uk/third_sector.aspx); Camden Council - <http://camden.gov.uk/ccm/content/business/business-forums-and-networking/social-enterprise/social-enterprise-in-camden.en>; the Department for Communities & Local Government; the Scottish Government, Social Investment Scotland - [www.socialinvestmentscotland.com](http://www.socialinvestmentscotland.com); Glasgow City Council; AGORA project - [www.business.mmu.ac.uk/business/agora/](http://www.business.mmu.ac.uk/business/agora/); North West Development Agency; and Bristol City Council - [www.socialeconomybristol.org.uk/](http://www.socialeconomybristol.org.uk/). Please note that not all of these have specifically relevant sections on their general websites, so references have been provided only for those that do. In some cases more specific links are provided in text.

organisations, and that traditional approaches are likely to always be most appropriate in certain service delivery and/or geographic areas (ie. it is an 'and' approach not an 'either/or' approach). In these cases the emphasis is on increasing demonstrable positive social impacts.

- At the broad level public sector support for the social enterprise model stems from two objectives: increasing positive impacts on wellbeing, social inclusion and community activism; and realising potential innovations and better-value in service delivery. Therefore some of the support for social enterprise development currently in place is also embedded in a public service improvement agenda<sup>19</sup>.
- The wellbeing and social inclusion aspects recognise that communities with members engaged in determining their own futures, rather than being passive recipients of 'planned' solutions, are powerful players in the social impact arena. As social enterprises aim to deliver on defined social objectives, along with other social economy organisations, they are seen as key partners in growing this climate.
- Service delivery innovations and better-value aspects are being progressed through 'intelligent' commissioning or 'outcomes-based' commissioning programs<sup>20</sup>. This approach puts 'value-for-money' at the core of procurement decision-making and recognises that, particularly in a public service context, the full dimension of 'value' relates to the level of public benefit. The approach involves working with service users, potential providers and other stakeholders to design procurement processes, tenders and contracts that facilitate innovative delivery, greater positive social and environmental impacts and cross-departmental savings. These approaches are being explored and trialled and rely on buy-in from multi-disciplinary project teams internally. To be effective, outcomes-based commissioning needs to be recognised within strategic planning priorities.
- In London, Camden Council has trialled an innovative approach in commissioning its mental health service delivery. A concise overview<sup>21</sup> of how outcomes-based commissioning can work in practice has been developed to assist tendering organisations understand the process. Whilst work has been done at the conceptual level there are still few actual examples publicly available that illustrate how it is being translated into practice so this is a very useful contribution to the field. This work is a progression of the 'Invest to Save Budget'<sup>22</sup> project which was established in 2006 to provide more opportunities for social enterprises and third sector organisations to supply goods and services to the Council.
- With a strong focus on innovation in commissioned service delivery, the National Health Service (NHS) is offering a wide range of support and incentives to stimulate social enterprise activity<sup>23</sup>. This public sector supported field has been emerging over a number of years and is now developing very quickly. The key driver is to generate

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19 See [http://www.cabinetoffice.gov.uk/third\\_sector/third\\_sector\\_review/csr.aspx](http://www.cabinetoffice.gov.uk/third_sector/third_sector_review/csr.aspx) for information on the UK Government's 'Comprehensive Spending Review' completed in 2007

20 See the January 2009 report "A better return: setting the foundations for intelligent commissioning to achieve value for money" by the New Economics Foundation for the UK Cabinet Office, available online at: [http://www.neweconomics.org/gen/z\\_sys\\_publications.aspx](http://www.neweconomics.org/gen/z_sys_publications.aspx)

21 'Commissioning outcomes and recovery' can be downloaded at: [www.camden.gov.uk/ccm/cms-service/download/asset?asset\\_id=1364965](http://www.camden.gov.uk/ccm/cms-service/download/asset?asset_id=1364965)

22 An overview of this project is available at: <http://www.camden.gov.uk/ccm/content/press/2006/march-2006/camden-scheme-wins-budget-money-to-support-social-enterprise.en;jsessionid=0E6A7E9D1604BC23FA17DB4EF6A3085E.node2>

23 See the various programs outlined here:

[http://www.dh.gov.uk/en/Managingyourorganisation/Commissioning/Socialenterprise/DH\\_072936](http://www.dh.gov.uk/en/Managingyourorganisation/Commissioning/Socialenterprise/DH_072936); and a specific example here:

<http://www.expertpatients.co.uk/public/default.aspx>; and some discussion on policy work in this area undertaken by the Social Enterprise

Coalition at: <http://www.socialenterprise.org.uk/pages/health-and-social-care.html>

innovations in service delivery that result in health care improvements for customers. This is a major area of activity that warrants a specific investigation by Australian health sector practitioners and policy makers.

- In late 2008 the Department for Communities & Local Government also established a Social Enterprise Unit. This is in the early stages of implementation and has a focus on encouraging cooperation between local government and social enterprises, and on increasing the access of social enterprises to procurement opportunities.
- As skills and a risk-averse culture within government entities were identified as impediments to the adoption of outcomes-based commissioning practices, through the Innovation & Development Agency (IDe&A) the UK's Office of the Third Sector is rolling out the National Programme for Third Sector Commissioning<sup>24</sup>. This includes a core training component aimed at increasing awareness and capacity amongst public sector procurement staff with over 2000 trained to date.
- Procurement practice is also being influenced by the use of community benefit clauses in tenders and contracts. Particularly where a large-scale development opportunity exists<sup>25</sup> this approach is seen as a useful tool for leveraging longer-lasting benefit for the local community.
- The success of outcomes-based commissioning strategies and community benefit clauses relies on sufficient capacity on the supply-side. It is imperative that the service or product supplied by the contracted social enterprise meets and/or exceeds quality requirements. It can also be the case that an entity needs to be established or to re-configure to match the newly created opportunity, which can often be more complex in nature than previous approaches. This takes time and resources. Government, at all levels, is recognising that to achieve its objectives in this area it needs to invest in developing the supply chain.
- Glasgow City Council is including community benefit clauses in its Commonwealth Games related contracts<sup>26</sup>, and is exploring their use in other major development projects (such as roads). A holistic approach is being taken, with significant attention being paid to building the capacity of the local social enterprise sector around a number of key themes including working in consortia, systems for quality delivery and social impact reporting. This support is being delivered by local specialist social enterprise development organisations.
- The UK Government is also coordinating social enterprise development support through the Regional Development Agencies (RDA) as part of its Business Support Simplification Program (BSSP). The RDA's design and manage the delivery of the contracts in collaboration with local social enterprise networks and development organisations. As part of the BSSP, business support for social enterprises is also being mainstreamed through the Business Link service (similar to the Business Enterprise Centres in Australia). Training is being provided to officers to increase their knowledge of social enterprise and, importantly, of the specialist programs available for referral. The North West RDA is also playing a key coordinating role in leveraging contributions to the social enterprise development funding pool from local Councils across its region creating a central and substantial resource base for this work.

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24 See <http://www.idea.gov.uk/idk/core/page.do?pagelId=6583598> for more information, including the 'A Better Return' report.

25 Such as the 2010 Winter Olympics in Vancouver, 2012 Olympics in London and 2014 Commonwealth Games in Glasgow.

26 See <http://www.glasgow.gov.uk/en/News/Archives/2008/June/communitybenefits.htm> for the news release outlining Glasgow City Council's approach.

- It is difficult for hands-on development support to be delivered by a Council or Government department as the specialist skills rarely exist internally. Focusing on support strategies that relate to the actual business of the government entity ensures effort is directed to areas where it has most to offer and where the potential benefits make most sense within its remit. Useful roles for local government are seen to include: assistance with navigating internal processes around procurement and development applications; inclusion of social and environmental value criteria and evaluation processes in procurement tenders and contracts; leveraging supply chains and partnership arrangements; access to free or subsidised space, especially during incubation periods; innovation around asset transfer possibilities; assistance with developing local networks, within and across sectors; and provision of small amounts of seed-funding, particularly focusing on the concept-testing and business planning stages of development. Resourcing and working in partnership with specialist social enterprise development organisations is an effective way to deliver the required and broader support programs.
- Beyond procurement-related strategies, access to assets and facilities is another key area where there are strong synergies with public sector profiles and priorities. In 2007 *'Making Assets Work – the Quirk Review of community management and ownership of public assets'*<sup>27</sup> was released. The review explores community asset transfer conceptually and acknowledges the link between active community involvement and economic development, and the critical role an asset base can play in empowering communities. It identifies that in the UK no substantive impediments exist to the transfer of public assets to communities, and that this can be done legitimately and successfully.
- The Department for Communities & Local Government continues to work on the implementation strategy arising from its response to the Quirk Review<sup>28</sup>. As potential risk and a risk-averse culture within public sector asset management departments were identified as key impediments to the progress of this agenda specific guidance on managing risks has been developed<sup>29</sup>. Practical guidance on designing asset transfer plans is also available to Local Government authorities and their community partners through the Development Trusts Association<sup>30</sup> and others.
- Bristol City Council undertook early research into asset transfer in 2004. The resulting report<sup>31</sup> focuses on the practicalities of transferring assets to social economy organisations in a local government context and provides a very useful example and potentially a template for undertaking similar analyses.
- With many public sector entities holding under-utilised and, in some cases, ageing assets in their portfolios asset transfer can provide a long-term strategy. Social enterprises are often seen as ideal anchor organisations<sup>32</sup> in transfer scenarios as their revenue streams tend to be diverse and focused on sustainability, whilst their clear social impact objectives ensure the public interest is served through the transfer. It is important that the arrangement: does not pass on insurmountable maintenance or remediation issues to the transfer organisation; that the terms are

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27 Available online at: <http://www.communities.gov.uk/publications/communities/makingassetswork>

28 See the DCLG's report *'Opening the transfer window: The government's response to the Quirk Review of community management and ownership of public assets'* at: <http://www.communities.gov.uk/publications/communities/openingtransfer>

29 Available online at: <http://www.communities.gov.uk/publications/communities/managingrisks>

30 See the section on *'Advancing Assets for Communities'* at: <http://www.dta.org.uk/activities/campaigns/communityassets/>

31 Available for download at: [www.socialeconomybristol.org.uk/content/Summary.doc](http://www.socialeconomybristol.org.uk/content/Summary.doc)

32 The importance of strong, local anchor organisations and asset ownership for community empowerment was recently reinforced in the Scottish Government's *'Community Empowerment Action Plan'* released in March 2009 and available online at: <http://www.scotland.gov.uk/Topics/Built-Environment/regeneration/engage/empowerment>

realistic and promote stability through (for example) opportunities for tenancy and other income streams; and that capacity building support (such as that provided by the Development Trusts Association<sup>33</sup>) is available.

- In addition to capital assets, limited access to appropriate financial capital is widely recognised as a major constraint to sustainable growth in social enterprise activity<sup>34</sup>. On behalf of the Scottish Government, in 2006 Social Investment Scotland (SIS) undertook a review of the prospects for creating an investment fund to provide social economy organisations with access to long-term risk capital. SIS manages the subsequently established Scottish Investment Fund (SIF)<sup>35</sup>, a £30 million fund to be delivered 2008-2011. It aims to build capacity, capability and financial sustainability in the third sector and provides investment and development support, through contract by specialist social enterprise development organisations, for individual organisations.
- The focus is on organisations at the mature end of the development spectrum and where financing can not be accessed through the mainstream financial market. It is the final step in a pathway made up of a variety of Scottish Government programs, developed in collaboration with its partners, that provide funding to social enterprises and social entrepreneurs through the spectrum of development stages. It aims to be self-perpetuating through reinvestment of capital and interest.
- A creative approach is being taken to the make-up of investment offers, with each being bespoke to the needs and context of the specific organisation. For example, an offer may include a mixture of a portion regular loan product and a portion of grant tied to performance against social impact objectives. As the focus is on stimulating outcomes, if the social objectives are not achieved the grant must be re-paid into the fund.
- The fund is new and it is recognised that the success of the approach will require a fairly big shift in thinking away from a traditional grant-funded and risk-averse culture. As social enterprise managers and their Boards begin to understand the potential, this significant and progressive move should become an important lynch-pin for the acceleration of social enterprise activity in Scotland.
- Social enterprise has also been recognised as a useful model for place-based approaches to town-centre regeneration programs, which are often driven by local government. With a regeneration focus it is crucial that the local community determines the type/s of activities needed, some of which may be best undertaken through a social enterprise model. A 'cookie-cutter' approach that aims to establish a pre-determined mix of product and service offerings is unlikely to be successful. A major contribution the social enterprise model can bring to regeneration agendas is as a catalyst for active and empowered community participation. In these projects, access to assets and facilities that assist with generating and sustaining activities is often a critical contribution the local government partner can make.
- In the US the Congress has very recently passed (with broad bipartisan support) new legislation under the 'Serve America' and 'GIVE' Acts that will, amongst other things, ". . . provide new support for social entrepreneurship, identifying and nurturing

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33 See <http://www.dta.org.uk/aboutus/>

34 In the Australian context see *'Financial Inclusion, market failures and new markets: possibilities for Community Development Finance Institutions in Australia'* recently released by Foresters Community Finance and available for download online at: <http://www.foresters.org.au/SocialInnovationEducation/Publications.aspx>

35 <http://www.scottishinvestmentfund.co.uk/>

promising new service programs around the country”<sup>36</sup>. The two specific areas that will directly impact the field of social enterprise are: the Social Innovation Funds Pilot Program, providing "venture capital" to help nonprofits that have developed successful ways to tackle social problems expand their work; and the Non-profit Capacity Building Program, authorizing grants of \$200,000+ to intermediary Non-profit organisations providing organisational development assistance to small and midsize non-profit organisations<sup>37</sup>. This coupled with the establishment of the new Office for Social Innovation, positioned within the Executive Office of the President, demonstrate emerging and significant policy directions in this area.

- The reasoning behind all this public sector positioning and support relies on achievement of anticipated positive (and often long-term) social impacts. Whilst it is widely recognised that methods and processes for determining whether these are being realised are still evolving the urgent need for their development is being felt by those in contracting and funding roles across the public, philanthropic and corporate sectors as well as by social enterprises themselves. To focus development work and increase the speed with which tools and processes become ready for wider-spread use, the UK and Scottish Governments have also recently committed significant funding to developing practice in this area (discussed further below).

### **... about social impact assessment<sup>38</sup>**

- Developments in approaches to social impact assessment are gathering momentum, with funding bodies across the sectors and countries visited increasingly focused on accounting for the impact and value of investments. There is also a growing emphasis on the usefulness of the associated processes to the organisation itself in understanding its performance and promoting a 'learning organisation' culture, to underpin strategic planning processes and to streamline funder reporting requirements.
- However, whilst the theory is evolving rapidly structured social impact evaluation and reporting is not as yet an embedded practice within the social economy, as confirmed in the September 2008 report published by the Charities Evaluation Service "*Developing monitoring and evaluation in the third sector*"<sup>39</sup>.
- Across the social economy practitioners report a number of constraints, the most common and perhaps most significant being resourcing. A contribution to the cost and time required to undertake impact assessment is currently rarely included in funding or contracting arrangements making integration into core practice challenging, particularly for smaller organisations.
- Another key constraint identified is a lack of practical tools and systems that can be used to collect, manage and analyse the considerable amount of data required for impact assessment processes, and particularly those that assist with reporting on

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36 Barack Obama in his article "A New Era of Service" in Time magazine 30/03/09, p. 25

37 From the Social Enterprise Alliance website at <http://www.se-alliance.org/>

38 The organisations visited to learn about their social impact assessment work were: United Way King County - <http://www.uwkc.org/ourcommunity/default.asp><sup>38</sup>; Enterprising Non-profits and Vancity Community Foundation's 'Demonstrating Value' project - [http://www.enterprisingnonprofits.ca/projects/demonstrating\\_value](http://www.enterprisingnonprofits.ca/projects/demonstrating_value)<sup>38</sup>; Martin Cooper regarding the Quality & Impact project undertaken by the New Economics Foundation - [http://www.neweconomics.org/gen/newways\\_qualimpact.aspx](http://www.neweconomics.org/gen/newways_qualimpact.aspx)<sup>38</sup>; UK Government, Office of the Third Sector; Camden Council; Charities Evaluation Service; UnLtd Research - <http://www.unltd.org.uk/template.php?ID=3238>; K2A - <http://www.k2a.cc/what.php><sup>38</sup>; the Scottish Government; Forth Sector; Social Accounting & Audit training workshops; CEIS; the SROI Network; and i-SE. As noted above, not all of these have specifically relevant sections on their general websites, and web-links for others have already been provided in other sections or are provided in text.

39 Available online at: <http://www.ces-vol.org.uk/index.cfm?pg=461>

impacts rather than outputs. A number of specific tools are becoming available - such as the Outcomes Star system<sup>40</sup> ('journey travelled' focus), the LM3 tool<sup>41</sup> (focus on tracking impact of local spending), PQASSO<sup>42</sup> (broader, quality focus), the C3 approach<sup>43</sup> (also a broader, quality focus) and the Social Impact Tracker<sup>44</sup> (database system) - and practitioners are exploring their application and adaptation to particular settings. Other approaches are not yet publicly available as development work is still underway.

- Work on developing specific, practical tools will be critical to engagement with overarching assessment and reporting frameworks. Both the social accounting and audit (SAA) and social return on investment (SROI) frameworks continue to evolve and there is a degree of collaboration and convergence occurring, particularly around the development of core principles. Both provide an overarching framework for organising the reporting process and communicating information on the value of the organisation's work. Considerable weight is given to the role of stakeholders and to the usefulness of the process internally. The major difference is the emphasis on monetising value that is core to the SROI approach.
- Recent developments the Social Accounting & Audit Network<sup>45</sup> has made to the SAA framework have further improved the robustness of the process and the audit component is recognised as pioneering the integration of this critical element into the assessment process. The Social Audit is undertaken by a Panel which is Chaired by an accredited Social Auditor. The other two-to-four members of the Panel are people who have no vested interest in the auditee but who know something about the field of work in which it is engaged and/or about the community or district in which it works. Uptake of the SAA framework continues to grow in the UK and beyond, as do the number of accredited social auditors. Organisations that have undertaken SAA over a number of years report substantial benefits in aligning activities with strategic direction.
- The recent significant investment by the UK and Scottish Governments into the development of the SROI framework, through the 'Measuring Social Value project'<sup>46</sup> and 'The SROI project'<sup>47</sup> (respectively), is driving a raft of activity being coordinated by the SROI Network<sup>48</sup> that is aiming to: further develop some of the specific processes on which the framework relies (including the construction of a proxies database); overcome constraints to use; and build capacity to engage. Investment has been driven by the recognition that robust and user-friendly processes are key to developing a more outcomes-focused culture in the social economy.
- The number of organisations using SROI is growing with reported positive outcomes and an accreditation system is currently in development. Although, with this method receiving such strong public sector support, some social economy organisations are expressing concern about: whether all dimensions of 'value' can or should be

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40 Originally developed in the Homelessness sector this is now being adapted for a range of 'journey traveled' related service provision, see: <http://www.outcomesstarsystem.org.uk/>

41 Local Multiplier 3, designed to calculate an organisation's economic contribution to its local community, see: <https://www.lm3online.org/Default.aspx>

42 'Practical Quality Assurance System for Small Organisations', a quality focused approach for small to medium third sector organisations, see: <http://www.ces-vol.org.uk/index.cfm?pg=42>.

43 A performance improvement focused approach, see: <http://www.c3partnership.org/>.

44 A database system that captures information and generates reports, see: <http://thetoolfactory.com/SocialImpactTracker.htm>

45 [www.socialauditnetwork.org.uk](http://www.socialauditnetwork.org.uk)

46 See [http://www.cabinetoffice.gov.uk/third\\_sector/Research\\_and\\_statistics/measuring\\_social\\_value.aspx](http://www.cabinetoffice.gov.uk/third_sector/Research_and_statistics/measuring_social_value.aspx)

47 See <http://www.scotland.gov.uk/Topics/People/15300/SROI>

48 [www.thesroinetwork.org](http://www.thesroinetwork.org)

monetised; that in their current form SROI methods are highly technical, require specialist expertise and are costly; that simplification will be needed to facilitate widespread adoption, but that this may affect the validity of the method; and that despite best intentions it will be difficult to avoid ratios being used to compare the performance of organisations and potentially sectors. Proponents are clear that the method will continue to evolve, that feedback from practitioners is being integrated into its development and emphasise that a pragmatic approach is needed to progress this agenda at a pace that matches demand. With this in mind it is apparent that current and future SROI methodologies will be different and improved versions of the original approach, and in fact likely to be hybrid models themselves as they integrate best-practice developed through other models and take on practice-based feedback.

- In Vancouver, VanCity Community Foundation is coordinating the 'Demonstrating Value'<sup>49</sup> project which seeks to develop a framework for assessing the impact and performance of social enterprises. The project is engaging funders, supporters and practitioners in developing and piloting the framework and focuses on financial performance, organisational sustainability and impacts relating to social objectives. Balancing the tension between the need for locally and contextually relevant indicators and those that allow comparisons between organisations or projects is a key concern in this work. Tools development is also seen as critical, to enable social enterprise practitioners to engage with assessing and reporting, and a dashboard-style tool is in development.
- Proponents of the various methods generally agree that a central and critical element of social impact assessment and reporting processes is seeking stakeholder input. This focus is reflected in Keystone's<sup>50</sup> work on promoting the voice of beneficiaries and other constituents in the human development sector. A current project is seeking to empower grantees in East Africa to speak freely to their funders and through this aims to generate learning, improve relationships and foster more effective grantmaking and development practice. The 'Comparative Grantee Feedback Survey' is utilising a standardised questionnaire to anonymously collect feedback from grantees on key aspects of grantmaker performance. This is an innovative and interesting approach, turning the evaluation spotlight on the funder rather than the funded.
- Beyond specific impact frameworks in use and development, the focus on outcomes is also evident in funding strategies. In King County Washington a '*10 Year Plan to End Homelessness*'<sup>51</sup> has been developed and is creating a joined-up approach to tackling homelessness issues in the region. Underpinned by research it has established specific strategies, actions, goals and outcomes that are now guiding the funding of homelessness programs and services across the region and across funding portfolios.
- As social impact assessment work progresses more data will become available on the usefulness and transferability of specific social enterprise programs and activities, along with an increased ability to report on broad-scale impacts over time. With a growing focus on accountability in funding and contracting arrangements this documentation of an evidence-base is moving from being a peripheral activity to becoming core business for social economy organisations. Peer-to-peer feedback on

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49 [http://www.enterprisingnonprofits.ca/projects/demonstrating\\_value](http://www.enterprisingnonprofits.ca/projects/demonstrating_value)

50 From a presentation at the Skoll World Forum on Social Entrepreneurship – see [www.keystoneaccountability.org](http://www.keystoneaccountability.org) for more information on the organisation

51 Available online via United Way King County's website: <http://www.uwkc.org/ourcommunity/endinghomelessness/10yearplan.asp>

the usefulness for internal alignment and performance purposes from organisations using social impact methods is also a significant driver.

- Progress on user-friendly social impact methods is critical for the social enterprise field, which by its nature is often competing with private sector businesses for contracts. The ability to provide robust and verified information on the positive social impacts possible through working with a social enterprise model are needed to redress the current imbalance in contracting arrangements where the focus remains, in practice, on financial best-value. In the public sector, where public interest is core, social impact information is the key to enabling a culture of innovation in service delivery.

## MAJOR CONCLUSIONS & RECOMMENDATIONS

At the completion of the study tour the conclusions and recommendations discussed below are offered (and will no doubt continue to evolve over time). They have been developed over the course of the Fellowship and present my views on the potential application of the learnings discussed in the previous section to the Australian context and primarily for the public sector (with some key inter-related activities). With this focus, and in their synthesised form, they do not necessarily reflect the position or opinions of the organisations visited or the total scope of potential activity in this area.

Broadly grouping the diverse array of social enterprise activity together using inclusive definitions and recognising flexible operating forms facilitates collaboration and enables innovation. Particularly from a public sector perspective, narrow interpretations of the model limit its potential.

***Recommendation:*** *That Australian policy makers position social enterprise as a unique hybrid model that facilitates and enables truly cross-sectoral collaboration through working at the intersection of the commercial sector, social economy and the public sector (rather than as a subset of any of these).*

The social enterprise model has the potential to deliver long-term benefits across a wide range of social, environmental and economic policy areas and as such has much to offer public sector agendas. However, we cannot just import overseas models or experience as the Australian context has its own unique attributes. In particular the relationship between Federal, State and Local government and the funding and accountability structures that flow from this require exploration and will need to be reflected in policy and practice.

This notwithstanding it is believed that a focus on the key areas outlined below would significantly contribute to the growth and sustainability of social enterprise activity in Australia. There are obvious roles for other sectors, however overseas experience shows there is strong evidence that to really accelerate this agenda there is a critical role for the public sector in catalysing action. For this to occur Australia needs visionary and courageous public servants and elected officials acting as 'intrapreneurs'<sup>52</sup> within all levels of government.

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<sup>52</sup> Intrapreneurship is gaining ground as an important role that staff within large organisations across all sectors - including the commercial, public, academic and social economy sectors - can play. In the case of the public sector, social entrepreneurs report that an 'intrapreneurial' champion in government can be critical to the establishment, growth and in some cases scaling of their projects.

The following recommendations and comments are aimed at stimulating a step-change in social enterprise activity, alone they each have the potential to make a major contribution and together this would be significantly multiplied. They are targeted at building on and maximising existing activity, and where activity is not yet occurring they present logical first steps. Some specific Australian organisations and activities are mentioned, and it needs to be noted that they have not been approached about this – the recommendations are entirely my own and aim, in the context of this report, to make sense of and build on existing activity. The recommendations are obviously outside my remit to implement and the aim is therefore to promote thinking and discussion amongst those who can. In relative terms the financial inputs required to generate a significant and powerful level of activity are minimal.

### ***. . . for supporting social enterprise and social entrepreneur development***

Public sector agencies at all levels are acknowledging that support for the development of social enterprise organisations is needed for the model to flourish. Working across sectors, often in complex funding and performance environments, social enterprises face significant and unique challenges to establishment, growth and sustainability.

Social enterprise network and social enterprise development organisations are critical to advancing informed policy and support programs. In the UK they play vital roles in research, advocacy and policy development, facilitating partnerships and providing training and development. In Australia, the Victorian Government's support for the recent establishment of Social Traders<sup>53</sup> is a positive step that will significantly contribute to activity at this level. Establishing key 'catalysts' across the country would maximise the potential for further snow-balling activity and collaboration.

***Recommendation:*** *That relevant Federal and State Departments collaborate to catalyse the establishment of a membership-based network through three year funding for a coordinating position in each State and Territory (potentially in collaboration with existing relevant programs where these exist).*

Charging this position with raising awareness of the model and developing a membership base will then allow for an assessment on the usefulness and impact of the approach to be made at the end of the funding period. At this point, if the membership base recognises benefits around advocacy, policy and research input, and receipt of specific member services there will be sufficient momentum for a continuation/evolution strategy to be developed.

The Business Enterprise Centres (BEC) already receive funding from both State and Federal Governments to provide support services to small-medium businesses across the country. These relationships could be leveraged to include a remit to raise awareness of the social enterprise model, provide access to generic business support and referral to specialist social enterprise services.

***Recommendation:*** *That the State and Federal Governments providing funding to the BEC network leverage these relationships to integrate social enterprise support and referral processes.*

However, the really critical tier of support that is needed in Australia is in specialist social enterprise development. This support is most effective when delivered by specialist, independent entities that are social enterprises in their own right. As noted earlier, the catchment size of the region it operates in affects a development organisation's ability to

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53 See [www.socialtraders.com.au](http://www.socialtraders.com.au)

generate its own income and to effectively deliver its services. A city or region with a population base of several million people seems to be a 'rule of thumb'. There is potential for these organisations to establish in various regions across the country, and implementation of the above recommendations would provide a useful mechanism for identifying demand, locally relevant needs and potential supporters.

In Sydney a three-year collaboration between Social Ventures Australia, Parramatta City Council and Allco Foundation saw the establishment of the Parramatta Social Enterprise Hub in mid-2007. This pilot program is delivering a range of specialist development support to emerging social enterprises in the Parramatta region.

***Recommendation:*** *That the NSW Departments of Housing and Community Services and Western Sydney Councils support the expansion of the Parramatta Social Enterprise Hub to become the Western Sydney Social Enterprise Hub. It is suggested that grant funding of \$20 000 p/a per supporter is provided for a period of three years with this potentially converting to a renegotiated contract-based service delivery arrangement at the completion of this phase .*

Working at the Western Sydney level is more likely to provide a catchment area of sufficient size to practically achieve self-sufficiency and service benefits for participants. The seed-funding approach would allow time for the expanded Hub to establish as a social enterprise, and to develop its specialist skill capacity and long-term income streams. Building on the establishment work already undertaken by the founding partners ensures that the expanded Hub will progress quickly and be in a position to report on demonstrable impacts achieved within a reasonable time period. This evidence base would then be a useful catalyst for stimulating similar activity across the country.

Social enterprises are generated in a number of ways. Some are established by existing third sector organisations to, for example, assist with better servicing a client group or to generate income and reduce grant dependency. Some are established by highly motivated individuals who identify a need in their community and set out to address it. In all cases it takes a person with sufficient passion, staying-power, adaptability and relationship management skills to move a concept into reality. These social entrepreneurs often operate with limited support around them, especially in the early stages, and there is evidence to show<sup>54</sup> that targeted development programs have a major impact on their sustainability and effectiveness.

***Recommendation:*** *That the NSW Departments of Housing and Community Services and Sydney Councils contribute bursary funding on an annual basis for a negotiated number of students to participate in the School for Social Entrepreneurs Sydney 12 month development program. The current cost per student is \$22 500 per year.*

Supporting students to access the first Australian School for Social Entrepreneurs in this manner would allow the School to develop rapidly and to document an evidence base for replicating the model in other parts of the country.

To cultivate a socially entrepreneurial and enterprising climate at a broader scale there is an opportunity for Australian universities to link with the University Network on Social Entrepreneurship and draw on its members' expertise in curriculum development. There is also potential to work with Ashoka to improve the changemaking potential of universities and their students, faculty, and staff.

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54 See the evaluation report of the UK School for Social Entrepreneurs program, undertaken by the New Economics Foundation in 2006 and available online at: <http://www.sse.org.uk/about.php?sub=OUTCOMESIMPACT>

**Recommendation:** *That a local university (or a collaboration) approach Ashoka to explore the potential for extending its Changemaker Campus pilot program to Australia.*

### **. . . for increasing access to assets and capital**

Australian social enterprises lack access to capital on which to build their foundations for growth and sustainability. This includes assets, creatively applied and outcomes focused grant funding, and risk capital. Australian specific research into models for increasing access to these is needed to better understand the potential for applying overseas approaches in the local context.

Deductible Gift Recipient (DGR) issues affect where the philanthropic sector can allocate funding, and this is particularly problematic for social enterprises as they are likely to be largely excluded by the definitions. In this context it is imperative that the public sector take the lead role in this area.

**Recommendation:** *That the Federal Government initiate and fund research into the potential to replicate and/or adapt to the local context overseas work on creative approaches to increasing the access of social enterprises and social entrepreneurs to assets, innovative and outcomes focused public sector grant funding, and risk capital.*

Parallel to research, thought-leaders in the public and philanthropic sectors could make major contributions to speedy progress in this area by trialling approaches – even at small scale - to test their viability locally and in various contexts.

**Recommendation:** *That relevant position-holders in the philanthropic and public sectors trial new and innovative approaches to increasing access to capital for social enterprises, at whatever scale is within their remit. That these approaches are documented and learning shared.*

Social entrepreneurs play a critical role in generating social enterprise activity but as individuals are often unable to access funding targeted at organisations. To provide a pathway for development across the spectrum of social enterprise and social entrepreneurial activity there is also a need for a funding pool that can seed-fund the work of individual social entrepreneurs. The UK's UnLtd program provides a useful model for this, and collaboration between a similar Australian fund and the new School for Social Entrepreneurs Australia would help establish an effective development pathway.

**Recommendation:** *That one (or a collaboration) of Australia's philanthropic sector organisations coordinate the establishment of a funding pool specifically designed to support the development and projects of individual social entrepreneurs, including leveraging contributions from the public and private sectors.*

### **. . . for implementing outcomes-based commissioning approaches**

Outcomes-based commissioning approaches have much to offer public sector agendas at all levels of government, quite aside from the markets they open up for social enterprises. Similarly to the above, research into the application of this into the Australian context is needed, particularly around what sections of the public sector, at various levels, could potentially realise the greatest impacts by adopting outcomes-based commissioning models in a range of areas.

**Recommendation:** *That State and Federal government departments responsible for health and community service delivery procurement champion the exploration and implementation of outcomes-based commissioning models and the creation of training programs for procurement officers at all levels of government.*

Learnings generated by this process will then provide a valuable evidence base for determining if and how outcomes-based commissioning approaches could be applied across other areas of government procurement activity.

There are also opportunities for individual government departments and Councils to begin trialling these approaches to inform enabling policy and contribute to the design of training support for procurement officers

**Recommendation:** *That relevant position-holders in the public sector trial outcomes-based commissioning models, at whatever scale is within their remit. That these approaches are documented and learning shared.*

### **. . . for supporting and stimulating a focus on impacts and outcomes**

An increased focus on positive social impacts is core to ensuring public and other funding support is allocated in a manner that is accountable and best serves the public interest. It also assists with shifting discussion away from the vehicles – for example the merit of particular organisations and programs and/or the importance of size and replicability – to a focus on the end-result of impacts achieved. This focus can help break down sectoral and departmental silos as positive social impact can and should be achieved in a wide variety of ways, with no one sector or department having the sole remit in this area. The social enterprise model is central to this approach as it operates at the intersection between the sectors and has social objectives at its core.

Being clear about social objectives and having access to methods for accounting and reporting on their achievement is increasingly recognised as critical across grant funding, contract delivery and joint-commissioning approaches to supporting social enterprise activity. However accounting for and reporting on social impacts is a complex business that requires strategic thinking and as yet relatively substantial resources (time and money). Currently there is sporadic engagement with funder-driven pushes for greater accountability around contributions to social outcomes, and also with using impact assessment findings to improve internal alignment<sup>55</sup>.

A key constraint is the lack of robust but user-friendly frameworks and tools for undertaking social impact assessment. Those that are available also need to be trialled and tested in the Australian context before informed conclusions can be drawn as to their adaptability and relevance. A major opportunity to jump-start local practice is available through building on work underway overseas, but this needs a coordinated approach to minimise duplication and maximise the use of limited resources.

Maturing activity in this area will also require strategic, collaborative and practical approaches to developing capacity within organisations and amongst social impact practitioners. Increased capacity would assist with satisfying the increasingly sophisticated information needs of investors and supporters in the public, philanthropic and corporate sectors whilst also streamlining often complex reporting processes for funded organisations.

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<sup>55</sup> See the previously referenced recent report by the Charities Evaluation Service. Available online at: <http://www.ces-vol.org.uk/index.cfm?pg=461>

**Recommendation:** *That the Federal Government expedites work in this area through funding a detailed examination of current approaches and their potential application in the Australian context, including through consultation with key stakeholders. That based on the learning from this process it contributes funding to leverage a cross-sector collaboration charged with pragmatic development of locally relevant, user-friendly and robust frameworks and tools for assessing and reporting on social impact.*

A link between this recommendation and the Federal Government's March 2009 commissioning of the Productivity Commission to study the contribution of the Not-for-profit sector<sup>56</sup>, including improving measurement of the sector's contributions, is fairly clear. If some of this work could be undertaken within the scope of the current study it would make a significant contribution to accelerating practice in this area.

Various key infrastructure organisations are well positioned to contribute to this work also. A number are active in this area and more focused collaboration would accelerate progress considerably<sup>57</sup>.

There is also potential for the social economy to use its expertise in this area to inform social impact assessment and reporting in the corporate sector, creating a more robust platform on which to base corporate social responsibility initiatives and funding programs, and thereby increase their positive social impact also.

### ***Integration into my own immediate work***

I will, of course, continue to reflect on the conclusions arising from this Fellowship for some time and it is anticipated that the opportunities for implementing the learnings will continue to evolve. In the meantime, integrating the conclusions and recommendations into the remit of my current position, I am undertaking the following immediate actions:

- Actively seeking opportunities to promote the above recommendations to relevant audiences and contributing, wherever possible, to their uptake.
- Continuing to drive and contribute to the work of the fledgling social impact assessment network emerging in Sydney, and linking it with work occurring in a number of organisations visited on this study tour.
- Facilitating visits to selected Australian organisations for several of the organisations I visited, aiming to increase awareness and provide opportunities to gain practical knowledge about current practice overseas.
- Adjusting and improving the funding and development components of Parramatta City Council's social enterprise support program, to reflect learnings arising from the development organisations visited.
- Recommending exploration of possible policy development for Parramatta City Council around outcomes-based commissioning and community asset transfer, and (if successful) beginning to build an evidence base for how strategies in these areas can be implemented in local government.

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56 See <http://www.pc.gov.au/projects/study/not-for-profit>

57 For example: NonProfit Australia - [www.nonprofitaustralia.org.au](http://www.nonprofitaustralia.org.au); the recently launched Australian Community Services Industry Group; OurCommunity - [www.ourcommunity.com.au](http://www.ourcommunity.com.au); United Way Sydney - [www.unitedwaysydney.com.au](http://www.unitedwaysydney.com.au); Philanthropy Australia - [www.philanthropy.org.au](http://www.philanthropy.org.au); Centre for Social Impact - [www.csi.edu.au](http://www.csi.edu.au); Centre for Australian Community Organisations & Management (CACOM) - <http://www.business.uts.edu.au/cacom/about/index.html>; Centre for Philanthropy & Nonprofit Studies - <http://www.bus.qut.edu.au/research/cpns/>

## SHARING THE LEARNING

Copies of this report will be provided to the following people and organisations and opportunities to discuss further sought. In addition to the elected officials in the key portfolios listed below where contacts with specific staff are available they will also be contacted.

- Local Government Managers Association NSW and National, including the NSW Community Services Special Interest Group
- CommunityBuilders NSW
- NSW Premier and Member for Toongabbie - The Hon Nathan Rees MP
- NSW Minister for Housing, Minister for Western Sydney, Member for Granville - The Hon David Borger MP
- NSW Minister for Community Services – The Hon Linda Burney MP
- Parliamentary Secretary for Multicultural Affairs and Settlement Services, Federal Member for Reid - The Hon Laurie Ferguson MP
- Federal Member for Parramatta - The Hon Julie Owen MP
- Minister for Education, Minister for Employment and Workplace Relations, Minister for Social Inclusion, Deputy Prime Minister - The Hon Julia Gillard MP
- Parliamentary Secretary for Social Inclusion and the Voluntary Sector, Parliamentary Secretary Assisting the Prime Minister for Social Inclusion – The Hon Ursula Stephens MP
- Minister for Families, Housing, Community Services and Indigenous Affairs - The Hon Jenny Macklin MP
- Minister for Housing - The Hon Tanya Plibersek MP
- Minister for Infrastructure, Transport, Regional Development and Local Government - The Hon Anthony Albanese MP
- Minister for Employment Participation - The Hon Brendan O'Connor MP
- Parliamentary Secretary for Government Service Delivery – The Hon Mark Arbib MP
- GROW Sydney Area Consultative Committee (currently in transition to the new Regional Infrastructure Australia structure )
- Social Traders
- The Westpac Foundation
- Brotherhood of St Laurence
- Social Ventures Australia
- Forester's Community Finance
- Philanthropy Australia
- QUT's Centre for Philanthropy & Non-profit Studies
- The Centre for Social Impact at UNSW
- UTS' Centre for Civil Society Studies

A presentation on the Fellowship learnings has been accepted to the International Association for Community Development Conference 'Building Community Centred Economies'<sup>58</sup> to be held in Brisbane in June. The Centre for Social Impact has expressed interest in developing the report into a paper for distribution to its network and the Centre for Philanthropy & Non-profit Studies has requested a copy for publication on its website. Articles based on the content will also be submitted for consideration to the Brotherhood of St Laurence's Community Enterprise Connections<sup>59</sup> newsletter and Community Cooperative Connections (CCC) e-news<sup>60</sup>. A request to distribute the report via the Global Links Initiative<sup>61</sup> website has also been received.

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58 [www.cdconference.com.au/](http://www.cdconference.com.au/)

59 <http://www.communityenterprise.org.au/news.html>

60 [http://www.australia.coop/artman2/publish/Co-op\\_Education\\_20/CCC\\_eNews\\_February\\_2009.php](http://www.australia.coop/artman2/publish/Co-op_Education_20/CCC_eNews_February_2009.php)

61 [www.glinet.org](http://www.glinet.org)

In addition to the above planned channels for sharing the findings arising from this Fellowship study tour, it is envisaged that a range of unplanned opportunities will also emerge.

Copies of the report will of course also be made available to all who contributed through project visits and interviews. A number of opportunities to link organisations I visited with various organisations in Australia have already emerged, as have opportunities to link various interviewees with each other, and this networking is likely to be ongoing.