

Social Enterprise: An opportunity to harness capacities¹

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Change and Organisational Identity

In the present socio-economic environment, the challenges that community organisations face are advancing at a pace that exceeds the comfort zone of all participants. It is essential to harness the capacities of government, service providers, direct users and the community to stay ahead of these changes (Marston et al 2000). There is a need to engage in a wider debate, and to be ready to innovate to handle the changes (Salamon, et al 1999). Research suggests that Australia needs to develop broader skills in providing opportunities, especially for young people, and rewarding those who take up current challenges. How we develop evidence-based policies that also help us thrive in a rapidly changing world is the challenge Australia faces.

In the face of this challenge The Smith Family (TSF) has begun to consolidate its identity as an independent, national social enterprise. The shift involves more than a branding and repositioning exercise. It requires becoming a new type of organisation that has the skills and competencies to innovate effectively in addressing problems of disadvantage and bringing about societal change. Our agenda for societal change is guided by a set of values that incorporate the business principles of transparent accountability and a focus on measurable outcomes. In addition, we seek out opportunities to work with all those who share a similar vision and are prepared to tackle societal challenges with innovative responses to change, shared risk management, and resolve for the long-term.

The Focus of Social Enterprises: Entrepreneurship in Harnessing Capacities

Social enterprises have become a very important part of the social economy, or non-profit sector.² The social economy offers alternative forms of management and evaluation of the results of projects that contribute to a

greater integration between society and the economy. The basic differences between social enterprises and traditional non-profit organisations are an entrepreneurial starting point and continuing agenda, a greater degree of autonomy from the State and the provision of innovative responses to needs not met by the State and market (Maiello 1997).

A 'social enterprise' can refer to any private activity conducted in the public interest, organised with an entrepreneurial strategy. The main purpose is not the maximisation of profit but the attainment of certain social and economic goals. Definitions of social enterprise are not precise and tend to describe the functions of different types of social entrepreneurship.³ When social enterprises are successful, however, all of them can become effective instruments for combating social exclusion, vehicles for social cohesion and places of socialisation (OECD 1999b).

Social enterprise can become a means for nonprofit agencies to maximise their mission-related performance through the development of new ventures or by reorganising existing activities to improve operational effectiveness. Social enterprises may also include for profit companies with an embedded social purpose. In both instances, social enterprises can also involve a variety of

1. Thanks to Martin Stewart-Weeks, Dr Gianni Zappalà, along with the other members of the Research and Advocacy Team at The Smith Family for comments and assistance.
2. "Nonprofit sector" will be used to refer to a wide range of foundations, associations, and related organisations that operate outside the confines of the market and the state and that do not distribute profits to owners or directors.
3. As part of its Targeted Socio-Economic Research (TSER) program, the DG XII of the European Commission has supported the implementation of a thematic network, called EMES (L'emergence des entreprises sociales), on the emergence of social enterprises as an innovative response to social exclusion in Europe. It was agreed that the term social enterprise covered entities with different names in different countries, but with the common features of an entrepreneurial strategy and a social purpose.

players, including volunteers, who contribute to their outcomes, either through involvement in local networks or through their regular occupation.

Different Traditions of Social Enterprises

While the traditions of social enterprise surveyed in this paper span a 50 year period, it is only since the process of welfare reform has begun in Australia that the profile of issues related to social enterprise has been attracting greater attention. Unfortunately, practitioners and policy makers have few local sources of knowledge to guide them in their work. There has been little research on nonprofit organisations from a social enterprise perspective in Australia (Schwager 2000).

In Europe and the UK social enterprises have generally been innovative in combating social exclusion and unemployment (OECD 1999b). They have also revitalised otherwise deprived areas, communities and locales. In both instances the social enterprise produces services or goods that are not being produced or made available by mainstream commercial enterprises. In the USA, social enterprises generally mean the application of business principles to non profit or charity organisations. The Smith Family, as a social enterprise, reflects developments in the USA more closely than those in Europe and the UK.

Research from the Ashoka Foundation⁴ in the USA shows how social entrepreneurs⁵ can become leaders in the social change field by innovating social reforms and services through the leveraged use of inter-sectoral resources without limiting themselves to traditional social service or charitable models.

While there is no universal model for social entrepreneurs, they share a number of common themes:

- They offer enormous scope for addressing complex social needs in effective and integrated ways and in particular, in regenerating communities;
- They recognise the need for an incubation period for new ventures to mature;
- They undergo rigorous ongoing assessment to maximise outcomes;
- They need to be identified, supported and developed.

In coming to understand how TSF is constituting itself as a 'social enterprise', three features keep recurring. First, TSF has the capacity to be a leader in the social change field. It hopes to do this by brokering social reforms and designing innovative programs. Second, we acknowledge the need for rigorous ongoing assessment in maximising societal change outcomes. Third, we also understand the importance of training, networking, mentoring, cross-sectoral collaborations and facilitating access to financial capital in the development of the ability of social entrepreneurs to take on outstanding or emerging problems. By incorporating all of these features TSF's approach emphasises mutuality in collaboration, challenge and support with reference to government, business, and the community (Henry 2000).

Challenges

The Smith Family's commitment to mutuality in collaboration with all sectors requires substantive agreement on long-term and strategic objectives in research, innovation, and capacity building. All three are needed to harness capacities from each sector in order to bring about sustainable societal change. The challenges and risks that are involved are not unlike those faced by any for profit organisation. They are, however, framed in a more complex context.

For example, to develop a sector that does not have a long history of strategic collaboration into an industry requires a significant boost in research and development funds. The aim of such research is not to come up with one model to suit all forms of community services. Rather, the aim is to provide the resources that different communities and service providers need in adapting to the rapidly changing political, social and funding environment. This research is needed as an investment in promoting good practice and developing good policy (Marston et al 2000).

In addition, as nonprofit organisations (NPOs) and social enterprises increasingly seek to solve social problems, the pressure on them tends to increase and demand multidisciplinary professionalism (OECD 1998). The importance of the quality factor in services rendered by the NPOs places them in competition with the private sector, at least in some fields. NPOs must learn how to manage their structure just like a private business and must obtain significant, easy-to-interpret, results. Where the social meets the economic in local development NPOs stimulate demand by changing latent needs into explicit demands, and/or provide an innovative good or service by developing or running local or interregional networks or by harnessing human and financial resources for mutual benefit (OECD 1999b).

While conditions for enhanced entrepreneurship in Australia in general have improved over the last decade, there have been only scattered signs of a strengthened entrepreneurial endeavour (OECD 1998). These include emerging small companies which have built their success on export sales from an early stage and a strong performance of venture capital backed companies. Overall, however, many opportunities that could have further enhanced Australia's social capability have not been taken.

More recently the Final Report of the Reference Group on Welfare Reform has addressed social entrepreneurship in the context of its call for social partnerships among business, government and the community (Reference Group on Welfare Reform July 2000). The call implies the need for strong leadership

4. Ashoka is a program which selects a small number of social entrepreneurs and provides long term support to allow them to put their ideas into action.
5. Social entrepreneurs can also be understood as innovative individuals who are possessed by a pattern-changing vision which has the potential to modify the structure of society, or communities within society (Schwager 2000).

in innovation. Just as business entrepreneurs are critical to areas such as industry and technology, social entrepreneurs are critical to areas of human need such as revitalising communities, employment, young people, the environment and health. They combine vision and creativity with the ability to focus on the concrete and practical steps needed to bring about changes in society. They transform communities by generating innovative approaches to disadvantage in alliances across the public, private, and not-for profit sectors. Strong leadership in innovation can generate sector capacity (Martson et al 2000).

A number of further challenges have especially marked TSF's experience. The development of corporate partnerships is a case in point. They require considerable time and a willingness to learn from each other until specific and agreed upon outcomes have been identified. However, until corporations are generally more strategically involved in the funding, design and implementation of community-based programs, traditional forms of philanthropy, such as corporate donations to nonprofit organisations, are still necessary (CCPA 2000). In practice, a longer lead-time may be required to arrive at mutually acceptable community outcomes that will be taken on jointly by corporates and not-for-profits.

Another challenge for TSF has been the need to discover how to align our volunteers more strategically with our vision and mission. Not all volunteer activity is positive and productive of good community outcomes (Marston et al 2000). However, volunteers who are properly supported and trained can be at the core of civil society and a key indicator of social capital. The Smith Family has recently conducted a volunteer survey to develop and improve our methods of recruiting, training and managing volunteers to facilitate the generation of social capital and community engagement. Our research suggests that the shift from 'charity' to 'social enterprise' also has implications for volunteers within these organisations as well as their management (Zappalà et al 2000).

A further challenge for The Smith Family has been to recast the manner in which we relate to governments. Although our funding from government contracts has consistently been less than 5%, we have been recently investigating possibilities for open-ended agreements in which collaboration could take place on mutually agreed upon societal outcomes, such as place management projects to strengthen disadvantaged communities. The focus is broader than contractual agreements for the delivery of services. The challenge is to keep the focus on an agreed upon agenda, to change perceptions of the nature of partnership, and to frame accountability as a mutual obligation between the sector and the government.

Risks

The risks that are involved are reflective of the difficulties of providing leadership in a rapidly changing socio-economic environment. The resistance of welfare states to change has been widely documented (Kuhnle 2000). The risk is that challenges to change may result

in a stand off in which the main casualties may be those who most need the system. Nonetheless, throughout the OECD there has been a growing consensus about the need to shift from passive to active welfare, about the importance of prevention and building capacity, and about the need to facilitate social and economic participation (OECD 1999a). Indeed, the OECD identifies changes to the welfare state, market failures in certain activities and new incentives for employment and cooperation between economic and social players, as the main reasons for the growth of social enterprises.

A second risk factor, reflecting moves on the part of governments from all major political parties to reduce their financial commitments to welfare programs, is whether the types of diversified funding that will be needed will also be developed quickly enough. The history of social enterprises in Europe over the past 40 years suggests that a social entrepreneurial approach could provide a type of 'bridging capital' throughout a period of major systemic change (OECD 1999b).

An additional risk factor, closely related to the previous one, is resistance to collaboration among service providers. It could reflect survival fears among small NGOs or a decisive preference for multiple non-strategic responses versus strategic collaboration. One possible way forward could be agreement about the importance of evidence based responses to disadvantage. Such agreement requires that those NGOs that have the capacity enhance their research capacity by strategic research alliances and partnerships with communities and governments to ensure accurate identification of problems and appropriate provision of resources.

Despite the risks involved Raysmith (1997) gives a cautious nod to what he calls 'community enterprise': "One positive outcome of the current era will be the combining of community and business skills. The barriers between the two have begun to come down although there is a long way to go." He adds, "On the whole I believe that it will be . . . community enterprises that will make the most progress where they successfully combine their community development, service delivery and advocacy with business skills." The biggest implication is in the way that services will be delivered, and also the type of services that will be delivered (MacDonald 1997). Social enterprise is highly amenable with a whole of community approach. The delivery of services according to the traditional welfare model has focused on the targeted needs of disadvantaged individuals (Green & Zappalà 2000). The type of interventions emerging from a social enterprise model will focus more on the measures of a community's social capability.

The Benefits

The major benefits to date have included the attraction of greater interest and commitment from the corporate sector, added credibility in the research community, increased opportunities to facilitate communities in building their social capability, and appreciation in the social policy sector of our willingness to address some of the macro dimensions of disadvantage. Government

agencies have recognised the compatibility of our approach for informing and influencing social policy according to emerging models of relations between governments and non-government organisations.

From our perspective, however, the hoped-for benefits are even greater. They include developed skills in anticipating and responding to those most at risk of disadvantage and an enhanced ability to broker evidence based policy development.

Close to the grass roots, NPOs can interpret and anticipate the needs of the most vulnerable groups and further their integration into social and professional life. They can be hotbeds of ideas and experiments. After NPOs have identified new and emerging demands, they can be presented to public sector decision-makers through the NPOs' partnership with these bodies. In this way, entrepreneurship in the social economy adds extra value to the production of goods and services by its ethical approach and its contribution to social cohesion and sustainable development.

In addition, by having accumulated qualitative data bases that could enhance the quantitative data more usually collected by governments, many NPOs are in a position to become brokers of evidence based policy development. Many NPOs enjoy a wealth of knowledge and wisdom based on experience with the disadvantaged that can facilitate the adoption of innovative policies at the central, regional, and local government levels.

Conclusion

Building capacity for societal change and fostering the social innovation that will bring it about in Australia, as elsewhere, requires deliberate strategies to foster the development of social enterprises and the social entrepreneurs who drive them. They include facilitating communities to a greater sense of partnership in market generated wealth; unlocking opportunities for more inclusive community input into the policy making process; and contributing to sustainable access to educational opportunities and health promotional activities for all Australians.

The Smith Family realises that the successful implementation of our strategic directions will take place while improving our relationships with other sectors and harnessing a variety of capacities. We know that we have to remain alert to the opportunities for strategic alliances with other segments of society, including business, government, as well as a number of different types of community focused activities. The social enterprise model will facilitate the initiation and maintenance of relations across sectors.

At TSF we believe that social enterprise and social entrepreneurs are needed to bring about a number of key outcomes: the combating of social exclusion, the promoting of social cohesion, and the unlocking of opportunities for constructive participation. Furthermore,

all of these outcomes provide reference points for the development of benchmarks to assess ongoing activities, and planned initiatives.

We are convinced that responding to disadvantage simultaneously requires working for societal change for effective and sustainable outcomes. The Smith Family is taking what it considers to be a needed risk to provide joint leadership in working with others for a more cohesive society. We look forward to an increasing number of collaborative partnerships to advance the realisation of better societal outcomes for all Australians.

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