

Developing Strong Social Enterprises: A documentary approach

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Executive Summary

Social enterprises are diverse in their mission, business structures and industry orientations. Like all businesses, social enterprises face a range of strategic and operational challenges and utilize a range of strategies to access resources in support of their venture. This exploratory study examined the strategic management issues faced by Australian social enterprises and the ways in which they respond to these. The research was based on a comprehensive literature review and semi-structured interviews with 11 representatives of eight social enterprises based in Victoria and Queensland. The sample included mature social enterprises and those within two years of start-up. In addition to the research report, the outputs of the project include a series of six short documentaries, which are available on YouTube at <http://www.youtube.com/user/SocialEnterpriseQUT#p/u>.

The research reported on here suggests that social enterprises are sophisticated in utilizing processes of network bricolage (Baker et al. 2003) to mobilize resources in support of their goals. Access to network resources can be both enabling and constraining as social enterprises mature.

In terms of the use of formal business planning strategies, all participating social enterprises had utilized these either at the outset or the point of maturation of their business operations. These planning activities were used to support internal operations, to provide a mechanism for managing collective entrepreneurship, and to communicate to external stakeholders about the legitimacy and performance of the social enterprises. Further research is required to assess the impacts of such planning activities, and the ways in which they are used over time.

Business structures and governance arrangements varied amongst participating enterprises according to: mission and values; capital needs; and the experiences and culture of founding organizations and individuals. In different ways, participants indicated that business structures and governance arrangements are important ways of conferring legitimacy on social enterprise, by signifying responsible business practice and strong social purpose to both external and internal stakeholders.

Almost all participants in the study described ongoing tensions in balancing social purpose and business objectives. It is not clear, however, whether these tensions were problematic (in the sense of eroding mission or business opportunities) or productive (in the sense of strengthening mission and business practices through iterative processes of reflection and action). Longitudinal research on the ways in which social enterprises negotiate mission fulfillment and business sustainability would enhance our knowledge in this area.

Finally, despite growing emphasis on measuring social impact amongst institutions, including governments and philanthropy, that influence the operating environment of social enterprise, relatively little priority was placed on this activity. The participants in our study noted the complexities of effectively measuring social impact, as well as the operational difficulties of undertaking such measurement within the day to day realities of running small to medium businesses. It is clear that impact measurement remains a vexed issue for a number of our respondents. This study suggests that both the value and practicality of social impact measurement

require further debate and critically informed evidence, if impact measurement is to benefit social enterprises and the communities they serve.

Introduction

Social enterprises are organisations that trade to produce a public or community benefit and reinvest a substantial proportion of their income in the fulfillment of their mission (Barraket et al. 2010). They range from large-scale charitable business ventures through to grassroots community-owned businesses, large and small mutual businesses, and mission-led ventures developed by individual social entrepreneurs. Social enterprises provide needed goods and services to particular geographic communities or social groups, invest in community development or charitable activities, and create employment for targeted groups and places. They often seek to innovate in response to unmet social and environmental needs.

The *Developing Strong Social Enterprises* project sought to investigate the responses of a diverse range of social enterprises to strategic management issues. The focus of this project was on small to medium social enterprises that meet specific local needs and operate on a nonprofit distributing or limited profit-distributing basis. Eight organisations were invited to participate and representatives from each were interviewed about the strategic issues their organisations face and their approaches to dealing with such issues.

Six short video documentaries were produced from the interviews, addressing the following topics:

- Episode One: Introducing the Enterprises;
- Episode Two: Getting Started: Effective Approaches to Business Planning;
- Episode Three: From Ideas to Action: Resourcing the Start-up of your Social Enterprise;
- Episode Four: Aligning Mission and Business: Developing and Maintaining Good Governance;
- Episode Five: Demonstrating Impact: Usable Approaches to Measuring Social Enterprise Performance; and
- Episode Six: Advice to New Social Enterprises.

These documentaries can be viewed on YouTube at <http://www.youtube.com/user/SocialEnterpriseQUT#p/u>

Research Aims

The project aimed to contribute to knowledge of good practice in the management of small to medium social enterprises, by documenting the responses of eight such organisations to specific organisational challenges. The project built on the capacity of community-focused social enterprises directly – by working with participating enterprises – and indirectly, by documenting and promoting the findings from the project.

As the study was concerned with documenting common organisational challenges and strategic issues faced by social enterprises, as well as effective responses to these, participants were asked

primarily about specific management issues, which had been identified as important areas for inquiry in the current literature relating to social enterprise management. These areas were:

- Approaches to social business planning;
- Social business structuring and governance
- Resourcing the start-up and expansion;
- Balancing mission and business objectives; and
- Measuring social enterprise performance.

Methodology

The project was conducted in seven phases, with some phases occurring concurrently.

Phase One: A comprehensive review of relevant academic and grey literature was conducted to identify common organisational challenges and strategic issues faced by social enterprise, as discussed above. The literature search incorporated conceptual and empirical literature on social enterprise, as well as empirical literature from entrepreneurship and small business studies. The literature review was used to generate the research questions and identify methodological considerations to be taken into account when generating documentary evidence.

Phase Two: Eight social enterprises were purposively selected from Queensland and Victoria, drawing on the research team's prior knowledge of Australian social enterprise sector and informed by the Finding Australia's Social Enterprises Sector project (Barraket et al. 2010). A small sample of organisations was selected as the purpose of the project was exploratory. The social enterprises were selected on the basis of longevity of operation, as well as organisational mission. Therefore, both established and newly started enterprises operating in the social and environmental fields were included. All social enterprises approached agreed to participate.

Phase Three: Semi-structured interviews were conducted with eleven representatives of the participating social enterprises. Six social enterprises were represented by one spokesperson, one by two spokespeople and one by three spokespeople. Interviewees included:

- Four CEOs;
- Three directors;
- One Team Leader;
- One Operations Manager;
- One Programs Manager; and
- One Marketing Manager.

Interviews were audio-taped and recorded on video. With permission, the research team also filmed and took still shots of the participating social enterprises' operations.

Phase Four: Interview transcripts were analysed to identify themes and differences in participating social enterprises' experiences.

Phase Five: Six short documentaries were produced from the video and stills footage. These were edited to capture the main themes and issues identified in the interviews. Each documentary was kept brief to allow for uploading to YouTube.

Phase Six: To engage the participating organisations and ensure a practical outcome for them, each social enterprise involved in the project was provided with the raw video footage of the interview for their individual organisation. Each social enterprise was also offered the option of receiving ten hours of pro bono video editing by qualified staff of the Australian Centre for Philanthropy and Nonprofit Studies. Four social enterprises used this pro bono editing to produce short promotional pieces about their organisations. One produced a "snapshot" of the enterprise's local community and another requested that one of their events be filmed. Two organisations did not use this service.

Phase Seven: The research report was developed, based on the findings of the literature review and interviews.

Limitations of the Research

This is an exploratory study. Our focus was on exploring the irreducible experiences of a small sample of organizations, rather than generalizing this experience to the whole of the social enterprise sector. Thus, while we have sought to identify common responses across our sample, caution must be exercised in ascribing these issues to all social enterprises. We hope that this study provides the basis for deeper and wider exploration in the future.

A Note on Gathering Data using Video

Video has considerable potential as a research tool and its use is becoming popular in qualitative data collection (Schuck & Kearney 2006; Evans & Coombs 2008). Video conveys a strong sense of direct experience and, as with audio recording, has permanence of record, retrievability, and can be made available to other researchers to check and possibly reinterpret findings (Schuck & Kearney 2006). Digital video recording provides the extra opportunity to annotate, locate, select and edit data.

Video recording does not come without its problems and there were a number of areas the researchers felt were important to keep in mind when using video data. The main concern with using video recorded interviews as a source of academic data is, not surprisingly, the potential obtrusiveness of the camera and possible discomfort caused to participants by filming. It is inevitable that the camera intrudes on the natural environment and, while the presence of an observer influences any setting, the camera potentially exacerbates this (Schuck & Kearney 2006). However, it is generally agreed that the novelty of the camera does wear off and participants will forget about the video camera, especially now that video cameras are an everyday part of many people's lives (Flick 2009, p.284).

To overcome these potential issues it is important to allow enough time to “factor out” unnatural behaviour (Schuck and Kearney 2006, p. 258). The interviewer included a couple of “warm up” questions that asked participants to describe their enterprise in an informal manner. The interviewer also explained the purpose and intended benefits for recording to help make the participants comfortable and make clear there was an option of withdrawing from the research, even once the interview was being recorded (as advised by Evans and Combs 2008).

Confidentiality may also be an issue as masking faces and other identifiers limits the use of video and may distract the viewer (Schuck and Kearney 2006; Evans and Combs 2008). Any person who could be clearly identified during the filming process was asked to sign a Queensland University of Technology Talent Release form, giving consent for the use of their image in QUT publications. Only these images of people were used in the final documentaries.

Literature Review

While the practice of social enterprise is not new, research in this field is in its infancy, both in Australia and internationally. There has been very little research into social enterprise within the Australian context, and none which looks specifically at strategic management challenges. Within the wider literature, there are a number of identified common issues that relate to operational and strategic management of social enterprises, and issues relating to small business ventures that resonate with social enterprise in some ways. These issues include: approaches to social business planning; social business structuring and governance; resourcing start-up and expansion; balancing mission and business objectives; and measuring social enterprise performance.

Approaches to social business planning

Much emphasis has been placed on the importance of business and strategic planning within nonprofit management literature as not for profit organizations become increasingly professionalized (Bryson 2004; McLoughlin et al. 2009). Similarly, early management texts on social entrepreneurship stressed the importance of business planning to developing sustainable social enterprises (Dees et al. 2001). Within the wider entrepreneurship literature, there is continued debate about the value of business planning to the success of business start-ups and expansion, with a number of studies suggesting that business planning has little impact on the likelihood of business success (Karlsson & Honig 2009; Honig & Karlsson 2004; Zimmerman & Zeitz 2002). A recent meta-evaluation of the empirical evidence concluded that business planning is only likely to be effective where it is part of an ongoing informational process involving cycles of feedback and adjustment, rather than when it is viewed as part of a linear process of planning then acting (Brinckmann et al. 2010).

To date, very little empirical research has been conducted on the business planning activities and effects of social enterprise. Based on a survey of 365 Australian social enterprises, Barraket et al (2010) found that social enterprises report greater use of business planning than do mainstream businesses as reported by the Australian Bureau of Statistics Longitudinal Business Survey. While they note that caution must be exercised in comparing the two samples, they suggest that one reason for this reportedly higher use of business planning amongst social enterprises may be because the significant majority of participating organizations were structured as not for profit

organizations with multiple regulatory and stakeholder accountabilities that are atypical of many mainstream businesses.

This finding is consistent with findings in both the mainstream and social entrepreneurship literature, which indicate that business planning, and reporting, are often used to confer symbolic legitimacy on businesses seeking investment and engagement from external stakeholders (Nicholls 2010; Karlsson & Honig 2009; Zimmerman & Zeitz 2002; Delmar & Shane 2004). In this sense, business planning may not have any significant effects on the internal operations of a business, but may be used as evidence of good business operations in order to attract external resources. This is particularly significant to social enterprises, which are typically structured as multi-stakeholder and multi-resource organizations (Gardin 2006), relying on a range of inputs to fulfill their missions.

Based on empirical research in the UK, (Bull & Crompton 2006) suggest that approaches to social business planning are affected by the fact that social enterprises often do not identify as businesses. This, they argue, is more pertinent when the enterprise is being established and the focus is more on initial start up and maintenance, rather than any view to future growth and sustainability. Social enterprises that are organized primarily around their social objectives tend to adopt more informal business strategies that may neglect commercial perspectives (Hynes 2009). In Hynes' (2009) small study of four Irish social enterprises, no participating organisations reported having a strategic plan; rather they adopted an ad hoc approach to business planning. Two of these social enterprises articulated a need to become more formal and strategic due to business growth, however, were unsure of the path to take to achieve this. (Bull et al. 2008) also found the three small-to-medium social enterprises featured in their study became more focused on strategy and planning over time, in order to grow and achieve their aims.

With regard to use of financial accounting and reporting, Burkett (2010) found considerable inconsistencies arising in part from the 'blended' nature of social enterprise income streams. She suggests there is a need for a framework that transparently distinguishes between support costs, in-kind contributions, restricted and unrestricted income (Burkett 2010, p.33)

Based on the available research evidence from mainstream entrepreneurship literature and the relatively limited available research about how, and to what end, social enterprises use social business planning strategies, we were interested to ask our participants about how and why they engage in social business planning and any benefits and problems they perceive from using these tools.

Social business structuring and governance

Organisational structure affects the functioning of any business. Hynes (2009) and (IFF Research Ltd 2005) for the UK Department of Trade and Industry identified a lack of understanding of the concept of social enterprise – amongst financial and non-financial stakeholders and the general public – to be a challenge in achieving social business growth. This finding is reinforced by research conducted in Australia (Burkett 2010).

There is general agreement in the literature – primarily derived from the UK experience - that the corporate legal structures available to social enterprises can constrain their effectiveness. IFF

Research Ltd (2005) identified administrative burdens associated with regulatory requirements as a barrier to social enterprise growth.

The decision to take one organisational form or another can quite often be influenced by the ways in which the social enterprise plans, or needs, to acquire capital. In their case study research, for example, (Lynch et al. 2008) found that one social enterprise chose a not for profit structure to be able to access public and private grants in an area that had little infrastructure to support the type of industry it wanted to operate. In the Australian context, Burkett (2010) suggests that business structuring poses two particular challenges to social enterprises' access to finance. First, the conditions of particular legal structures can constrain what kinds of capital social enterprises are allowed to access and, second, the cultural and governance legacies of organizations can affect what types of capital they seek out (Burkett, 2010: 38). This is consistent with (Smith et al. 2010) finding that social enterprises that evolve out of traditional not for profit agencies – as distinct from those that are conceived as social businesses from the outset – experience significant identity conflicts that can negatively affect business operations.

In order to extend findings from the available literature, we were interested in asking our participants about how their social enterprise was structured, the reasons for this choice, and what opportunities and constraints this produced.

In addition to the legal conditions prescribed by business structuring, governance in the sense of how decisions are made is an important dimension of social enterprise management, which has been largely neglected as a research topic to date (Spear et al. 2009). (Low 2006) suggests there is a distinct difference between traditional governance paradigms for corporate and not for profit business ventures. Within corporate governance theory, the dominant paradigm is that of a stewardship model of governance that “emphasises the role of the Board in their capacity as agents of shareholders and whose primary task is to utilise share capital in ways that will result in increased value” (Low 2006, p.378). Some not for profit management writers provide a counter view of governance, which sees the board as “a tool of democratic participation”, with the major role of representing stakeholder interests (Low 2006, p.378) and managing the claims of the stakeholders served by the enterprise (Mason et al. 2007).

Stakeholders need opportunities to communicate with management, and one way of achieving this is through democratic and inclusive Board election practices (Brown 2002 in Mason et al. 2007). Such board representation is implicitly seen to be more valuable than individual expertise in governance (Low 2006) and allowing stakeholders direct involvement is one way by which social enterprises can perpetuate a culture aligned with the needs of this group (Mason et al. 2007). (Ridley-Duff 2007) strongly promotes a stakeholder perspective categorized by multi-stakeholder ownership and recognition of interest groups, with executive positions controlled by stakeholder groups, subject to executive and/or direct democratic control.

Mason et al (2007), however, note two major criticisms of the stakeholder theory of governance as it pertains to social enterprises. The first relates to juggling the perspectives of multiple stakeholder groups, which are becoming more common to social enterprise structure (Spear et al. 2009; Hynes

2009) A multi-stake holder focus can complicate the task of setting business objectives (Hynes 2009) and potentially cause conflict, with members prone to focus on their own stakeholder interests at the expense of others (Spear et al. 2009). The second criticism relates to “the degree to which stakeholder inclusion adds value to social enterprise activity” (Mason et al 2007, p.289), especially as enterprises mature and become more competitive in the market. They find that, as the demands on a board grow, there may be a need for particular expertise that overshadows stakeholder representation. Spear et al (2009) identify recruiting Board members with the right experience and skills, especially entrepreneurial ones such as business, strategic and financial, to be a major governance challenge common to all forms of social enterprise.

In order to extend the available research in this area, we were interested to explore how our participating social enterprises structured their boards and on what basis they selected board members.

Resourcing the start-up and expansion of social enterprise

As with all businesses, social enterprises draw on a range of resources, including financial, human, and network resources. As discussed above, (Gardin 2006) finds that social enterprises are typically multi-resource organizations, which rely of a wide range of inputs from earned income, volunteer and paid staff contributions, philanthropic and governmental grants, and knowledge and physical resources leveraged through partnerships and networks with other social enterprises, mainstream business, philanthropy and governments. Some studies indicate that social enterprises often face both under-resourcing and under-capitalisation in their efforts to develop and expand their business (Hynes 2009; Bull 2007; Hines 2005). (Di Domenico et al. 2010, p.699) suggest that social enterprises leverage resources through processes of ‘social bricolage’, based on ‘making do, refusal to be constrained by limitations, and improvisation’.

Financial and physical resources

With regard to financial resources, the mainstream small business literature indicates that the most common problems in accessing debt and equity finance faced by small business include information asymmetries – that is, lack of knowledge about business models and products amongst investors and lenders and lack of demonstrable performance on the part of new businesses – and the relatively high costs of accessing small loans (Winborg & Landström 2001; Ebben & Johnson 2006). While not all social enterprises are small businesses, there is some indication that these factors are also constraints for social enterprises. Looking specifically at the start up phase, Spear et al. (2009) found social enterprise start ups face the same problems as other small business start ups, exacerbated by the “unusual” nature of the business. In the *Finding Australia’s Social Enterprise Sector* survey research, Barraket et al. (2010) found that organizations under five years old were more reliant upon individual contributions and philanthropic grants than more mature organizations, and that there was very little use of debt or equity finance amongst respondents overall. In a study of sixteen Australian social enterprises involving both qualitative interviews and quantitative financial analysis, Burkett (2010) found that the start-up phase was the phase that involved the greatest struggles to access capital and the greatest risk to lenders and funders. Access to premises and equipment have been identified as other challenges faced by social enterprises (Hines 2005; Burkett 2010), especially during the start up phase.

The mainstream entrepreneurship literature identifies a range of ‘bootstrapping’ strategies by which entrepreneurs access financial resources without using commercial debt and equity finance (Winborg & Landström 2001). These strategies include: direct and indirect provision of resources by the business owner(s) and relatives; methods of dealing with accounts receivable to maximize cash flow; and sharing and borrowing resources from other businesses; delaying payments from the business; minimizing resources invested in stock; and obtaining subsidies (Winborg & Landström 2001). A number of these bootstrapping techniques are also identified as being important to start-up and development in the social enterprise literature. Several studies identify the role of individuals using their own personal finance to start up and maintain early operations of social enterprises (Burkett 2010; Barraket et al. 2010; Hynes 2009; Harding 2004). However, (Chertok et al. 2008) suggest there is more difficulty in raising growth funds than start-up funds and Hynes (2009) found that resourcing for on-going development was generally sourced from loans, rather than personal finance.

Many social enterprises utilise subsidy finance in the form of grants, with the aim of moving towards sustainable and regenerative financial growth (Brozek 2009). Bull and Crompton (2006) suggest that a problem of relying on short-term grant funding is that it creates a ‘here-and-now’ mentality, which potentially inhibits future planning and instead encourages a focus on ‘surviving’. Use of grants also creates additional administrative burdens in adhering to reporting and accountability conditions set down within grant applications. (Burkett 2010) suggests caution in trying to generalize about the ‘correct’ mix of grant and earned income, given the diversity of the social enterprise sector and the contexts in which social enterprises operate.

As networked organizations (Gardin 2006), social enterprises rely to a large degree on leveraging resources – such as equipment, volunteer time and social capital – through their relationships with other organizations (Burkett 2010; Di Domenico et al. 2010). While these ‘joint-utilization’ strategies (Winborg & Landström 2001) can assist in start-up, they can ultimately constrain business expansion where social enterprises are relying on limited or outdated infrastructure (Burkett 2010).

A primary financial resource that grows as social enterprises develop is the income they derive through trading. Pricing of services and managing cash flow can both be challenges to achieving social business growth. Hynes (2009) identified pricing as an important issue, with some social enterprises needing to increase the cost of their services. Burkett (2010) identifies ‘lumpy’ cash flow as a threat to social enterprise operations.

Human resources

The available social enterprise research suggests that finding and retaining staff with the correct skills is not easy, due to lack of financial resources available for wages and limited guaranteed job security (Hynes 2009). Bull and Crompton (2006) note that training opportunities for staff often focus on industry-based skills rather than management skills.

Hines (2005) found technical knowledge and support came mostly from internal sources, particularly through boards, and committees attached to the enterprise. Government support agencies were the most sought after external support, followed by consultants and informal networks. Of 35

respondents in Hines' 2005 study, only one reported using a pro bono service for business support. This finding is rather different to the Australian survey research by Barraket et al. (2010), which found that participating organizations reported receiving between zero and 25 000 hours of pro bono services from external organisations within the 2007-8 financial year.

Volunteer involvement is also a common aspect of social enterprise. Barraket et al (2010) found that Australian social enterprises had a median number of 10 volunteers. Some writers suggest that overdependence on volunteer resources should be avoided as a long term strategy (Hynes 2009).

Network resources

Networking has been identified as a valuable aspect of support for social enterprise operations, as it exposes ventures to the wider public in terms of business opportunities, introductions to funding and support services, and accessing markets (Hynes 2009). Hynes (2009, p.120) found a number of social enterprises in her study highlighted the importance of networking as a means of facilitating business growth, and as a "critical means of exchanging ideas". The importance of partnerships and networks in developing opportunities for market access through social procurement has also been identified as a significant issue in recent research in this area (Burkett, 2010; Barraket & Weissman, 2009). In a study of ten social ventures in the United States, Meyskens et al. (2010) found that staff turnover within individual social ventures affected the depth and length of resource exchanges made possible through partnerships.

Drawing on the available research evidence about resourcing social enterprise start up and expansion, we were interested to explore with our participants the kinds of financial, physical, human and network resources they utilized in their business operations, the challenges they faced in accessing resources, and how they responded to these challenges.

Balancing mission and business objectives

Social enterprise is distinct from mainstream business because it is led by a mission consistent with the fulfillment of public or community benefit rather than the maximization of private profit. The available research literature thus identifies the alignment of business objectives and mission as a specific strategic management challenge for social enterprise (Spear et al. 2009, Hynes 2009, Low 2006, Bull et al 2008).

Hynes (2009), Bull et al (2008) and Sharpen (2006) found that the motivation for social enterprise start-up was to respond to a social need not sufficiently addressed in the market place. "Mission creep", however, is a potential problem faced by social enterprises as they seek to balance fulfillment of mission with sustainable business practice (Jungerhans 2008). The ways that social enterprises "reproduce their organisational values, and maintain themselves as value based organisations" are important issues within the sector (Aiken 2006, p.3). It is interesting to note there has been little connection drawn in the literature between this issue and governance structure to date.

The specific social objectives of social enterprise may constrain their commercial opportunities. Brown (2006) gives the specific example of housing associations, where affordable housing inevitably means lower profit margins. Evaluation research on intermediate labour market social

enterprises – that is, those that seek to provide pathways to employment for those disadvantaged in the labour market – indicates that this model of social enterprise faces inherent productivity limitations that can constrain their commercial viability (Mission Australia 2008). Low's (2006, P.382) study found two social enterprises that exhibited a "heightened sense" of conflict between financial and social objectives, suggesting one solution to be a management style that can embrace both these missions. Smith et al. (2010) suggest that the experience of conflict between mission and business objectives may differ in not for profit organizations, depending on whether they start out as social enterprises or develop social ventures subsequent to their establishment.

Drawing on the available research findings, we were interested to explore with our research participants whether they experienced tensions between mission fulfillment and business practice and, if so, how they responded to these tensions.

Useable approaches to measuring social impact

Measuring and demonstrating social impact has become a growing area of interest as governments and philanthropy seek evidence of the effects, rather than the outputs, of their funding (Productivity Commission 2009), and changing demographic and technological factors affect the ways in which prospective volunteers, staff, clients and investors choose to engage with civil society organizations. Nicholls (2009) suggests that emergent approaches to social impact reporting are symbolic objects by which social enterprises signify their market orientation and approach to social value creation. Being able to demonstrate social and environmental value is also important in stimulating markets for social enterprise goods and services (Barraket & Weissman 2009). As identified above, however, social enterprises often operate on minimal resources. This means that activities such as measuring the impact of the social venture are either not undertaken or given limited consideration. The *Finding Australia's Social Enterprise Sector* research found that 65% of responding organizations reported that they had taken action to measure their social and environmental impacts in the previous year (Barraket et al, 2010). Other research has found that social enterprises undertake limited formal evaluation of the impact of their services, preferring informal discussions and interactions with other enterprises (Smallbone et al. 2001)

There is an inherent difficulty in identifying social value and tracking or measuring the success of a social agenda in an accountable manner (Bull 2007, Gibson-Graham and Cameron 2007). Gibson-Graham & Cameron (2007) suggest there is a need for more information and research about how to define both failure and success in the social enterprise sector. Gentile (2002) suggests there are three main areas to address when measuring impact - purpose, social context and metrics. The purpose seeks to identify the key aims of the organisation and how it balances both the social and economic aspects of the business. The social context asks the question of how the rights and responsibilities of stake-holders are addressed and the formalisation of measuring impact into the business strategy. Finally, metrics constitute the sorts of data required to be able to answer the question of whether the social enterprise is having a positive social impact.

Social impact measurement activities are not necessarily viewed with high priority by social enterprise practitioners (Bull 2007), even though lack of impact measurement may affect access to external resources (Hynes 2009).

The available literature suggests, rather than comprehensively demonstrates, that measuring social impact is an important strategic management strategy for social enterprises. Research undertaken to date reports that this is a complex area which typically does not have a high priority in the day to day operations of social enterprises. Based on the available research, we were interested to find out from our participants if and if so, how, they measure their social and environmental impacts, the challenges they face in measuring impact and the importance they place on this activity.

Characteristics of Participating Social Enterprises

In this section, we provide a brief overview of the eight social enterprises that participated in the project. Table One summarises some of the key characteristics of each of the participating social enterprises.

Participating social enterprises employed between five and 160 employees, and reported annual turnovers of between \$30 000 and \$22.29 million.

Below, we provide a brief description of each of the participating social enterprises.

Table One: Key characteristics of participating social enterprises

Enterprise	Geographic Location	Mission	Business activities	Year established
Biddy Bags	Redcliffe, QLD	Connect isolated older women through craft	Fashion retailing	2007
Yackandandah Community Development Company	Yackandandah, VIC	Generate economic and social benefits for Yackandandah and surrounding areas	Retailing fuel, hardware and farm products; media services	2002
Reverse Garbage	West End, Brisbane, QLD	Minimise industrial waste and model workers' democracy	Retailing building and craft materials, and artisan products; arts and recreation services; education and training services	1998
CERES	Brunswick East, VIC	Model environmental sustainability and social equity	Retailing in nursery products, food, food and beverage services; education and training services	1982
MCU	Maleny, QLD	Provide financial services to members in ways which are: socially just ; environmentally responsible; and empowering to the local community and individuals	Financial services (including lending, savings, financial planning, insurance)	1984
The Spot Community Services Ltd	Logan, QLD	Empower children, youth, adults and families to overcome hurdles and unlock potential for life.	Recreation services; media services; building and construction services	1996
Brisbane Housing Company	Spring Hill, QLD	Provide affordable housing in Brisbane	Real estate services	2002
Social Studio	Collingwood, VIC	Create employment, education & social inclusion opportunities for young refugees in Melbourne	Fashion retail; education and training services; food and beverage retail	2009

Biddy Bags, Redcliffe, Queensland

It is about saying "well actually, these people (mature aged women) are really valuable, they can still be engaged in community and that can be positive for them and for young people and for the wider community.

Samantha Jockel, CEO

Biddy Bags is a boutique social enterprise that connects socially isolated mature-aged women through craft, economic participation and social networking. It is a non-profit company limited by guarantee, based on the Redcliffe Peninsula, a northern Bayside area of Brisbane.

Biddy Bags designs and manufactures handcrafted products such as bags, tea cosies, washers and ipod holders, connecting the design ideas of young women with the crafting skills of older women. The company promotes, appreciates and values the skills of mature-aged women to challenge the idea that the older you get, the less you have to contribute to society.

Women are contracted on a product-to-product basis and receive over half of the profit from each sale, with the remainder being used to cover operational costs and to expand the enterprise. Each bag features a lining that tells the story of the woman who crocheted it, in an attempt to overcome the anonymity of commercial mass production. Biddy Bags also hold workshops at craft shows, libraries and festivals.

Biddy Bags was established in November 2007. There are currently six mature aged women working for the enterprise alongside the Chief Executive Officer, and a total of 15 women have been employed by Biddy Bags since its inception. The enterprise recorded a turnover of \$30 000 in the 2008/2009 financial year.

Brisbane Housing Company, Spring Hill, Queensland

When I go and talk to the tenants that live in (our) dwellings, I have absolutely no doubt that their lives have been transformed. So many people in the private rental market in Australia today, with rents going up, feel very insecure. If you feel insecure, all sorts of horrible things start to happen; you worry, you get stressed.

David Cant, CEO.

Brisbane Housing Company (BHC) is a not for profit company that provides affordable housing in Brisbane. It has built over 800 units, apartments and town houses, primarily in inner and middle suburbs, that are rented at below-market prices to households on low incomes.

The company is responsible for all phases of development, from design and securing land to renting and maintaining the properties and has recently expanded its operations to sales. At the end of the 2008/2009 financial year it had a \$134 million dollar portfolio of properties in more than a dozen different suburbs (BHC 2009). BHC uses income from rents and sales to manage and maintain its properties, and any surplus to fund further expansion.

The Queensland Department of Housing and the Brisbane City Council were the Initial Ordinary Shareholders for the company and played an integral role in its establishment. Brisbane Housing Company now has partnerships with all levels of government, as well as collaborations with a number of community organisations. The board of directors is made up of an independent chair, two representatives from State government, one from local council, and five who are appointed by community shareholders.

The company was incorporated in July 2002. Sources of income include rental returns, grant funding and revenue from land sales. BHC is a Public Benevolent Institution.

CERES (the Centre for Education and Research in Environmental Strategies), East Brunswick, Victoria

CERES is a place which exists to initiate and support cultural richness and community participation ... we're on about environmental sustainability and social equity, and the way we do that through our place is by being a collection of demonstrations and a collection of social enterprises to achieve those ends.

Cinnamon Evans, Team Leader

CERES is an incorporated association that operates as a model of a sustainable society. It occupies 10 acres of land in inner city Melbourne, runs on renewable energy, recycles its water and waste, grows organic food and provides education on issues of environmental sustainability.

CERES operates five main social enterprises to finance its operations. These are a permaculture nursery, an organic food café, and an organic market, as well as education programs for school students on site, and education programs off site and in schools. CERES also runs events and festivals that support community involvement, as well as training programs and weekend workshops for sustainable living. The organisation is developing an organic food subscription and delivery enterprise that will service workplaces in Melbourne's CBD and residents in the inner suburbs.

A number of smaller social enterprises also feed into the larger operations. For example, Om Organic Mushrooms is operated by new migrants from the Burmese Community in Melbourne and supplies Swiss brown and shiitake mushrooms to the CERES Market and café. The community gardens also grow food for the commercial enterprises and the nursery propagates its own seedlings.

CERES was established in 1982 and employs 160 people (equivalent to 80 full time positions). It engages with more than 470,000 people each year and has provided sustainability education to over one million school students.

MCU Limited, Maleny, Queensland

A lot of people couldn't borrow money to set up their ventures to establish the local Maleny community... a lot of people liked to be self-sufficient ... so that was one of their requirements, was to have a cooperative style bank that would look after and develop the community.

Greg Stevens, CEO

MCU Limited is a community based Credit Union that offers its members a range of services including savings accounts, term deposits, insurance, lending services, financial planning and non-cash payment facilities. Deposits raised from members are primarily reinvested back into the community using locally developed policies.

MCU Limited was formed in 1984 in Maleny, a small rural town approximately 100 kilometres north of Brisbane in the Sunshine Coast hinterland, Queensland. It was established by a working group from the Maple St Cooperative in response to a changing demographic in the community that saw a growth in “do-it-yourself” principles and a need for access to start-up funds for such ventures.

MCU Limited has been a forerunner in establishing loans for environmentally sustainable purposes. These include loans for energy efficient appliances, cars and homes. These loans offer lower interest rates for members as an incentive to make environmentally sustainable major purchases.

The credit union also practices socially responsible investment by gifting up to 10% of pre-tax profit in the form of community grants and fostering micro finance groups. It practices "triple bottom line" reporting as a way of measuring progress and ensuring accountability against its sustainability targets.

The credit union has over 5000 members and total assets of over \$55 million (Maleny and District Community Credit Union Limited 2009). It employs 17 staff (14 full time equivalent) and recently expanded to open its first sub-branch, in the nearby town of Woodford.

Reverse Garbage, West End, Queensland

A grass roots attempt at addressing the combined issues of unsustainable patterns of consumption in our community and the lack of meaningful employment for people who are concerned about the environment and concerned about community and sustainability.

Bill Ennals, Director

Reverse Garbage is a workers' co-operative that collects high quality industrial discards and then sells these to the general public, from a large retail warehouse in inner city Brisbane. Industrial discards are collected from more than 300 industries and businesses, such as plastics manufacturers, upholsterers, and sign writers. These materials are diverted from landfill to be re-used, for example, by schools, craftspeople, home handy people and artists.

Reverse Garbage was established in 1998 to provide financial support to Friends of the Earth Brisbane, however, the two organisations are separate and independent from each other. Reverse Garbage was modeled on similar recycling businesses operating in Australia, including existing Reverse Garbage operations in Sydney and Melbourne.

As well as the retail warehouse, Reverse Garbage hosts Echoes Gift shop, taking a commission from the sales of works produced by designers, craft workers and artists who use at least 75% recycled or re-used materials in their products. It also operates a mail order service that primarily delivers recycled materials to schools to be used for arts and crafts, and holds a variety of educational workshops. These include visits to schools, school holiday programs and excursions to the warehouse, all of which focus on environmental sustainability and eco-art production.

The cooperative employs nearly nine full time equivalent positions and has a turn-over of over \$450,000 per year. The organisation estimates it diverts around 3 tonnes of re-useable materials away from Brisbane landfills each week.

The Social Studio, Collingwood, Victoria

It's really a response to incredible barriers faced by, particularly, the refugee community in Melbourne around employment.

Grace McQuilten, CEO

The Social Studio is a fashion studio and retail outlet where clothing is created from the skills and style of refugee youth in inner city Melbourne. It is a not for profit association managed by a board and focuses around four key goals - employment and pathways to employment, education and pathways to further education, community engagement and social inclusion.

The studio is set up as a training facility that provides formal training in fashion, retail and hospitality. Participants have the opportunity to study for a Certificate III in Clothing Production in partnership with RMIT School of Fashion, as well as apprenticeships in Clothing Production and traineeships in retail and hospitality, through Adult Multicultural Education Services (AMES).

Materials used in production are primarily recycled and excess manufacturing off cuts that would otherwise go to landfill. These are donated by the local community including from major retail outlets such as Sportsgirl, and are reconfigured into original designs. The Social Studio also runs a small cafe which is used to facilitate connections between staff and students and the wider public through workshops, talks and other events.

The Social Studio opened in August 2009 and the clothing label was officially launched in December 2009. There are currently around 25 students in Certificate III in Clothing Production and 10 trainees in hospitality and retail working for The Social Studio as well apprentices in Clothing Production.

The Spot Community Services Ltd, Logan, Queensland

We really think about our community. What can we do for the community around us? How can our social enterprise give back to that community? ... Can we come up with specific experiences that would benefit certain parts of the community? We don't ever forget that.

Dorlene Bradshaw, Marketing and Business Development Manager

The Spot Community Services Ltd is a not for profit company with an operational management structure. The Spot offers a variety of prevention, early intervention and emergency services for children, youth, adults and families as well as job preparation and alternative education services. It services Logan, a large local government area south of Brisbane, Queensland.

The Spot operates a number of social enterprises to help fund its activities. For example, The Rock adventure specialists run an indoor climbing centre and act as a distributor for Inferno Australia climbing supplies, as well as conducting outdoor activities such as camping and canoeing. Another social enterprise, Mainstay Media, offers both recording studio facilities and graphic design services and is accessed mainly by local aspiring musicians. Spot On Homes, the organisation's initial social enterprise, is a home construction company. All of The Spot businesses operate under a trust, trading as Spot on Homes.

The non-trading arm of The Spot Community Services includes therapeutic children's programs, training for women looking to re-enter the workforce and flexi-school education.

The organisation was established in 1996 as an initiative of the Southside Community Church and now operates with a non-sectarian approach. It employs over 30 people and serves approximately 500 young people and families each week. The Spot is also a Public Benevolent Institution.

Yackandandah Community Development Company, Yackandandah

Obviously once the fuel goes ... everybody loses as well ... so we kicked in \$1000 each and took over running the old site to ensure continuity of fuel supply in the town and, in the mean time, come up with a plan.

Phillip Newman, Founding Director

The Yackandandah Community Development Company (YCDCo) is an unlisted public company that operates a service station, selling farm and produce, hardware and fuel products. The company also focuses on community development and support.

Yackandandah is a small town in North East Victoria with a population of less than 660 (ABS 2006). YCDCo formed in 2002 in response to an announcement that the town service station was closing, as fuel is regarded as a basic service function for the community. The company now has over 600, almost exclusively local, shareholders and each share has a face value of \$100.

YCDCo returns half of its profits to the shareholders and invests the rest back into the community through direct financial sponsorship as well as assistance with grant applications, information and advice. To date, the company has returned over \$101 000 to the community through its Initiative Grants (YCDCo 2010) to over 20 separate community organisations. Support is also provided through employment, training, and assistance with grant applications.

The company was formed in 2002 and employs 11 staff, equating to about 4.5 full time equivalents, and is a valuable site for part-time employment for young people in the community. The Yackandandah Community Development Company also publishes a free bi-monthly local newspaper called Yackity Yak.

Findings and Discussion

Here, we provide a brief analysis of why our participating social enterprises chose a social enterprise model of doing business. In order to contribute to and extend existing knowledge, we then structure our findings and discussion according to the major issues identified in the literature review.

Why a social enterprise model?

The most common reason for establishing a social enterprise identified by participants was to meet a previously unmet need in a community of place or for a particular group of citizens. This included: primary services such as fuel supply and affordable housing; access to finance and credit; training, education and employment support for young refugees; and building social relationships and economic opportunities for marginalized community members.

A second common reason was to be financially independent, either to compensate for the withdrawal of government funding due to a change in state government leadership, or to allow for more flexibility than that provided by a grants-based funding model.

A third common reason for choosing a social enterprise approach was to model alternative approaches to fulfilling mission and/or do business. This included modeling: alternative environmental technologies and practices; democratic business structures; non-traditional approaches to conducting charitable activity; and socially responsible investment.

Approaches to social business planning

All of the participating social enterprises had adopted formalized planning at some stage in the evolution of their business. Five social enterprises described intensive planning prior to formal establishment, including financial modeling, business planning and researching issues such as company structures, legal issues and options for paying staff. This planning took between six months and two years. Selecting the board of directors was specifically cited as a major aspect of planning by two social enterprises, as was conducting community consultation.

Three enterprises reported more “ad hoc” beginnings, with a shift to more formal planning as the enterprises introduced additional business ventures or legislation required stricter policies.

A lot of our things in the past have been an idea, a dream, and “boom”, we catch it and we run with it. I would think over the last two years that we’re probably a bit more strategic in our planning, where we take a little bit more time.

Two of these three enterprises, both of which were experiencing growth in the number of business ventures they operated, said their boards had specifically called for a more focused approach to the introduction of new enterprises, as the organisations developed. These experiences are consistent with past research, which has found that social enterprises become more focused on strategic planning as they mature (Bull et al. 2008; Hynes 2009).

As other researchers have identified (Smith et al. 2010; Corner & Ho 2010), approaches to social enterprise establishment are affected by whether they are formed out of existing organizations or as new stand-alone ventures, and by the knowledge and past experiences of those involved. Although our sample is too small to identify conclusive themes, it appears that approaches to planning were informed by: organisational culture, where an organization pre-existed; the experience and attitudes of those initiating the venture; and needs to communicate with prospective grant funders and investors.

Two of the participating enterprises, however, challenged the idea that planning is simply an instrumental activity. One participant suggested that financial planning can be a powerful iterative process that helps consolidate the vision and mission of the social enterprise:

..don't be fearful of [financial modeling], embrace it. Get someone good to work with you...the dialogue with those people is a creative process...

Representatives of another social enterprise identified that strategic planning was a mechanism for inclusively harnessing entrepreneurial ideas within a grass roots organization:

[staff] are encouraged to contribute, to build on their initiative...you want to be able to harness that, but harness it in a way that's controlled.

The two main changes in approach since start up identified by participants related to becoming more “business like” and expanding to meet new needs in the community. Five enterprises described a notable shift to becoming more strategic and focused on the business side of the enterprise, especially in terms of planning. Pricing decisions and fine-tuning day-to-day operations were specifically mentioned in relation to developing a more business-like approach.

An equal number of enterprises said they had changed approach in terms of the changing the services they supplied, so as to meet new needs (or previously unidentified needs) in the community. For example, one business introduced apprenticeships to its training scheme to allow more choices of training for their beneficiaries. One branched into a wider range of stock after the closure of a similar business in the community, and another is expanding its services, both to raise revenue and increase choice for its beneficiaries.

Only two enterprises noted no “real change”. These organisations were both relatively well-established, having been in operation for at least eight years.

Resourcing start up and expansion

There was a wide variety of means by which the social enterprises were financed, both during start up or for ongoing operations. These included: income from trading, grants, government funding, donations, members’ contributions, shares sales and loans.

Five of the enterprises indicated that the majority of their income is currently generated from trading operations, with trading income ranging from 25% to 75% of income, depending on organisational age and mission.

Grants were another common source of funding, especially during the start up phase. Sources of such funding included local, regional, state and federal governments and churches. The largest grant identified was provided through a state and local government partnership to meet three-quarters of the venture’s capital costs. Within our sample, grant funding was particularly important for those enterprises started by individual social entrepreneurs, and ventures – such as community business buyouts and large scale construction – that had large start-up capital needs.

Three enterprises were established with money either invested or loaned by people who were personally involved, and volunteer work was also considered valuable in-kind support at this time. One enterprise received a “small low-interest loan” from a community development finance organisation and another was the recipient of a significant loan borrowed on behalf of the organization by a benefactor. Only one of the enterprises reported formally borrowed money from a bank, while two interviewees – each founders of their organizations - spoke of an aversion to starting their business using debt finance.

Absolutely no loans at all. I'm really very, very wary of doing that. Because it's a small organisation, if we got into debt that we couldn't repay, it would be all over. So, from day one, we had money in the bank through grants and donations that we've used, and then trading to generate income to keep it going.

Access to appropriate finance was, by far, the most frequently cited challenge to establishing the social enterprise, with only one enterprise not mentioning this as an issue. Participating social enterprises reported facing challenges in fundraising and establishing funding partnerships, affording and negotiating leases, securing basic infrastructure and acquiring the materials needed to operate their businesses.

Human resource challenges, particularly with regard to recruiting both staff and board members, were cited as an issue. One participant from an agency that had multiple service approaches said that establishing social enterprises while trying to provide other community services “took its toll” on workers, while another identified that stress as a result of long hours was exacerbated by relatively low levels of pay.

Staffing and finance beyond start-up were also cited as ongoing challenges faced by the participating social enterprises. Staffing was the most commonly cited challenge. The ways in which this was presented were, however, quite varied. One social enterprise identified that managing growth in the number staff since incorporation was a specific challenge as they had to become more sophisticated in terms of staff development and succession planning. Another cited difficulties in finding the correct staff.

Getting the right people in place that had the energy and attitude and motivation to take it forward for us and once we found the people it was great, that didn't happen straight away but we've got good staff now and that's the key to it.

There was a general sense that financial challenges were persistent for most participating social enterprises. In one case, the participant felt they especially lacked “extra funds” to direct towards promoting the business. Another said staff were “stretched for time”, as they were having to constantly chase grants. One participant suggested that it was easier to access seed funding for pre-feasibility and start-up phases than support for medium term development.

I think the major issue as far as financing social enterprise goes is that medium term, so when people are, you know, have started up but still need to support their infrastructure

as they grow and develop, that's where there's a big shortfall, people don't want to fund it.

Operational issues such as correct pricing and developing efficient administration systems, and dealing with government, also continued to be challenges, as did managing staff satisfaction with low wages compared to the hours worked.

With regard to network resources, participants reported accessing a wide variety of organisations and networks for business advice and support. The two most common types of support agencies were social business intermediaries or similar organisations and small business owners. Universities, youth organisations and the enterprises' own board members were other popular sources of information and support.

Participants also identified accessing support from a number of organisations that met their own venture's specific business needs. These included: trade bodies and industry service providers; green fuel providers; employment agencies; law firms and clearinghouses; regulatory bodies; and one bank. Five of the enterprises reported they had received pro bono support from professionals external to the enterprise, particularly from law firms.

Support was not limited to business advice. Volunteers played an important role, as did staff members who took on roles beyond their job description, and community shareholders who worked on specific projects to assist the goals of social ventures. Friends were also a valuable support network and universities were once again mentioned as assisting with research and design, or as training partners.

Not for profit organizations and private businesses were also cited as resource contributors. One business received staff training and supervision from an established not for profit which was a registered training organization with expertise in working with the new venture's beneficiary group. Another enterprise reported that a separate not for profit organization was providing support to the enterprise's client group that allowed members of the client group to, in turn, use the services of the enterprise. Half of the enterprises said they received donations of goods and materials from private businesses and one received priority in land sales from government. Several of the participating enterprises described strategies of working with other social enterprises to jointly market goods and services and/or co-locate their activities.

All of these strategies are consistent with what Di Domenico et al (2010) have coined 'social bricolage', by which social enterprises leverage resources through processes of making do, refusal to be constrained and improvisation. However, our participants also identified the ways in which they leverage their own resources to support the work of other community organizations. Specifically, three of the more established social enterprises described ways in which they used their resources to provide seed funding to other community initiatives, to take ownership of existing businesses and community initiatives that were facing closure, to host nascent social ventures, and to lend legitimacy to other organisations' grant applications to government. This suggests that joint-utilization is a two-way process, by which social enterprises both access and reinvest resources in their wider communities.

Although there was strong evidence of the importance of network resources to the success of the participating social enterprises, experiences of networking as an explicit and purposeful activity was more mixed. Networking as a strategic activity was considered “very important” by half of the enterprises interviewed, while all saw value in such activities. The types of groups that enterprises networked with included arts-based organisations, trade associations, community associations, schools, all levels of government, and businesses or people with specific skills and knowledge. Two CEO’s sat on external community group boards and spoke at community events, describing these activities as a valuable part of their enterprise networking.

One participant said that, while networking was important, it was more relevant in terms of strategic development and “bigger picture operations” than for day-to-day operations. This is in contrast to another participant, who saw networking’s greatest value to be connected to the specifics of running their business most efficiently. Two enterprises said it was difficult to find the time to dedicate to networking without neglecting the day-to-day operations of the business.

... we’re perennially understaffed and under resourced so a lot of the time that we could put into that (networking), we’re, you know, emptying bins or sweeping the floor. Either that or a lot of these things require commitments outside of normal business hours and when you’re working fairly long hours ... and you’re getting paid fairly low amounts of money, the desire to go out on a Tuesday night and attend a meeting is probably compromised as well.

One enterprise said networking had been invaluable in terms of establishing their credibility within their particular sector. Baker et al. (2003) distinguish between ‘network bricolage’ – that is, reliance on pre-existing networks to access resources-and networking as a strategy to build markets. Within our sample, there was strong emphasis on network bricolage, but more mixed emphasis on networking.

Business Structure and governance

Among our responding social enterprises, business structure was variously selected based on: capital needs; values; and knowledge of the founding individuals or organizations. With regard to capital needs, one enterprise needed to raise an initial \$400 000, and so chose an unlisted public company model that allowed for revenue-raising via shares. With regard to values, a workers’ cooperative was chosen by one enterprise to give expression to the founders’ emphasis on democratic decision-making and ownership of capital. Another participant referred to transparency as a motivation for choosing a not for profit business model, wanting to be clearly accountable both financially and to their employees.

To protect myself about it ever becoming about money and about me. I don’t think I’m that way inclined but I guess people never know if something does become really successful.

Two of the enterprises were specifically modeled on similar operations either elsewhere in Australia or overseas, and one organisation had been recommended to use a social enterprise model for

funding as the result of a State government feasibility study. Two also cited environmental sustainability as being relevant to their choice of business model.

A common challenge identified by our participants was dealing with legal issues and making decisions about structure. Participants described frustration at the level of red tape that existed during the set up of their ventures, especially in relation to legal structuring and dealing with government regulatory agencies.

If you do want to set up an ethical company ... it is so complicated and potentially expensive, like, why would you really? It's a bad thing in that there needs to be some kind of new company structure or some kind of new business structure that makes it a bit easier for people.

The most common form of governance was a model that combined a board of directors and an operational management team, where the board dealt with strategic issues and management looked after day-to-day operations. Four boards were elected by the enterprises membership or shareholders. One enterprise was a workers' cooperative where all staff members (of 6 months standing or longer) automatically became board directors and decisions were made on a consensual basis.

The importance of establishing the "right" board was a common issue across the enterprises (excluding the Workers' Cooperative). There was a general feeling that the board of directors needed to have a practical skill set relevant to the enterprise. As mentioned above, selecting the board was an important element of planning the venture. Two had a structure in place that ensured for majority community representation on the Board.

Participants described a number of ways by which the community, or beneficiaries, could participate in decision-making processes regarding their enterprises. Half described voting for board members as a form of decision-making. Other methods included focus groups, surveys, and board advisory groups. Staff members were also seen as an important part of the decision-making process and were involved either directly through board representation, or less formally through regular meetings. One participant said that community members could participate in decision-making by volunteering and another described an informal "small town" form of participation.

There's fairly direct feedback in a small town so if you do something that people don't like you hear about that pretty quickly ... so in terms of that, we do get fairly direct feedback about some of the decisions that we make.

Balancing mission and business objectives

Seven of the enterprises reported experiencing some level of conflict between achieving their social and financial objectives. Two enterprises described this as "knowing when to compromise". The scope of this conflict was quite broad, however; "staying true to one's ethics" and "taking care of staff" was a common issue to at least two enterprises each.

I think that is a bit of a tension and we, you know, stick to our values and wear the financial implications.

One enterprise was aware that the ethical practices of their business operations limited the enterprise's profit margin. Another described the irony of creating a significant carbon footprint to deliver recycled materials across a large Australian state. Paying fair wages was also seen as more important than generating higher levels of profit, as was limiting the amount of business so as not to place excess stress on older workers. Another organisation was sensitive to the cultural differences between dominant conceptions of "outgoing" customer service and the less gregarious nature of the beneficiaries working at their enterprise.

Having Public Benevolent Institution status limited the outreach of one particular enterprise as it prescribed they could only help those "in dire circumstances". This caused conflict as the participant from this enterprise said there was a need for their service amongst people who could not be classified as being in "dire circumstances". Another participant said their business needed to "keep small" to live out its locally oriented mission. One enterprise was concerned about being perceived as a "unified voice" for the community and also about not encroaching on other local businesses territory. Finally, there was a sense within one enterprise that they should be aware not to "stretch" themselves too far "just to make money".

Two enterprises said their Board had explicit measures to address this issue. Both regularly ensure the enterprises were acting consistent to their charter and had also created non-charitable subsidiaries to separate the organisations' profit making and nonprofit operations.

Measuring Impact

Seven enterprises said they found measuring their impact to be a challenge, with five specifically saying they did not know how to effectively undertake impact measurement. The issue was usually seen as complex and beyond the scope of the enterprises' expertise. Four enterprises said they were not resourced enough, or in the correct ways, to effectively measure their impacts and two cited lack of time as a significant factor. This is consistent with existing research, which indicates that operational realities constrain social enterprises' ability to engage in complex impact measurement (Bull 2007; Hynes 2009).

There were specific concerns relating to measuring both environmental and social/community impacts. Two enterprises said it was difficult to measure the exact environmental benefits of their ventures, for example, the impacts of diverting materials from landfill or from offering low-interest "green" loans. Measuring environmental and social behaviour change was also mentioned as a specific challenge, as was assessing community attitudes.

One well-established and growing enterprise questioned the presumption that there was a need to formally measure their impacts.

I suppose we're very action orientated and if we can't see a concrete benefit to doing something we don't do it. We're not having our legitimacy challenged in a way that makes

me feel we have to generate information to say this is why we exist. People can see why we exist and we just need to get on with it.

Most of the enterprises had, however, measured their impact in one way or another. One enterprise had accessed an outside contractor to specifically assess their impact through a mixture of interviews with staff and trainees and quantitative measures such as finances and trainee numbers. Four organisations reported some form of formal evaluation. These included surveys with clients and the community, business analysis, and using the Schools Environmental Tracking Software (SETS). Most evaluation was conducted “in-house”.

Less formal ways of measuring included noticing a wider range of clients, increased town population, conversations with stakeholders, journalists, community centres and clients as well as being aware of the health of relationships that had developed as a result of the enterprise. Enterprises also said they could assess their impact by looking at their financial turnover, the actual numbers of people that access their services, buy their products, or visit their website. It is notable that many of these measures focus on outputs, rather than outcomes and impact.

Despite there being a general concern about how to formally measure impact, enterprises cited a wide range of outcomes for their target beneficiaries. These included environmental, social, financial and educational impacts as well as niche outcomes specific to the enterprise’s mission.

Environmental impacts were the most common outcomes, cited by four enterprises. This is interesting in that participants also recognised these impacts as being some of the most difficult to measure. Environmental impacts included increased awareness amongst the general public and, specifically, children; diversion of waste from landfill; increased promotion of environmentally-friendly craft and design as a social movement; and increased purchases of energy efficient products (via low-interest green loans).

Three enterprises also said they had changed public perceptions about specific issues. The most common of these was a general awareness about alternative and ethical business models, which, in the case of one enterprise, other organisations had indicated an interest in replicating.

There were also a number of identified impacts that related to staff or trainees (identified by three enterprises). Jobs, training and work experience opportunities had been created that otherwise would not have existed. One enterprise said there was a sense of “pride” connected with being part of a worker’s collective.

Personally, I love bragging about the fact that I don’t have a boss and, you know, work as part of a collective and get paid for it. I think it’s something that we’re all really proud of that we’re part of it.

Two enterprises said the community benefited simply by being offered a service that was previously unavailable. Another two cited similar impacts relating to the availability of an ethical choice. Two enterprises said the community was benefiting from the grants and other monies invested as a part of their operations. Educational impacts were also cited by two organisations.

Finally, there were a number of impacts specific to the enterprises' operations. These included an increase in low-income housing, community engagement, income to local council as well as attracting innovators to a small community and fostering a sense in the community that there was a Board that would represent its interests. One participant said there had been a personal impact on their own life, with job offers, speaking engagements and easier access to grants all becoming available due to her increased profile as a social entrepreneur.

Conclusion

Social enterprises are diverse in their mission, business structures and industry orientations. Like all business start-ups, social enterprises face a range of challenges and utilize a range of strategies to access resources in support of their venture. As multi-stakeholder organizations, however, they have a wider range of opportunities to utilize network resources, as well as greater accountabilities to diverse internal and external stakeholders than do many mainstream small to medium businesses.

The research reported on here suggests that social enterprises are sophisticated in utilizing processes of network bricolage (Baker et al. 2003) to mobilize resources in support of their goals. Access to network resources can be both enabling and constraining as social enterprises mature. This was illuminated in our study by, for example, the limitations to mainstream debt and equity finance that were created by historical use of loaned or gifted assets that social enterprises were not able to leverage.

In terms of the use of formal business planning strategies, all participating social enterprises had utilized these either at the outset or the point of maturation of their business operations. These planning activities were used to support internal operations, to provide a mechanism for managing collective entrepreneurship, and to communicate to external stakeholders about the legitimacy and performance of the social enterprises. Further research would be required to assess the impacts of such planning activities, and the ways in which they are used over time.

Business structures and governance arrangements varied amongst participating enterprises according to: mission and values; capital needs; and the experiences and culture of founding organizations and individuals. In different ways, participants indicated that business structures and governance arrangements are important ways of conferring legitimacy on social enterprise, by signifying responsible business practice and strong social purpose to both external and internal stakeholders.

Almost all participants in the study described ongoing tensions in balancing social purpose and business objectives. It is not clear, however, whether these tensions were problematic (in the sense of eroding mission or business opportunities) or productive (in the sense of strengthening mission and business practices through iterative processes of reflection and action). Longitudinal research on the ways in which social enterprises negotiate mission fulfillment and business sustainability would enhance our knowledge in this area.

Finally, despite growing emphasis on measuring social impact amongst institutions, including governments and philanthropy, that influence the operating environment of social enterprise, relatively little priority was placed on this activity. The participants in this research noted the

complexities of effectively measuring social impact, as well as the operational difficulties of undertaking such measurement within the day to day realities of running small to medium businesses. It is clear that impact measurement remains a vexed issue for a number of our respondents. This study suggests that both the value and practicality of social impact measurement requires further debate and critically informed evidence, if impact measurement is to benefit social enterprises and the communities they serve.

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