

Community and Social Enterprise: What Role for Government?

**Prepared by Jo Barraketⁱ
For Department for Victorian Communities**

Acknowledgements:

Thanks to Joanna Dimopoulos of the Dept for Victorian Communities and Professor Mark Lyons for their input and feedback on this paper, and to those who contributed information about the social enterprises with which they are involved.

Introduction

In Australia, as in other countries, the third (or nonprofit or social economy) sector has traditionally played a small but significant role in employment and service provision across a range of industries, and in facilitating local development in a variety of contexts (see Lyons, 2001). In recent years, as the limitations of both state and market in meeting diverse social, environmental and economic needs has become apparent, the contributions of the third sector have received renewed interest. In a number of countries, the unique contributions of one particular subfield of the third sector – social and community enterprise – has become the subject of attention from third sector practitioners, governments, and the research community alike.

The purpose of this paper is to provide a starting point for discussion about the nature of community and social enterprise in Victoria, and the role that government can play in supporting this field of activity. The paper is based on a review of social enterprise activity and related public policy in a number of countries, and a preliminary account of social enterprise activity and thinking in Australia. While international and, indeed, interstate experiences cannot provide a blueprint for activity in Victoria, it is hoped that the initiatives and activities reviewed here can provide a basis for dialogue between interested parties about the scope and potential of social and community enterprise in Victoria.

Defining Social and Community Enterprise

A significant first challenge in discussing social and community enterprise is settling on a singular definition of these terms. Both in Australia and overseas, the terms ‘social enterprise’ and ‘community enterprise’ are being used variously by key institutions, leading researchers, and well-known practitioners to describe a range of organizational types and activities.

A leading UK social enterprise organization, Social Enterprise London, describes social enterprises as:

organisations that use trading activities to achieve their goals and financial self-sufficiency. They are businesses that combine the entrepreneurial skills of the private sector with a strong social mission that is characteristic of the social economy as a whole (SEL, 2004).

The UK government currently defines social enterprise as:

a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners. (Social Enterprise - a strategy for success DTI, 2002: 7).

The term community enterprise – which is in use in Britain and Canada – is defined by practitioners and government alike as a subset of the wider social enterprise effort which focuses specifically on development activities within communities of place (see Development Trust Association 2004; Pearce, 2003).

In continental Europe, researchers have defined social enterprise more broadly as “initiatives which combine entrepreneurial dynamics and social objectives in an original way.” (EMES, 2004).

In the United States, the sector itself uses the term social enterprise to describe ‘enterprising non-profit organisations’ with an emphasis on organizational self-reliance through the diversification of their financial resource base and a focus on earned income and reduced reliance on public subsidies (Social Enterprise Alliance, 2004). Conversely, the Harvard Business School – which has played a leadership role in education around social entrepreneurship in the US – recognizes social enterprise as “the contributions any individual or organization can make toward social improvement, regardless of its legal form (nonprofit, private, or public-sector).” (Harvard Business School, 2004)

This non-exhaustive list of European and US definitions suggests two key tensions in the debate around defining social enterprise. The first is a question of whether social enterprises are characterised by specific trading functions or by entrepreneurship¹. The second is whether social enterprises are strictly third sector organizations, or whether they can include corporate and public sector organizations. While there is no clear resolution on either of these issues, with regard to the latter point, the weight of debate suggests that, while corporate and public sector organizations may play a significant role in social enterprise – through partnership, investment and so on – they cannot generally be considered to be social enterprises themselves². There are a few notable exceptions to this, where for-profit organizational forms have been adopted to allow for particular entrepreneurial functions (see Young, 2001), but where there the rules of the organization are based on reinvesting profit into the enterprise or the community. Further, in some contexts, social enterprise may aim to foster local development

¹ Entrepreneurship is itself a contested term. For the purposes of this paper, it is defined as creating [economic and/or social] value through innovation, exploitation of opportunity, and organizational or initiative sustainability (for further discussions of entrepreneurship and social entrepreneurship, see Baschee & McClurg, 2003; Dees, 1998).

² Corporate sector involvement in activities designed to achieve social and environmental objectives beyond their core business may be more accurately described as corporate social responsibility than as social enterprise.

through supporting for-profit commercial activity in the form of micro-enterprise and locally owned small business.

In Australia, the public discussion of social enterprise thus far has tended towards a definition that embraces values of entrepreneurship over specific trading functions. For example, the authors of the *Social Enterprise in Australia Handbook* published by the Adelaide City Mission suggest that social enterprise is:

a means by which people come together and use market-based ventures to achieve agreed social ends. It is characterized by creativity, entrepreneurship, and a focus on community rather than individual profit. It is a creative endeavor that results in social, financial, service, educational, employment, or other community benefits (Talbot, Tregilga, and Harrison, 2002).

Further, one of Australia's leading academics of social economy, Professor Mark Lyons, considers social enterprise "not as adopting business styles of management or governance but of adopting entrepreneurial business types of thinking about addressing social problems" (Lyons, email communication, 18/5/04).

As is evident from this limited summary discussion, accepted definitions of social enterprise vary across sectors and between countries and regions. This, in part, reflects the different socio-historic conditions in which social enterprise has emerged across the world. For example, UK definitions tend toward identifying a trading function as a defining feature, which reflects the significant role of the cooperative movement in informing the public agenda on social enterprise in the UK. Conversely, US definitions emphasise the importance of entrepreneurship, which reflects a strong cultural history of entrepreneurship in this country. These issues will be further discussed in the outline of international experience in a later section of this paper.

Defining Social Enterprise – Imposition or Imperative?

Within the broader debate about what social enterprise is, there has been some questioning of the value of prescribing definitions to what is a diverse set of activities. A recent review of the Scottish Executive's policies to support the Social Economy, for example, raised the concern that specific definitions of social enterprise "could be counter-productive in attempting to impose certainty on what is a dynamic area of economic activity" (Scottish Executive, 2003). While this is a legitimate concern, there is a certain need for definitions if government is to play an explicit role in enabling social enterprise activity and if particular fiscal or other benefits are going to be offered to social enterprises to foster their development (Pearce, 2003: 31).

While there is no singularly agreed upon definition of social enterprise, a number of unifying features can be identified. The following are adapted from Pearce (2003: 33):

- Social purpose is the principal driver of activity;
- Social purpose is achieved primarily through entrepreneurial and/or trading activity;
- Organisational sustainability³ is a core objective;
- There is non-distribution (or very limited distribution) of profit to individuals
- Surplus is reinvested in enterprise or the community;
- Constituents are democratically involved, either through member-ownership or representation in organizational governance; and
- There is accountability to a defined community and/or the wider community.

Community and social enterprise may take on a specific organizational form, such as a cooperative, mutual, association, company limited by guarantee, or (in rare cases) an investor owned firm. It may also operate under the auspices of an existing third sector organization, or it may be the specific product of a partnership initiated between third sector organizations, or between the third sector and government and/or corporate organizations.

As mentioned above, the specific conditions in which social and community enterprise has emerged has influenced the ways in which it defined in various locales. This suggests that the specifics of the Australian and Victorian experience need to be considered in any attempts to define social and community enterprise and the way in which it may be supported by government.

What Can Community and Social Enterprise Achieve? Some local examples

To the extent that community and social enterprise constitutes collective social purpose activity based on production and trade, it is by no means new. For example, the most traditional form of social business – the modern cooperative – was established in England in 1844. In Australia, a number of charitable organizations have been historically involved in production and retail as a form of fundraising, and employment support through third sector business, such as sheltered workshops for people with a disability, has been occurring here for more than 60 years (Lyons, 2001). Some of the more recent initiatives that have self-identified as social and community enterprise have emphasised entrepreneurial responses to social and economic issues through partnership with business and/or government, the adoption of advanced business practices

³ There is some debate about whether sustainability equates with financial self-sufficiency from earned income. Some argue that financial self-sufficiency is important for social enterprises to maintain their autonomy and entrepreneurial capacity, while others argue that financial self-reliance is neither possible nor an appropriate measure of success where social enterprises are absorbing the social costs of responding to the needs of highly disadvantaged individuals and communities, and producing positive social and environmental outcomes.

by large scale charitable organizations, and financing innovation in the third sector.

To date, there has been no concerted research effort to systematically map social and community enterprise in Australia, nor to measure their specific impacts. The list of activities outlined below is by no means comprehensive, but provides a few brief examples of how social and community enterprise is operating in the Australian context.

Employment Creation and Service Provision:

1. *The Mental Illness Fellowship Victoria* is committed to developing effective models of employment support and rehabilitation for people with a psychiatric disability (MI Fellowship website, 2004). In partnership with Social Ventures Australia, MI Fellowship is currently establishing a pilot social firm in Melbourne. The initiative draws on UK and European models, where social firms are characterized by a clear social objective, a minimum of 60% earned income, and around 40% of jobs designated to people with a disability (MI Fellowship website, 2004). The pilot initiative, in the Melbourne suburb of Brunswick, is expected to be operational by August, 2004. It will be an independent business with support from the Mental Illness Fellowship Victoria and a local specialist employment agency to make the transition to a social firm.

Research and development of the social firm project was initiated by MI Fellowship, and has subsequently been supported by the William Buckland Foundation (through ANZ Trustees), the H & L Hecht Trust (through Perpetual Trustees), the Lord Mayor's Charitable Trust, Eli Lilly Australia, and private donors. The social firm model has gained some prominence in the UK and is also being explored by other organizations in Victoria. It is viewed by some as being widely applicable to different groups facing barriers to employment (Crosse, email communication 7/6/04)

2. **The North-East Telecommunications Co-operative Limited** (*or NetC*), *North East Victoria* grew out of the North East Telecentre, and was established in 1999 as Australia's first not for profit telecommunications cooperative. NetC operates as a regional internet service provider in North East Victoria, and supports a range of business development networks, e-commerce solutions and resources. NetC is a consumer co-operative comprising approximately 500 members and more than 2 500 users and has an annual turnover of nearly \$1 000 000. NetC describes itself as "a market driven online services provider; a facilitator of controlled change; a financially viable co-operative; a people centred and people caring organisation; [and] an organisation building regional relationships for mutual benefit" (NetC website, 2004).

3. **MS Fresh Australia** (MSFA) is a fresh food delivery service that serves the Melbourne metropolitan area. MSFA delivers fresh fruit, vegetables and seafood to Melbourne households and businesses via an online ordering system. Products are sourced directly from growers and producers, with an emphasis on quality and price. MSFA is currently delivering more than 150 product lines, and will soon be expanding its services to include a bakery division.

The enterprise creates employment opportunities for people diagnosed with Multiple Sclerosis, returns profits to the Multiple Sclerosis Society, and provides online donation facilities for several charitable organisations. It also seeks to provide a competitive service to the public, which allows them to meet their fresh food needs while also supporting the MS Society. (MS Fresh website, 2004).

4. **Green PC** is a social enterprise initiated and operated by Infoxchange. Started using short term funding from the Victorian Government's Community Jobs program, Green PC now operates out of Melbourne, Perth and Brisbane. Green PC refurbishes used computers received from government and business organisations and makes them available at minimal cost to low-income individuals and other non-profit organizations. Green PC contributes to employment, through employment of technicians who rebuild each system, contributes to waste minimization through reuse of old computer systems, and provides a low cost computer service to disadvantaged individuals and groups. In partnership with local government, Green PC has negotiated the use of workshop premises at minimal rental rates in order to support the sustainability of the organization and its services (Green PC website, 2004).

5. **The Brotherhood of St Laurence (BSL)** has been involved in the initiation of more than 25 social and community enterprises over the past 60 years. Current activities include:

- An industrial cleaning business, which provides a training and placement program for long-term unemployed people (in partnership with Adult and Multicultural Employment Service);
- A community newspaper initiated to respond to social isolation, and sustained by advertising revenue, in a metropolitan fringe area of Melbourne;
- A low cost fruit and vegetable service to supply the needs of a public housing estate community; and
- Establishment of the Hunter-Gatherer retail chain and clothing label, which generates income for the BSL, models ethical business practice through the 'NoSweatShop Label' accreditation, and advocates on behalf of vulnerable workers in the textile industry.

The BSL Social Innovations Hub – a source of small scale funding to explore social purpose innovations based on the social venture capital model – has

played an important role in the establishment of these and other BSL initiatives (McHutchison and Lillywhite, personal communication, June 2004).

Community Enterprise and Local Development:

6. ***Claymore Community Employment Cooperative*** grew out of an extensive community consultation and visioning process aimed at socially and economically revitalizing the Claymore housing estate community. The objective of CCEC is to foster community leadership and create meaningful employment options for residents of the estate, through the establishment of micro-businesses and other activities. CCEC has been initially funded by the Department of Family and Community Services *Strengthening Communities* strategy under the auspices of the Benevolent Society. CCEC is one strategy within a broader suite of activities that has been initiated in response to social and economic needs in Claymore. This broader activity has involved partnership between Claymore residents, a number of third sector organizations, and various government agencies (ACCORD website, 2004).

7. ***Cape York Partnerships*** (CYP) is a network of interlinked locally controlled Aboriginal representative organizations in the Cape York area, which aims to service “the needs of Cape York people in the areas of: Health, Land, Community and economic development, Sport and recreation, The arts and Legal matters” (ATSIC Peninsular Regional Plan 1995 – 2000, cited on CYP website, 2004). In close consultation with the people of Cape York, CYP has worked since 2000 to renegotiate the nature of government service delivery in the region, to stimulate the local economy and foster economic self-reliance in the region. The overall approach of CYP is founded on the premise that the Cape York community needs to take an entrepreneurial approach to meeting its social needs (Pearson, 2001). The initiative is led by the community, and has established partnerships with state and federal government, as well as corporate and philanthropic organizations. Amongst other activities, CYP has provided the impetus for the establishment of *Indigenous Enterprise Partnerships* (IEP), a non-profit organization that channels philanthropic and corporate resources into indigenous development. In the Cape York area, IEP has supported a range of activities, including:

- A family income management program;
- Cape York Digital Network, which is currently in roll-out phase;
- Establishment of over twenty small family business ventures through innovation business hubs; and
- The *Boys from the Bush* program, that works with young people at risk to involve them in a number of different enterprise activities (IEP website, 2004).

8. Maleny Enterprise Network Association, Queensland is a self-funding not for profit Enterprise Centre, Training Provider and Telecentre, which incorporates Learning Network Qld (LNQ), Qld Government Agent (QGAP), and the Sunshine Coast Hinterland Community Internet Portal.

MENA is principally concerned with facilitating the development of existing and new enterprises across the Sunshine Coast Hinterland Region, through provision of infrastructure and resources, and facilitation of partnerships and education that result in training and employment in the region (MENA website 2004).

MENA is just one of a number of social enterprises at work in the Maleny area. Since the early 1980s, Maleny's progress has been characterized by local economic development utilizing cooperative principles. The Maleny Credit Union has mobilized finance to support a network of interdependent enterprises and services, including local businesses and micro-enterprises, a food co-operative, a recycling depot, community schools and a strong Local Economic Trading System. Jordan (2001) reported that, by the early 2000s, more than 180 new jobs had created based on credit union finance of entrepreneurial activity.

Social Enterprise and Public Policy: International and local experiences

The impacts of community and social enterprise have received varying levels of attention in a number of different areas of the world in recent times. The following discussion focuses on the experiences in several developed nations. It is notable that social and community enterprise also plays a well-established role in a number of developing countries. To the extent that social enterprise has been established in these countries as a form of local governance in the face of extreme disadvantage, their experiences are also a potentially important source of learning.

Social Enterprise in the United Kingdom

The UK has a distinct historical tradition of social enterprise. The modern cooperative form was established by a group of weavers in the Rochdale area in 1844, and the British consumer cooperative movement subsequently went on to become a key driver behind the establishment of the International Cooperative Alliance, which remains active today. The 1970s saw a new wave of consumer cooperation in line with new social movements of the times. In the 1980's, worker cooperatives and other forms of community enterprise were initiated, sometimes with the support of local government, as a response to local employment creation (Pearce, 2003). More recently, social enterprise has played a significant role in the reform of public services in a number of policy areas. The most notable of these is social housing, where a major amount of public housing stock has been transferred to representative housing associations and cooperatives. There are also a growing number of social enterprises emerging, with government support,

in areas of social welfare such as aged care, disability services and childcare (Pearce, 2003).

Under the Blair Government, renewed political attention has been paid to the role of social enterprise and the broader social economy in third way approaches to responding to social, economic and environmental need.

In 1999, the Social Exclusion Unit Policy Action Team released a report, *Enterprise and Social Exclusion*, which identified a range of obstacles to the stimulation of entrepreneurial activity in socially excluded areas. This report led to the establishment of the national *Phoenix Fund*, which is specifically designed to contribute to community capacity building by encouraging entrepreneurship – through social and commercial enterprise - in socially excluded communities. In 2000, the Social Investment Taskforce – an initiative of the UK Social Investment Forum in partnership with the New Economics Foundation and the Development Trusts Association – made a number of recommendations to government, including the expansion of the Phoenix Fund, establishment of a community investment tax credit, matched government contributions to community development venture funds, and the support of community development financial initiatives (Social Investment Taskforce, 2004).

In 2002, social enterprise was explicitly linked to the UK public policy agenda, with the establishment of the sector's peak body, the Social Enterprise Coalition, and the release of a three year action plan, *Social Enterprise: A Strategy for Success* by the Department of Trade and Industry (Pharoah & Scott, 2002). A social enterprise unit was established within DTI to advance the Government's key objectives of

- creation of an enabling environment for social enterprise
- making social enterprises better businesses; and
- establishing the value of social enterprise (DTI website, 2004)

The Government of Northern Ireland has developed a strategic plan to support the development of the social economy, with a specific emphasis on the role of social enterprise in service delivery, while similar exercises have been undertaken by the Scottish Executive and Welsh Assembly.

Specific UK initiatives have included opening government funded small business services up to social enterprise; government support for community development finance initiatives; a Bank of England investigation of strategies to support the financing of social enterprise; and a review of legal forms of social enterprise and the impacts of regulatory conditions that affect them. The UK government has also recognized the importance of a sustained research agenda which supports a better understanding of the range of activity that constitutes social and community enterprise, and the ways in which that activity is embedded in the broader society. Within this agenda, local government has played an ongoing

role in mapping social enterprise and the way in which it is embedded in broader activities throughout Britain (Pearce, 2003).

A DTI progress report on the strategy released in July 2003 identified a range of activities, including sustained dialogue with the sector, that were progressing the government agenda against the objectives detailed above. However, a recent report by the Charities Aid Foundation in collaboration with Manchester University (Pharoah & Scott, 2004) has suggested that there are still a number of limitations to the effectiveness of the current policy approach, which are inhibiting the autonomy and sustainability of social and community enterprise.

Key Features of UK Experience: A history of social enterprise, particularly with regard to consumer cooperation; a critical mass of social enterprise advocates within the third sector, who have lobbied and worked in partnership with government to bring about a public policy framework; strong and explicit support from central government for social enterprise, which squarely locates social enterprise within an agenda for reforming public services and strengthening communities; government attention to enabling social enterprise through appropriate regulation, mobilization of finance and access to technical assistance.

Social and Community Enterprise in Europe

Continental Europe comprises a range of countries with diverse cultural, political, and economic histories. While it is impossible to speak of a singular "European experience", regional governance institutions and the academic community have supported a sustained research and policy effort around European social and community enterprise for over a decade. From 1989 to 2000 a Social Economy Unit existed within the European commission "in recognition of the need to take account of co-operatives, mutual societies and associations in the internal market" (Europa website, 2004). The DG XII of the European Commission, as part of its Targeted Socio-Economic Research (TSER) program, has provided support for the initiation of the thematic network, EMES (L'emergence des enterprises sociales), which focuses on the emergence of social enterprises as a response to social exclusion in Europe (Simons, 2000). In July 2000, the responsibilities of the Social Economy Unit were integrated into Unit B3 of DG Enterprise – "Crafts, Small Enterprises, Co-operatives and Mutuals" (Europa website, 2004). The objectives of this unit include mainstreaming support for and recognition of social enterprise organizations into relevant EC policies and programmes, establishing a supportive regulatory framework, and maintaining a research effort around the nature and scope of cooperative, mutual and associational activities in the region.

The initial research of the EMES network mapped social enterprise activity in fifteen member states of the European Union (see Borzaga and Defourny, 2001). This research identified three main areas of social enterprise activity throughout Europe: the training and integration into the labour market of traditionally

disadvantaged jobseekers; the provision of personal services; and local development (in which the former two areas overlap, and which may be defined as community enterprise). The EMES research has identified social enterprise in Europe as including attempts to reinvigorate traditional third sector activity through entrepreneurship, and efforts to initiate new forms of organizing in response to the complexities of social exclusion (Defourny, no date).

At the nation state level, government has played a significant role in supporting the latter through the establishment of new legal frameworks to encourage social purpose entrepreneurship in some European countries. The most well known of these is the Italian Parliament's 1991 introduction of the 'social solidarity cooperative', which gave rise to a wave of social cooperatives delivering services and generating employment for traditionally excluded groups across a range of industries.

Key features of the European experience: significant differences in the nature and scope of social and community enterprise across countries with diverse cultural, political and economic histories; sustained research and policy support at the regional political level; nation state support for new legal and regulatory frameworks in some countries.

Social Enterprise in the United States

The United States has a long cultural history of individualism, which provides a backdrop for valuing entrepreneurship and corporate and individual philanthropy. As Salamon (1999) has described, historical resistance to government intervention in the US has led to an intricate 'mixed economy' of welfare that involves public, corporate and third sector provision, with the third sector playing a relatively larger role in welfare provision than in many other developed countries. Financing of third sector welfare and development efforts has been traditionally characterized by a mix of earned income, government funding and private philanthropy. Declining rates of government funding and the relative instability of philanthropic assets in the face of global economic activity have affected the operating environment of the US nonprofit sector.

The growing interest in social entrepreneurial activity in the US since the early 1990s reflects some nonprofits' response to this changed operating environment, as well as academic and government interest in the importance of cross-sectoral partnerships in the mixed economy of welfare, and a renewed focus on revitalizing distressed urban and urban fringe communities. The US experience has involved a dual emphasis on developing individual social entrepreneurs – with significant support from university business and management schools – and building resilient nonprofit organizations with a focus on self-sufficiency through earned income and innovation. With regard to urban revitalization, regional nonprofit networks in areas such as Seattle and Pittsburgh have utilised social and community enterprise as a mechanism to stimulate local economies, generate employment and provide essential services.

In the US, there are some specific examples of government involvement in social enterprise activity, through partnership, funding provision, and service purchasing. The federal government and some state governments have initiated purchasing arrangements that give priority to purchasing certain products from social enterprises (Pomerantz, 2003). Direct local government involvement appears limited, although there are exceptions, such as the City of Seattle, which played a significant role in establishing the Seattle Social Investors Forum that has been instrumental in stimulating social enterprise in that region (Pomerantz, 2003).

With regard to explicit policy initiatives at the national level, the role of government could be characterized as one of indirect support, with a particular emphasis on the expansion of support for community development financial institutions (CDFIs) as part of broader community revitalization initiatives. CDFIs may be broadly defined as “specialist financial institutions whose goal is to enable the development of local communities and the growth of local employment by financing small businesses and social enterprises” (Parker & Lyons, 2003). In 1994, the US government established the CDFI Fund, which provides funding support to CDFIs and their partners via a competitive application process. This initiative funds organizational capacity building through capital grants, equity investments and technical assistance awards (CDFI Coalition website, 2004). In most instances, CDFIs are required to at least match federal funds in order to receive finance through the CDFI fund.

Although initiated under the Clinton Administration, the CDFI fund has bipartisan support and has remained active, albeit somewhat reduced in scope, under the Bush Administration. In addition to the establishment of this funding source, the US government also revised the Community Reinvestment Act (CRA) regulations in 1995 to ensure that loans and investments in CDFIs were recognized as CRA activity. In 2003, the US Government also established the New Markets Tax Credit Program, which provides tax credits for private sector investment in economically distressed communities through certified community development entities (CDEs).

The US Government approach has not been to substantively support CDFIs and CDEs through direct funding, but to contribute to a framework in which public, private and philanthropic resources can be mobilized by CDFIs to advance their activities. It is notable that the CDFI Coalition - a nonprofit network of CDFIs in the US – played an active role in modeling the legislation by which the CDFI fund is administered.

Key features of US experience: Strong history of entrepreneurial culture and private philanthropy; social enterprise activity characterized by nonprofit activity rather than a strong public policy agenda; government support through one-off grants and/or partnership with specific social enterprise initiatives; indirect

government support through public interest legislation and mobilization of finance.

Social Enterprise in Canada

Canada has a strong social history of collectively driven social and economic activity, although the nature of this activity has differed across provinces. The north American credit union movement was established in Quebec in 1900 and building cooperatives to establish housing were popular in Canada from the 1930s to the 1960s. Worker cooperation has been a traditional form in the agricultural industry and, more recently, cooperatives have played a significant role in local economic development, through the establishment of niche markets and value adding in areas where traditional primary industries are in decline (Barraket, 2001).

The revival of social enterprise as a distinct feature of community strengthening occurred in the 1990s in Montreal, with the support of a range of civil society organizations and the Quebec Government. In the early 1990s, several third sector organizations were working with the communities of south-west Montreal, amongst other regions, to develop local economic development responses to significant loss of jobs in the manufacturing industry and a 30% decline in local population (Richard, 2004: 21). In 1996, the Quebec Government called a Summit on the Economy and Employment in the province, and consequently established the *Chantier de l'économie sociale* (taskforce on the social economy), which is led by civil society organizations, including local economic development, community service, and social movement groups (Neamtan, 2004). In the past seven years, more than 4000 social and community enterprises employing 65 000 people across a range of essential and non-essential services have been established in the Quebec province (Lewis, 2004: 10). Public policy support for social enterprise has included integration of local and regional development policies to support collective enterprise, equal access to the development incentives available to for-profit enterprise, establishment of new training and funding tools and changes to the regulatory environment. At the regional level, local government has been involved as a partner in activities and governance systems essentially led by the third sector. Recent reforms to the Quebec government has seen responsibility for local and regional development devolved to local government (Richard, 2004). It is yet to be seen what effect this will have on regional development efforts.

The national government's involvement in supporting social enterprise has been largely in decline in recent years. In March 2004, however, the newly appointed Prime Minister, Paul Martin, committed CAD \$152 million over five years to support social enterprise. The fund will be administered by a recently established Ministry of Human Resources and Skills Development, which suggests that the government is linking this initiative specifically to employment creation (ACCORD, 2004). Similarly to the UK initiative, the Canadian government has

announced that social enterprises will now have access to government funded small business development programs (ACCORD, 2004a).

Key Features of the Canadian Experience: Strong history of collective enterprise; existing third sector development activity occurring on the ground; provincial government support for third sector activity and leadership, leading to strong public policy agenda at provincial level; very recent establishment of a national public policy agenda for social and community enterprise.

Community and Social Enterprise in Australia

As discussed above, the nature and scope of social enterprise in Australia has yet to be extensively mapped. However, there has been an emerging public discussion about social entrepreneurship and social enterprise in this country since the late 1990s. This discussion reflects a number of different priorities and perspectives, including: interest from some parts of the third sector in social enterprise as a mechanism for sectoral innovation and financial sustainability; interest from across sectors in the role of social entrepreneurs in establishing partnerships to respond to complex social, environmental and economic challenges; renewed interest in cooperative and collective forms as vehicles for local development and employment creation; and calls for a renegotiation of the nature and scope of welfare delivery. In broad terms, there is a division within this general discussion between those who view social enterprise as a strategy for large charitable organizations to mobilize resources through entrepreneurial activity, and those who see social entrepreneurship as a new way of organizing to address social and economic need using the venture capital model (Lyons, personal communication: 2004). The debate has also attracted critics of the notion of social entrepreneurship, who argue that it is neither an adequate nor an appropriate replacement for government provision of welfare services and promotion of social justice (Cook et al, 2003).

Fairly broad cross-sectoral interest in the notion of social entrepreneurship in Australia led to the establishment of the Social Entrepreneurs Network (SEN) in 2001. In 2002, Australia's first venture philanthropy organization, Social Ventures Australia, was established by the Benevolent Society, The Smith Family, WorkVentures and AMP Foundation, with the aim of using the venture capital model to "integrate the Australian public, corporate and social sectors to create entrepreneurial, innovative and results-driven solutions to Australia's social problems" (SVA, 2004). Further, specific initiatives such as the Cape York Partnerships described earlier are, in part, modeled on principles of social entrepreneurship and have been identified by practitioners and policy makers as innovative approaches to intractable social, economic and environmental problems. For a number of reasons, including the broad conceptual division about social enterprise discussed above, SEN was wound up in 2003. Some people involved in SEN have recently established Social Enterprise Partnerships as an alternative organization.

To date, there has been limited explicit government support for social and community enterprise, although government at all levels is clearly involved in particular social enterprise initiatives, either through grant funding, partnership, or non-financial support. The Federal Government currently supports the Youth Enterprise network, which itself identifies social enterprise as one aspect of entrepreneurial activity. The Prime Minister's Community Business Awards reward innovative partnerships between third sector organizations and business, which includes, but is not limited to, social enterprise activity. The Department of Family and Community Services and the National Office of the Information Economy are or have been supporting specific initiatives through grant funding from their *Strengthening Communities* and *Networking the Nation* schemes respectively. The Department of Family and Community Services has recently hosted a seminar featuring UK social enterprise writer, John Pearce, in which the possibilities of social enterprise in Australia were further explored.

Local government involvement in social enterprise has been characterized by non-financial and/or limited financial support to specific activities through grant funding and the provision of premises, and infrastructure at subsidized rates or at no cost. In the Green PC example discussed earlier, local government has played a role in making available premises, utilizing the services of the enterprises and promoting them to the community.

At a state government level, there is again, some evidence of government involvement in advancing social enterprise. The NSW Government, through its Department of Fair Trading, has partnered with Charles Sturt University and the University of Technology, Sydney in supporting a research effort around cooperatives, mutuals and the broader social economy, through the establishment and continued funding of the Australian Centre for Cooperative Research and Development (ACCORD) in 1999. Further, as discussed in the examples of social enterprise above, various state government agencies have been involved in community renewal efforts involving social enterprise in areas such as the Claymore estate.

In Victoria the Department for Victorian Communities - created in December 2002 'to give effect to governments objective of strengthening communities through a more integrated approach to planning, funding and delivering services at the local level' (Yehudi Blacher, Secretary's Foreword, DVC Corporate Plan September 2003) - has established a unit to support the development of community and social enterprise and to undertake research that will inform government as to scope of the sector in Victoria and its potential as part of the broader not for profit sector.

Key features of the Australian experience: a range of examples of social enterprise and social entrepreneurship activity 'on the ground'; an established debate about social enterprise and social entrepreneurs reflecting diverse views and priorities; indirect government support through regular grant funding streams,

partnership in specific initiatives; and rewarding of particular innovations; some state government efforts to support a research effort on the social economy.

Key Learnings from International and Local Experience

This very brief review of local and international experiences suggests a number of issues of significance when considering the development of a public policy agenda on social and community enterprise:

- Context matters – the evolution of social entrepreneurship and its focus in each of the countries reviewed appear to have been shaped by a range of factors, including political and third sector traditions, cultural emphases on individualism versus collectivism, and regional and global imperatives. This suggests that one size does not fit all in policy making to support community and social enterprise.
- The will of the sector is significant - in those countries reviewed where a strong public policy agenda has been established, this has been preceded by identifiable will for social enterprise development from at least part of the third sector. In the UK, Canada and the US, various third sector networks have either initiated, or been actively involved, in the development of the policy agenda and legislation supporting social enterprise development. This suggests that an engaged sector is a precondition for effective public policy in this area.
- Community and social enterprise is not a replacement for public investment or public policy – while social and community enterprise may produce innovative responses to complex community needs in some contexts, the literature suggests that they should not be viewed as a replacement for public investment or policy for several reasons, including: sustained financial self-reliance in the face of market failure (or high social costs) is no more likely for social enterprise than it is for commercial enterprise or government service delivery (Pearce, 2003); social enterprise does not address structural causes of disadvantage, which require macro-policy interventions (Cook et al, 2003); one of the values of social enterprise is its autonomy from government, which is potentially problematic where social enterprise takes on government service delivery roles (Pearce, 2003).
- Government can enable, but not enforce, social enterprise – the international experiences reviewed here suggest that there is scope for government to enable social and community enterprise through recognizing and valuing the role of the social economy, partnering in specific initiatives, building a supportive regulatory environment, enhancing access to technical and business assistance, direct financial assistance and/or leveraging investment and social venture capital, and support for a research effort around this field of activity.

Issues for Future Discussion

The purpose of this paper is to stimulate discussion about the scope and potential of community and social enterprise in Victoria. The review of local and international experience and key learnings suggest several specific questions that require further exploration.

First, what is the true scope of social and community enterprise activity in Victoria? How many, where, and what types of activities are being undertaken? What types of innovations have these activities employed and what have their impacts been?

Second, is there an interest within the Victorian third sector for further stimulating and supporting social and community enterprise? If so, what needs to be done to allow social and community enterprise to grow? If not, what are the perceived problems with advancing this model of activity?

Finally, what specific role can and should government play in enabling community and social enterprise in Victoria?

BIBLIOGRAPHY

- Adelaide Central Mission (2003). *Social Enterprise in Australia: an introductory handbook*. Adelaide: Adelaide Central Mission.
- Australian Centre for Cooperative Research and Development (2004) 'Claymore Community Development Cooperative' [online], [accessed 16/5/04] available from WWW at <http://www.accord.org.au/social/profiles/claymore.html>
- Australian Centre for Cooperative Research and Development (2004a) 'Canadian PM Boosts Social Enterprise' in Newsletter 18, April 2004 [online], [accessed 1/5/04] available from WWW at <http://www.accord.org.au/news/newsletters/april2004.html>
- Bank of England (2003). *The Financing of Social Enterprises: A Special Report by the Bank of England*. [online], [accessed 20/5/04] available from WWW at http://www.bankofengland.co.uk/financing_social_enterprise_report.pdf
- Barraket, J. (2001). *Building Sustainable Communities: Co-operative Solutions to Rural Renewal* (Report prepared for the NSW Fair Trading Advisory Council). Sydney: Australian Centre for Co-operative Research and Development.
- Boschee, J. (1995). "Social Entrepreneurship: Some Nonprofits are Not Only Thinking about the Unthinkable, They're Doing It - Running a Profit," *Across the Board* (Conference Board magazine), March 1995, pp. 20-25
- Boschee, J. (2001). *The Social Enterprise Sourcebook*. Minneapolis: Northland Institute.
- Boschee, J. & J. McClurg (2003). *Toward a better understanding of social entrepreneurship: Some important distinctions*. [online] [accessed 23/5/04] available from WWW at <http://www.sel.org.uk/ftp/BoscheeMcClurgEssay.pdf>
- Borzaga, C. and J. Defourny, eds. (2001). *Emergence of Social Enterprise*. London: Routledge.
- Brinckerhoff, P. C. (2000). *Social Entrepreneurship: The Art of Mission-Based Venture Development*. New York: John Wiley & Sons.
- CDFI Coalition (2004) 'CDFI Fund Statute' [online], [accessed 26/5/04] available from WWW at <http://www.cdfi.org/cdfifundstat.asp>
- Cook, B., C. Dodds, & W. Mitchell (2003). "Social Entrepreneurship – False premises and Dangerous Forebodings". *Australian Journal of Social Issues*, 38(1) 57-72.
- Dees, J. Gregory. (1998). *The Meaning of "Social Entrepreneurship"*. Graduate School of Business, Stanford University [online], [accessed 25/5/04] available from WWW at <http://www.catalystalliance.org/about/Meaning%20of%20SE.pdf>
- Dees, J. Gregory (1998a). "Enterprising Nonprofits." *Harvard Business Review* (January – February, 1998).
- Dees, J. Gregory, J. Emerson, and P. Economy. (2001). *Enterprising Nonprofits: A Toolkit for Social Entrepreneurs*. New York: John Wiley & Sons.
- Defourny, J. (no date) "A new entrepreneurship in the social economy" [online], [accessed 15/5/04] available from WWW at <http://www.emes.net/en/recherche/emes/analyse.php>

Department of Enterprise, Trade and Investment (2004) *Developing a Successful Social Economy: Northern Ireland Government's Strategic Plan 2004-2007 Consultation Document* [online], [accessed 16/5/04] available from WWW at <http://www.consultationni.gov.uk/economy.pdf>

Department of Trade and Industry (2002) *Social Enterprise: a Strategy for Success* [online], [accessed 10/5/04] available from WWW at <http://www.dti.gov.uk/socialenterprise/documenta.pdf>

Department of Trade and Industry (2003) Progress Report on *Social Enterprise: a Strategy for Success* [online], [accessed 15/5/04] available on WWW at http://www.dti.gov.uk/socialenterprise/pdfs/strat_success.pdf

Development Trust Association (2004) 'What is Community Enterprise?' [online], [accessed 16/5/04] available on WWW at <http://www.dta.org.uk/content/glossary/comenterprise.html>

Dijkstra, P. and S. Knottnerus, eds. (2004). *Successful Partnerships for Social Enterprise: Social enterprises in partnership with the public and private sector as a source of inspiration and renewal in local and regional development*. [online], [accessed 15/5/04] available from WWW at http://www.mple.info/english/html/index_eng.htm

DuRand, J. (1990). *The Affirmative Enterprise*. St. Paul: MDI Press.

Emerson, J., co-editor (2000). *A Reader in Social Enterprise*. Boston: Pearson Custom Publishing.

Emerson, J. (2001). *Social Intent and Returns: An Exploration of Investors, Instruments, and the Pursuit of a Social Return on Investment*. San Francisco: The Roberts Enterprise Development Fund.

Emerson, J. and M. Tuan (1999). *Social Purpose Enterprise and Venture Philanthropy in the New Millennium*. San Francisco: The Roberts Enterprise Development Fund.

EMES (2004) 'Research EMES project (1996-1999) [online], [accessed 16/5/04] available from WWW at <http://www.emes.net/en/recherche/emes/index.php>

Europa (2004) "Commission support to the Social Economy enterprises (Cooperatives, mutuals, associations, foundations)" [online], [accessed 20/6/04] available from WWW at <http://europa.eu.int/comm/enterprise/entrepreneurship/coop/social-history/social-history.htm>

Fuller, D., M. Howard & E. Cummings (2003). "Indigenous Micro-enterprise Development in Northern Australia – Implications for Economic and Social Policy". *Journal of Economic and Social Policy* Vol 7 (2): 15 - 34.

Gentile, M. P. (2002) *Social Impact Management and Social Enterprise: Two Sides of the Same Coin or a Totally Different Currency Discussion Paper IV*. New York. The Aspen Institute

Green PC (2004) 'About Green PC' [online], [accessed 10/6/04] available from WWW at <http://www.greenpc.com.au/about.shtml>

Grossman, A. (1998). *High Performance Nonprofit Organizations* (with C. Letts and W. Ryan). New York: John Wiley & Sons.

Harvard Business School (2004) "what is social enterprise" [online], [accessed 16/5/04] available from WWW at <http://www.hbs.edu/socialenterprise/whatis.html>

Hughes, V. (1998) 'Community Enterprise: Building Community in an Age of Deregulation and Marketisation' paper presented to 4th National Conference of Australia and New Zealand Third Sector Research. 17-19 June 1998.

Indigenous Enterprise Partnerships (2004) 'Projects' [online], [accessed 21/6/04] available from WWW at <http://www.iep.net.au/projects.htm>

Johnson, S. (2000). *Literature Review on Social Entrepreneurship*. Canadian Centre for Social Entrepreneurship [online], [accessed 25/5/04] available from WWW at <http://www.bus.ualberta.ca/ccse/WhatIs/Lit.%20Review%20SE%20November%202000.rtf>

Jordan, J. (2001) *Community and Economic Development: Towns Shaping Their Destiny* ACCORD Paper No 4, Lindfield, Australian Centre for Cooperative Research and Development

King, C. (2001). "Building a National Agenda for Social Entrepreneurship." Seattle: Keynote address, Third National Gathering for Social Entrepreneurs. (December 1, 2001). [online], [accessed 15/5/04] available from WWW at <http://ngse.org/NationalGatheringKeynote.pdf>

Leadbeater, C. (1997) *The Rise of the Social Entrepreneur* London. Demos.

Lewis, M. (2004). "The End of the Beginning: CED & the social economy break through onto the federal agenda". *Making Waves* 15(1) 2-3.

Lewis, M. (2004a). "Common Ground: CED & the Social Economy – Sorting out the Basics". *Making Waves* 15(1) 7-11.

Lyons, M. (2001) *Third Sector: The Contribution of nonprofit and cooperative enterprises in Australia* Crows Nest. Allen & Unwin.

MS Fresh (2004) 'About MS Fresh' [online], [accessed 10/6/04] available from WWW at http://www.msfresh.com/about_us.asp

Massarsky, C. W., and S. L. Beinhacker (2002). *Enterprising Nonprofits: Revenue Generation in the Nonprofit Sector*. Yale School of Management – The Goldman Sachs Foundation Partnership on Nonprofit Ventures. [online], [accessed 15/5/04] available from WWW at http://ventures.yale.edu/docs/Enterprising_Nonprofits.pdf

Maleny Enterprise Network Association Website (2004) [online], [accessed 10/5/04] available on WWW at http://templatesites.mena.org.au/mena/index2_html

Mental Illness Fellowship of Victoria (2004) 'About Us' [online], [accessed 20/5/04] available from WWW at <http://www.mifellowship.org/map2.htm>

Neamtan, N. (2004). "The Political Imperative: Civil Society & the Politics of Empowerment". *Making Waves* 15(1) 26-30.

NetC (2004) 'About NetC' [online], [accessed 15/5/04] available from WWW at http://www.netc.coop/about_netc

Olszak Management Consulting Inc. (2002). *A Study of Social Enterprise in the Pittsburgh Region*. Report prepared for The Forbes Fund. [online], [accessed 20/5/04] available from WWW at <http://www.olszak.com/nonprofit/files/SocialEnterpriseInThePittsburghRegion.pdf>

Parker, K. and Lyons, M. (2003) *Community Development Finance Institutions: Evidence from Overseas and Australia* ACCORD Report No. 3 [online], [accessed 1/5/04] http://www.accord.org.au/publications/ACCORD_CDFI_Report4.pdf accessed 1/5/04

- Paton, R. (2003). *Managing and Measuring Social Enterprises*. London: Sage Publications.
- Pearce, J. (2003). *Social Enterprise in Anytown* (with a chapter by Alan Kay). London: Calouste Gulbenkian Foundation.
- Pearson, N. (2001) 'What Cape York Communities Can do for Themselves' in *Online Opinion* [online], [accessed 20/12/2003] available from the WWW at <http://www.onlineopinion.com.au/view.asp?article=1052>
- Pestoff, V. A. (1999). *Beyond the market and state: social enterprises and civil democracy in a welfare state*. Hants: Ashgate Publishing Company.
- Pharoah, C. & Scott, D. (2002) 'Social Enterprise in the Voluntary and Community Sectors. Changes for Policy and Practice" paper presented at International Third Sector Research Conference, Capetown, 2000
- Pharoah, C. & Scott, D. (2004) *Social Enterprise in the Balance* London. Charities Aid Foundation
- Quarter, J. (2000). *Beyond the Bottom Line: Socially Innovative Business Owners*. Westport: Quorum Books.
- Richard, P. (2004). "Transformed by community economic development Southwest Montreal now has a future as well as a past". *Making Waves* 15(1) 21-25.
- Roberts Enterprise Development Fund (1999). *REDF Box Set – Social Purpose Enterprises and Venture Philanthropy in the New Millennium, Volume 1: Practitioner Perspectives*. San Francisco: The Roberts Enterprise Development Fund.
- Ryan, W. P. (2001). *Nonprofit Capital – A Review of Problems and Strategies*. Report prepared for The Rockefeller Foundation and Fannie Mae Foundation.
- Salamon, L. (1999) *America's Nonprofit Sector: a Primer 2nd edition* New York. Foundation Center
- Scottish Executive (2003) *A Review of the Scottish Executive's Policies to Promote the Social Economy* [online], [accessed 15/5/04] available from WWW at <http://www.scotland.gov.uk/library5/social/rose.pdf>
- Simons, R. (2000) *Social Enterprise: an Opportunity to Harness Capacities* Briefing Paper no. 7 Sydney, The Smith Family.
- Social Enterprise London (2004) 'Social Enterprise' [online], [accessed 15/5/04] available from WWW at http://www.sel.org.uk/social_enterprise/social_index.asp
- Social Investment Taskforce (2004) 'Enterprising Communities: wealth beyond welfare' [online], [accessed 10/6/04] available on WWW at <http://www.enterprising-communities.org.uk/>
- Social Ventures Australia (2004) 'About SVA' [online], [accessed 12/5/04] available from WWW at <http://www.socialventures.com.au/AboutSVA/>
- Spear, R. (2000). *The Nature of Entrepreneurship – Some Findings*. Milton Keynes: Revised version of paper presented at ISTR conference, Dublin, July 2000.
- Weisbrod, B. A., ed. (1998). *To Profit or Not to Profit: The Commercial Transformation of the Nonprofit Sector*. New York: Cambridge University Press.

Young, D. (2001). *Social Enterprise in the United States: Alternate Identities and Forms*. (Paper prepared for the EMES Conference, *The Social Enterprise: A Comparative Perspective*. Trento, Italy, December 13-15, 2001)

ⁱ Dr Jo Barraket is a lecturer in public policy at the University of Melbourne Department of Political Science.