

# The State of Social Enterprise in Australia

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## Abstract

*Interest in social enterprise has grown across the world and across all sectors in recent years. This interest is underpinned by multiple drivers, arising variously from the logics of new public governance, market-centric approaches to meeting social needs and a reclamation of people-centred economic arrangements as a response to complex problems. In this commentary, I reflect on developments in social enterprise practice and scholarship in Australia since conducting the first national mapping of the field in 2010. I consider changes in practice and in the policy and development ecosystem that inform social enterprise development. In so doing, I consider what is driving these developments and their implications for future practice of both social enterprise and the third sector, and the related implications for scholarship of social enterprise.*

## Keywords

Social enterprise; Australia; social economy; commentary.

## Commentary

In mid-2016 Thomson Reuters Foundation conducted an international poll of 880 experts across 44 of the world's largest national economies to assess the state of social entrepreneurship worldwide. In this poll, Australia ranked 26th overall as the best place to be a social entrepreneur, while it rated equal third – alongside India and Singapore – on the perception that social entrepreneurship is gaining momentum (Thomson

Reuters Foundation 2016).<sup>1</sup> While a study of perceptions rather than empirical realities, the findings of this research depict a developmental environment for social enterprise in Australia that has been historically flat, but is now gaining ground. These findings in part reflect the limited public and philanthropic investment in the Australian social enterprise development ecosystem relative to other countries in recent years. They also reflect the ambivalent to at times hostile relations between governments and the third sector that are part of this country's public policy history (Passey & Lyons 2006; Barraket 2008).

In 2010 Nick Collyer and I reported in *Third Sector Review* on the methodological challenges of defining and mapping social enterprise in Australia. This discussion reflected on the process questions arising from our first attempt to understand the dimensions of social enterprise in this country, as part of the Finding Australia's Social Enterprise Sector (FASES) project (Barraket & Collyer 2010). In 2010 FASES found that social enterprise in Australia was not new, but was an established and sustained field of action, operating in every industry of the Australian economy. Like the aspirations of civil society itself, the social purposes of Australian social enterprises were incredibly diverse, ranging from welfare objectives to local conservation to empowerment of local democracy and beyond. We found that there was a collective emphasis on social innovation among Australian social enterprises, with many describing a primary feature of their purpose as being to develop new solutions to complex social and environmental problems.

The definitional issues we grappled with in 2010 have been pervasive in practice and in the scholarly literature, both in our region and across the world (Thompson & Doherty 2006; Lumpkin 2011; Doherty et al. 2014). While some advocate for broad definitions that are inclusive of a diverse range of organisational forms and purposes, others suggest that tighter definitions can support targeted financial support for 'legitimate' social enterprises and help avoid free-riding by organisations that may be capitalising on 'social wash' rather than seeking to contribute to social change. Through FASES, we developed a starting definition that could be operationalised in a large survey analysis of social enterprise activity. This definition was empirically generated – through discussions and

online submissions from a wide range of individuals and organisations – and tested through the administration of the first FASES survey. At the time, we defined social enterprises as organisations that existed to fulfil a mission consistent with public or community benefit, that trade to fulfil their mission, and that reinvest a substantial proportion of their profit or surplus in the fulfilment of that mission (Barraket et al. 2010). This definition was fit for its purpose, and was intended to be a starting point rather than the last word on social enterprise in Australia. It has since been used by a number of government departments to operationalise investment into social enterprises in Australia, yet there remains no agreed national definition of social enterprise. Indeed, six years on, we find that definitional debates continue, although they are more muted than they seemed to be in 2010, when the language of social enterprise was more nascent in our region.

Revisiting FASES for a second wave of research in 2015–2016 (Barraket et al. 2016), we found that there are a lot of new entrants to the Australian social enterprise field, with 38% of the social enterprises we identified being younger than five years old. Does this mean the field is growing? Perhaps, but it may also mean that we are seeing stronger identification with terminology, rather than increased activity as such. As the concept of social enterprise has become (somewhat) more commonplace and understood, there appears to be greater knowledge of and legitimacy (Suchman 1995) in the terminology and its associated practice, and a greater level of self-identification with it by emerging organisations and individuals. As traditional public and philanthropic funding streams become more market-oriented, some existing third sector organisations are also rebranding themselves as social enterprises. Participants in FASES 2016 identified quasi-market development by governments – particularly the National Disability Insurance Scheme – as major policy levers that effectively ‘manufacture’ social enterprise as third sector organisations respond to changes in their operating environments.

While FASES 2016 participants noted new policy levers being used and new interest in social enterprise from philanthropy, they generally felt that public awareness of social enterprise remains low. At the same time, new generations’ interests in ethical practice and combining

personal values with career choices were seen as emerging opportunities for social enterprises, both to increase their social impacts by growing their reach, and to access new talent to support their work over time. The latter appears to be gaining some support from higher education, with a growing number of Australian and New Zealand universities embedding social entrepreneurship or social impact education in their business and social sciences offerings. This is notably coming off a very low base, with curriculum developments far from mainstream at the time of writing. New programs and offerings do, however, seem to be responding to a changing environment, as universities come to terms with the future needs and current demands of their millennial cohorts.

While activity in education and on the ground seems to be growing, the development ecosystem and public policy environment for social enterprise in Australia remains patchy at best, with the latter reflecting the previously mentioned history of government–third sector relations in this country (Passey & Lyons 2006). Social entrepreneurs with whom we spoke during FASES 2016 described a geographically concentrated specialist intermediary system, with very limited access to support outside major cities and poor knowledge of social enterprise among mainstream legal and financial advisors. Equally concerning, they described uneven quality and capability within some emerging intermediaries, with promises often under-delivered and over-hyped. The absence of a national voice – in the form of an industry representative body or ‘peak’ – was also identified as an ongoing problem. Lack of access to suitable forms of social finance remains a challenge for some social enterprises, particularly in the south, west and remote north of the country.

Many of these issues reflect the general challenges of field building (Nicholls 2010), as social entrepreneurs develop collective identity across highly diverse manifestations of practice. Melucci (1996) reminds us that collective identity formation is not just the realm of centrally involved collective actors, but of those external to them that ‘recognise’ and ‘name’ them. Social enterprise development is undoubtedly enabled by social, technological and economic developments that create both new opportunities and new imperatives for action in this field. It is also

affected by changes in public policy, in contemporary philanthropy and by wider developments in the co-creation of the public sphere (cf. Bozeman & Johnson 2015). Many of these developments remain early-stage or experimental in Australia at this time, although some do seem to be gaining traction. Within this space of experimentation, however, there is a danger of conflating emergent practices – such as impact investing, social procurement and social enterprise development – that have common institutional drivers but not always complementary practitioner-defined purposes or needs. In terms of the potential for positive social impact, there is also a real concern that institutionally legitimised forms of practice will simply reinstate old ways of doing things, reducing the capacity for change and responsiveness purportedly introduced by new models and instruments. Emerging research evidence is suggesting, for example, that policy imperatives based on outcomes-based funding are favouring large third sector organisations over those that are smaller and arguably closer to the communities they seek to serve. In the social enterprise field, this lends itself to conceptions of scaling businesses, rather than scaling their impacts, that may ultimately erode the very social value of favouring social enterprise as part of a suite of organisational responses to complex social problems.

Beyond the practical challenges, opportunities and constraints of social enterprise, a normative debate continues to rage – both in day-to-day practice and in scholarly literature – about the purpose and ultimate impacts of social enterprise. There is no doubt that neoliberal agendas and the machinery of new public governance (Osborne 2006) are driving funding and regulatory frameworks that shape the dimensions of the ‘visible’ social enterprise field. Corporate notions of scale and illusions of the capacity of ‘the market’ to deliver measurable and replicable ‘silver bullet’ solutions to intractable, complex and often highly context-specific problems are present in many of the professional and boardroom discussions – and, occasionally, in the academic forums – in which I find myself. As the hegemony of neoliberal market logic has been so routinised as to be rendered almost invisible, analyses of power and its effects – both repressive and generative – seem to have been largely sidelined. These discussions tend to render insignificant forms of civic

and collective action that do not engage with the mainstream market, or are explicitly concerned with contesting market power. Another troubling effect of this discourse is a dominant tendency to cast the doing of business as an expert domain and the creation of social value as a generic domain into which anyone with an MBA and a sentiment to 'do good' can launch themselves. The corporatisation of the third sector that accompanies the rise of social enterprise is definitely cause for concern. So, too, is the concomitant devaluing of diverse knowledges needed to tackle social problems at their source. In practical terms, it seems that more needs to be done to ensure that the generative value of people-centred social enterprise is not ultimately sidelined in favour of institutionally palatable but weak (on purpose and impact) imitations. In scholarly terms, it is important that social science scholars from critical epistemological traditions remain active in contributing to both normative and analytic debates about the nature of social enterprise, its societal potential and effects.

A more positive – and equally apparent – inflection of discourses of social enterprise and social entrepreneurship rests in a general enthusiasm for human creativity and dynamic responses to social problems that this evokes. It is the possibilities and appeal of this discourse which – by my observation – led every critically oriented keynote speaker at the 2016 International Social Innovation Research Conference, held in Glasgow, to preface their presentation with a disclaimer clarifying their support for such imaginative and resourceful practice. As an engaged researcher in this field, I am almost every day exposed to real acts of human ingenuity manifest in social enterprise, where individuals and groups driven by progressive social purpose come up with new ideas and business models to respond to a local need or a global problem, contest an existing paradigm and challenge us all to think differently about our received truths of inequality and justice. I am particularly struck by the capacity of social entrepreneurs to see latent value in discarded resources, and to recast problems (and 'problem people') as solutions in ways that make intuitive sense the minute they are revealed. This is arguably a trait of many civil society actors – having its roots in the work of new social movements – but

it is particularly palpable and highly visible in contemporary practices of social enterprises. What remains largely unapparent at this stage in the evolution of Australian social enterprise is whether discrete organisational practice can be stitched together into a larger collective whole – a movement or constellation of sub-movements – that gives expression to and makes shared meaning of the change social enterprises seek to enable in the world. Is this an impossible expectation of a field driven by the individualistic impulses of neoliberalism? Perhaps. But it is more likely a tension of building collective identity within a highly diverse field of action among actors who, quite literally, have competing demands on their time to ‘mind the shop’.

While practice continues to outstrip theory in the social enterprise domain, the last decade has seen a veritable explosion of scholarly research of social enterprise and social entrepreneurship (see, for example, Kerlin 2006; Maclean et al. 2013; Shaw & de Bruin 2013; Battilana & Lee 2014). Much of this research has focused on questions of ‘how’, addressing management considerations and implications of hybrid business practices. More is needed to understand ‘why’ and ‘what’, in terms of the unique social impacts produced by social enterprises and their implications – and limitations – for effecting progressive social change. There is a new wave of social enterprise researchers emerging across our world region. As I examine many of their PhDs and hear them presenting at conferences, I am optimistic that the creativity, ingenuity and rigour that seem to mark effective social entrepreneurs also characterise the emerging researchers of social enterprise practice. In this regard, the future seems bright.

## NOTES

1. New Zealand did not form part of the sample for this study.

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