

Social Enterprise

Definition

There are a range of definitions of social enterprise. A useful definition and one agreed by the Illawarra/Shoalhaven Social Procurement Roadmap Working Group is

An organisation that exists to fulfil a mission that's consistent with a public or community benefit. It trades to fulfil that mission and it reinvests a substantial proportion of its profit or surplus in the fulfilment of that mission.

Social enterprises are different to charities in that they gain their income through trading goods and services not donations. They are businesses that are oriented towards community good rather than private gain.

Types

There are many types of social enterprises. Below are four examples;

Employment based model - social enterprises that employ people who would find it difficult to gain employment in the mainstream labour market. For example people with a disability, people from a refugee background, people who have experienced long term unemployment and young people.

Goods/services model - social enterprises that provide goods or services that attempt to reduce or remove the social or environmental impact of a good or service that is already in the market. For example a fair trade social enterprises that offer fair prices to their makers and use ethical work practices.

Social investment model - this is the model that most closely resembles a mainstream business. These social enterprises sell their goods or services, however they must invest profits into their mission that contributes to social or environmental good.

Hybrid Model – in reality many social enterprises are a combination of models. For example, a social enterprise that employs people from a refugee

background to provide catering services and invests the profits back into the enterprise's mission.

Is it a social enterprise?

A test for a non-profit or charity that believes it is operating a social enterprise is to ask the question:

- **What are you selling?**
It could be that you are operating with an entrepreneurial mindset, but if you are not selling a good or service into the marketplace, you may be running a social program, not a social enterprise.

A test for a traditional business that believes it is operating a social enterprise:

- **To what degree do social / environmental goals steer your ship?**
If profit is paramount (and particularly if individual owners or shareholders are personally benefitting), you may be engaging in socially conscious purchasing or corporate social responsibility, rather than operating a social enterprise.

Legal Structures

Social Enterprises can be for profit, not for profit or hybrid. Regardless of this status you will need to decide on the most appropriate legal structure. The following table summarises the structures available in NSW and Victoria. For more information on legal structures visit [Justice Connect](#).

| Structure | Can be used in for-profit? | Can be used in not-for-profit? | Can be used in hybrid? |
|------------------------------------|--|--------------------------------|------------------------|
| Private company (Pty Ltd) | ✓ | ✗ in general | ✓ |
| Incorporated association (Inc) | ✗ | ✓ | ✓ |
| Company Limited by Guarantee (Ltd) | ✗ | ✓ | ✓ |
| Co-operative | depending on type, can provide profit to members | ✓ | ✓ |
| Indigenous Corporation | ✓ | ✓ | ✓ |

Social Enterprise Resources

Social Traders Social Traders’ mission is to nurture, develop and grow the social enterprise sector in Australia. They provide a good description of social enterprises in the Australian context. They also have an online directory of over 5000 Australian Social Enterprises and provide training opportunities

Social Enterprise Canada has free toolkits on ‘How to develop a social enterprise’, ‘Strengthen your business skills’, ‘Purchasing Toolkit’ and ‘Supportive Employment Toolkit’. Please note; much of the information in the toolkits is transferable to the Australian context except in the legal context. For the NSW and Victorian legal context visit Justice Connect.

Justice Connect works with the corporate and community legal sectors to increase access to justice for those experiencing disadvantage. They have a free resource ‘Social Enterprise Guide; Legal issues to consider when setting up a social enterprise’. This guide answers many questions for groups exploring the idea of starting a social enterprise, and provides lists of other resources and organisations working with social enterprises in Victoria and NSW. There is also a free webinar.

School for Social Entrepreneurs run learning programs across Australia for people from all backgrounds that have an idea or business with a community benefit. They also have a free resource; ‘Guide to fundraising’.

Sources: BC Centre for Social Enterprise, *What is a social enterprise?* <http://www.centreforsocialenterprise.com/>

Jarvis, Dominic, *Starting out in social enterprise – Business Basics*, Australian Broadcasting Corporation, ABC Online, <http://www.abc.net.au/cgi-bin/common/printfriendly.pl?catapult/basics/s2554740.htm>

Justice Connect, *Not for Profit Law Guide, Social Enterprise Guide; Legal issues to consider when setting up a social enterprise, March 2015*

Social Traders *Social Enterprise Builder, Understanding Social Enterprise*, http://www.socialtraders.com.au/_uploads/_ckpg/files/Understanding%20Social%20Enterprises.pdf



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