WA social enterprise mapping project

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WA Social Enterprise Mapping Project

Preliminary Summary Report

November 2019

Executive Summary

The intent of the WA Social Enterprise Mapping Project is to develop a baseline picture of the state of social enterprise in Western Australia, understanding the capacity of and challenges faced by social enterprises, and the environments within which they operate. Phase 1 was undertaken between August – November 2019 through a sector-wide survey. This Preliminary Summary Report is the output of that phase. Phase 2 will be undertaken through March – June 2020.

This work has been led by Impact Seed and supported by the State Government's New Industries Fund XTEND Program.

For the purposes of the WA Social Enterprise Mapping Project, we have endeavoured to be as inclusive as possible. So, though acknowledging the narrower *Finding Australia's Social Enterprises* (FASES) definition (see Introduction), we have used a broader definition of social enterprise:

> *Social enterprise is defined as a unique entity that derives most of its income from trade and reinvests a significant proportion of its profit in furthering its mission.*

In total there were 173 responses to the Phase 1 survey.

Key findings

- The largest proportion of WA's social enterprises are start-ups, having been founded since 2014, which are seeking early stage/catalytic funding support. It is important to also note, however, the many NFP organisations now trading to fulfil mission either through social enterprise or a trading arm have been established for decades.
- Most of WA's social enterprises primarily operate in the greater Perth region (67.1%); however, we had responses from most regions across the state.
- The most cited impact area for WA's social enterprises is community inclusion and belonging (24.3%); though cumulatively, enterprises with a primary impact area of the environment (waste, carbon and sustainable energy, and food, fibre and regenerative systems) comprised 26.6% of responses.
- The largest proportion of respondents (36%) are very small/early stage start-up enterprises, with revenue between $10k - $99k. Altogether, 77.1% of respondents are either pre-revenue, early revenue and/or earning less than $99k per annum. This demonstrates the fact that we are still early in market development in WA.
- More than half of the responses (50.3%, 87 responses) were start-up or existing enterprise in a for-profit, co-operative or hybrid structure. Nearly 1/5 (19.7%, 34 responses) were not-for-profit organisations looking to start up a social enterprise; and the remainder were either NFPs with trading arms/auspiced enterprises, or social enterprises with an NFP structure.
- The most cited mission for NFPs fell into the broad category of community/human development - enterprises focussed on upskilling, educating and connecting people, and building people and communities to be the best they can be.
- WA's social enterprises have taken on some investment/start-up funding, and critically, require further catalytic investment to grow (92.1%).

Only 3 of 169 responses stated that they could not see the need for a WA Social Enterprise Council (WASEC). Altogether, 58% of respondents want to see a WASEC delivering on links to funding opportunities, and links with investors. The next three most popular proposed areas of responsibility for WASEC are advocacy, capacity building and promotion of social enterprises.

Contents

Introduction and Context

The intent of the WA Social Enterprise Mapping Project is to develop a baseline picture of the state of social enterprise in Western Australia, understanding the capacity of and challenges faced by social enterprises, and the environments within which they operate. Phase 1 was undertaken between August – November 2019 through a sector-wide survey. This Preliminary Summary Report is the output of that phase. Phase 2 will be undertaken through March – June 2020.

This work has been led by Impact Seed and supported by the State Government's New Industries Fund XTEND program.

We acknowledge the *Finding Australia's Social Enterprise Sector (FASES)* definition of social enterprise, i.e. Organisations that:

- Are led by an economic, social, cultural, or environmental mission consistent with a public or community benefit,
- Trade to fulfil their mission,
- Derive a substantial portion of their income from trade; and
- Reinvest the majority of their profit/surplus in the fulfilment of their mission.

For the purposes of the WA Social Enterprise Mapping Project, however, we have accepted responses from a broader range of respondents. In responding to the survey, respondents acknowledged the following:

> *I acknowledge and understand that for the purposes of this mapping project, social enterprise is defined as a unique entity that derives most of its income from trade and reinvests a significant proportion of its profit in furthering its mission.*

Given the smaller sector in Western Australia, and the relatively slower uptake of the concepts of social enterprise, we have endeavoured to be as inclusive as possible. However, we have made comparisons and mapped to the FASES body of work where it is relevant, and there is a useful perspective/comparison to contribute.

In total there were 173 responses to the Phase 1 survey, though the number of responses to each question varied based on type of enterprise (some questions were asked of some types and not of others), and on the desire of the respondent to answer the question.

Assumptions and Limitations

1. Whilst this project has been supported in part by the New Industries Fund, it has been undertaken largely on an in-kind basis by Impact Seed, with support from student interns. As such, the resourcing of this project has been significantly less than that of FASES or other like exploratory studies. At this point we foresee only engaging with the sector through survey.
2. This project is currently only exploring the perspectives of social enterprises themselves; rather than providing a broader perspective on the state of the market and including investors, intermediaries and other stakeholders.
3. Based on our understanding of the sector in WA, though the response rate has been pleasing (139 full responses in WA compares well to the 100 full responses in FASES 2016), there are social enterprises missing. Phase 2 will endeavour to capture these (and others).

Findings

1. Demographics

1.1. Age of social enterprises

Question 3 asked respondents about the year in which their social enterprise was founded. There were 167 valid responses to this question, sorted below.
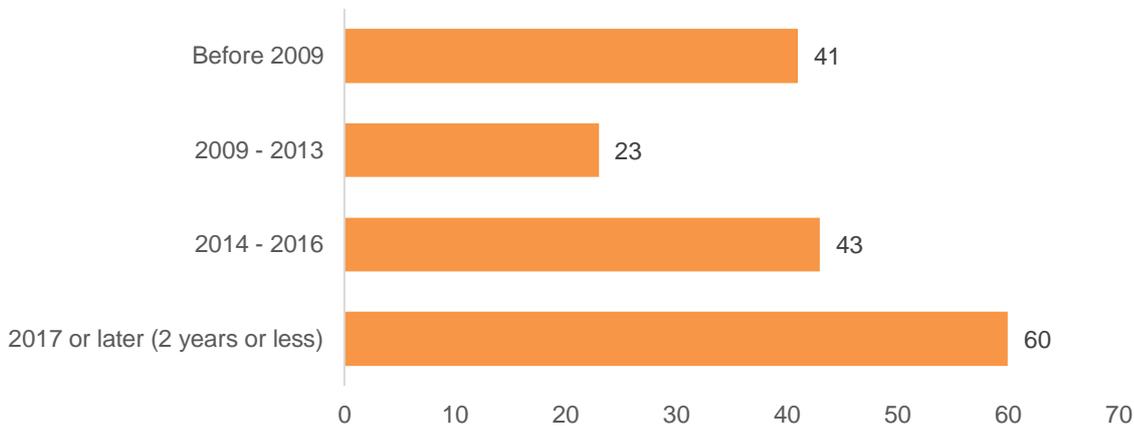

Figure 1: Enterprises, by year founded (n=167)

Of the 28 organisations that identified as being founded before 2000, most of them are NFP organisations that have moved into social enterprise, either through transitioning, or creating trading arms. This is similar to the findings in FASES 2016, where the greatest proportion of social enterprises were more than 10 years in operation (38% of responses).

It is worth noting the largest proportion of enterprises (60 responses, or 35.9% are in start-up phase, having been founded since 2017.

1.2. Primary operating area

The most common operating area for social enterprises in WA is the greater Perth region at 67.1%.

No responses were received from enterprises operating in the Gascoyne, though we know some are operating there.

Figure 2 shows the proportion of responses by grouped regions, whilst Figure 3 provides the number and percentage of responses by region.
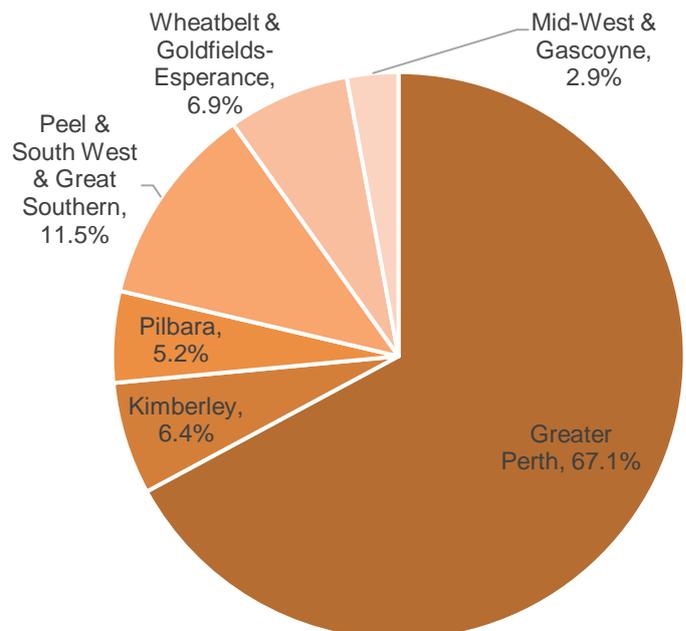

Figure 2: Operating area by region – grouped (n=173).

Region	Number of responses	Proportion of responses
Greater Perth	116	67.1%
Kimberley	11	6.4%
Pilbara	9	5.2%
Peel	7	4%
South West	7	4%
Wheatbelt	7	4%
Great Southern	6	3.5%
Goldfields-Esperance	5	2.9%
Mid West	5	2.9%
Gascoyne	0	0

Figure 3: Operating area by number and proportion (n=173).

1.3. Primary impact area

Question 9 asked respondents to select a primary impact area for their enterprise. Figure 4 shows those responses by number. The most popular primary impact areas were community inclusion and belonging (24.3%), health (13.9%) and education (13.3%).
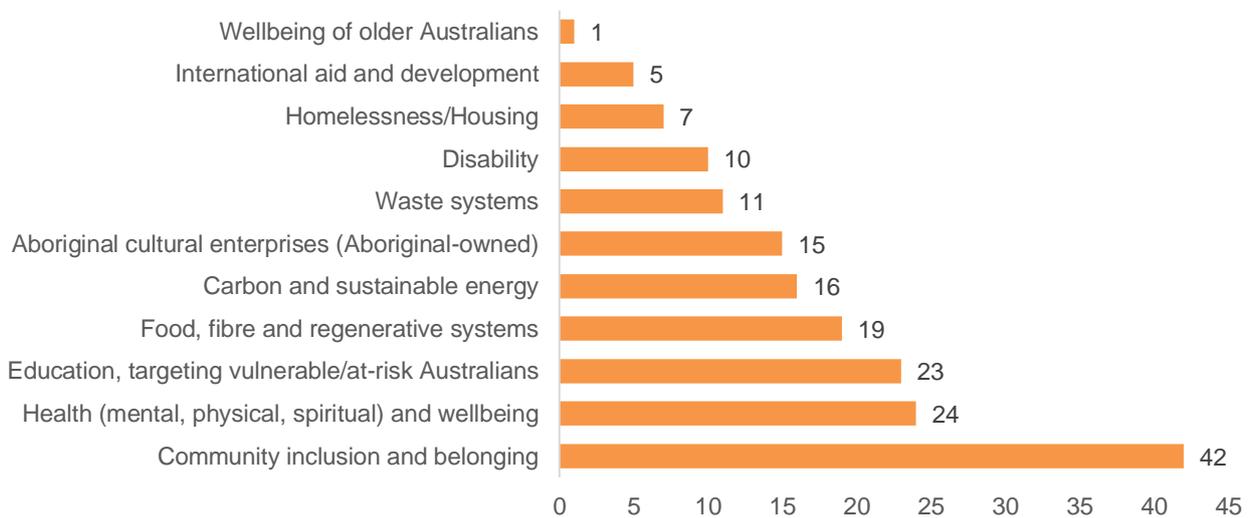

Figure 4: Primary impact area - by number of responses (n=173).

Interestingly, though WA's population of older people is forecast by 2031 to grow by 3.4%, or around half a million people (Department of Planning, Lands and Heritage); wellbeing of older Australians was selected only by one respondent.

Cumulatively, enterprises with a primary impact area of the environment (waste, carbon and sustainable energy, and food, fibre and regenerative systems) comprised 26.6% of responses.

"The Kimberley Community Seedbank is a not-for-profit community enterprise that promotes good revegetation practices, supports conservation and management activities and provides an avenue for community groups to make an economic return. It is also a resource hub. In addition, we are looking to develop a conservation science tour business".

1.4. Revenue (size)

Figure 5 below provides an illustration of the revenue (size) of respondent enterprises.
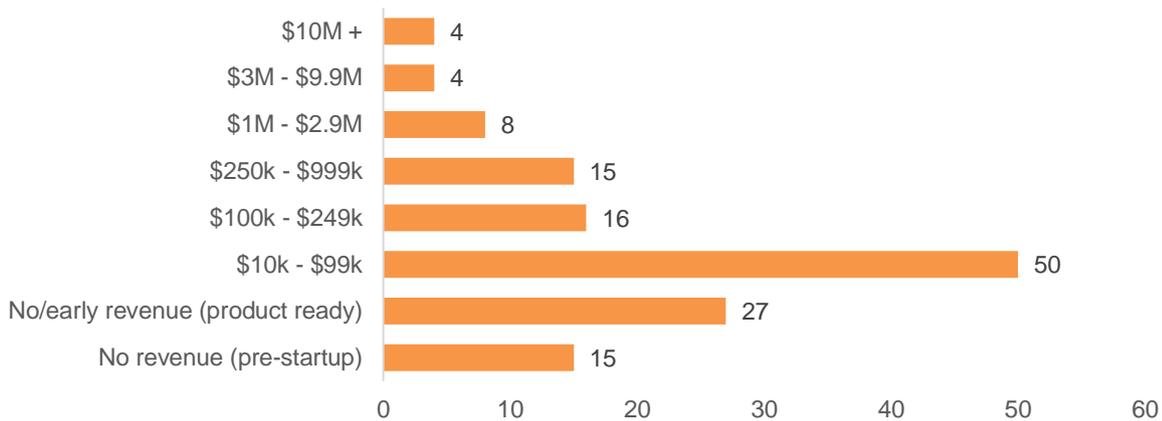
Figure 5: Revenue (size) of social enterprises (n=139)

The largest proportion of respondents (36%) are very small/start-up social enterprises, with revenue between $10k - $99k. Figure 7 demonstrates that the social enterprises responding to the survey are very much on the smaller side – cumulatively, 77.1% of respondents are either pre-revenue, early revenue and/or earning less than $99k per annum.

This mirrors the findings from FASES 2016, where it was found that though the sector does include small, medium and large enterprises, the majority in the sample is small, reflecting that early stage of market development in WA with a high proportion of startups. The WA sample here is smaller than the national sample (both in terms of the sample size, and the overall size of enterprises).

1.4. Structure

Respondents were asked about the structure of their social enterprise. More than half of the responses (50.3%, 87 responses) were start-up or existing enterprise in a for-profit, co-operative or hybrid structure.

Nearly 1/5 (19.7%, 34 responses) were not-for-profit organisations looking to start up a social enterprise, and these organisations were asked additional questions about readiness, outlined below.

The NFPs with existing enterprises were asked how the enterprise fit with their NFP. Fifteen responses (51.7%) answered that the social enterprise was only one part of their NFP and that it wouldn't be distinguished from its parent NFP (i.e. it will always be a trading arm). Fourteen responses (48.3%) answered that trading of goods/services is or will be the main activity of the NFP.
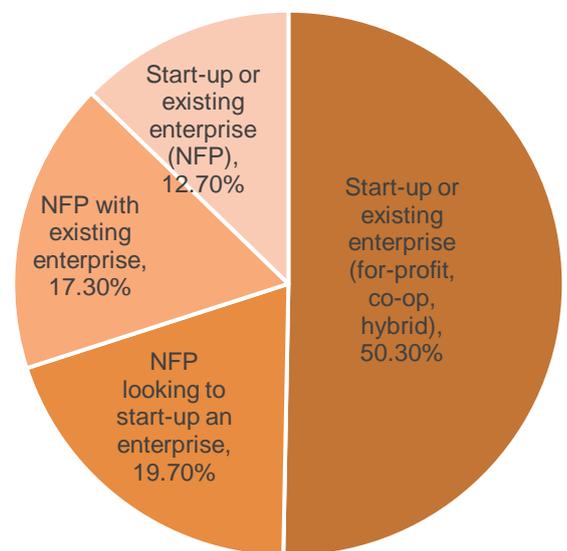

Figure 6: Enterprise structure (n=173).

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2. Social Impact Model

2.1. What does the social enterprise do?

Question 18 asked respondents to describe what their social enterprise does in 1-2 sentences. This was a free text response, with 139 responses. Through textual analysis, these responses were grouped into eight categories, as outlined in Figure 7. A summary of each category is provided below.
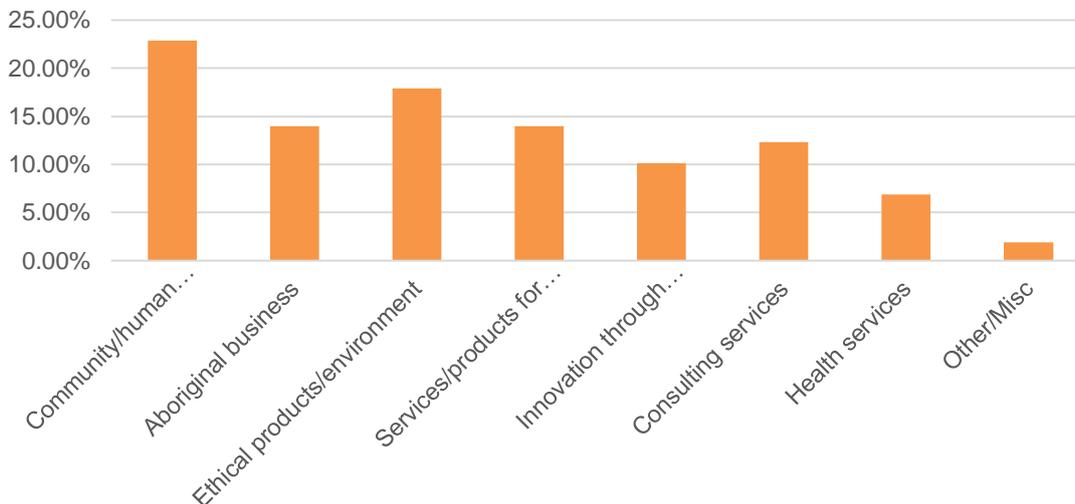

Figure 7: Social enterprises - what do they do?

Community/human development refers to social enterprises focussed on upskilling, educating and connecting people. They are focussed on building people and communities to be the best they can be. Many of the NFPs responding to the survey fell into this category, or into the services/products for people experiencing disadvantage, below. These enterprises tended to be focussed in the metropolitan and greater Perth areas.

Aboriginal-focussed refers to those businesses that were a) owned/managed by Aboriginal people or b) (as it was not always clear whether they were Aboriginal-owned) those businesses focussed on culture, tourism and/or issues faced by Aboriginal people. These enterprises tended to be regionally based.

Ethical products/environment refers to enterprises that are selling ethical products and/or were clearly focussed on environmental goals. These are grouped together as often enterprises selling products were doing so with an intention to have an environmental impact.

Services/products for people experiencing disadvantage is self-explanatory. Most of the enterprises that fit into this category were NFP organisations. Employment-based enterprises also fit into this category.

Innovation through tech refers to social enterprises using technology for good/for social impact. Many of the technology start-ups that have a social mission or interest fit into this category. These enterprises were often based in the metropolitan area.

Consulting services is self-explanatory, referring to enterprises whose mission it is to support other enterprises.

Health services is self-explanatory, referring to those enterprises with an emphasis on health. There were enough enterprises that answered the free-text responses to warrant this being its own category.

In FASES 2016, the most cited missions from social enterprises were in creating meaningful employment opportunities for people from a specific group, and developing new solutions to social, cultural, economic or environmental problems. The 2016 report notes that this differs from 2010, where creating opportunities for people to participate in their community was the most frequently cited response. It is interesting that with this data, for WA in 2019, there is a similar trend to the 2010 missions – that most enterprises are focussing on general access and participation in community.

2.2. How does the social enterprise create its impact?

Question 19 asked respondents to select the social impact model that best fit their social enterprise):

- Impact is built into the operating model (e.g. employment - STREAT);
- Impact created through supply chain (e.g. Etiko);
- Impact is generated by a profit-sharing model (e.g. Who Gives a Crap);
- Impact created by ownership structure (e.g. NFP ownership – Impact Collective);
- The better the business does, the higher the impact (e.g. Hire Up).

Noting that most social enterprises will generate impact through more than one of these impact models, respondents were asked to choose the one best fit.

As Figure 8 demonstrates, approximately a third of respondents indicated that their primary impact is inextricably linked to how well their business does (33.1%), and another third indicated that their primary impact is built into their operating model (30.2%).
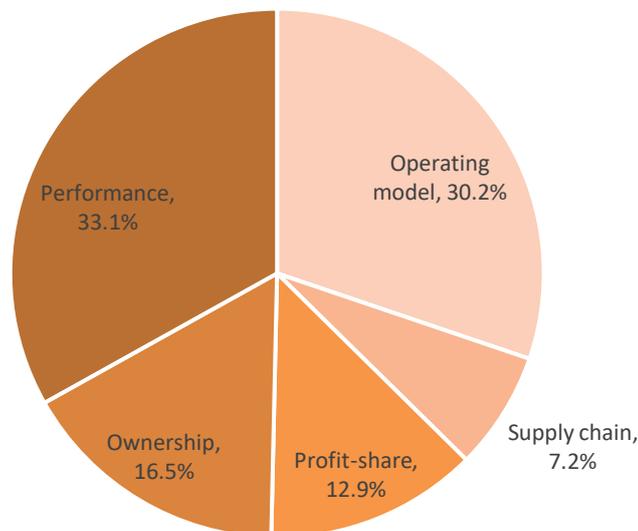

Figure 8: Social enterprise social impact model (n=139).

3. Business growth and development

3.1. Primary paying customer

Question 21 asked respondents to describe who their primary paying customer(s) are for their product or service. Though some guidance was provided (*e.g. retail consumers, community groups, small businesses, corporates, local government…*), this was a free text response with 128 responses. Through textual analysis, these responses were grouped into eight categories, as outlined in Figure 9. Responses were counted under as many categories as were included.

Customer	Further details	Number of responses	% of responses
Retail consumers (i.e. individual people)	Specific mentions - regional, people with disability, tenants, parents of young children, people with hearing/communication difficulties, home-buyers.	60	46.9%
Government	State	9	7%
	Local	24	18.8%
	Federal (2) & unspecified	20	15.6%
Small business (including SMEs)	Specific mentions included agribusiness, food services, builders)	35	27.3%
Corporates	Specific mentions included large, resources sector, agribusiness.	38	29.7%
NFP/community service organisations	Specific mentions included arts, disability	29	22.7%
Schools		6	4.7%
Research institutions/universities		5	3.9%
Other (incl financial institutions, investors, health professionals)		5	3.9%

Figure 9: Primary paying customers

The largest proportion of social enterprises are targeting retail consumers (46.9%). A significant proportion (41.4%, cumulatively) have government as a key customer. Small businesses, corporates and the NFP community services sector also comprise significant customer segments for WA social enterprises.

3.2. Investment requirements

3.2.1. Current investment

Question 22 asked respondents how much investment had been made in their enterprise to date. Figure 10 (below) demonstrates that most social enterprises have had some cash investment/startup funding to date. Only 17 respondents (12.2%) indicated that they had had no investment, and only a time contribution to date. The most common band of investment to date was between $10k - $99k, with 43 respondents (30.9%) having received an amount in that band.
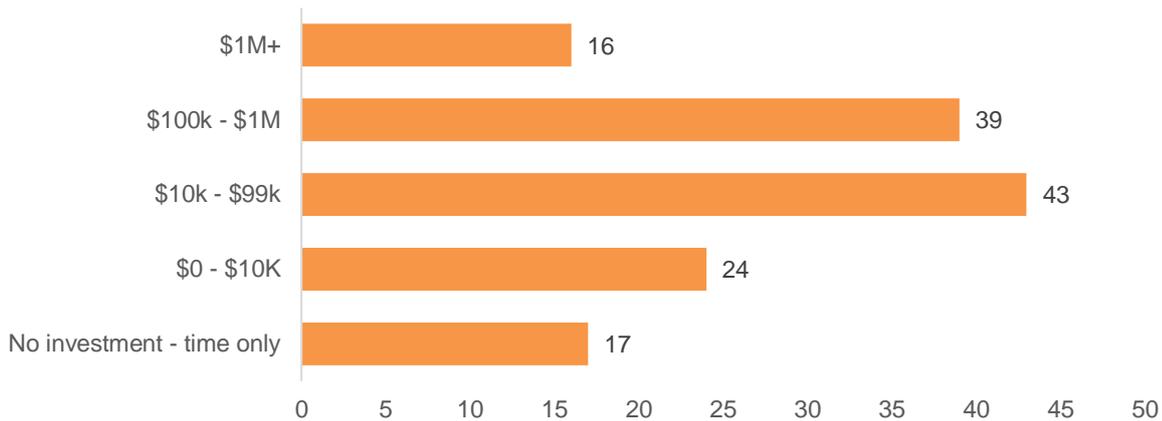
Figure 10: Investment into social enterprises to date (n=139)

It is important to note that this, alongside the revenue in Section 1.4, paints a picture of an emerging, under-development social enterprise sector in WA. Overall, whilst there are a few larger social enterprises, overall, the sector consists of a very high number of very early revenue enterprises that have taken on very small amounts of investment to date.

3.2.2. Future investment

Question 23 asked enterprises whether they needed further investment to grow. Overwhelmingly, 92.1% (128 responses) stated that they do require further investment. Only 7.9% of enterprises (11 responses) do not.

Further exploration is required to understand the nature of this investment (i.e. debt, equity or grants; post pilot, early startup growth or late growth) – both for the current state of investment and for future investment.

4. Social enterprise capacity and capability

This series of questions asked respondents with a current social enterprise about their team's domain expertise and capability across five key areas. Due to the targeted nature of these questions, they were answered by 139 respondents. Respondents which indicated that they were a NFP thinking about starting a social enterprise were referred to separate questions, the analysis for which is in section 5.

Figure 11 below summarises the responses to these questions:

- *How would you rate your team's domain expertise in the social/environmental impact area your enterprise is targeted (1=we need an expert in this area; 10=we have an expert in this area)* **Average response = 6.8**
- *How do you rate your team's capabilities in the area of operations and team growth/management?* **Average response = 6.7**
- *How do you rate your team's capabilities in the area of finance, legals and governance?* **Average response = 5.9**
- *How do you rate your team's capabilities in the area of business development, marketing and communications?* **Average response = 6.3**

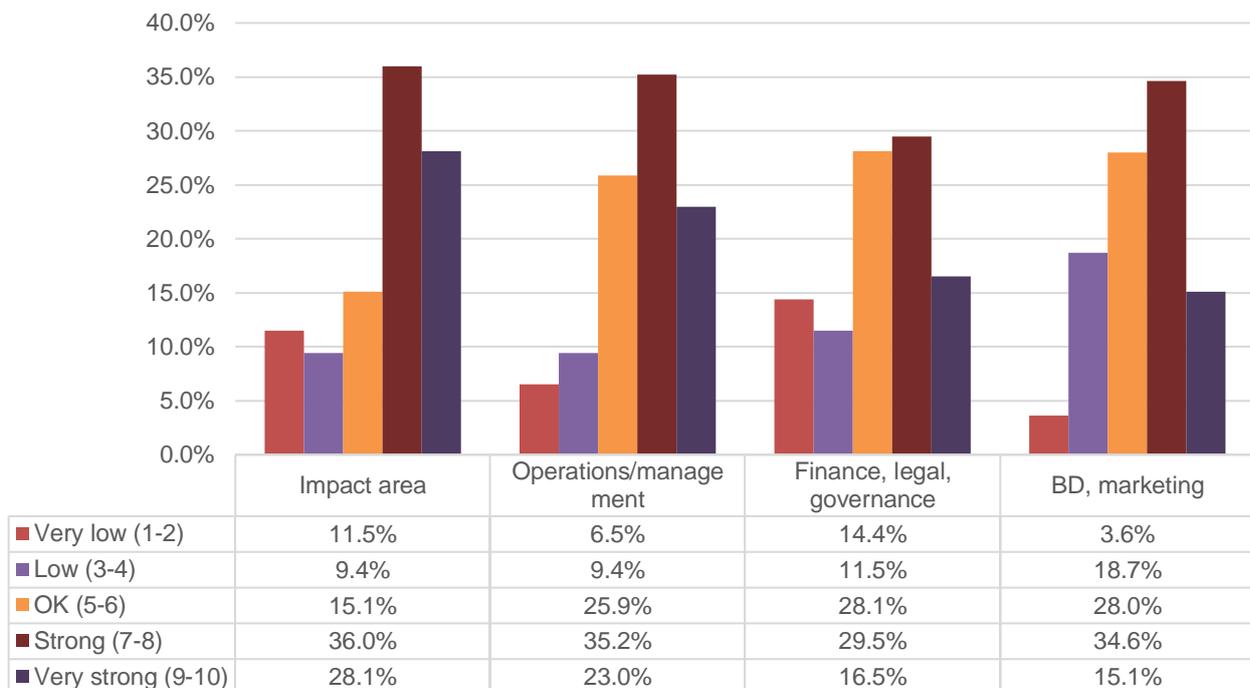|	Impact area	Operations/management	Finance, legal, governance	BD, marketing
■ Very low (1-2)	11.5%	6.5%	14.4%	3.6%
■ Low (3-4)	9.4%	9.4%	11.5%	18.7%
■ OK (5-6)	15.1%	25.9%	28.1%	28.0%
■ Strong (7-8)	36.0%	35.2%	29.5%	34.6%
■ Very strong (9-10)	28.1%	23.0%	16.5%	15.1%

Figure 11: Social enterprise capability and expertise over four domains (n=139)

This data provides a few key insights:
- Respondents perceive their skills and experience to be stronger in the areas of impact and operations/management; than in finance/legal/governance and business development and marketing.
- Finance, legal and governance is overall the area most troubling to social enterprises. It is worth noting though that this is not surprising given that this is an area where speciality experience is often contracted in as required.
- It is interesting that, though the average response for the impact expertise is the highest across all four domains (6.8), it is also comparatively high in terms of social enterprises that rated their expertise in their impact area as very low (11.5%).

5. NFP organisational readiness for social enterprise

This series of questions asked respondents from an *NFP looking to start-up a social enterprise* about their current organisational readiness for social enterprise. This included asking questions as to Board/Executive risk appetite, their financial capacity, their team and co-founders, their business development and marketing and their appetites around equity and partnership. Due to the targeted nature of these questions, they were answered only by those 34 respondents.

Figure 12 below summarises the responses to these questions:

- *How would you rate your Board and Executive's innovation/risk appetite on a scale of 1-11? (1=poor. 10=we want to innovate and are prepared to learn by failure)* **Average response = 8.1**
- *How would you rate your organisation's financial capacity to co-invest between $10-$100K in a new program, initiative or social enterprise in the next 12 months?* **Average response = 5.9**
- *How would you rate your organisational capacity to recruit and expand your operational team in the next 12 months?* **Average response = 7.1**
- *How would you rate your organisational capabilities in the business development, marketing and communications?* **Average response = 6.4**
- *Please indicate your willingness to partner or share equity in the development of a new social enterprise with an existing social entrepreneur or another organisation?* **Average response = 8.9**

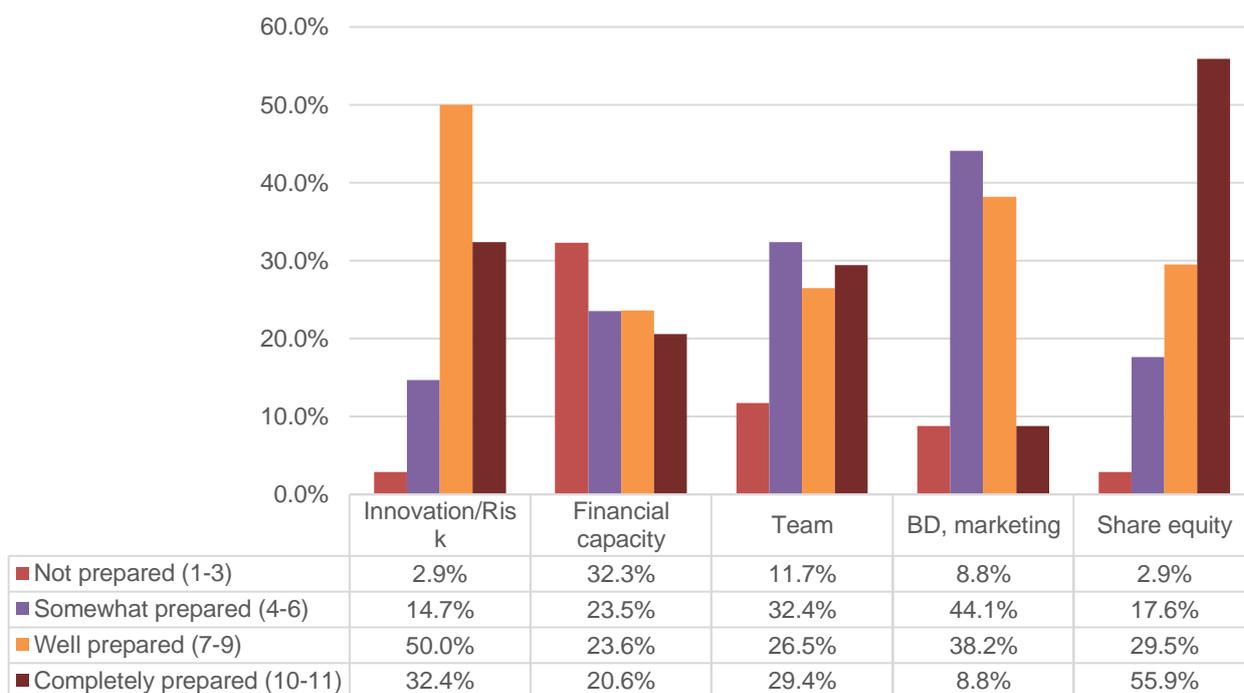|	Innovation/Risk	Financial capacity	Team	BD, marketing	Share equity
Not prepared (1-3)	2.9%	32.3%	11.7%	8.8%	2.9%
Somewhat prepared (4-6)	14.7%	23.5%	32.4%	44.1%	17.6%
Well prepared (7-9)	50.0%	23.6%	26.5%	38.2%	29.5%
Completely prepared (10-11)	32.4%	20.6%	29.4%	8.8%	55.9%

Figure 12: NFP organisational preparedness for social enterprise across five domains (n=34)

This data provides a few key insights:
- NFP organisations looking to start up a social enterprise seem to recognise where they need support, indicated by the high willingness to share equity/partner in developing the enterprise.
- Organisations are less ready in terms of having the financial capacity to investment in an initiative, and in their organisational capabilities in business development.
- Respondents rated their Board/Executive's innovation/risk appetite highly, indicating a pre-disposition to learn by failure. This is not often an NFP organisation's way of operating, and further exploration is likely needed to ascertain whether this reflects reality.

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6. Other opportunities

6.1. WA Social Enterprise Council

Question 28 asked respondents about the possibility of a WA Social Enterprise Council (WASEC). It asked that if respondents were to become paid members of a Council, what would they like to see the Council doing? Though examples were provided (advocacy to Government, promotion of social enterprises, providing linkages to funding, events and learning), this was a free text response. There were 169 responses to this question. Based on textual analysis, Figure 13 outlines the key areas that respondents would like to see for a WASEC.

Proposed areas of responsibility for a WASEC	Further details	# of responses	% of responses
1. Links to funding opportunities, investors, etc.		98	58%
2. Advocacy/lobbying to government	Specific mentions included: social procurement policy, advocacy to local government, advocacy for social entrepreneur income, advocacy for Aboriginal enterprise.	77	45.6%
3. Capacity building – either providing workshops, resources and learning opportunities or brokering them.	Specific mentions included: information for Boards about risk management and social enterprise, how to collaborate with corporate entities, mentorship, educating funders, governance, brokering advice or directly providing it, design for impact, reporting metrics & approaches, tax, finance, marketing, market development, becoming a B Corp.	73	43.2%
4. Promotion of social enterprises across the community.	Specific mentions included: promote impact investing as well; work with larger NFPs to create more inclusive procurement policies, promote social enterprise to corporates, create a directory, showcase Aboriginal start-up enterprises, administer awards, showcase leaders in our sector.	72	42.6%
5. Events and conferences		43	25.4%
6. Networking and relationship building	Note: this can be linked to events and conferences.	38	22.5%
7. Strategic input into sector/market development	Specific mentions included creating quality control for the sector through accreditation or otherwise, platform for measuring impact, individual and sector level.	7	4.1%
N/A	This included those that did not want to be involved or questioned their capacity to pay.	3	1.8%
Other: these responses were somewhat adjacent to the core activities of a WASEC, and/or respondents may not have understood the question.	Provide lots of regional opportunities, assist disruptive innovation, advocacy for new technology, support with adapting to climate change, support to navigate the legalities of Intellectual Property rights to ensure Aboriginal groups can safely and confidently enter bushfood- bush resource industry.	11	6.5%

Figure 13: What do you want to see a WASEC doing? (n=169)

Altogether, 58% of responses to this question wanted to see WASEC delivering on links to funding opportunities, and links with investors. The next three most popular proposed areas of responsibility for WASEC are advocacy, capacity building and promotion of social enterprises.

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Though events and conferences and networking opportunities ranked highly for approximately a quarter of respondents; those four areas of responsibility were listed by more than 40% of responses. Examples of answers:

> *"Making life easier, e.g. Providing minimum-effective-dose style guides and decision trees, advocating for cutting of red tape, championing our causes to corporates and government…"*

> *"All of the above, starting with advocacy to Government. The term 'social enterprise' gets mentioned a lot, and while its emergence has been welcomed, I'd like to see more policy-driven incentives being put in place to encourage people to start and sustain their social enterprises. Being a startup and small business in WA is challenging enough, but being one that's values-driven and tries to effect positive social, economic and/or environmental impact only amplifies this challenge. If the emergence of social enterprise is a good thing, why isn't the Government doing more to nurture startups and scale-ups in this area? I'd like to see the council: (1) advocate for policy-driven incentives to Government ie legal recognition to Benefit Corporation structures, (2) create/design capacity-building programs for social enterprises and (3) encourage industry to work with social enterprises and host panels and events to educate the sector."*

Further exploration is required to ascertain the viability of a WASEC, including capacity of social entrepreneurs to pay and the interplay of a WASEC with the WA Impact Investment Alliance.

6.2. WA Container Deposit Scheme (CDS) – Containers for Change

The WA Container Deposit Scheme (CDS) – Containers for Change – starts on 2 June 2020. Western Australians will be able to take their empty beverage containers to a refund point and receive 10 cents for every eligible container returned. It is a priority for the State Government to provide opportunities for social enterprise and benefits for community organisations and create opportunities for employment through the scheme.

Out of 154 responses, social enterprises were mixed as to whether the CDS was the right opportunity for them. Altogether, 67 responses (43.5%) indicated they were interested in participating in the CDS, whilst 87 responses (56.5%) were not.

Of those that were interested in participating in the CDS, Figure 14 indicates the kind of roles they were interested in playing.

Role	# of respondents interested	% of respondents interested
REFUND COLLECTION POINT PROVIDER (responsible for the operation of Refund Points, including paying refunds to customers, counting and sorting the collected containers, prep of containers for pickup by Logistics/freight providers).	26	38.8%
LOGISTICS/FREIGHT PROVIDER (responsible for picking up Containers and transporting them to a Processing Provider).	10	14.9%
PROCESSING PROVIDER (responsible for verifying container numbers, preparing the containers for recycling, and selling processed materials via the WARRRL auction platform).	16	23.9%
DONATION POINT (an organisation that accepts gifts of Containers from the community).	57	85.1%

Figure 14: CDS roles - interest from social enterprises (n=67).

For more information about the role of social enterprise within the WA Container Deposit Scheme, please visit the Department of Water and Environmental Regulation website.