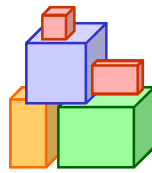


MACH II



CONSULTING

Building a Social Enterprise



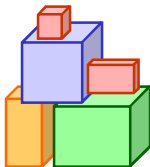
2009 LGMA
Congress
Paper Summary

*What does it all
mean?*

Where do we start?

*What's the right
structure?*

*What's the right strategy
for OUR community?*



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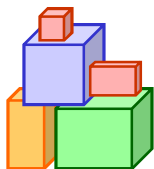
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Why ...

Retail leakage: the 'snowball effect'...

Your choice ...

Local government's role ...



Over the last 50 years, many towns and communities throughout Australia have been in gradual decline. Communities can rally against catastrophic events ... but gradual decline is more insidious. Local shops and businesses close under relentless commercial pressure from powerful, national retail chains in cities and regional centres. This undermines the economic, social and cultural fabric of rural townships ... and suburban neighbourhoods.

It snowballs too. Once people are forced to go elsewhere to buy one thing, they'll pick up a few other things too! That's called **retail leakage** - it literally **KILLS** rural townships and small neighbourhood shopping centres.

But guess what! If locals actually **OWN** the local shop, store, service station or pub – or any business for that matter - they are more likely to use it.

It starts and stops with **choices**: the **buying choices** of locals. It's also the choices by communities about what they want control from within and what they are prepared to allow outside influences to control.

Does your community choose to allow decisions affecting its very fabric and viability to be controlled by people from outside the community?... Or, are these core decisions controlled from within?

It's about the ultimate choice: **What do we want our town/community to look like in 20 years time?**

*Do we want to **re-empower** our local community? Do we want to make sure that key choices about our community are controlled by the people within it rather than outside interests?*

Local governments can pave the way! Today, many communities are 'buying back the farm'. Others want to but don't know where to start.

They are setting up co-operatives, community companies and associations to buy back, start up, take over and run key 'cornerstone' local businesses. These include pubs, stores, services stations and others. They offer jobs, training opportunities and economic benefits, often ploughing profits back into schools, kindergartens and other community initiatives.

Above, it builds community **identity, pride** and **connectedness!**

Where do we start?

Get people with passion together. Commit and act decisively.

What's the right structure?

Set up a structure to suit your scale and needs. Keep it simple and flexible.

What's the right strategy for OUR community?

*One size does **not** fit all! Every community has different needs. Get help and prepare a **Business Plan**.*



**Community
 Enterprises ...**

**Get the foundations
 in place ...**

**Profit or
 not-for-profit ...**

**Commercial and
 social goals...**

**Co-operative,
 company or
 association?**

Social and community enterprise can take many forms. It can be to:

- ü Buy or take over an existing local business
- ü Start up a new business or
- ü Establish a holding structure for several 'at risk' marginal businesses
- ü Restart a business that has closed

Where there's a will there's a way!

But this assumes the **vision, passion, energy** and **commitment** are there. Make sure you get advice and know-how, and sort out the financials.

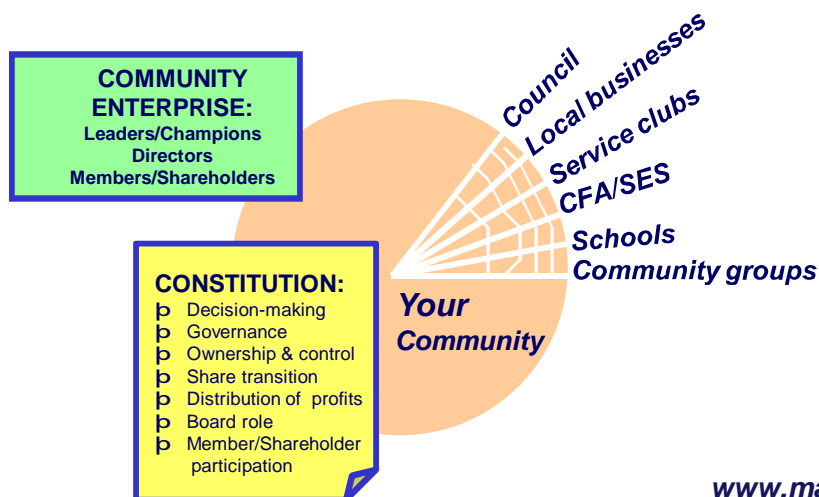
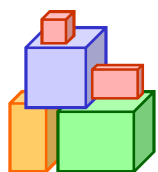
Some people think social enterprises must be **not-for-profit**. Profits are good ... as long as your community gets to use them!

There are different models of profit-driven and not-for-profit social enterprises. Some make profits, some break-even and others are subsidised.

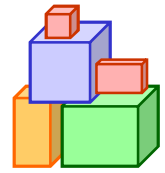
Be very clear about the balance between **commercial goals** and **social/community goals!** This is both the core of success and your greatest risk!

The structure you choose depends on your situation. What market are you in, what service or product do you want to provide and what social or community goals are you trying to achieve. It depends on whether you need to raise capital funds to start up, and if you want the enterprise to be financially self-sufficient.

Think about your structure and strategic community relationships.



Building a Social Enterprise



A Brief History

The history of the **Social Enterprise** can be traced back to the most traditional form of social business – the first modern cooperative – established by a group of Weavers in the Rochdale area in 1844.

In Australia, charitable organisations have been involved in production and retail as a form of fundraising and employment support for more than 60 years. For many years now, we've been familiar with the activities of disability organisations and sheltered workshops as well as local community run Opportunity (Op) shops.

Social Enterprise or Community Enterprise?

Community Enterprise is a term used widely in Australia. It is often used interchangeably with the term Social Enterprise. Social Enterprise is the term often referred to as an umbrella term for all the activity in this area.

A Definition...

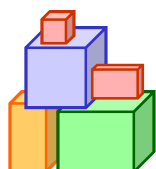
A **Community Enterprise** is a type of business developed to meet a need in a community. It aims to deliver social outcomes through its activities in a way that is financially sustainable, bridging community and business environments. (Social Traders 2008)

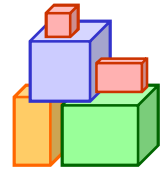
Social Enterprise is a means by which people come together and use market-based ventures to achieve agreed social ends. It is characterised by creativity, entrepreneurship, and a focus on community rather than individual profit. It is a creative endeavour that results in social, financial, service, educational,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

Social Entrepreneurs ... Who are they?

A **Social Entrepreneur** is an individual who develops for-profit and not-for-profit trading companies in responses to social issues. (Social Traders 2008).

Possibly the most well-known social entrepreneur is 2006 Nobel Prize winner Muhammad Yunus, founder of the Grameen Bank. A native Bangladeshi and economics professor. Professor Yunus pilot-tested and scaled a new business model to provide credit to the world's poorest citizens. Today the bank has over six million customers, almost all of them women, and boasts a 98% repayment rate. This model of Micro-finance is now replicated in 58 countries around the world.





Successful Social Entrepreneurs....

7 Types of Social Enterprises..

Social entrepreneurs:

- 'Shrug off' the constraints of ideology or discipline
- Apply practical solutions to social problems, - use innovation, resourcefulness and opportunity
- Innovate by finding a new product, service, or approach to a social problem
- Focus – first and foremost- on social value creation
- Jump in before they are fully resourced
- Have an unwavering belief in everyone's innate capacity, often regardless of education, to contribute meaningfully to economic and social development.
- Show dogged determination that pushes them to take risks
- Balance their passion for change with a zeal to measure and monitor their impact.

There are seven main types of Social Enterprises. They include:

Social Firms are businesses that undertake commercial work in order to create employment for people with a disability. Social Firms employ up to 50% of their work force with disabilities.

Intermediate Labour Market Businesses undertake commercial work in order to provide real employment, high quality training and personal support for long term unemployed and other disadvantaged job seekers for periods of 9-12 months. During this time participants are supported to enter the open labour market.

Community Businesses are commercial businesses which are set up, owned and controlled by the local community and which aim to be a focus for local development. These include community buy-outs, Bendigo Bank branches, the Eaglehawk Recovery Centre.

Community Development Finance Institutions are finance co-operatives that help people save and borrow money. They also provide access to community finance initiatives. These include credit unions and micro-finance organisations.

Cooperatives, Associations and Mutuals Co-operatives, associations and mutuals utilise innovative ownership models in commercial businesses to meet common economic and social needs.

Fair Trade Organisations are commercial businesses utilising products or ingredients from third world countries. In so doing they give third world producers and workers fair prices and help them gain the skills and knowledge to develop their businesses.

Charitable Trading Arms are commercial businesses established by NGO's, to generate profits which can then be used to deliver charitable programs. Charitable trading arms can operate in fields linked to the organisations mission, or in unrelated areas.





Why Now?....

The idea that the social enterprise movement is gaining momentum world wide relates to:

- Smaller government over the past generations and free market failure
- Increasing divide between rich and poor, increase in poverty worldwide.
- Broader need to consider social and environmental impacts of all activity.
- Significant resources being invested by the venture philanthropists.

'Venture Philanthropists'..

The 'New Economy' era has spawned new fortunes – and new forms of philanthropy. There have been a strong history of traditional names associated with philanthropic gestures including the early twentieth century philanthropists like Rockefeller, Carnegie and Cadbury.

There is now a new form of philanthropy - so-called 'venture philanthropy'. Massive support is being provided for social entrepreneurs through 21st century philanthropists like George Soros, Bill Gates, Warren Buffet, Ebay founders Pierre Omidyar and Jeff Skoll, and Google founders Sergey Brin and Larry Page.

The wealth and social divides as well as environmental concerns have opened up strikingly over much the same time as they've been building their successful companies.

Schwab & Skoll Foundations...

The Schwab Foundation for Social Entrepreneurship has been hosting the World Economic Forum since 2002, a global forum for the support of Social entrepreneurship.

Similarly the Skoll foundation is developing its own series of major conferences and tertiary studies in partnership with the Said Business School at Oxford University.

Accelerators: 'Social Procurement' ...

A significant potential accelerator to the development of Social Enterprises is Social Procurement. Procurement generally refers to the purchasing process adopted by institutions or organisations.

Social procurement is the process of an organisation choosing to purchase a service outcome which will also provide a social outcome.

Brisbane City Council (Social Enterprise procurement Policy – up to 1 % of Operational Budget).



**Home Grown
Social
Enterprises....**

Home Grown Community Enterprises include:

- Yackandandah Community Development Company
- Green PC
- Eaglehawk Recycle Centre

**Key Players in
Australia....**

Key Players in the Development of the Social Enterprise Sector

Social Traders
Social Ventures Australia (Social Enterprise Hubs)
Brotherhood of St Laurence
Centre for Social Impact
Australian Institute for Social Entrepreneurship
Social Firms Australia (SoFA)

**Further
Information....**

Community Enterprise Resource Kit – Brotherhood of St Laurence
www.communityenterprise.org.au/resources.html

New Economics Foundation
www.neweconomics.org/gen/

Social Traders
www.socialtraders.com.au

Australian Institute of Social Entrepreneurship
www.aise.net.au/

Social Firms Australia
www.socialfirms.org.au

Social ventures Australia
www.socialventures.com.au

Parramatta City Council Social Enterprise Resource Page
www.parracity.nsw.gov.au/community/socialenterprise/social_enterprise_resource

