

SOCIAL ENTERPRISE

In Australia



An Introductory Handbook

Acknowledgments

Social Entrepreneurs Network (SEN)

(This publication is part of the Adelaide Central Mission's contribution as a foundation partner to SEN).

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Social enterprise in Australia

Published by Adelaide Central Mission

Adelaide Central Mission is an agency of the Uniting Church and has served South Australia since 1901. Adelaide Central Mission identifies three key strategies to deliver its commitment to the vision of fair and compassionate communities that enable people to flourish and contribute to others. These strategies are: community strengthening, quality service delivery, and advocacy.



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Part one: introduction





What is social enterprise?

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.

What you will find in this publication

The terms ‘social enterprise’ and ‘social entrepreneur’ are quite new terms in Australia. However, Australians have always been both enterprising, and motivated by the desire to work together to meet collective ends. This publication has been produced as an introductory guide to social enterprise, partly to place the idea of social enterprise in context for today, and partly to provide a guide to the legal and organisational mechanisms that could form the basis of social enterprise activities.

The publication is a first attempt at providing a detailed guide and resource kit for social entrepreneurs. Future issues will become more comprehensive as knowledge in this field expands and as other resources are produced by various people in ‘the movement’. If you have any feedback or information you would like covered in future issues, please contact us through the details on the title page.

The booklet is divided into three sections.

Part one seeks to introduce social enterprise. It does this through putting some frequently asked questions to social enterprise pioneer Peter Thompson.

Part two looks at some organisational issues and particular forms of social enterprise. The section expands on points made in part one and describes what types of enterprise social entrepreneurs are seeking to achieve. Throughout this section we have provided local examples of social enterprises.

Part three is a resource handbook. In it you will find information on legal and organisational issues that can act as a starting point if you have an idea you wish to put into practice. This section also includes a glossary of terms that might help those who are struggling because of the lack of a common language around social enterprise and related concepts.

We hope you find this publication both helpful and inspiring. If so, we suggest you get active in the social entrepreneurs network of energetic and knowledgeable people who can both inspire and perhaps be of assistance during the challenges we face in pursuing community goals.



Peter Thomson is a pioneer of the social enterprise movement. After studying at Oxford in the early 1970s, Peter put his study and ministry into action by creating a sense of practical community at Timbertop school, in the high country of Victoria, and St Mark's University College, Adelaide.

During his time in the UK, from 1996 to 2000, he built relationships that have assisted the social entrepreneurs movement, including becoming a part of the newly established Community Action Network, as well as being a friend to now British PM, Tony Blair, and other influential Australians studying at Oxford in the early 1970s.

In 2001, he was appointed as Chaplain to the Melbourne-based welfare and advocacy organisation, the Brotherhood of St Laurence. There he has worked with others to develop a social entrepreneurs network and to promote the concept throughout Australia, including establishing the first Australian Social Entrepreneurs Network conference, held in Sydney in March, 2001.

“...social enterprise ... is a bold attempt at redressing many of the issues that people who are marginalised in our society have, by building their confidence and their capacity to help themselves.”



What's at the heart of the social enterprise movement?

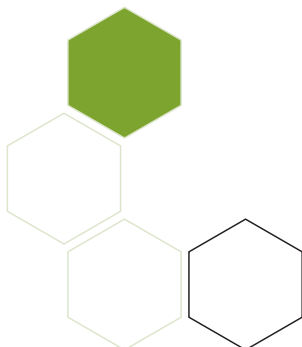
Peter: It's people coming together for community benefit, with a focus on creativity and on taking an entrepreneurial approach. There is so much untapped energy and creativity out there. We need to bring that out, and convince people that they really can make a difference if they work together in partnership. The people who are doing that are the social entrepreneurs.

What's the difference between an entrepreneur and a social entrepreneur?

Peter: Most people think of entrepreneurs as people out to help themselves, often by ripping people off. Social entrepreneurs are the opposite of that. They are community focused, and want to turn their talents and ideas to good community outcomes for the common good.

What is a social enterprise?

While social enterprises take diverse forms, I think they share some clear characteristics. Firstly, a social enterprise exists to benefit the community. It's focus is on self-help, working together, creating opportunities for mutual benefit and supporting communities to build their own wealth. It does this by encouraging people to work together while assisting them to discover and fulfil their own potential. It behaves in a socially responsible and ethical way, and values people and communities over private profit.



Why do we need social enterprises? Aren't the many community organisations doing the job?

Peter: Well of course some are. There are many excellent community organisations, and some of these could rightly be described as social enterprises, or they at least have some aspects of social enterprise. But some are in danger of losing their way, and some may have been set up for a purpose that is no longer relevant or a high priority.

So has the environment for welfare agencies changed?

Peter: There is a fundamental shift occurring as we speak. Traditionally, welfare agencies have assisted those who are most disadvantaged, often with a focus on short-term assistance. Today, many are considering new ways of working to bring about long-term community benefits. Social enterprise and social entrepreneurs are part of that move towards community re-invention.



But isn't enterprise about business?

Peter: Yes, but social enterprises are businesses that are focused primarily on having a positive impact on the community and working with that community, rather than solely on making a profit for its owners/ shareholders.

So is there a conflict between welfare agencies and social enterprise organisations?

Peter: No, there needn't be, because the two often contain elements of each other. The question for me isn't so much about the type of organisation, be it welfare agency or social enterprise, but rather how do we mobilise the creative talents that we have to address some of the most pressing social issues we see, and to do that we need each other.

What about the government? Shouldn't they be doing more?

Peter: While we have to hold governments accountable, we can't sit around and wait for issues to be addressed. We must also mobilise the talents of people. For example, the high levels of long-term unemployment aren't natural — we can do a lot about it if we have the will and the energy, rather than hoping for governments to fix it. Having said that, yes we do need government support.

But aren't governments more able to respond?

Peter: Historically, government involvement is quite recent. Throughout most of history, it has been collective action by citizen and church groups that have driven community responses.

For example, the cooperatives movement established industrial enterprises, insurance, retailing, and financial institutions, and these had a market focus. Those people were social entrepreneurs — they saw a community need, and the community resources that could be mobilised to meet that need.

What role can organisations play?

Peter: Organisations can help entrepreneurs to blossom or they can stifle them. This is something we need to consider for existing organisations, and for those that are set up in the future. The motto is 'people before structures'.

Are all social enterprises set up as cooperatives?

Peter: Many of them are, but I think any type of organisational structure can be successful as a social enterprise as long as it suits its purpose. For some purposes, cooperatives are the best form, for others an association may be best. The question is, what's the best way to achieve the community end you have in mind? However, whatever the organisations' forms, there are some things they must have in common. By their nature, social enterprises have a commitment to some basic values, such as participation, inclusion, enhancing people and building on people's strengths.

But surely that attitude doesn't mix well with a successful business?

Peter: That kind of thinking is the old way of doing business. If you want to achieve, you need cooperation, enthusiasm, mutual support and the kind of culture that draws on people's talents and abilities. Organisations that do business this way are the ones people really want to belong to, and do business with.

Are you saying a private business can become a social enterprise?

Peter: Actually, social enterprises are private businesses, although they are a particular kind of private business. But a business that is there primarily to make a profit for the owners is not a social enterprise, although it can operate in a socially responsible way. I think it's important to note that there are many opportunities for social enterprises to team up with socially responsible businesses in ways that will help them pursue their goals more effectively.



What type of industries could social enterprises be successful in?

Peter: I would say almost any, although some areas are particularly promising. Obvious industries include housing, some areas of manufacturing, environmental services that include recycling, regeneration and tourism, childcare and personal care services, and many areas of the arts and information industries.

What's happening with social enterprise in Australia?

Peter: It's an exciting time in the development of social enterprise in Australia. There has been a tremendous growth in energy and enthusiasm since we held the first national conference of the Social Entrepreneurs Network in 2001. The Federal Government has also got on board, with several of its initiatives now encouraging an enterprising approach by communities.

Do we have any examples of social enterprises here?

Peter: Australia has a substantial history of community entrepreneurship, we just haven't called it that. Many such organisations have grown so big that they've corporatised. For example, the cooperative movement for rural producers held a substantial slice of the Australian agricultural industry.

Is growth a problem for social enterprises?

Peter: Many social enterprises choose to remain small or medium-sized to make it easier for them to balance their social objectives with the business objective of being sustainable. However, at some point, many are faced with challenges relating to growth, and these need to be met without losing sight of their original social goals.

Finally, what else do people need to know about the social enterprise movement?

Peter: The movement is an inclusive one. It seeks to empower people with a renewed sense of hope and confidence and build the capacity for people to work in their communities. It's important that the language we use reflects this and helps to build a common bond.

Also, social enterprise is not a panacea that will resolve the failings of society or governments to address the issues of the disadvantaged. However, it is a bold attempt at redressing many of the issues that people who are marginalised in our society have, by building their confidence and their capacity to help themselves.

“... a social enterprise exists to benefit the community. It's focus is on self-help, working together, creating opportunities for mutual benefit and supporting communities to build their own wealth.”

Part two: issues





The elements of social enterprise

There are three broad elements of social enterprise. Taken as a whole, these elements help identify what is unique about social enterprise.

Social enterprises exist to create benefits for a community. Often they exist because of very particular local circumstances, such as the withdrawal of banking services, or more widely spread social issues, such as the lack of employment opportunities for young people.

Social enterprise is built upon mutuality and self help. It is about people creating opportunities for themselves and others. Social enterprises therefore have a fundamental focus on the community. In turn, the whole community has a stake in the enterprise. A successful social enterprise has broad benefits, including: creating wealth, creating or retaining jobs in the local area, and increasing people's skills and capacity for employment.

The creation of wealth and opportunity for community benefit can only be done through sound commercial practices. Social enterprises are businesses. They need to be operated as sound businesses to provide the benefits which they are established for, and to be sustainable into the future.



“There is a commitment to the capacity of individuals and communities to help themselves. Social enterprises seek to empower communities and build social capital. ...”





Positive community impact

A commitment to include those who have been marginalised or excluded by society. Social enterprises need to continually balance their social and economic aims. Many are mission driven in reaction to specific local social or economic issues, including withdrawal of services, unemployment and other community services.

A focus on the collective capacity of communities to generate wealth. Social enterprises are founded on the concept of common purpose. In reaction to those people who have been marginalised, where others see problem individuals or problem communities, social entrepreneurs see opportunity and hope.

Collaborative community operation

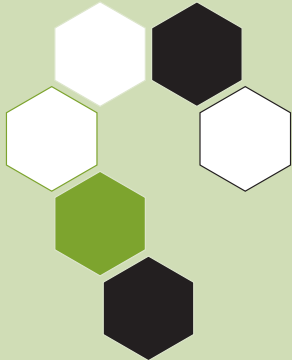
There is a market-based 'business focus' that is viable and sustainable. Social enterprises tend to be small to medium-sized enterprises. The use of business expertise and experience is a means to ensure services generated by the community remain for as long as the service is needed. Sustainability does not necessarily imply ever-increasing profit to satisfy investor shareholders.

Sale of goods or services.

Social enterprise operates within the context of the market-based economy. This principle requires an exchange of money for goods or services in a market place. A geographically specific enterprise may not be able to support its services unless a wider market is available.

Key stakeholders have a share in ownership.

Social enterprises are managed through a variety of ownership models and structures. While the board or trustees may be voluntary, the stakeholders have usually set up the project with the shared goal of providing employment for the disadvantaged and services to the community.



Micro-finance

Indigenous communities have different understandings of money than western communities. To ensure government payments to indigenous families can be used to accumulate savings, investments and greater prosperity for those families, the Family Income Management Scheme (FIMS) was set up. It is centered upon the traditional family structure within indigenous communities and the idea of families supporting each other. FIMS links families to community banking, enterprise development and social development. The idea for the strategy came from Cape York Partnerships and feedback with the Department of Family and Community Services.



Positive community aspirations

There is a commitment to the capacity of individuals and communities to help themselves. Social enterprises seek to empower communities and build social capital. They are community-owned ventures that often have a common bond. The principle of self help may be best explained in terms of a mutual finance society where depositors own the business and have the potential to influence the investment of that society in other local ventures.

Environmental sustainability.

Social enterprises acknowledge the need to care for the environment and seek to embrace the emerging 'ecological economy' as way communities can make a difference.

Fundamentally ethical operations.

Social enterprises are aware of their social and environmental impact. Many of their goals include ethical considerations and, because of their community ownership, they are responsible to their immediate membership.

"...where others see problem individuals or problem communities, social entrepreneurs see opportunity and hope."





Social enterprise challenges

Social enterprises are clearly businesses. They have all of the legal, financial, management, and development challenges that face any business. However, social enterprises also face a unique set of challenges that sets them apart from regular businesses. If these challenges are met successfully, it may give them an advantage over other forms of business.

The most significant challenges social enterprises face are: stakeholder participation, balancing key objectives, raising finance, and organisational growth.

Stakeholder participation

All organisations have multiple stakeholders, who have some control or influence over the way an organisation operates. Each stakeholder can affect the long-term success of the organisation.

Stakeholders of social enterprises include:

- community
- workers
- board or management group
- direct customers
- suppliers of goods and services
- finance or capital providers/investors
- advisors
- partners
- regulators.

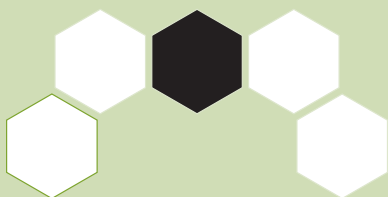
Community

The community that a social enterprise serves includes its customers, but is not limited to them. Communities come in all shapes and sizes. A community can be defined by a geographical area, such as a suburb or township. Or it can be defined by an interest, such as a community of parents whose children have special needs.

Each community is made up of its own unique geographical and interest dimensions. However, the most important element is people's sense of belonging to that community. This is determined by how much people identify with it - do they share common viewpoints, interests, purposes or goals?

Social enterprises can draw great strength from a community that identifies with its social purpose. And in turn, social enterprises can enhance the community by helping communities develop skills, build social and economic relationships and improve its confidence and sense of well being.

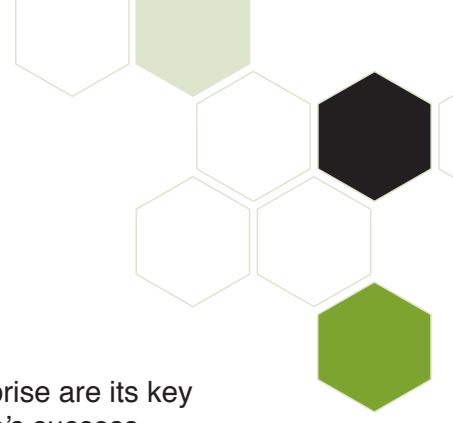
In this way, communities and social enterprises are mutually reinforcing.



Social business

The Giant Steps Program was set up by the community in Deloraine, Tasmania. The community wanted to investigate ways they could use an innovative program for children with disabilities to create population renewal in their town of 2100 people.

The program has attracted many families into their town.



Workers

The people who deliver the goods or services provided by a social enterprise are its key resource and it is their commitment that largely determines the enterprise's success.

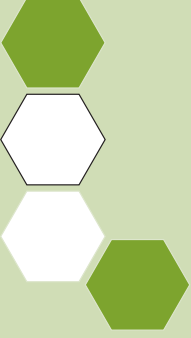
Worker participation and involvement need to be fundamental aspects of the way the enterprise operates. Involvement and commitment are generally two sides of the same coin: the opportunity to contribute ideas and experience demonstrates to people that they are valued and valuable, and the ideas that are provided can give the enterprise the edge.

Board and management

The roles of the board and management in an enterprise will vary somewhat according to the type and size of the organisation.

Some people believe social enterprises are most effective as small organisations, as they enable workers and the community to have direct contact with the board and management. However, time and research may show if this is the case.

One thing is certain - two-way communication between workers/community with the board and management is vital to a social enterprise's success. The board and management group that combines business skills with the ability to fully listen to key stakeholders is the one that is more likely to sustain success.



Tourism

Harrow in Victoria has only 90 residents. Looking to attract more people to town, local residents realised they had a cemetary of good stories to trade on. They then set up the Harrow Sound and Light Show, which now brings in more than \$200 000 of extra income each year.

Customers

It is an old truism that 'the customer is always right'. If people aren't satisfied with what an organisation is providing, the business is unlikely to last. For example, one of the reasons for the growing interest in community-controlled financial institutions is the level of dissatisfaction in the community with banking services.

This example illustrates another important issue: any business has to operate on sound commercial principles. But to do so without proper regard to customers' needs and interests is likely to have negative consequences.

This is particularly the case for social enterprises, which have to operate commercially but within an environment where their social purposes are primary and the views of their stakeholders actively influence their decisions and operations.



Suppliers

Success in business often relies in part on good relationships with suppliers and contractors that can deliver consistent quality. Where a social enterprise can gain access to suppliers from within the local community, there are the potential advantages of building local economic capacity and of developing trust and commitment within the community.

Suppliers of finance and capital

Generally, social enterprises face the same challenges accessing finance as other businesses. However, social enterprises may have an advantage as they can tap into start-up grants as part of community regeneration and similar projects.

Community-run financial institutions can be a source of a wide range of services to social enterprises, including sources of finance.

See section three the enterprise plan: a business plan outline for issues regarding access to finance.

Suppliers of advice and expertise

Apart from acting as inspiration, the Social Entrepreneurs Network is a source of knowledge and expertise. Any social enterprise should seek traditional sources, such as government-funded business development services.

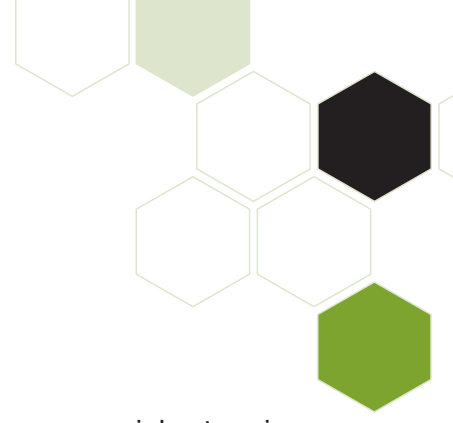
However, social enterprises need to ensure that traditional business advisers have an understanding of its social objectives, and are both supportive and take proper account of those objectives when providing advice. See section three overview of business structures.

“...social enterprises may have an advantage as they can tap into start-up grants as part of community regeneration and similar projects.”



Community banking

Community banking strategies are the talk of rural and regional Australia from Arukum to Port Arthur. The Cape York indigenous community is setting up its own credit union to link family personal management strategies with an investment strategy for the whole community. This came out of the Weipa summit in September 2000 and from the need for the local people to own and manage their finances as existing services did not provide for them.



Partners

Some types of business projects are best undertaken as a partnership between a social enterprise and another organisation, such as a private company. If so, choose carefully.

The partner organisation needs to be orientated toward social responsibility, and its ethos and ways of operating need to be compatible with the principles the social enterprise and its relevant community are comfortable with.

Check out its ways of operating, its marketing strategies, and its employment practices, and get people's opinions and views on what type of organisation it is.



Partnership

The Adelaide Central Mission's social enterprise manager is hosted by the City of Onkaparinga in Adelaide's southern urban rural council area. The partnership is unique for a charity welfare organisation in that it has effectively devolved a position to another organisation as it attempts to develop the concepts of social enterprise/entrepreneurship. The value of the project may be measured in terms of the access to the Council's strategic divisions including economic development, strategy and policy, and the community services. Consequently, the projects being developed in this partnership offer a region-wide focus.

Regulators

Despite the entrepreneurial nature of social enterprise and the desire to 'just do it', they must take into account any corporate or regulated responsibilities.

Like other businesses, social enterprises have responsibilities related to staff, such as occupational health and safety, and the environment. Legal regulations may apply to the enterprise and should be considered before beginning a project and in its day-to-day operation.

Interestingly, legislation and regulations may also provide social enterprises with opportunities. For example, environmental action such as cleaning up waterways could be an opportunity to create employment for people who have been unemployed for a long time. If there is a job to be done, and someone will pay for it, there's a market.



Balancing key objectives

Social enterprise is fundamentally about demonstrating that people working together can achieve their social objectives in ways that are economically sustainable.

A social enterprise has two key objectives:


- to achieve its social purpose
- to operate as a sustainable commercial entity.

These objectives are not only compatible, but can help ensure each is achieved.

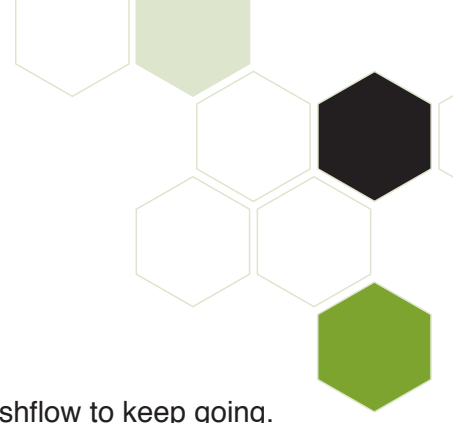
However, this doesn't mean that an enterprise will succeed just because a community has a good idea or intentions. Good ideas need to be pursued with sound business planning. This means the strategies used by the enterprise to achieve its aims must have a commercial basis.

For example, a food cooperative may be established to provide moderately priced, healthy produce to a disadvantaged area. However, its sustainability may be ensured by developing an enterprise that serves a broader market, including areas where there is much more purchasing power than in the community it intends to immediately benefit.

Balancing key objectives



Adelaide Central Mission operated the Adelaide Central Mission Credit Union in the 1960s. Attached to this service was a financial counseling program - a forerunner to the contemporary low-income support programs. SA has more than 65% of credit union investment in Australia, which is a major challenge to traditional forms of banking. However, in the 1980s, the increased member demand meant there was a need to merge to create a larger service provider. It formed the Australian Central Credit Union with several other small credit unions. This led to the Adelaide Central Mission relinquishing control of the venture.



Raising finance

As with any business, a social enterprise needs capital to start up and cashflow to keep going.

Start-up capital is needed to get the enterprise through the first stage of business — planning and operations — until the income starts to come in. Funds are needed for staff (wages), buying/leasing equipment, rent/lease on premises, licenses and other regulatory fees, plus many other expenses.

It takes planning to attract finance, and that means a good business plan. The business plan is the tool of the social entrepreneur. It doesn't have to be a professionally-produced, glossy documents. But they must be a practical guide to a business that uses a language understood by others in business.

A business plan covers the key and broad issues of:

- management
- marketing
- production.

It must clearly indicate that the enterprise has more than a good idea. It needs to demonstrate that the enterprise's potential has been examined in regard to its market and in terms of how the product/service will satisfy that market.

Many start-up businesses fail because they have been focused on the product or service they are to provide. Unless they know who will buy that product and can establish a genuine list of customers, there is no business.

Therefore, one of the most essential first steps of business planning is to identify the buyers. The next step is to define the cost of production and the product/service's selling price, then attempt to predict the number of units the enterprise will be able to sell within a specific timeframe. This sales/volume prediction will form the basis of the sales strategy and history of the enterprise's trading operations.

For a model for business planning, see section three the business plan explained.

A comprehensive financial plan enables stakeholders to see how viable the enterprise will be.

Sources of finance for social enterprises are varied. They could include government grants, council grants, bank loans, sponsorship or support from similar community organisations, and agreements with suppliers.

However, each supplier of money will want to know how it is to be spent, when (or whether) they are likely to have it returned and what benefit they will accrue by providing the finance.

It is important that each approach for finance is well researched. This may be as simple as considering what the enterprise has to offer the person who is being approached for support.



Organisational growth

All organisations experience growing pains, even those that are not growing very much. As an organisation develops the questions inevitably arise:

- is our current structure or ways of operating still appropriate
- have changed circumstances resulted in a structure that was once very adequate now starting to hold our development back?

These questions sometimes create difficulties. People naturally become attached to ways of doing things and a form of nostalgia can build up around organisational arrangements. Sometimes people's very selves become bound up in their role in a structure and it is hard to let go. However, these issues can sometimes be anticipated and one way to deal with them is to expect and plan for change.

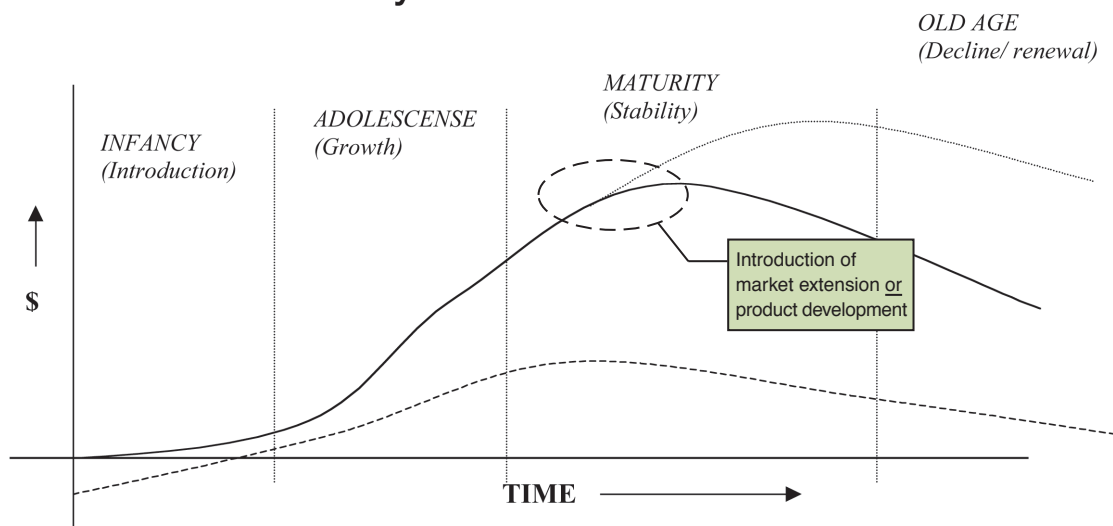
Proper planning for growth

The business plan will assist an enterprise to manage growth. Having established a 'start-up' enterprise, the immediate rush of enthusiasm by the stakeholders and promoters may wain as day-to-day management tasks come more into focus.

A social enterprise, like any business, is subject to its environment and may experience cycles of growth and consolidation. One well-established business theory is the 'business lifecycle'. This process recognises that a business will move through phases of development from infancy (start up) to an inevitable decline caused by new competitors or innovation. This decline may be delayed by timely planning, or by adjusting the product/service through product development and/or market extension. (See diagram below)

Each of the phases of the lifecycle place particular demands upon management. By being aware of those phases, an enterprise

Product/service lifecycle



	Infancy (Start up)	Adolescence (Take off)	Maturity (Harvest)	Old age (Decline/renewal)
GOAL	Survival	Sales	Profits	Revival
ROLE	Initiator Innovator Organiser	Developer Implementer Delegator	Administrator Manager Leader	Successor Re-organiser Revitaliser
CRISES	Confidence Cash flow	Cash flow Delegation	Leadership Complacency	Inertia Succession

Records management

In the rush to get a project off the ground, attention to detail can make a significant difference.

Good planning is based on details that can be extracted from existing data. For example, while the sales/volume projections for the start-up business are initially based on an educated guess, they will form the basis of sales volume records. If maintained over time, they will identify fluctuations that will assist to plan future sales targets and raw materials purchasing.

As the saying goes, don't put off until tomorrow what can be done today.

Maintaining social purpose

The principle difference between a social enterprise and a commercial enterprise is its commitment to a social aim. The social purpose needs to be included in the business plan. It must be identified in the business objectives and be the focus of the goals and mission statements.

As the enterprise advances through the business lifecycle, it will need to re-examine its ways of achieving its purpose and commercial objectives.

"As the saying goes, don't put off until tomorrow what can be done today."





Developing enterprising people and communities

All communities and all individuals have strengths and capacities but often these go unrecognised. Sometimes people lose the ability to see their own strengths and capacities when they are in difficult circumstances or when they have experienced a series of setbacks.

A social entrepreneur is someone who can see the strengths and resources within a community and the opportunities to mobilise them. In return, the entrepreneur's ability to create something new is greatly enhanced by the community.

For example, a community that attempts to make itself a learning community would be a fruitful environment for a social entrepreneur.

There has been lots of discussion in recent years about concepts like 'learning community' and 'social capital'. Stripping away the jargon, these concepts are very simple and correspond to things that most people would easily recognise.

A learning community is one that is committed to developing individual and collective knowledge, capacity, and skill. It is a community that fosters people's ability to anticipate, and respond to, challenges.

Social capital is just a fancy term for the networks or connections between people that are built upon trust and common community beliefs or commitments.

There are many resources that can assist to develop learning communities see section three useful references.

However, in the end, a social enterprise is based upon the enterprising skills of individual people. Enterprising characteristics include things like:

- using initiative
- generating creative ideas
- carrying through on responsibilities
- planning
- seeking information
- managing resources
- flexibility
- negotiation and influence
- conflict resolution
- dealing with tension
- knowledge of key business processes (such as marketing)
- monitoring and evaluating performance.

Many, if not all, of these characteristics can be learned by most people. Sometimes, the only thing that stops a person developing these characteristics is self-belief. Perhaps a key characteristic of a social entrepreneur is the ability to instil the belief in others that 'I can do it'.



Learning communities

The community of Lockhardt River, on Cape York Peninsula, created a negotiation table with government around the idea of creating a learning environment. As a result, government agencies agreed to fund community-driven vocational education and training programs, a community development officer, a community arts coordinator and the set up costs of an internet café.

They also agreed to create a community-driven, community justice model, and to develop a skills and needs audit of training opportunities and link them to economic opportunities and real jobs.

Opportunities for growth

Social enterprises operate in most economic sectors. Some of the growth areas for social enterprises include:

- environmental
- housing
- health and care
- information services
- public services
- financial services
- training and business development
- manufacturing
- food and agriculture

Environmental

An environmental economy is emerging that focuses on new patterns of consumption (ie recycling, energy efficiency). It is important that everyone has access to environmental services. Social enterprises are finding opportunities for growth in this sector through innovation and by using their social capital.

Housing

Providing quality housing for people with low incomes and those who are disadvantaged is a major challenge for governments and welfare agencies.

Environmentally sustainable innovations in housing are helping to reduce the running costs of housing. Consumable energy requirements (including heating, cooling and water resources) have a strong potential to improve the quality of life for the disadvantaged and those on fixed incomes, as well as reduce green house emissions.

Health and care

More and more traditional community care services are being outsourced. This creates opportunities for social enterprises to own and manage these services, either through existing or new programs. For example, government, community and welfare agencies require a range of services: home-based services, care and support activities for the elderly and the people living with disabilities.

Information services

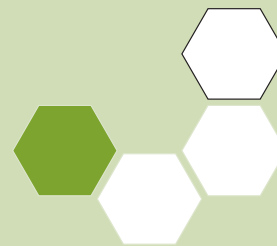
The growth of the internet and e-commerce has seen many communities working together to ensure people have access to computers and on-line services. Social enterprises have many opportunities for growth in this area, particularly in the area of social businesses.



Festivals

Balingup in Western Australia is dependent on seasonal produce and tourism.

Balingup has regenerated the town in its deadest winter month - August - by setting up its Maedival Afayre, which now generates \$500 000 in trading and attracts more than 5000 people. As well as bringing money into the community, the festival has brought the community together and harnessed residents' creative potential. Four hundred of the town's 525 people are involved in the festival.



Rural town revival

Tumby bay was a declining township badly affected by economic change. Through social enterprise, it is now a classic story of rural and small town re-invention.

The locals formed an action group to revitalise the town. The group created streetscaping projects, a new information technology hub and a marina.

As a result, retirees were attracted to the town and have boosted the population.



Public services

Some social enterprises are being contracted by local governments to provide services that reflect their community's needs and help keep employment in their area. These ventures include providing leisure, health, educational, and environmental services such as recycling and landscaping. The scope of opportunities for community enterprises is very broad.

Financial services

Community financing options are becoming increasingly popular as large financial institutions withdraw their services from many areas, particularly rural communities. This has seen a growth in regional transaction centres and community banks. Any financial service venture must achieve its social aims while establishing trust with the investor.

Manufacturing

Manufacturing and assembly provide opportunities for community and social businesses. Such social enterprises can fill in the gaps in regional business networks. For businesses that are threatened with closure, employee ownership can be a way of keeping the business going and retaining local pride in it.

Food and agriculture

Social enterprises have a long history of involvement in the Australian food and agricultural sector — producers' cooperatives, for example. While many of these ventures are now huge, new social enterprises continue to develop, such as community food cooperatives, cafes and wholesalers.

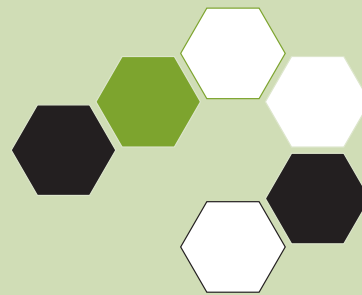
Training and business development

Increasingly, labour market programs are being tendered out to training providers. These include training and work experience, and many of the providers are faith-based charities and social enterprises.

The scale of many of these ventures has increased the opportunities for social enterprises to establish work spaces, such as business incubators that support start-up businesses or make use of under-utilised community assets.

Non-financial trading systems

Organisations such as Local Exchange Trading System (LETS) are establishing a barter trading economy where labour and products are exchanged for credits. These systems are locally focused and have a strong community-building role. They tend to be small and run by volunteers. Recent developments in trading cards and voucher systems are improving the system's capacity to assist the community and build loyalty for local services.



Indigenous employment

The Community Development Employment Program (CDEP) is at work in many rural and regional communities. At Aurukuun on Cape York Peninsula, CDEP is being used in more enterprising ways to empower families that live in the area. The plan is to develop indigenous outstations as land management and planning centres, that will in turn create wealth from land rights. It is using CDEP as start-up capital so the projects can reach fruition.

Forms of social enterprise organisations

Social enterprises come in a variety of forms and organisational structures. The way these enterprises are managed and governed may differ depending on their registration and incorporation. However, they are all market-based ventures with social aims.

Social enterprises can take a number of legal forms, such as not-for-profit associations, partnerships, proprietary limited companies, or cooperatives. These forms each have particular advantages and disadvantages see section three overview of business structures for further discussion. The legal form of the organisation places certain constraints on what can be undertaken, so particular categories of social enterprises may be more suited to one form of legal incorporation than others.

In each state, there is legislation relating to corporate and consumer affairs that applies to all traders, including social enterprises. Depending on the structure of the enterprise, different constraints and regulations may apply. See section three overview of business structures.

Categories of social enterprise in Australia

Not-for-profit community organisations

These organisations are generally well established, community based and incorporated associations that have been operating for a specific interest for some time. To help achieve their objectives, these associations sometimes develop enterprising activities. Examples include ventures such as community cafés that provide training for disadvantaged people in the food and hospitality industry.

Charitable trading entities

Many charities set up ventures that may generate income (and profit) to provide funds for their work. The most common type of venture is charity shops where donated, second-hand goods are sold. Newer types of ventures have been set up to provide services to government.

Community businesses

Some communities set up social enterprises to service a need in their local community. These ventures tend to have a strong local or geographic focus. Many of these are developed with a cooperative spirit, with a focus on breaking even financially and creating local employment opportunities.

Financial

Gulgambone in NSW lost a range of services from the local butcher to two stock and station agents. In response, they set up a rural transaction centre that linked to a post office, credit union, Centrelink agency, Medicare Easyclaim, a gift shop/post shop, an internet centre, a signpost for ATO BAS, a giropost facility and a fax and photocopying service.



Community financial services

A community's success in investing in itself and maintaining its wealth depends on its access to financial services, such as accounts, insurance, home-lending and small business loans.

With the traditional banking sector increasing fees and withdrawing services from many local and regional areas, many communities are developing alternative financial services. This includes credit unions, friendly societies and mutual societies.

These types of organisations are set up to service their employees or a particular community. Therefore, their priority is service to members rather than their shareholders.

Cooperatives

Cooperatives seek to share a service to benefit all of its members. They often have a strong sense of purpose and the members have a common bond. Members remain loyal to the cooperative as they are focused on the common bond and on sharing the benefits.

The structure of cooperatives encourages a strong level of membership participation. In Australia it is relatively expensive and complicated to set up and manage a cooperative. Consequently, many small associations work in the spirit or name of a cooperative, without the formal structure.

Cooperatives operate in several fields:

- retail, craft and community cooperatives
- agricultural producer cooperatives
- housing cooperatives
- workers' cooperatives.

Development and regional trusts

These types of organisations are set up to organise and promote community projects. They are set up by key stakeholders including community representatives, community organisations, local government, and local business.

Some organisations operate as an umbrella for different activities, while others focus on trading. Activities include managed work spaces (ie a new business incubator), labour market training and placement, and small business mentoring.

Employee-owned companies

These enterprises often result from a business crisis where the community is threatened with a local employer's closure. If there is little other employment in the area, communities often choose to invest in the enterprise through personal savings or labour.

Employee-owned companies range from niche market, micro enterprises to major employers, (the latter found mainly in regional areas). The social and business aims of employee-owned companies are closely aligned, and it aims to encourage community participation.

Small business partnerships

A new level of cooperation between corporate and community interests is beginning. Corporations are recognising their social and environmental responsibilities, while community organisations are looking beyond sponsorship to create partnerships with business.

These partnerships benefit both the business and the community, and they feature a collaborative process that addresses a community's particular needs. This relationship is based on trust and is designed with a long-term strategy. Enterprises may take various forms, and rely on the community's energy and commitment.

Social business

Social businesses are those designed to provide employment, care, rehabilitation and training to people with a disability or other disadvantage in the labour market. Social businesses establish workplaces for their participants. Traditionally, this has been oriented to assembly, furniture, and packaging. New opportunities are being developed in the IT and communications sectors.

“...developed with a cooperative spirit, with a focus on breaking even financially and creating local employment opportunities.”

Social enterprise in Australia

Disclaimer

This handbook does not, and does not purport to, contain all information needed to establish a social enterprise.

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Part three: the handbook



The enterprise plan: a business plan outline

Social enterprises must have effective business planning so they can identify market opportunities, estimate their sales/volume targets, budget and convince stakeholders of the value of the enterprise.

Why write a business plan?

An enterprise without a business plan is like working in the dark - you can't see what you've got or where you're going. And if you don't know where you're going, how are you going to get there?

The business planning process involves writing a plan, which requires the stakeholders to commit to the venture, identify priorities and devise strategic goals to meet targets. The plan is similar to a jigsaw puzzle: there is a whole picture but each component is small and interlocking.

"A business plan is a tool for your enterprise."

Put simply, it is a snapshot of the enterprise. It outlines what the enterprise is about, who is involved, what it aims to do and how it will do it. This includes financial plans and marketing strategies.

As well as being a useful document for the people running the enterprise, it is a vital tool for convincing others to provide financial support.



*"... if you don't know where you're going,
how are you going to get there?"*



How do you use your business plan?

Externally

The business plan serves to convince potential supporters that the enterprise is worthy of investment and/or custom.

To gain financial support (including grants), the plan must:

- convince potential supporters that the enterprise is credible and has the potential to provide a return on the investment
- present a credible team by showing that the individuals and the organisation have the capacity to manage and market the enterprise and
- identify competitive advantage and market opportunity to convince local authorities, funders, and its own community that its product/service is as good as any other on the market and its quality is consistent.

Internally


The business plan is your tool for running the enterprise. It is not a static document, but one which you refer to and add to as the enterprise evolves. Some of the ways you may use it include:

- **To remain focused on the vision and values**
A social enterprise's core values are intrinsically linked with the desire of its stakeholders to participate in it. Its aims and objectives must be balanced. For example, its social or environmental aims must balance with its financial goals. This is what maintains the commitment of key stakeholders - individuals, community organisations, government bodies, and commercial operators.
- **To keep track of objectives and goals**
The business plan should clearly state the enterprise's objectives and how it will measure their success. Each objective is a step towards a short, medium or long-term goal.
- **To monitor the enterprise's progress**
As the enterprise grows, you can refer to the plan to see how closely it is progressing to estimated growth/sales/profits etc. For example, you can measure sales in terms of cash or units over a particular time frame.



Getting started

Before you begin, there are a few basic questions you need to ask yourself:

- 
- *What is your enterprise?*
 - *What is the product/service?*
 - *What is the structure of the organisation?*
 - *Who is the market?*
 - *When are sales expected?*



You will need to decide the time frame of the document. A business plan should be upgraded regularly. It should cover at least the first year but no more than five years.



Research

Importantly, the key focus for any business is the market it serves. You can have the best product in the world but if you don't have a market you don't have a business.

You should take some time to understand your customers: what are their needs, wants and expectations of your product/service?

The best way to find this out is through research. Not only will this make your business plan accurate, but it will provide ongoing information regarding the products/services you are offering and the customers you are serving.

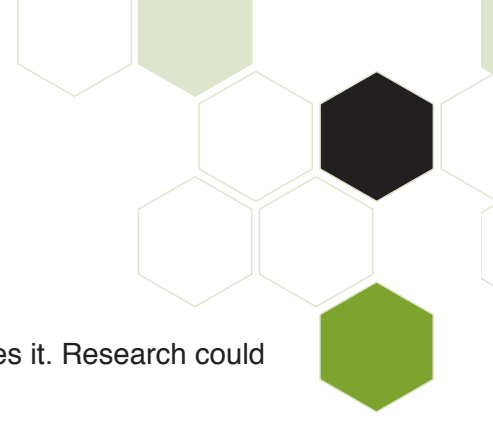
Market research is the gathering and analysing of information so you can make informed decisions. While it cannot predict the future, it is a planning tool that will help you identify your present position and predict possible future options.

You need market research to:

- identify whether there is a need for your business - is there a demand for the product service
- know who the customers are - what is their preference and how can you modify your product/service to match their needs
- compare your business to your competitors and consider industry trends
- identify which products/services will gain entry and acceptance into the market and where new opportunities lie.

Scope of market research information





The scope of market research is as broad as the enterprise that influences it. Research could focus on:

- the specifications of product/service
- the relationship of product/service to customer needs
- the price structures and sales forecasts
- distribution methods
- market definition and segmentation
- advertising and promotion.

See figure on previous page.

Types of research

Secondary (desk top) research

This research is compiled from existing published data. It provides information from reliable, timely and appropriate sources on market size, growth, trends of potential customers/competitors and their activities. The data collected tends to be quantitative and sources may include:

- Australian Bureau of Statistics (ABS)
- trade and professional associations
- government departments
- local councils
- regional and business development boards/corporations
- chambers of commerce and industry
- employers associations
- unions
- consumer organisations
- libraries (government publications section)
- documents such as: newspapers, trade journals, magazines, Yellow Pages, government publications.

Primary research

This is specific research that you carry out to further understand your market and how your enterprise serves it. It tends to be qualitative research, and attempts to see what motivates consumers and what experiences they have.

Primary research can take many forms:

- observation techniques - documenting the activities of competitors or models
- focus group meeting - a group of potential customers interpret a product/service/campaign etc
- survey/questionnaire - mail, telephone or face-to-face surveys.



Presentation

Your business plan is often the first contact your enterprise has with a potential supporter. Remember, you have only one chance to make a first impression.

Your business plan should reflect the quality of your enterprise and the attention your team has put into the project.

When you are writing the business plan, remember, it is not a literary document. Use short, simple sentences and dot points – this will make it easy to read and to look up details quickly.

The plan does not have to follow any standard business plan format but should at least contain the following information:

- title page identifying the promoters of the project and a contact for further reference
- executive summary
- introduction and overview
- marketing plan
- management and production plan
- financial plan
- clear headings.

The size of the document may vary depending on the complexity of the project, however a guideline would be:

- executive summary - one page (maximum)
- introduction and overview - two pages
- marketing plan - two/three pages
- management and production plan - two/three pages
- financial plan
- general - one/two pages
- sales/volume projections - one page
- profit and loss - one page
- cash flow - one page.

Importantly, the plan should reflect a sense of excitement and enthusiasm for the project and its potential. A business plan may be a dry document but the energy of the promoters will help build confidence in others about the venture.

Now you are ready to begin...





The business plan explained

The following is a brief business plan outline, the outline may be used as a template. At first the language may seem strange - please refer to the glossary if you have difficulty.

The first section is a brief explanation of the plan's requirements; the second section is a possible template. The dot points are for your reference as possible headings for sub-paragraphs - not all of them will be relevant to your venture, so use the ones that are and delete those that aren't.

Please note, there are entire books devoted to writing business plans. This outline is designed only as a user-friendly guide to the basics. You may need additional help from time to time - contact any of the business services listed in the useful references section of this book.

*“The plan is similar to a jigsaw puzzle:
there is a whole picture but each component
is small and interlocking.”*



Executive summary

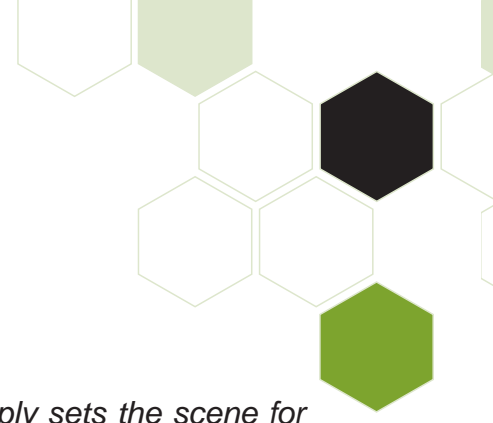
The executive summary is the first section of the plan, it is a synopsis of what makes the enterprise distinctive and the major issues that will make it successful in a competitive market.

Although the executive summary comes first in the plan, you should write it only after the plan is complete - that way, you will have all the information you need. Its purpose is to summarise the enterprise and why it will succeed. It should make the enterprise sound so good that the reader wants to read the rest of the plan.

There are no hard and fast rules about what it should include, although it might discuss:

- the purpose of the plan - problem and solution
- the product/service description
- a summary of any offers to the investor, sponsor, stakeholder or target organisation
- an outline of the organisation and/or project promoters
- an outline of the market opportunity/ies being exploited
- an overview of the project as a social change vehicle
- an overview of the project as an investment vehicle
- highlights of financial data and performance projections.





Introduction: Enterprise overview

The introduction reads a little like a contents page because it simply sets the scene for what follows. Like the executive summary, this section provides the key information about the enterprise, who is behind it, the trends and market environment, and what research has been done to draw those conclusions.

Business name and incorporation

This section clearly shows what your business name is and that you have the appropriate registrations and incorporations. (To register your business you will need to pay a fee. You can do this at the relevant business registrars in each state. Company registrations are available through the Australian Securities and Investment Commission.)

Services/products features

List the products or services offered by the enterprise, with a very brief description of each, preferably in dot points. These products and services are the tangible features of the business that are provided to the customer for a fee.

Services/products benefits

List the tangible features and intangible benefits of the products and/or services offered by the enterprise. These features/benefits identify what the customer gets for their money and shows your understanding of why the customer is buying it and why they should buy from you instead of your competition.

Customers

Profile your primary customers by listing their requirements. If you know who your customers are, name them. A new enterprise will need to provide a general outline of their customers: their needs, preferences and characteristics. This information must be based on customer research and analysis of the data to formulate the principal target market.

Competitive advantage

Explain why a customer would choose your enterprise over your competitors'. This section should show that you understand the market perspective

Stakeholders

List the promoters of the project and describe their personal details: highlight their qualifications, experience and passion for the project. Further details may be presented as an appendix.

Vision/values/objectives

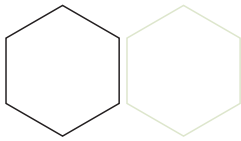
This is the measurable rationale as to why you are in business, what you (or the stakeholders) want to get out of the enterprise, and how long it will take.

- Vision is the major, long-term goal of the enterprise. A vision is a realistic, planned wish with a set timeframe.
- Values are a collection of statements by the stakeholders as to why they are in business and who they are serving. Values ensure the social and environmental components of the enterprise are attended too, particularly if conflicts arise in the future between its social and business objectives.
- Objectives are the steps to the vision. Objectives are multiple and also measured in terms of time. They include:
 - business objectives that are quantified, such as product units sold, numbers of clients, advertising expenditure to sales.
 - financial objectives that are quantified in terms of short, medium and long-term cash performance, return on investment, ratios of costs to sales etc.



Project concept and development

Description of the products or services offered, and how they will be developed and delivered to the customer.



Product/service description

A description of the product or service that will be provided and the essential features that apply to the market.

Markets and typical users

A description of who the customer is and how the product/service will be provided to them.

Development of product/service

This section should include a description of how the product/service will be produced and how it will be delivered to the customer. Also, it is important to identify who the suppliers are, whether a development stage is required and if product testing has been carried out in the market place.

Intellectual property protection (if relevant)

A sustainable competitive advantage may be created if a product or service is unique and can be contracted or licensed to restrict access by competitors. If so, show that you have done this.

Legal or regulatory factors (if relevant)

As well as the legal business structure, enterprises may need business licenses for health, environmental and other public reasons. Local councils and small business advisory services in each state provide these services. Enterprises also need insurance for a range of issues, including workers injury compensation, public liability and professional indemnity. List any that are relevant and what action you have taken.

Future development plans

A good business plan is a working tool. At the start, the plan should focus on the initial opportunity and a small number of products or services. As the enterprise matures, it may need product development or market extension. However, many enterprises have long-term plans from the beginning. If so, you should briefly outline these to show how the enterprise may develop to tailor itself closer to its customers.



Marketing

Marketing is a series of actions based on an understanding of the influences on the enterprise. This collection of items is known as the 'marketing mix'.

The marketing mix is a collection of factors that influence a customer's decision to purchase. The marketing plan should briefly examine the following in terms of customer response:

- pricing - product and competitor comparisons
- product - quality, range, packaging
- place - where the service is conducted, product is sold or distributed
- promotion - how the customers should be reached
- people - the involvement of staff, particularly for service-based ventures
- process - the way in which the service is provided
- physical - the environment in which the service is provided.

Marketing overview

Define the market in terms of who your customers are, where your enterprise fits in the market, the size of the market and current trends. This should be based on research. If your research shows that your prospective industry sector is in a sustained decline, you must show that you are able to offer a significant innovation to arrest the slide.

Define the market and market share

What do you sell, who do you sell it to, and where do you sell it? How much market share will/do you have? This can even be broken down to market segments. For example, you might have a strong market share within one section of the community but a low market share for the entire community.

Market size and growth

Identify market research methods and results to show that you have a defined market. Show that you know the size of the market in terms of units (number of items for sale) and the dollar value of those sales (price per unit). Data collected from industry sources can indicate the fluctuations in the market over time. Growth in the market is seen as a positive feature as it suggests that a new player entering a market place will face less competitive behaviour from others in the market.

Market segments

The market consists of fairly distinct sub-divisions or segments. Each of these segments has specific product or service requirements. You should outline these segments and match their requirements. If you can do this more closely than your competition, the enterprise can develop market share and increase profit.

Through research, the marketing plan should identify:

- customer profile/characteristics
- demonstration of customer need
- product characteristics for target markets.

Competitor analysis and response

Provide a detailed matrix of competitors, identified in segments. This should illustrate your strategy for responding to competitors, with reference to the marketing mix categories.



SWOT – strengths, weaknesses, opportunities and threats

List the enterprise's strengths (maximise them where possible) and weaknesses. Then list any external opportunities (ie market trends) and threats (ie competitors, economic downturns).

Maximise the opportunities and strengths and consider ways to reduce the effect of weaknesses or threats.

Sales volume projections

The sales volume projections are as much a marketing tool as they are for monitoring financial performance. The sales volume identifies what sales you expect per unit over a given timeframe (daily/weekly/monthly etc). This information will provide the targets for the enterprise. If it is effectively monitored and recorded, it will also provide a database of actual sales performance. (In many ways this information is more important to the manager than the cash flow data, which simply provides gross income without reference to product/service sales.)

The sales volume projections are based on the products or services known as the product mix. This identifies the category of a product/service and then takes it down to an individual item eg a gardening service is a category, while specific activities such as lawn mowing, fertilising and pruning are different services. Therefore they may cost different amounts in terms of labour and/or materials.

We now have information that provides the cost of the product/service, the price charged and a sales target - this may be used as the basis of management information that may be compared to actual trading see costing figure on page 44.

Promotion/advertising

Promotion is an important tool for communicating to the market but is often misinterpreted as the core purpose of marketing, which is much broader.

Promotion can take many forms, only one of which is paid advertising. Others include personal selling, trade show presentations, media and public relations, and publications.

Public relations can reduce the need for paid advertising and be more cost-effective. The media are often keen to run stories on social enterprises if they are approached appropriately, as they make ideal 'good news' stories.

As with other elements of the plan, promotion requires careful planning to identify objectives and potential targets. These should be linked to the market segments as defined earlier in your plan.

It's an important component of the business plan to identify promotion and selling opportunities. This should be monitored regularly to ensure you are meeting your targets and to refine strategies that provide the maximum return for your expenditure.



Management and production

This section identifies the capacity of the enterprise to implement the project, produce the product/service and manage the day-to-day operations of a business.

Company structure and management

Many external stakeholders may see the organisation's structure and management expertise as a major factor in the organisation's success. It is appropriate to include details of the following:

- history of the organisation and/or sponsoring organisation
- enterprise incorporation details
- prior business experience
- management
- board of directors and appropriate experience
- organisational structure
- management expertise and the experience of key management

Operations plan

The operations plan describes how the product/service is generated. This should outline various options and explain why they are chosen. This will show the reader that effective research has been carried out to ensure the enterprise can produce the product/service on time and on budget. Some things to include are:

- service details - processes, consistency with service culture, coordination
- staffing - requirements, training, availability
- costing - adequacy of costing - can it be delivered for the cost indicated
- standards - testing, quality and other standards for specified markets
- capital equipment, facilities and specialist requirements
- performance monitoring.

Strategic plan

The strategic plan is a series of action plans and schedules that identify what the task is, who is responsible for it, when it should be done and how we know when it has been done. Planning is commonly done as schedule-based diagrams and may include:

- business management: banking, salaries, taxation payments, accounts payable, accounts receivable
- production: material sourced, premises leased, equipment/tools available, staff available, quality control, cost control
- distribution: agents, wholesalers, representatives, retailer requirements, consignments
- marketing and promotion: sales, seasonal fluctuations, discounts, trade expositions, consumer shows, advertising.





Financial considerations

To operate an enterprise, you must spend money (expenditure). In turn, sales will generate an income (revenue).

Good financial management requires timely information on what the costs are likely to be, when they will probably occur and income projections that show that payments can be covered and the enterprise can continue to be viable.

This section looks at the issues you need to take into account when preparing the financial section of your business plan. It identifies the main requirements of establishing an enterprise and the necessary financial management. Some model spreadsheets follow in the financial plan section.





Goods and services tax (GST)

The GST is a consumption tax which is charged on the supply of goods and services. GST is charged by the supplier of the goods or service and must be regularly remitted to the Australian Taxation Office (ATO). Non-profit bodies with an annual turnover above \$100 000, and other entities with annual turnover above \$50 000, are required to register for the GST and must forward the tax collected to the ATO with the irregular business activity statement (BAS). Importantly, all trading enterprises are required to register for an Australian business number (ABN). The ABN is an identifying number that must be used when dealing with other businesses.

When creating a product or service that will be sold to an 'end' consumer, the enterprise may claim an input tax credit or the GST paid on its business inputs. Importantly, all enterprises must take the GST into account when preparing financial records.

Charitable and/or status

Many social enterprises will operate as not-for-profit organisations. Since the introduction of the GST in July 2000, they are required to register for charitable status. Organisations that are able to register for charitable status may have tax advantages.

The main requirement for a not-for-profit organisation is its constitution will clearly indicate that any surpluses will not be distributed to members and/or directors of the association. Also, if the organisation closes or winds up, any assets will be distributed to another organisation(s) which is also not for profit.

Charities include most religious institutions, aged people homes, homeless hostels, organisations relieving the special needs of people with disabilities, and societies that promote the fine arts.

Many social enterprises will not seek to qualify for charitable status as they may operate as ventures with a variety of stakeholders who seek to gain a benefit from the trading operations.

Sources of finance

Shares and investment

A social enterprise may seek to attract start-up or expansion resources by getting individuals or organisation to invest in the venture. This may include:

- shares - an investment by members or organisations designed to build a capital base. In the case of individuals, this may be a small investment of \$1 or more per share. For example, an employee-owned business might issue shares in return for work or other input. For organisations, this may be significantly more substantial. These shares may sometimes be traded at the current market rate.
- investment – individual members and/or organisations may also choose to loan funds.

Venture capital

Venture capital and social venture capital are an investment, by organisations, that seeks to provide capital for projects that they see as having an important business objective. Venture capital is sometimes risky. This form of finance often requires less security than a loan because the venture capitalist often has a close relationship with the project, possibly including staff or management assistance. The returns that venture capital provide are often higher than loans or other alternatives. The key to these arrangements is partnership and communication.



Grants

Many social enterprises are fortunate to have the opportunity to attract grants from government (local/state/federal), community welfare and philanthropic investment sources, particularly if the project is focused on social exclusion or employment opportunities for disadvantaged communities. Grants may finance start-up expenses, including capital purchases. Grants are generally tied to a desired and specific outcome that will need to be accounted for to the sponsor.

Earned and retained income

Earned income is the profits from the enterprise. Profits from an enterprise, particularly from a start-up enterprise, are often re-invested in it. For example, to build assets or expand operations. Retained income is the also profit but includes capital or unexpended grants that may be rolled over into the next year's balance sheet.

Debt or borrowed funds

Debt or borrowed funds is the contribution to the business by outsiders who do not have a stake in its ownership. These are generally contractual obligations and, while they may have a right to call on the organisation's assets, they do not have rights over the ownership or operation of the venture.

- **Bank loans**

Loans from commercial lending institutions will apply the same lending criteria to social enterprises as they would to any venture. Some banks, and more socially responsible financial organisations, may have special products designed to promote local ventures. Importantly, to get a loan you may need to give the lender security over the organisation's assets.

As you are required to pay back the loan, you need to clearly factor repayments into the financial management of the organisation.

- **Suppliers**

Supplies of various goods or services (from sources that are trading) make up part of a debt as supplies are often provided to a business through credit or an account where a delayed payment is offered. Again, this is a liability to the enterprise.



Enterprise accounting

Enterprise operators and their investors need to know how the venture is performing and provide regular reports. Business accounting involves three separate but interlinked processes that identify, measure and communicate financial information. This allows informed judgements and decisions to be made by the operators.

Assets, liabilities and security

A social enterprise seeks to build ownership of assets similar to other businesses. The assets are tangible things that may be converted to finance or used as security to borrow against. Examples include land, buildings, shares, good debts (money owed to you) etc.

Liabilities are any requirements or agreements that the organisation is committed to financially that need to be taken into account. These include loans or money owed for services, stock, mortgages, contracts etc. The positive numerical difference between assets and liabilities is known as net assets.

Equity

Equity is the owners or stakeholders' contribution to the enterprise and is made up of capital that is permanently invested, and re-invested profits. Equity is the cash and assets available to the enterprise.

Bookkeeping

This involves systematically recording financial information about an enterprise's transactions in ledgers or journals on a day-to-day basis. This includes:

- **Receipts**
The daily (dated) record of money received (cash, cheque, credit card). Also noting the payment of invoices by debtors.
- **Payments**
The dated record of payments (cash, cheque, credit card) for goods/services purchased or committed to by your enterprise. These will also include charges such as bank fees and interest payments on loans etc.
- **Bank reconciliation**
Every month, reconciling your cashbook details with the bank statement provided by the bank or financial institution that holds your operating accounts.
- **Creditors and debtors**
A summary of the:
Creditors - people or businesses you owe money to
Debtors - people or businesses who owe you money. Unpaid invoices or accounts for good/services supplied by your enterprise.

Accounting

Accounting is interpreting records created from a bookkeeping system to produce financial statements. This includes reporting and 'official' compliance requirements, such as tax and end-of-year reporting. Common statements include balance sheets, profit and loss statements, cash flow statements.

Financial management

Financial management involves analysing and interpreting financial statements to effectively plan and control the business.

The financial plan

For many 'hard nosed' business operators and potential investors, the financial plan is the first thing they turn to in the business plan. This section shows the reader that you have investigated the costs (including set-up expenses) and have a realistic appreciation of the market and potential trading revenue.

The financial plan should be brief and succinct and refer strongly to the analysis drawn from the spreadsheet data presented in the plan, describing the activity and indicating income or expenditure. Descriptive sections may include the following.

Set-up or establishment costs

Set-up costs should include a clear explanation of the costs required to establish the enterprise and open the doors. It will include items such as:

- cost of capital equipment
- fees for licenses or other set-up fees
- initial trading stock
- initial advertising
- capital for cash flow (say first three months) for staff and other expenses.

The matrix should also include items already secured and expenses paid for. It is important that listed items also appear in the cash flow statement under capital expenditure. This shows a realistic approach and an eye for detail.

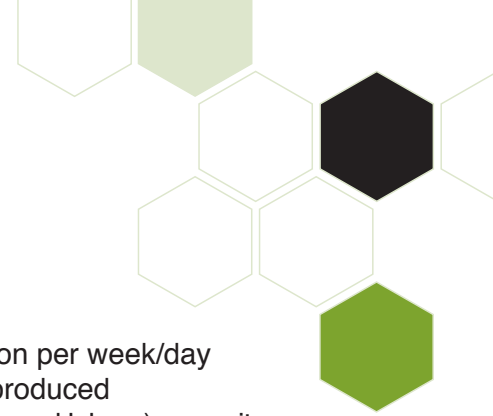
Investor offer detail

If your business plan is seeking funding, it is essential that it outlines the investor's requirements, such as loan, venture capital, share price etc.

Having identified what the enterprise needs, it is also essential to outline the return on their investment. This may identify repayment options, share dividends or other benefits that may be provided to the investor. For social enterprises, an investment return may also be identified as improvements in social capital or other benefits to a community. However, these will need to be justified and measurable.

Establishment costs

Establishment requirements	Cost		
	Have	Needed	Priority
Items			
TOTAL			



Sensitivity analysis - key performance ratios

To highlight the enterprise's performance features that may help the investor's decision to support the project, a range of key financial performance ratios may be used. Two key ratios are as follows:

- return on investment: this is a percentage of interest or other dividend over the total amount of specific investment provided
- break even point: this is the volume point at which revenues and costs are equal; a combination of sales and costs that will yield a no profit/no loss operation.

Costing (See Costing figure below)

The cost of producing a product or delivering a service to the market needs to be clearly identified. To some extent, costing is related to the marketing mix (as referred to in the marketing section) in terms of the price you are able to charge in relation to competitors. The pricing and costing should be expressed in the following manner:

- hours of production per week/day
- number of units produced
- cost (raw materials and labour) per unit
- average selling price per unit (\$ per unit).

Viability

Whether the stakeholder is an investor or your own community, they will want to see that it is viable. It is important to identify any sponsors, backers or investors you have already secured. If you have secured contracts for business, this means you are well set up with clients to serve and an income stream already flowing. Illustrate and demonstrate the following:

- grants secured
- customers secured
- investors secured.

Investor exit strategy

While investment is important, the investor needs to identify when and how they will be able to regain their funds. It is important to clarify the time frame of the investment and how the investor may withdraw gracefully and with integrity.

Costing plus product pricing

	Product/Service 1	Product/Service 2	Product/Service 3
Materials Cost (Products)			
Labour Cost			
Time Cost (Services)			
% of Fixed Costs			
Sub Total cost of goods sold (COGS)			
% Mark-up (Profit)			
Price to market (not necessarily to consumer)			
Competitors Price			



Spreadsheets

Numerical data is presented in the plan in a series of spreadsheets:

- Sales/volume projection: the prediction, over time, of the expected sales of products and services. This information will have a direct relationship with cash flow (see figure on page 48).
- Cash flow projections: the income expected from the projected and actual sales/volume, coupled with the budgeted expenditure (see figure on page 46).
- Profit/loss projections: the annual overview of how the enterprise performed in terms of both income and expenditure (see figure on page 47).



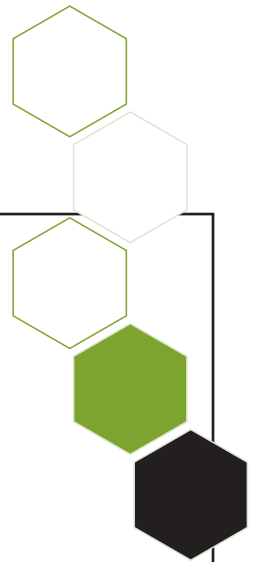
The sales volume projection figure is a practical model that may provide template for your venture.

How to use it:

- Step 1 Identify products or services.
- Step 2 Identify costs to produce the service/product.
- Step 3 Identify the price to be charged.
- Step 4 Estimate the number of items or times the service may be sold in a given period.

Estimated profit & loss summary		
Revised - Date?		
Income	Notes	Total - Y1
Trading Income Incl GST		
COGS		
Base Gross Profit		
Other Income		
Gross Profit		
Expenditure		
Administration		
Marketing		
Development Costs		
Capital Costs		
TOTAL Payments		
Summary - 12 months from		TOTAL
Gross Profit		
Less Expenditure		
Trading Surplus/Deficit		
Accumulated Surplus/Deficit		

Sales & volume projections									
Product/Service Description	Product 1	Product 2	Service 1	Service 2	Total units per month	Total \$ Sales per month	Ave \$ Sales per month	Total \$ Costs per month	
Price per Ave Sale (\$)									
per unit									
Jan									
Feb									
Mar									
Apr									
May									
Jun									
Jul									
Aug									
Sep									
Oct									
Nov									
Dec									
Total Units									
Total Sales									
Cost/Vol									
	Product 1	Product 2	Service 1	Service 2					
Costs - Total									
Material/Purchases									
Labour/Sub-contract									
Packaging									
Other									
Cost per unit									
Total Unit Costs									
GROSS PROFIT SALES									





Overview of business structures

There are a range of legal incorporations that can form an enterprise. Listed below are the major legal structures and information on the major Acts.

Unincorporated association

An unincorporated association is an unregistered association of people who are conducting certain activities. This is often the starting point of many organisations.

However, it is unusual to be unregistered, as each individual in the association is personally liable for the liabilities of the association. This means that one person could commit the group to an expenditure to which the others may not agree. To avoid this, the group should either register or seek protection under another 'registered' organisation.

Incorporated association

An incorporated association is a registered, not-for-profit organisation. While known as not for profit, they may often have trading surpluses (profits). These are used to help the organisation achieve its objectives rather than being paid to members. In fact, such an organisation operates under a constitution that prevents any profits being distributed to members or directors.

Incorporated associations may vary in size from very small to quite large. For example, they could range from a sporting club with an annual turnover of less than \$5000 to a statewide charity with an annual turnover of more than \$20 million.

The key advantage of this status is the not-for-profit stature, which means the organisation can register as a Deductible Gift Recipient, making financial contributions tax deductible.

Proprietary limited company

This is a business registered with the Australian Securities and Investment Commission (ASIC). Most registered businesses in Australia are proprietary limited companies, ranging from a one-person business to those with up to 50 non-employee share holders.

These businesses are accountable to ASIC and must lodge an 'annual return' each year.

They are quite easy to set up and maintain. One requirement is a constitution. As these businesses are not restricted, they can include profit as an objective.

The main advantage for running a social enterprise as a proprietary limited company is, it can share profits with its owners.

Public companies

Public companies can have any number of members and can raise funds by offering shares to the public. It is managed by at least three directors, all of whom are subject to defined duties and liabilities.

Cooperatives

A cooperative is an organisation that is established by and for its members. Cooperatives have tended to focus on two areas – housing for low income people, and producers. Today, there is a new generation of cooperatives, such as health/care, worker, and agricultural producer cooperatives.

Despite their appropriateness in many circumstances, cooperatives are complicated and expensive to set up and maintain. Consequently, many organisations tend to operate in the spirit of a cooperative rather than under the specific registration.

Legal information on business structures

1. Associations

Associations Incorporations Act (South Australia)

- 1.1 Each state and territory of Australia has its own legislation governing incorporated associations. The legislation differs in each state and these differences can be substantial. In South Australia, it is the Associations Incorporation Act (SA) 1985. The commentary below relates to associations incorporated in South Australia.
- 1.2 To be incorporated in South Australia, an association can be formed for any of the following objectives, provided it is for a non-profit purpose:
 - 1.2.1 religious
 - 1.2.2 educational
 - 1.2.3 charitable or
 - 1.2.4 benevolent purposes.
- 1.3 An association may be formed for the purpose of:
 - 1.3.1 establishing, carrying on or improving a community centre
 - 1.3.2 promoting the interests of a local community or a particular section of a local community or
 - 1.3.3 promoting the common interests of persons who are engaged in, or interested in, a particular business, trade or industry.

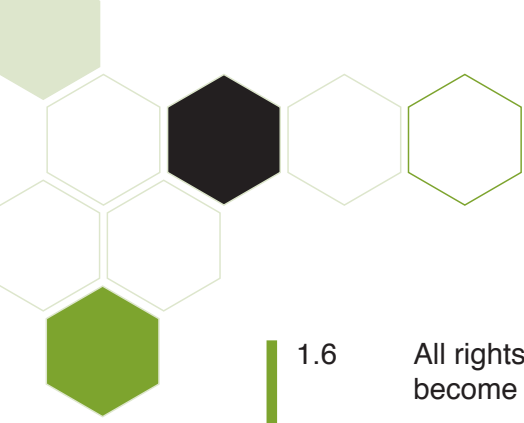
Process for incorporating an association

- 1.4 An application must be made to the Corporate Affairs Commission (Commission) to incorporate an association and the application must be accompanied by a copy of the association's rules and the required fee.


Consequences of incorporation

- 1.5 Once the association is incorporated under the Act, any real and personal property that may have been held by a person on behalf of the association, vests in and is held by the association (subject to any trusts that may affect that property).

¹ The relevant legislation in other states and territories is as follows: *Associations Incorporations Act (QLD) 1981*, *Associations Incorporations Act (ACT) 1991*, *Associations Incorporations Act (NT) 2001*, *Associations Incorporations Act (TAS) 1964*, *Associations Incorporations Act (NSW) 1984*, *Associations Incorporations Act (VIC) 1981* and *Associations Incorporations Act (WA) 1987*.



- 1.6 All rights and liabilities of the association immediately before the incorporation become rights and liabilities of the association.
- 1.7 Although incorporated associations are established for a non-profit purpose, the association can make a profit if:
- 1.7.1 none of the profit is divided among, or given to, members
 - 1.7.2 the association buys, sells, deals in or provides goods or services where those transactions are ancillary to the principal objectives of the association or
 - 1.7.3 the association is established for the protection of a trade, business, industry or calling, in which the members are engaged or interested. The association itself must not engage or take part in such activity.
- 1.8 The Commission may decline to incorporate an association if, in its opinion, it would be more appropriate for its activities to be carried out by a body corporate incorporated under some other Act.
Rights and liabilities of members
- 1.9 Members of incorporated associations do not have any right, title or interest in any real or personal property of the association (except as may be provided by the association's rules).
- 1.10 Likewise, members are not liable for the payment of the debts and liabilities of the association, or the costs, charges and expenses associated with winding up. This is an important factor in the decision to incorporate an association.
- 1.11 The members of an association that is not incorporated are each personally liable for any debt of, or claims made against, an unincorporated association. For this reason, it is unwise to be involved in an unincorporated association.
- Winding up, transfer of activities and dissolution**
- 1.12 An association can be wound up voluntarily, by the Supreme Court, or by the Commission with the consent of the Minister. The Supreme Court can wind up the association if:
- it is unable to pay its debts
 - the members have acted in the affairs of the association in their own interests rather than in the interests of the members as a whole or
 - the affairs have been conducted in a manner that is contrary to the interests of the members as a whole.
- 1.13 The Commission has the power to transfer the activities and assets of a body that is no longer an incorporated association to another body corporate if it believes the other body corporate would be more appropriate.
- 1.14 When an incorporated association is wound up, any surplus assets available for distribution cannot be distributed to members or former members unless each of



the members is also an incorporated association that has identical or similar aims and objects to the association, and the consent of the Commission is obtained.

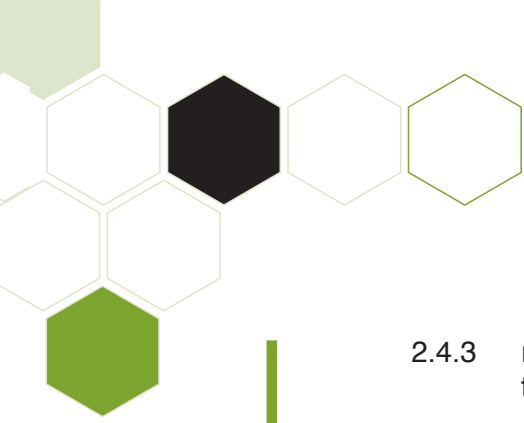
- 1.15 The surplus assets are distributed in accordance with the rules of the association or, if there are no rules, in accordance with a special resolution of the association.
- 1.16 Surplus assets are those assets that remain after the liabilities of the association have been paid including the costs and expenses of winding up.

2. Companies

- 2.1 Another type of incorporated body is a company incorporated under the Corporations Act (Cth) 2001. The different kinds of companies are discussed below under headings A, B, C and D.

Directors' duties

- 2.2 The directors of a company are responsible for the overall operation and management of the company. No matter what kind of company is formed, all directors of companies are subject to onerous duties under the law. Directors owe what is called a fiduciary duty to the company. This means that the directors have a duty to act in the best interests of the company and not in their own self interest. Directors must act in good faith in the interests of the company, exercise their powers for their proper purpose, retain their discretionary powers, avoid conflicts of interest and exercise reasonable care and diligence.
- 2.3 The Corporations Act provides for specific duties for officeholders. Officeholders include:
 - 2.3.1 a director or secretary
 - 2.3.2 a person who makes decisions affecting a substantial part of the business
 - 2.3.3 a person with the capacity to significantly affect the company's financial standing
 - 2.3.4 a person whose instructions are followed by directors (but excluding professional advisers) and
 - 2.3.5 receivers, administrators and liquidators.
- 2.4 These duties are:
 - 2.4.1 to exercise powers with the degree of care and diligence that a reasonable person would exercise if they were a director in the same circumstances
 - 2.4.2 to exercise powers in good faith in the best interests of the company and for a proper purpose



2.4.3 not to make improper use of their position to gain an advantage for themselves or someone else or cause detriment to the company and

2.4.4 not to improperly use information obtained through their position to gain an advantage for themselves or someone else or cause detriment to the company.

2.5 Breaches of these duties can attract both civil and criminal penalties. The decision to become an officeholder of a company is not one which should be taken lightly. It is important that you fully understand the obligations placed on officeholders before accepting a position.

Unlimited liability company

2.6 An unlimited company is a company whose individual members (and in some circumstances its past members) may be made liable in a winding up for its debts with no limit on their liability. It can be registered as a proprietary company or as a public company under the Corporations Act.

2.7 A member will only become liable for the company's debts if the company is wound up and the assets of the company are inadequate to pay liabilities. A creditor who cannot recover from the company can apply to the court for a winding up order to recover against the individual members.

Unlimited companies are not normally used by trading ventures

2.8 This is because of the potential liability for members. They are generally used in professions where individuals are expected to remain liable without limit, and yet are permitted to operate in a corporate form for superannuation or other reasons.

Share capital

2.9 Unlimited companies must have share capital. As with other companies limited by shares, a member is liable to pay the amount unpaid on each of his or her shares held when called upon. If the company is wound up, calls can be made on the members for any money unpaid on their shares. The distinguishing feature of unlimited companies is that if the calls do not meet the company's liabilities, further contributions can be demanded from the shareholders.

2.10 Although initially all members will be requested to contribute equally, the liability of each member is what is called 'several'. That is, a single member could be liable to contribute the full amount. However, that member has a right in equity to contribution from other members.



Property limited companies

- 2.11 A proprietary company is the most common form of company used in Australia. A proprietary company is one designed for a relatively small group of persons who do not wish the company to be able to invite the public to buy its shares or lend it money and, in particular, require their liability as shareholders to be limited to the amount they contributed or promised to contribute as share capital.
- 2.12 A proprietary company cannot have more than 50 shareholders. Employee shareholders are not included in this number. A proprietary company must have at least one director who manages the company. The duties and liabilities of directors are outlined above.
- 2.13 Proprietary companies generally have constitutions which govern the internal procedures and functions of the company. The replaceable rules contained in the Corporations Act operate if the constitution is silent on an issue or if no constitution exists.

Company limited by guarantee (generally used in not for profit situation)

- 2.14 A company limited by guarantee does not have power to issue shares. Instead, the members each guarantee that they will contribute a specified amount to the property of the company if it is wound up. The amount guaranteed is usually between \$20 to \$100.
- 2.15 As there is no obligation for members to contribute funds unless the company is wound up (the amount of the guarantee), a company limited by guarantee is not usually used for trading. However, it can be used in circumstances such as clubs and charities where money is raised through donations and fundraisers.
- 2.16 Guarantee companies cannot increase or reduce the amount of the members' guarantees either by amendment or by agreement with the members. Hence, the liability of members is fixed by the amount of the guarantee.
- 2.17 A company limited by guarantee must have at least three directors to manage the company and whose duties and liabilities are outlined above.

Public companies

- 2.18 Public companies can have an unlimited number of members and can raise funds by offering shares to the public in accordance with the fundraising provisions of the Corporations Act.
- 2.19 A public company can also choose to have a constitution or use the replaceable rules (or a combination of the two). The management of the company is provided by the directors who are subject to the duties and liabilities outline above. A public company must have at least three directors.
- 2.20 The Corporations Act places more regulatory obligations on public companies than proprietary companies and they are therefore more expensive to operate.



3. Cooperatives

- 3.1 In all Australian states and territories, legislation provides for the incorporation of registered cooperative societies, usually known as 'cooperatives'. South Australia has the Cooperatives Act (SA) 1997 .
- 3.2 Under the Cooperatives Act, the following cooperative principles apply:
 - 3.2.1 voluntary and open membership
 - 3.2.2 democratic member control
 - 3.2.3 member economic participation
 - 3.2.4 autonomy and independence
 - 3.2.5 education, training and information
 - 3.2.6 cooperation among cooperatives and
 - 3.2.7 concern for the community

Types of cooperatives

- 3.3 A body may be registered as either a trading cooperative or a non-trading cooperative.
- 3.4 A trading cooperative must have share capital and give returns or distribute any surplus or share capital to members. Such cooperatives must have a membership of:
 - 3.4.1 two or more cooperatives in the case of an association
 - 3.4.2 two or more associations in case of a federation and
 - 3.4.3 five or more active members in the case of any other trading cooperative.
- 3.5 Non-trading cooperatives must not give returns or distribute any surplus or share capital to members other than the nominal value of shares (if any), at winding up. A non-trading cooperative may or may not have a share capital, but must have a membership of:
 - 3.5.1 two or more cooperatives in the case of an association
 - 3.5.2 two or more associations in the case of a federation and
 - 3.5.3 five or more active members in the case of any other non-trading cooperative.

² The relevant legislation in other states and territories is as follows: *Cooperatives Act (VIC) 1996, Cooperatives Act (NSW) 1992, Companies Cooperative Act (WA) 1943 and Cooperative and Provident Societies Act (WA) 1903, Cooperative Societies Act (ACT) 1939, Cooperatives Act (NT) 1997, Cooperatives Act (QLD) 1997 and Cooperatives Act (TAS) 1999.*



Legal capacity and powers

- 3.3 A body may be registered as either a trading cooperative or a non-trading cooperative.
- 3.6 As a body corporate, a cooperative has the legal capacity and powers of a natural person. Unlike incorporated associations, which are not recognised outside the state or territory in which they are incorporated, a cooperative has the legal capacity of a natural person both within and outside its state or territory of incorporation.

Rights and liabilities of members

- 3.7 A cooperative offers limited liability to its members. However, as with companies, members are liable to the cooperative for the amount of unpaid moneys on the shares held by them. However, they are also liable for any charges payable to the cooperative as required by the rules of the cooperative.
Management and administration of cooperatives
- 3.8 The business of a cooperative is managed by a board of directors. The directors of a cooperative are to be elected in a manner specified in the rules of the cooperative.
- 3.9 The duties and liabilities of directors and officers of cooperatives are similar to those discussed above for companies.

Winding up

- 3.10 A cooperative may be wound up voluntarily by the Supreme Court or by the South Australian Corporate Affairs Commission. The Corporations Act provisions apply to the winding up of a cooperative.
- 3.11 The rules of a non-trading cooperative must make provision for the manner in which the surplus property of a cooperative is to be distributed in a winding up.

4. Charitable status

- 4.1 A charitable institution is a body established and maintained for charitable purposes.
- 4.2 A charitable purpose is one which provides a public benefit. It is sufficient if the benefit is not for the whole community, but for an appreciable section of the public.
- 4.3 A charitable purpose is for any one of the following:
 - 4.3.1 the relief of poverty
 - 4.3.2 the advancement of education
 - 4.3.3 the advancement of religion or
 - 4.3.4 other purposes b Finance




- 4.4 Purposes that are not charitable because they are not for the benefit of the public include purposes that:
 - 4.4.1 promote gain or profit for private persons
 - 4.4.2 promote the common interests of persons in their private capacities
 - 4.4.3 provide mutual benefits for persons in their private capacities or
 - 4.4.4 confer benefits on persons in their private capacities.
- 4.5 Social, recreational and sporting purposes are not charitable. However, where such purposes are merely incidental to a purpose that is otherwise charitable, they need not prevent that purpose being charitable.

Charitable status

- 4.6 By law, gifts of \$2.00 or more to an Australian charity, fund, organisation or authority are tax deductible. A gift may be used by the charity for any purpose for which it was established.
- 4.7 To acquire charitable status for taxation purposes, an application for a private ruling must be made to the Commissioner of Taxation. If successful, the charity will be exempt from tax, and donations made to it will be tax deductible.

5. Partnerships

- 5.1 Each state and territory in Australia has an Act regulating partnerships. In South Australia, this is the Partnership Act (SA) 1891. Partnerships are generally limited to 20 partners under the Corporations Act (Cth) 2001, although there are some exceptions for professional partnerships.
- 5.2 A partnership is the relationship that exists between persons carrying on a business in common with a view of profit. A group of persons setting up a commercial enterprise may adopt the legal form of a partnership, however the partnership structure is unsuitable for charitable organisations with a non-profit purpose.
- 5.3 Partnerships can be formed by way of an oral agreement or a written partnership agreement.
- 5.4 A partnership in Australia has no legal existence apart from the members of the partnership. This differs from a company which is a distinct and separate legal entity from its members.
- 5.5 This means that the property and liabilities of the partnership are really assets and liabilities of the partners personally. Even after a partner has left the partnership, that partner may still be liable for debts the partnership incurred while he or she was a partner.

- 
- 5.6 Each partner in a partnership acts as agent for the others and can enter into contracts on their behalf for the purposes of the partnership's business.
 - 5.7 As distinct from a company which can last indefinitely, a partnership comes to an end automatically (subject to the partnership agreement) on the retirement, death or bankruptcy of a partner.

Liability

- 5.8 Partners personally are jointly and severally liable for civil wrongs committed by the partners or employees of the partnership.
- 5.9 Whether any partner enjoys limited liability depends on the distinction between a general partnership and a limited partnership.
- 5.10 In a general partnership, no partner enjoys limited liability in respect of the partnership liabilities – any member could be liable to his, her or its last cent.
- 5.11 In a limited partnership there are two categories of partners: general partners who manage the business and limited partners who take no part in management. General partners are subject to unlimited liability whereas limited partners are liable only to the extent of the capital they contribute to the partnership. However, a limited partner will lose the benefit of the limitation of liability by taking part in management.

Raising capital

- 5.12 When a partnership is established, the partners contribute capital to fund the business. The partnership can raise further funds through seeking more contributions from its partners or by loans from its partners.



³ The relevant legislation in the other states and territories is as follows: *Partnership Act (NSW) 1892*, *Partnership Act (QLD) 1891*, *Partnership Act (TAS) 1891*, *Partnership Act (VIC) 1958*, *Partnership Act (WA) 1895*, *Partnership Act (NT) 1997* and *Partnership Ordinance Act (ACT) 1963*.



Useful references

Business information sites

Business License Information Service

<http://bli.net.au>

Provides access to licensing requirements for all three levels of government.

Business Entry Point

www.business.gov.au

Provides access to government information at both national and state levels including information on starting a business.

Centre for Innovation, Business and Manufacturing (formerly The Business Centre)

www.cibm.sa.gov.au

Includes information sheets on various topics including proprietary companies, partnerships, business names and starting your own business.

Australian Business Register

www.abr.gov.au/

Online database containing some of the information provided by businesses when they register for an ABN.

Bizgate

www.bizgate.sa.gov.au

SA's electronic gateway to government business services.

Government organisations

Austrade

www.austrade.gov.au

Australian Government's export and trade development site

Department of Employment, Workplace Relations and Small Business

www.dewrsb.gov.au/

Australian Tax Office

www.ato.gov.au

Tax reform information –
www.taxreform.ato.gov.au/

Australian Securities and Investments Commission

www.asic.gov.au

Australian Competition and Consumer Commission

www.accc.gov.au

Office of Consumer and Business Affairs (SA)

www.ocba.sa.gov.au

Treasury of Australia

www.treasury.gov.au

IP Australia

www.ipaustralia.gov.au

Australian Stock Exchange

www.asx.com.au

Legislation

ScalePlus

law.agps.gov.au/

Directors and directors' duties

Australian Institute of Company Directors

www.companydirectors.com.au

Baxt, R, Duties and Responsibilities of Directors and Officers, 15th ed, Australian Institute of Company Directors, Canberra, 2000.

Company Director – Journal of the Institute of Company Directors

Directors' Duties – Corporate Governance Series – Ernst & Young, April 2000

[www.ey.com/global/vault.nsf/Australia/Directors_Duties/\\$file/DirectorsDutiesApr00.pdf](http://www.ey.com/global/vault.nsf/Australia/Directors_Duties/$file/DirectorsDutiesApr00.pdf)

ASIC – information sheets

http://www.asic.gov.au/asic/asic_pub.nsf/
Includes company director obligations – the watchdog's guide, directors' legal obligations.

Centre for Corporate Law and Securities Legislation, University of Melbourne
<http://cclsr.law.unimelb.edu.au/research-papers/>
Includes papers – ‘To whom are the duties of

Social enterprise

Social Entrepreneurs Network
www.sen.org.au
Australian Social Entrepreneurs Network.

Adelaide Central Mission
www.acm.asn.au
Social Enterprise in Australia – An introductory handbook published by the ACM in PDF for free download.

Social Enterprise London
www.sel.org.uk

Community Action Network
www.can.online.org.uk
Key UK social enterprise organisation, excellent newsletter-deeper exploration requires membership.

Community wealth
www.socialentrepreneurs.org
United States site with ideas, links and index of publications.

Social Ventures Network
www.svn.org/members
United States site with numerous examples and links.

Partnerships

Prime Minister’s Community and Business Partnership
www.partnerships.zip.com.au
Prime Minister’s Community and Business Partnership site offers profiles of award winning partnerships plus links and useful information.

Philanthropy

www.philanthropy.org.au
Information on private, family and corporate trusts and foundations. National organisation published a director.

Business/management consultants

SA Central – Management consultants
<http://text.sacentral.sa.gov.au/business/consultants/>

Accounting providers

CPA Australia
www.cpaonline.com.au
Provides information about certified practicing accountants

Legal providers

The Law South Australia
www.lssa.asn.au

Shelf companies

Shelf companies Australia
www.shelfco.com.au/index.html
The company registration experts

Shelfcom
www.shelfcom.com.au/
Provides company registrations, formations, constitutions and related services

Dial A Shelf
www.dialashelf.com.au

Charitable organisations

Australian Taxation Office – charity pack
www.taxreform.ato.gov.au/publications/2000/nat3131

Dal Pont, G, *Charity Law in Australia and New Zealand*, Oxford University Press, Melbourne, 2000.



Glossary and commonly used terms



Asset

Anything owned by an individual or a business that has commercial or exchange value. Assets may consist of specific property or claims against others, in contrast to obligations due others. (See also Liabilities).

Asset-based development

A development strategy that recognises the possession of tangible assets (land, buildings, share capital) as a key to achieving self sufficiency and sustainability.

Balance sheet

An itemised statement that lists the total assets and liabilities of a given business, to portray its net worth at a given moment in time. The amounts shown on a balance sheet are generally the historic cost of items and not their current values.

Bank reconciliation

The verification of a bank statement balance and the enterprise's transactions and balances.

Benefits

Business terminology that describes the intangible (but often desirable) aspect of a product or service.

Bookkeeping

The practice of regular and systematic recording of the transactions affecting a business.

Break-even point

The volume point at which revenues and costs are equal; a combination of sales and costs that will yield a no profit/ no loss operation

Business plan

A written plan used to chart a new or ongoing business' strategies, sales projections, and key personnel to obtain financing and/or provide a strategic foundation under which a business can operate.

Community capacity building

Ability to recognise and enhance the inter-relationships between individuals, the community in which they live and the system that supports them.

Capital

Material wealth used or available for use in the production of more wealth.

Cause related marketing

Used by commercial corporate organisations of a social, environmental or other cause in partnership with one or more stakeholders associated with a cause to advance that organisation's market position.



Community business

A trading venture owned and controlled by the local community. The enterprises aim for self-supporting local employment and/or local development. Social enterprises with strong geographical definition and focus on local markets.

Community/business Partnership

People and organisations of public, business and civil constituencies which engage in voluntary, mutually beneficial, innovative relationships to address common social aims by combining their resources and competencies.

Cash flow

A financial diary of an organisation's expected expenditure and income.

Common bond

The rules and/or purpose of a cooperative style venture which determines the philosophy and who may join. They may include:

- community or residential – anyone who lives within a boundary
- employment – all employees of a company or group of companies
- association – membership of a trade union, trade association or other group.

Cooperative

An enterprise or organisation that is owned and managed jointly by those who use its facilities or engage in producing its products or services.

Cost of goods sold

The cost of labour and materials required to produce products for sale.

Credit union

A financial cooperative bound by a common bond.

Customer

Those who purchase goods and services. Those who must be satisfied for an enterprise to achieve results.

Deductible gift recipient

Registered status by the Australian Tax Office (ATO) for receipt of tax deductible gifts by individual and corporate donors.

Economic development

Measurement of employment, capital investment and trade, based on economic activity that will result in wealth generation. Two common forms include growth (increased economic activity) and efficiency (improved output with minimal additional investment).



Features

Business terminology that describes tangible aspects of a product or service eg engine capacity.
Features are product characteristics that deliver benefits (See also Benefits)

Incorporated association

Registered not-for-profit organisation

Investor

A person, organisation or business which commits money or capital to gain a financial (or other) return.

Key financial ratios

See sensitivity analysis

Liabilities

In accounting it is a loan, expense, or any other form of claim on the assets of an entity that must be paid or otherwise honoured by that entity.

Low/no interest loan schemes

Loans to disadvantaged persons to purchase capital items with little or no interest payments required over the agreed repayment of the loan.

Market

The exchange of goods or services for a fee. Including identification of persons or organisations who are/will be customers.

Marketing

An integrated approach by enterprises to the offer for sale of goods, services or ideas.

Mission statement

An organisation's stated reason for being, its purpose.

Micro-finance

Small savings and lending facilities. Financial services designed for persons on low incomes including insurance, bill payment and money transfer.

Mutual society

Organised by members for the purpose of providing a shared service from which they all benefit. Primarily involved in financial enterprises, they take a variety of forms, including credit unions, cooperatives, building societies and unions.

Mutualism/mutuality

An inclusive means of living and working which embodies interdependence and obligation of every person for every person. A reciprocal relationship where parties seek to maximise community benefit rather than individual gain.



Not-for-profit (NFP)

Terminology for an organisation whose purpose in trading is to benefit the organisation's objectives and re-invest any trading surplus into the organisation a NFP organisation does not distribute profits to individual shareholders.

Objectives

Specific and measurable levels of achievement.

Philanthropy

The effort by charitable aid or donations by individuals or organisations intended to promote human welfare, development, and cultural or scientific pursuits.

Propriety limited company

Registered businesses with a maximum of 50 shareholders.

Sensitivity analysis — key performance ratios

Key ratios: Financial performance ratios used by financial analysts in judging the financial condition of an enterprise. Such ratios would include the ratio of capital to total assets, ratio of the loan loss reserve to total loans, ratio of loans to deposits, ratios measuring various forms of liquid assets, and performance ratios such as the ratio of net income to average assets (return on assets–ROA), net income to average equity (return on equity–ROE)

Social capital

A measurement of social organisation including networks, trust and cooperation for mutual benefit.

Social enterprise

Social enterprise is a means by which people come together and utilise 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 creative endeavour that results in social, financial, service, educational, employment, or other community benefits.

Social entrepreneur

A leader for social change who is generating a new approach to achieving greater impact and sustainability in social development, and inspiring others.

Social exclusion

Terminology for people who experience a combination of often linked problems, including unemployment, low skills and education, inadequate housing, low health and family breakdown.



Socially responsible business

Recognition of corporations that they exist as an integral part of society and therefore have a responsibility to the community.

Social venture capital

Venture capital applied to social enterprise and recognising the special needs of social enterprise financial capacity.

Stakeholders

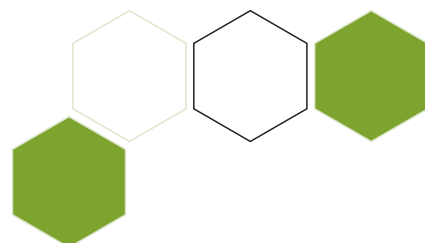
People or groups who have a particular interest in your organisation. These may include investors, volunteers, members, partners, government agencies, employees, suppliers, customers and others whose interest must be considered.

Triple bottom line accounting

Measurements of an enterprise's impact, taking social, environmental and financial factors into account.

Vision/mission statement

A picture of the organisation's purpose and desired future.



Social enterprise in Australia

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