

What is social enterprise?

While there is no universally agreed definition, a social enterprise is a non-government, not-for-profit organisation (or a part of such an organisation) that:

- Has a clear social (or cultural, environmental etc.) mission *and*
- Is a viable business selling goods or providing services for a fee which generates the majority of the social enterprise's income *and*
- Re-invests any surplus in its mission.

A social enterprise investment is the upfront capital used to develop almost any type of business.

Well known social enterprises are op shops run by the **St Vincent de Paul Society**, the **Salvation Army** and others.

Social enterprises can be varied in their business and can include cafes, catering services, employment services, training organisations and even real estate agencies.

Why do they exist?

Many social enterprises are used to raise money for an organisation. For example, the **Women's Property Initiatives (WPI)**, which builds and manages affordable, long-term homes for women who are facing homelessness, also runs a commercial real estate agency as a social enterprise. The profits from the social enterprise help WPI expand its housing stock.

Some social enterprises also provide work for people who may find it difficult to be employed in meaningful, long-term jobs.

For example, **T2M Maintenance Services** is a social enterprise developed and owned by **St Kilda Community Housing**. T2M trains and employs St Kilda Community Housing tenants to maintain social housing properties to an appropriate standard. Its main purpose is to reconnect people to the workforce but it also generates a profit.

Other social enterprises seek to meet a community need not being provided at all or not being provided adequately by for-profit organisations or public services.

For example, **Eating Disorders Victoria** established a 'fee for service' social enterprise to provide support including psychology sessions for people experiencing eating disorders and related issues.

What are the benefits?

A social enterprise can inspire new ways of tackling social problems.

Social enterprises can be more flexible than organisations reliant on government funding or donations, allowing for greater innovation to achieve their social purpose as well as the potential for generating income.

A social enterprise can be a way to avoid dependence on government funding, allowing an organisation to be self-supporting by using the income it generates to meet its mission

Generating income from trading activities may also allow organisations to borrow money for capital investment in the same manner as a for-profit enterprise.

Social enterprises are able to grow as long as the business is able to generate more income.

What are the risks?

Since social enterprises are commercial businesses, they can fail if they are unable to respond to market changes.

Market changes may include:

- New competitors which provide the good or service at a cheaper price or better quality
- A change in consumer preference, such that demand for the good or service falls and the business becomes unprofitable
- Technological development that renders the social enterprise's good or service unnecessary
- An increase in the cost of inputs to the good or service, reducing profitability.

There is also a risk the social enterprise does not gain a sufficient market share and so does not make a profit, meaning that the establishment costs are lost.

Further, as with any business, profits may take years to appear and the establishment costs may not be returned quickly enough for the social enterprise to be a worthwhile investment.

There may also be a conflict between the two aspects of a social enterprise: the business seeking profit versus the community organisation with a social mission. There is a risk that the profit-seeking business may divert the community organisation from its social mission.

Further reading

- [Victorian Government, 'Social Enterprise Strategy'](#)
- [Social Traders, 'About Social Enterprise'](#)
- [NFP Law, 'Social Enterprise'](#)
- [Centre for Social Impact, 'Finding Australia's Social Enterprise Sector'](#)

The Victorian Council of Social Service (VCOSS) is the peak body of the social and community sector in Victoria. This briefing paper was prepared by VCOSS Policy Advisor Dev Mukherjee.

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