

Social Innovation and Social Enterprise: Evidence from Australia

Jo Barraket and Craig Furneaux

Abstract ‘Social innovation’ is a construct increasingly used to explain the practices, processes and actors through which sustained positive transformation occurs in the network society (Mulgan, G., Tucker, S., Ali, R., Sander, B. (2007). *Social innovation: What it is, why it matters and how can it be accelerated*. Oxford: Skoll Centre for Social Entrepreneurship; Phills, J. A., Deiglmeier, K., & Miller, D. T. *Stanford Social Innovation Review*, 6(4):34–43, 2008.). Social innovation has been defined as a “novel solution to a social problem that is more effective, efficient, sustainable, or just than existing solutions, and for which the value created accrues primarily to society as a whole rather than private individuals.” (Phills, J. A., Deiglmeier, K., & Miller, D. T. *Stanford Social Innovation Review*, 6 (4):34–43, 2008: 34.)

Emergent ideas of social innovation challenge some traditional understandings of the nature and role of the Third Sector, as well as shining a light on those enterprises within the social economy that configure resources in novel ways. In this context, social enterprises – which provide a social or community benefit and trade to fulfil their mission – have attracted considerable policy attention as one source of social innovation within a wider field of action (see Leadbeater, C. (2007). ‘Social enterprise and social innovation: Strategies for the next 10 years’, Cabinet office, Office of the third sector http://www.charlesleadbeater.net/cms/xstandard/social_enterprise_innovation.pdf. Last accessed 19/5/2011.). And yet, while social enterprise seems to have gained some symbolic traction in society, there is to date relatively limited evidence of its real world impacts. (Dart, R. *Not for Profit Management and Leadership*, 14(4):411–424, 2004.) In other words, we do not know much about the social innovation capabilities and effects of social enterprise.

In this chapter, we consider the social innovation practices of social enterprise, drawing on Mulgan, G., Tucker, S., Ali, R., Sander, B. (2007). *Social innovation: What it is, why it matters and how can it be accelerated*. Oxford: Skoll Centre for

J. Barraket (✉) • C. Furneaux
Queensland University of Technology, Brisbane, Australia
e-mail: jo.barraket@qut.edu.au

Social Entrepreneurship: 5) three dimensions of social innovation: new combinations or hybrids of existing elements; cutting across organisational, sectoral and disciplinary boundaries; and leaving behind compelling new relationships. Based on a detailed survey of 365 Australian social enterprises, we examine their self-reported business and mission-related innovations, the ways in which they configure and access resources and the practices through which they diffuse innovation in support of their mission. We then consider how these findings inform our understanding of the social innovation capabilities and effects of social enterprise, and their implications for public policy development.

1 Introduction

In a global risk society (Beck 1992) characterised by increasing economic and environmental interdependencies, the role of civil society actors and cross-sectoral collaborations in delivering innovative responses to ‘wicked problems’ (Weber and Khademian 2008) has gained increasing attention. Within this context, there has been growing interest in social enterprise in a number of world regions by governments, businesses, and the not for profit sector over the past decade. This growth in interest has played out in Australia; yet, little is known about the dimensions or impacts of the existing social enterprise sector in this country (Barraket 2004; Lyons and Passey 2006; Barraket 2008). As Mulgan (2006) has noted more broadly, surprisingly little is known about social innovation that occurs in the not for profit sector, and amongst social enterprises.

In response to this gap in knowledge, a research project was undertaken to identify the activities of social enterprises in Australia, and to report on the size, composition and the social innovations initiated by this sector of the social economy. This chapter considers the main findings of this study in relation to the social innovation found in the sector.¹ The chapter contributes to our understanding of the social enterprise sector in Australia, and the ways in which social innovation has occurred within this sector. It considers the self-reported activities of Australian social enterprise in light of Mulgan et al.’s (2007) conceptualisation of social innovation, discussed further in Sect. 2.1 below.

2 Defining Terms

The notion of social enterprise has been the subject of definitional debate amongst scholars, practice experts and policy makers for over a decade. Different policy actors tend to focus on particular forms of social enterprise with a view to achieving specific policy goals, while different socio-cultural contexts have given rise to

¹ For the full results, see Barraket et al. (2010).

differing organisational compositions (Kerlin 2006; Defourny and Nyssens 2010). Finding an operational definition of social enterprise for the purposes of the study was an important objective and was derived from a review of the available policy literature, preliminary responses to an initial discussion paper promoted online, and input via three project workshops with key informants about what defines social enterprise (see Barraket and Collyer 2010). For the purposes of this study, social enterprise was consequently operationalised as businesses or ventures that:

- Are led by an economic, social, cultural, or environmental mission consistent with a public benefit²;
- Trade to fulfil their mission³;
- Derive a substantial portion of their income from trade⁴; and
- Reinvest the majority of their profit/surplus in the fulfilment of their mission.

2.1 *Social Innovation and Social Enterprise*

‘Social innovation’ is a construct increasingly used to explain the practices, processes and actors through which sustained positive transformation occurs in the network society (Mulgan 2006; Phillips et al. 2008). Social innovation has been defined as a “novel solution to a social problem that is more effective, efficient, sustainable, or just than existing solutions, and for which the value created accrues primarily to society as a whole rather than private individuals” (Phillips et al. 2008: 34). Phillips et al.’s definition stresses that social innovation is characterized not just by ‘newness’ but by improved responses to societal needs. We find Phill et al.’s (2008) definition operationally problematic, because it is normatively framed: that is, it presumes the possibility of consensus within society about what constitutes ‘more efficient, efficient, sustainable, or just’ solutions to complex social problems. Rather than seeking to define social innovation as such, Mulgan et al. (2007) aim analytically to identify its characteristics. These authors suggest that social innovation can be conceptualized as comprising three core dimensions: new combinations or hybrids of existing elements; cutting across organisational, sectoral and disciplinary boundaries; and leaving behind compelling new relationships. In this chapter, we draw on Mulgan et al.’s (2007) characteristics of social innovation to better understand social innovation practices amongst our sample.

² This may include member benefits where membership is open and voluntary and/or benefits that accrue to a subsection of the public that experiences structural or systemic disadvantage.

³ Where trade is defined as the organised exchange of goods and services, including: Monetary, non-monetary and alternative currency transactions, where these are sustained activities of an enterprise; contractual sales to governments, where there has been an open tender process; and trade within member-based organisations, where membership is open and voluntary or where membership serves a traditionally marginalised social group.

⁴ Operationalised as 50 % or more for ventures that are more than five years from start-up, 25 % or more for ventures that are three to five years from start-up, and demonstrable intention to trade for ventures that are less than 3 years from start-up.

Emergent ideas of social innovation challenge some traditional understandings of the nature and role of the third sector, as well as shining a light on those enterprises within the social economy that configure resources in novel ways. Social enterprises have attracted considerable policy attention as one source of social innovation within a wider field of action (see Leadbeater 2007). And yet, while social enterprise seems to have gained some symbolic traction in society, there is to date relatively limited evidence of its real world impacts (Dart 2004). In other words, we do not know much about the social innovation capabilities and effects of social enterprise. To date, the social innovation produced by social enterprise has been largely presumed rather than empirically demonstrated. In the remainder of this chapter, we consider the composition and self-reported business and social innovations of the Australian social enterprise sector, based on our survey data.

We then consider how these findings inform our understanding of the social innovation capabilities and effects of social enterprise, and their implications for public policy development.

3 Methodology

The research was carried out in several phases. The methodology for the project is summarised in Fig. 1 below.⁵

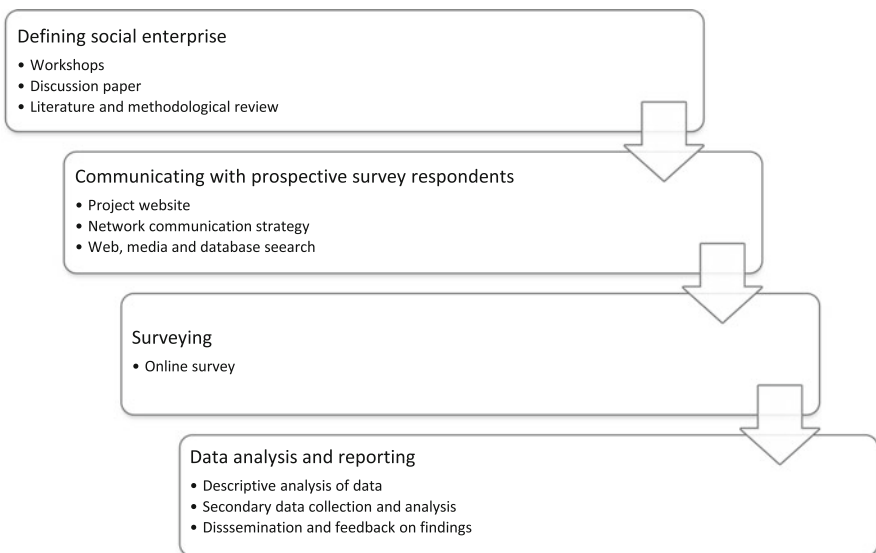


Fig. 1 Overview of methodology

⁵ Parts of this section are reproduced from Barraket et al. (2010).

3.1 Literature and Methodological Review

A detailed review of social enterprise mapping projects conducted internationally was carried out to identify different approaches to sampling and available research instruments – such as existing surveys and interview schedules – from which previously validated survey items could be used.

3.2 Website Establishment

A project website was set up and a preliminary discussion paper on defining social enterprise was developed and promoted on the site for comment. Four responses to the definitional discussion paper were received via the project website. The website also provided opportunities for people to tell us about a social enterprise they knew and/or to register for a copy of the full project report. One hundred and fifty-seven social enterprises were recommended for inclusion in the research via individuals who contacted us through the project website.

3.3 Framing and Defining Workshops

In April–May, 2009, the research team conducted three workshops and two meetings to explore with key informants definitions of social enterprise. Informants were purposively selected based on their reputation for leadership in Australian social enterprise development, social enterprise research, and/or their affiliation with organisations and government departments with oversight of social enterprise development. Thirty-four people participated in these discussions. Participants were asked to articulate the core features of social enterprise, and to consider how best to operationalize the concept for the purposes of identifying and surveying the sector. Participants' intuitive understanding of social enterprise was also explored using specific examples that 'tested' articulated definitions.

3.4 Identification of the Population

At the time of commencing the study, there was no known population of social enterprise in Australia. Social enterprises in this country are incorporated under a variety of legal structures and, given the relative newness of terminology, many organisations that are social enterprises do not identify themselves as such. An inductive, or bottom-up, approach was taken to identify the population for surveying. A systematic search for Australian organizations consistent with our definition of social enterprise was conducted via:

- A review of publicly available information from relevant regulatory bodies (for example, the consumer affairs agencies in each state);
- A review of case study and resource sites pertaining to social enterprise in Australia;
- A comprehensive web search for not for profit trading organizations;
- A media search of local and national print media over the past 2 years;
- Requests for information, where privacy requirements permitted, through the research team and partner organisation's existing networks; and
- Promotion of the project and project website through relevant networks, seminars and newsletters, and via Twitter.

In total, 4,460 prospective organisations with available contact details were identified via these methods. Based on the organizational information available through the search process, not all of the organizations identified could be verified as social enterprises. We thus sought to be inclusive in our invitation to participate in the survey, and used filtering questions in the survey instrument to determine which organizations were valid social enterprises, according to our definition.

3.5 Survey Design and Administration

A detailed online survey instrument was designed based on our original research aims, existing survey instruments used to map social enterprise, existing survey instruments utilized as part of Australian business data collection, and issues raised by workshop participants. The survey was piloted online with three people involved with social enterprise development and subsequently refined. Most refinements related to the technological interface of the online survey, with two minor substantive amendments to survey questions. The online survey was opened for 7 weeks between October 2009 and November 2009. Direct invitations to participate were sent by email to 4,460 organisations. Taking into account email bounce backs, 4,000 valid email invitations were distributed. One follow-up reminder was issued by email. The survey was actively promoted at major relevant events, including the Social Enterprise World Forum in Melbourne, and Jobs Australia national conference in Hobart. Two half-page advertisements were placed in consecutive editions of a widely distributed social enterprise magazine, *The Big Issue*. The survey was also promoted in the digital newsletters and/or on the home pages of at least 12 not-for-profit and social enterprise intermediaries, as well as four government agencies. Finally, telephone follow-up reminders were made by members of the research team and partner organisation staff to 274 organizations.

3.6 Data Analysis

Once completed, survey data were cleaned, analysed, and a summary report provided to participants. A total of 539 responses to the survey were received.

Of these 365 respondents were considered valid according to our operational definition of social enterprise and retained within the sample. Survey data were subjected to descriptive and inferential analysis. Inferential analysis pertaining to social innovation practices of our sample are presented here.

3.7 Limitations of the Study

The findings of this research may not be generalizable to all settings. The absence of a known population of social enterprise prior to conducting the research, and the consequent use of inductive methods to identify the sample, limit the extent to which we can generalize from the findings. Also, the relatively low response rate to the survey constrains the validity of our results. The resulting sample was, however, internally diverse, including enterprises of all ages, sizes and operating within every industry of the Australian economy. On this basis, we discuss our findings here as findings true of our participating sample, which can yield some insights into the social enterprise sector more broadly.

4 Findings

Our purpose in this chapter is to consider the self-reported aspects of social innovation reported by our sample, in light of Mulgan et al.'s (2007) three dimensions of social innovation. Full details of the research findings and demographics are available online (see Barraket et al. 2010).

4.1 Finding 1: Variety in Social Enterprises

Mulgan et al. (2007: 5) argue that the first dimension of social innovation is new combinations or hybrids of existing elements. In other words, social innovation both stimulates, and is constituted in, variety in the combinations of existing forms of organization. Our findings highlight the considerable variety that exists in the social enterprise sector in Australia. In every dimension that the survey measured there was notable diversity: in terms of organisational form, the size of the organisations, age, ownership structure, primary mission, number of ventures, industry involvement, source of income, or types of innovation.

4.1.1 Demographics of the Population of Social Enterprises

The majority (74 %) of responding organisations were comparatively small, 22 % were medium sized and around 4 % were classified as large organisations. The Australian Bureau of Statistics classifies organisations as small if they have

less than 20 staff; medium if greater than 20 but less than 200; and large if they employ 200 people or more. According to the Australian Bureau of Statistics (2004) 32.8 % Small and medium enterprises (416,000) employed one to four people, 10.9 % (139,000) employed 5–19 people, and 56.3 % (715,000) were non-employing businesses. Thus compared to small and medium business, the percentage of social enterprises classed as ‘small’ within our sample was considerably higher than the business sector in general.

In terms of their age, organisations were also asked how long they had been operating. The majority of social enterprises (around 62 %) were over 10 years old, 11 % were aged from 6 to 10 years old, 13 % were aged 2–5 years old, and the remainder were less than 2 years old, or not fully operational. This finding is consistent with other research, which found that older more established, not for profit organisations are more likely to operate a commercial venture compared to organisations that were established in the last 15 years (Department of Families and Community Services 2005).

4.1.2 Primary Mission of the Social Enterprise

Figure 2 sets out the main purpose identified by responding organisations

The survey found notable diversity in the missions of participating social enterprises. The primary purpose of the majority of social enterprises was to create opportunities for people to participate in their community, while the second most common was to develop new solutions to social, cultural, economic and environmental problems, the latter finding that social innovation is an explicit objective of many social enterprises in our sample.

Mulgan et al. (2007) suggest in their conceptual framing that social innovation both contributes to, and is signified by, new combinations of structures. The survey

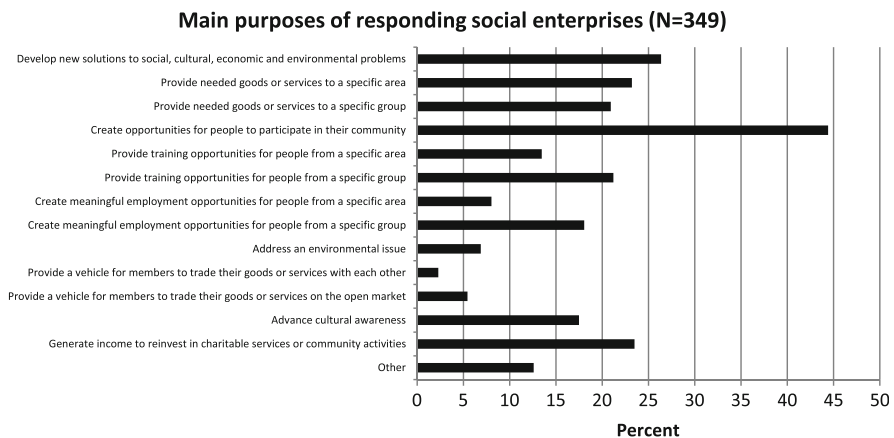


Fig. 2 Primary purpose of social enterprises

found evidence to support this, with variety in the structure and legal status of social enterprises, as well as diversity of ownership structure, industry involvement sources of income and targeted beneficiaries.

4.1.3 Organisational Structure of the Social Enterprises

As Fig. 3 shows, the majority of social enterprises were fully incorporated entities, although a range of alternative arrangements were represented in the sample.

4.1.4 Legal Status of Social Enterprises

As Fig. 4 shows, the most common legal form of social enterprise within our sample was incorporated association, followed by company limited by guarantee. While typically organisations in the third sector are not for profit entities, social enterprises that participated in the study included both profit distributing, as well as non-profit distributing forms (Table 1).

It is instructive, in terms of examining new combinations, to consider how legal status and organisational structures are correlated in the data. This is set out in Table 2 below.

As Table 1 demonstrates, there is considerable hybridity in the combinations of organisational legal status and forms from organisations completing the survey. While the majority of combinations conform to prevalent understandings of not for profit organisations in Australia (e.g. an incorporated/registered entity which was

Organisational Structure of responding Social Enterprises (N=349)

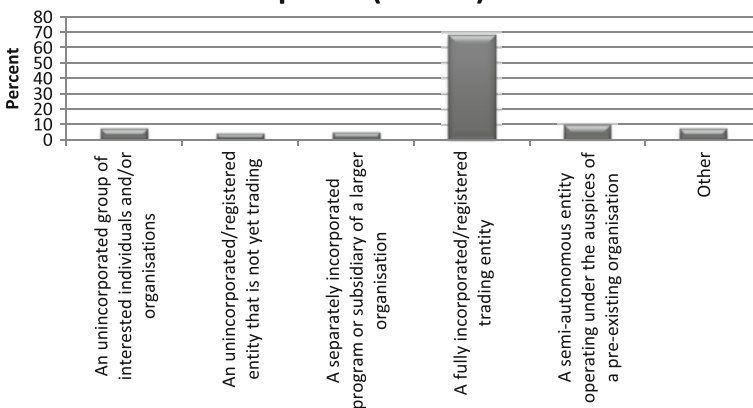


Fig. 3 Organisational structure of social enterprises

Legal Status of responding Social Enterprises (N=347)

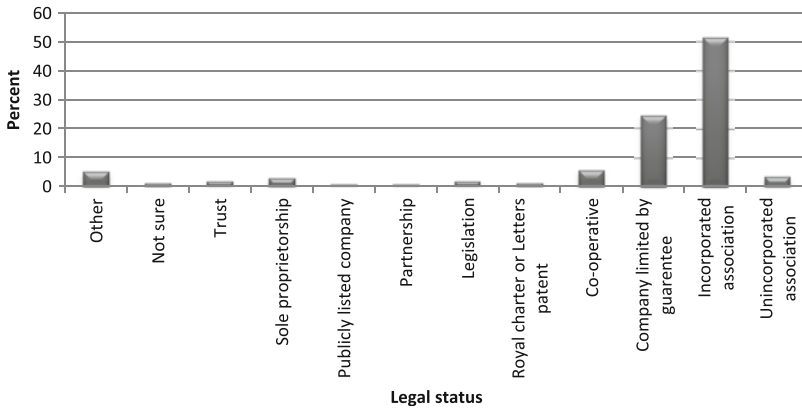


Fig. 4 Legal status of social enterprises

Table 1 Non-profit status and organisational legal status (N = 338)

		Is your organisation not for profit		
		Yes	No	Don't know
Organisation's legal status	Unincorporated association	12		
	Incorporated association	166	4	3
	Company limited by guarantee	69	15	
	Co-operative	14	4	
	Royal charter or Letters patent	4		
	Legislation	6		
	Partnership		1	1
	Publicly listed company		2	
	Sole proprietorship		10	
	Trust	5	1	
	Not sure	4		
	Other	14	3	
	Total	294	40	4

either and association or company limited by guarantee), a large number of alternative combinations of structures were also found. These differences were statistically significant [$\chi^2(1,55) = 224.08, p < 0.001$].

4.1.5 Ownership Structure of the Social Enterprise

Figure 5 demonstrates that the primary ownership structure of the social enterprises was an organisation owned by a non-profit agency (over 50 %). This coheres with

Table 2 Cross Tabulation of organisational structure with organisational legal status (N = 328)

		8. What best describes the organisational structure of your enterprise right now?				
9. What is your organisation's legal status?	An unincorporated group of interested individuals and/or organisations	An unincorporated/registered entity that is not yet trading	A separately incorporated program or subsidiary of a larger organisation	A fully incorporated/registered trading entity	A semi-autonomous entity operating under the auspices of a pre-existing organisation	Other
	7				5	
Unincorporated association						
Incorporated	4	4	7	143	8	12
Company limited by association						
Company limited by guarantee	1	4	4	65	7	4
Co-operative		2		15	1	1
Royal charter or Letters patent					3	1
Legislation	1	1		1	3	
Partnership	1			1		
Publicly listed company		1		1		
Sole proprietorship	5	1		1	1	2
Trust				5		1
Not sure	2		1		1	
Other	3		2	6	4	3
Total	21	13	12	232	29	21

Ownership Structure of Responding Social Enterprises (N=353)

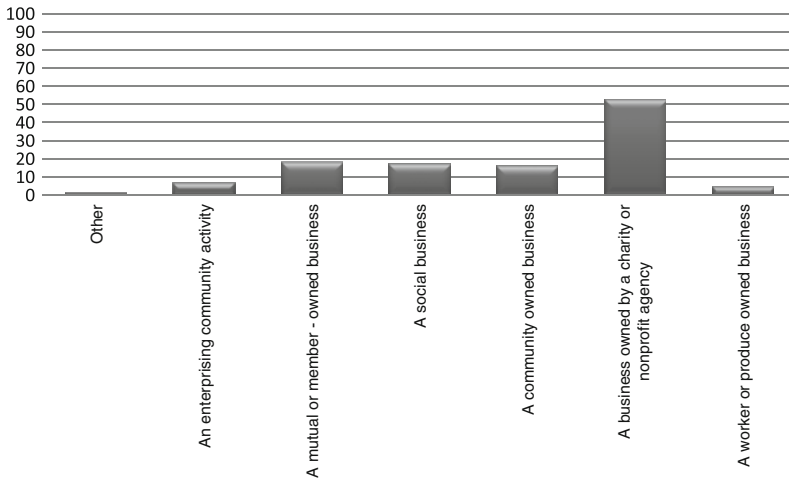


Fig. 5 Structure of social enterprises

other research, which found that, in 2003–04, over one quarter (29 %) of not-for-profit organisations operated a commercial venture or social enterprise (Department of Families and Community Services 2005).

4.1.6 Main Industry Involvement for Social Enterprises

Figure 6 demonstrates that human services, education and research, and culture and recreation are all categories that feature prominently within our sample. When asked to classify the industries within which their enterprise operated, the majority of organisations responding to the survey operated in education and training (41.28 %) and arts and recreation services (31.4 %). Findings from the BALTA Social Economy Survey in Canada show slightly different results with the majority of enterprises operating in social services (37.4 %), teaching and education (34.6 %) and arts and culture (33.2 %). While there is difficulty correlating the data given the different industry classifications, it is evident that a larger percentage of social enterprises in Australia that participated in our study were involved in the education sector compared to Canada. Perhaps more importantly, the data suggest that social enterprises are involved in a large variety of industry settings not typically associated with the not for profit sector (e.g. electricity, gas and mining). Indeed, it is notable that, across our sample, social enterprise operated in every industry of the Australian economy.

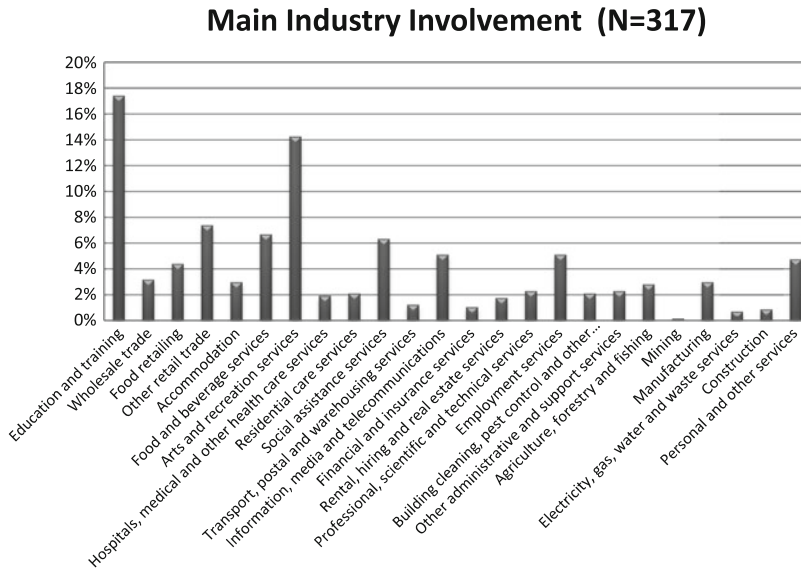


Fig. 6 Main industry involvement of social enterprises (Some organisations indicated more than one industry involvement)

4.1.7 Income of Social Enterprises

For any organization, income can be derived from a range of sources.

As can be seen from Fig. 7, the main source of income reported was through the sale of goods and services, followed by payment from government for service delivery.

4.1.8 Reinvestment of Surplus by Social Enterprises

While income and expenditure is important, a key issue for social enterprises is what they do with the profits from the enterprise. Typically a not for profit organisation in Australia, has to reinvest their surplus in the operations of the enterprise, and would never distribute surplus to shareholders or owners (as this would make the enterprise for profit). The blurring of this boundary can be seen clearly in Fig. 8 below, were the distribution of funds amongst social enterprise is more diffuse than is allowed for in the traditional understanding of a not for profit organisation.

The vast majority of surplus was spent in improving or growing the social enterprise.

The targeted beneficiaries of social enterprises participating in our study were extremely diverse (see Fig. 9), reflecting the variability of collective human

Proportion of Income Derived From Different Sources (N=186)

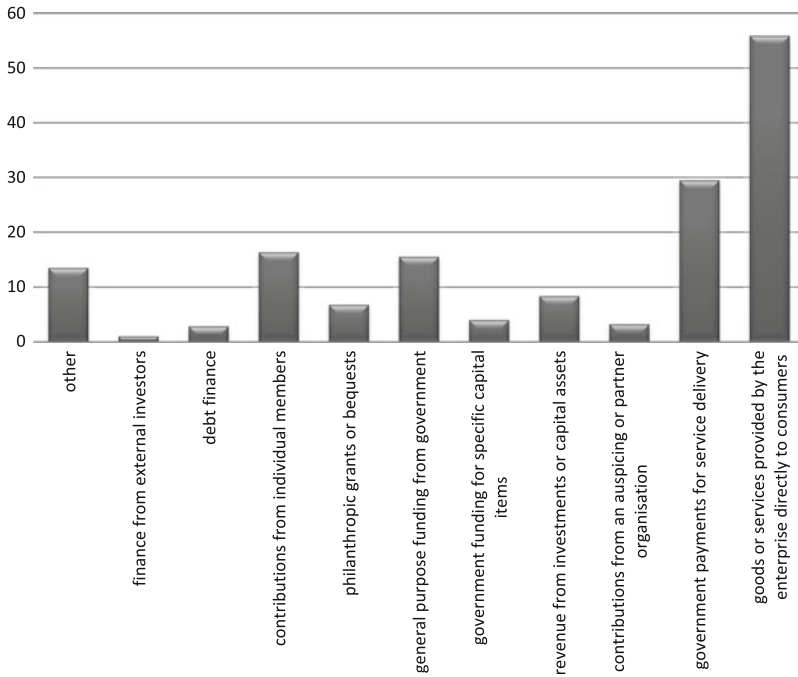


Fig. 7 Income derived from different sources

Action Taken to Reinvest Profits/Surplus (N=339)

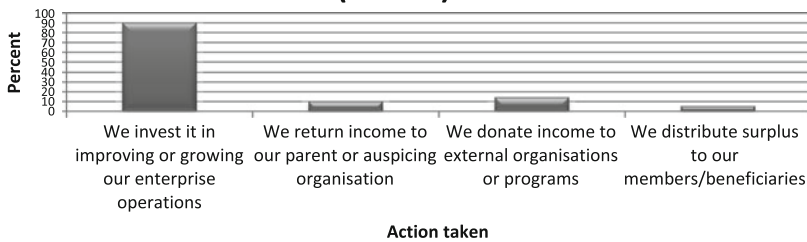


Fig. 8 Reinvestment of surplus

aspirations enacted through civil society organizations. Young people were the most frequently cited beneficiaries. However, it is notable that more than 20 % of responses to this question fell into the ‘other’ category, with respondents citing a wide range of highly specific target groups and/or locations.

Targeted Beneficiaries of Responding Social Enterprises (N=352)

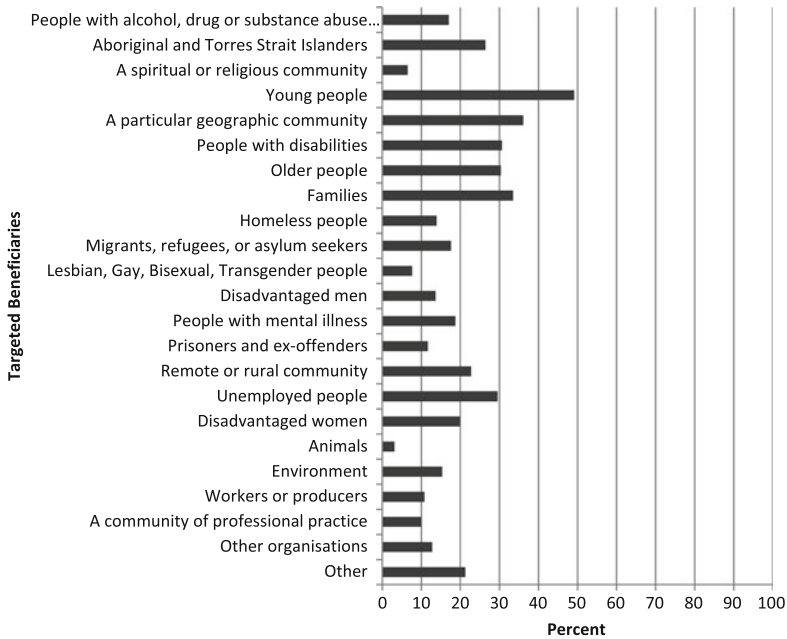


Fig. 9 Beneficiaries of social enterprise

4.2 Finding 3: New Relationships

Mulgan et al. (2007) suggest that new relationships are formed in order to facilitate social innovation. One source of evidence for these relationships is the sources of information used by social entrepreneurs and social enterprise managers. Figure 10 details these sources of information.

While some of these relationships may be instrumental in nature, the data suggest that social enterprises, as organisations that inhabit both social and economic domains, are involved in diverse relationships in support of both mission fulfilment and business success.

4.3 Innovation in Social Enterprises

While the framework provided by Mulgan et al. (2007) has proven useful in terms of establishing some of the organisational forms, relationships and combinations,

Sources of Information Used by Social Entrepreneurs (N=253)

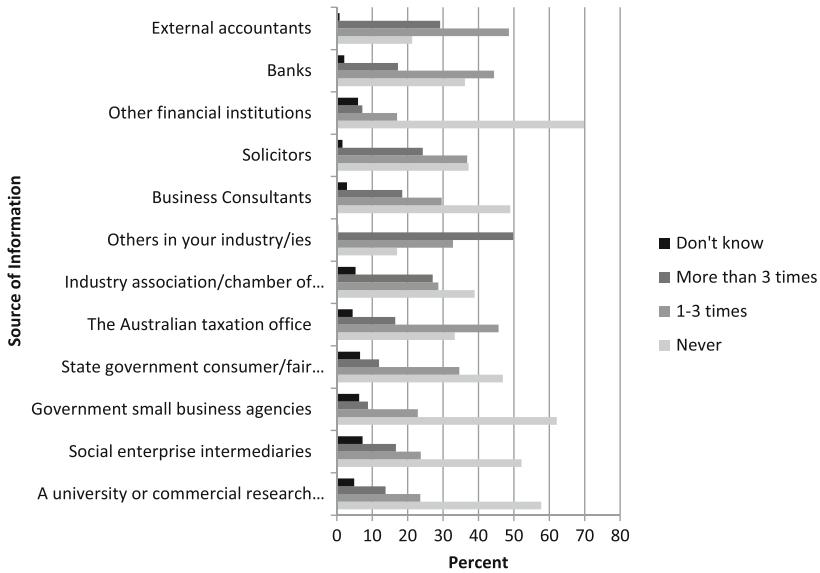


Fig. 10 Source of information used by social enterprises

such assessment stops short of detailing the nature of the innovations themselves, and their impact upon profitability of the organisation. Insofar as we have captured these in our research, they are detailed below:

4.3.1 Type of Innovation

Social enterprises are widely held to be innovative organisations. In our study, we asked respondents to indicate in what areas they innovated. Following typical OECD coding, we examined goods (product) innovation, service innovation, process innovation, and organisational innovation. Allowing for the mission-driven nature of social enterprise, we also asked for organisations to specify whether the goods, services and processes were primarily for the benefit of their beneficiaries or the benefit of the organisation itself. This information is summarised in Fig. 11 below.

Examining Fig. 11, there seemed to be a distinct difference in the responses – particularly in relation to the goods produced. There seemed to be an inverse proportion of organisations that did not undertake goods innovation of any sort, compared to the other types of innovation. Additionally, as the answer to these questions was yes/no binary answers, there was overlap between them, with some

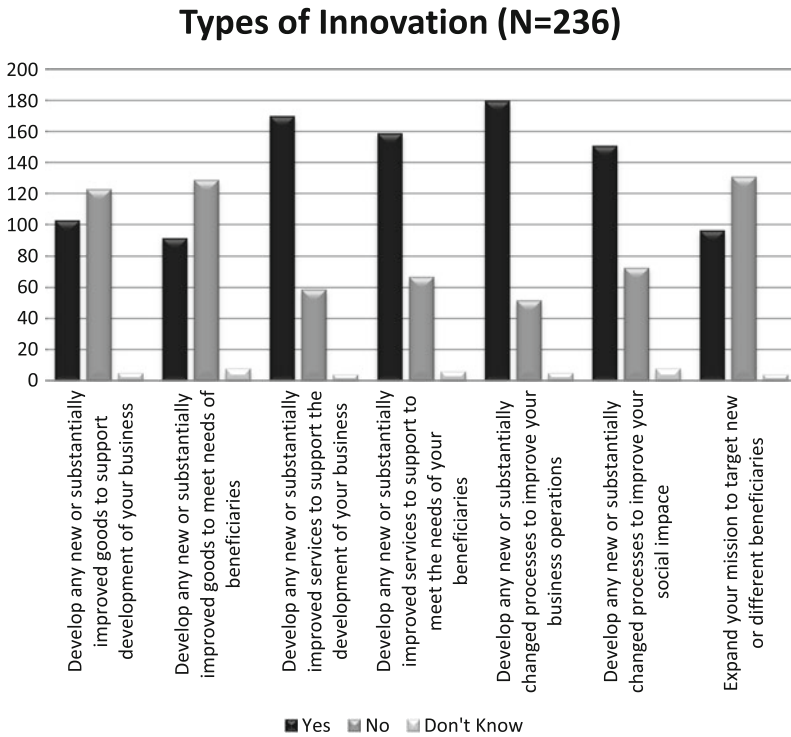


Fig. 11 Types of innovation (The total number of innovations implemented is higher than the total number of respondents, as a number of organisations undertook more than one type of innovation)

organisations undertaking multiple forms of innovation. Given this correlation and complexity in the binary data, further analysis of potential underlying components within the dataset was warranted.

4.3.2 Clusters of Innovation Activity

Given that many organisations undertook multiple forms of innovation, direct correlation analysis was a challenge. A Principal Component Analysis (PCA) was undertaken in order to look for underlying patterns in the innovation data. This showed that there was a simple structure in the data with two main components. From analysis of these data, innovation tended to take on two main types: either innovation in processes, services and organisational goals; or in goods. The full PCA can be found in Appendix A. However the graphed plot of the components can be seen in Fig. 12 below:

Further exploratory analysis was needed in order to determine how many social enterprises fitted into each component, which can be seen in Fig. 13 below.

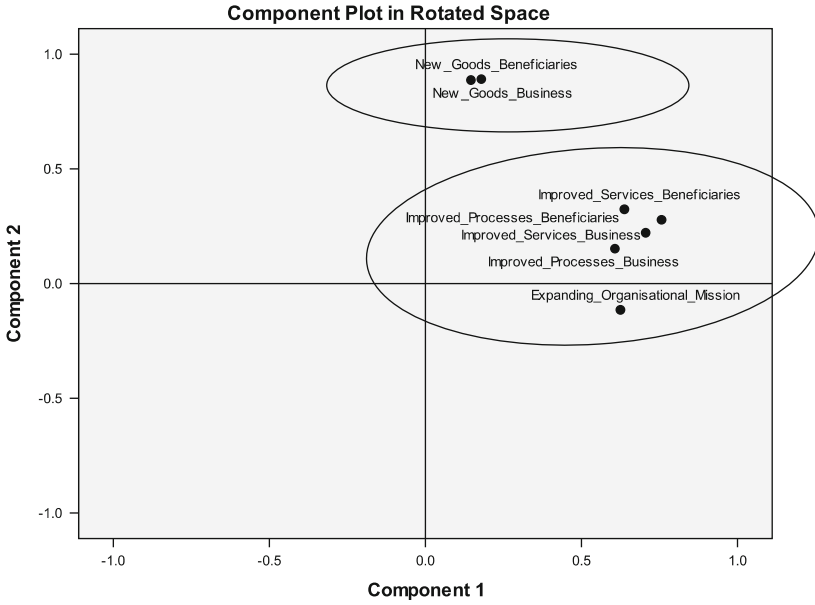


Fig. 12 PCA component plot in rotated space

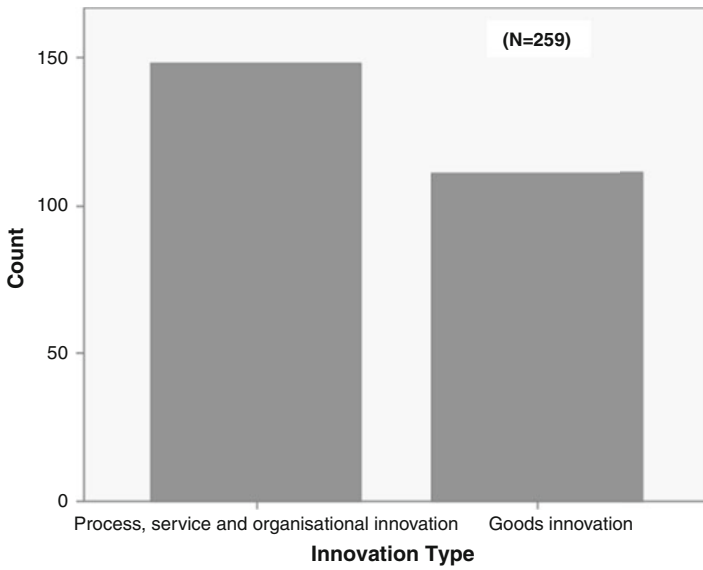


Fig. 13 Number of organisations in each component of innovation

Analysis of the raw data indicated that all organisations that undertook innovation in goods for beneficiaries were included in the second group, and none of those who didn't. In other words, the the split in the data found by the PCA makes practical sense as well. Cross tabulations showed that 111 organisations undertook goods innovation for their beneficiaries, and 148 did not, and this difference was highly significant.

Thus there is a distinct split in the data concerning innovation, with some organisations undertaking innovation of goods, while others definitely didn't. This is perhaps not surprising as the majority of social enterprises operate in the service economy. More interesting is the impact that this difference had upon cash flow.

4.3.3 Relationship Between Innovation and Profit/Loss

While plots indicated that social enterprises undertaking innovation in goods had a much higher overall income than social enterprises that undertook other forms of innovation, this was offset by higher costs. An Analysis of Variance (ANOVA) was undertaken to examine different profit between the two main groups of innovators. This found that goods and service innovators had a higher profit overall compared to process, services and organisational innovators [$F(1,107) = 5.099, p < .026$].⁶

In each case there is a distinct difference between those organisations that undertook goods innovation and those that did not. Social enterprises that reported innovating in goods, also reported earning more, spending more, and having greater surplus compared to those social enterprises that didn't. The two greatest losses also occurred in the group that undertook goods innovation. Thus goods innovation has potential for greater returns as well as greater losses, and therefore the risk profile of goods innovation for social enterprises is higher than social enterprises that undertake process, service or organisational innovation (Fig. 14).

5 Discussion and Conclusion

The Australian social enterprise sector is extremely diverse in its mission orientations, legal structures, market orientations and business models. Within this diversity, the sector self-identifies as being active in social innovation, with a large proportion of our research respondents identifying that their major purpose is to create new solutions to complex social, environmental, cultural and economic problems. Following the framework advanced by Mulgan et al. (2007), we have found evidence that social innovation amongst our participating social enterprises:

⁶ Due to the nonparametric nature of the data, the log of these values was used.

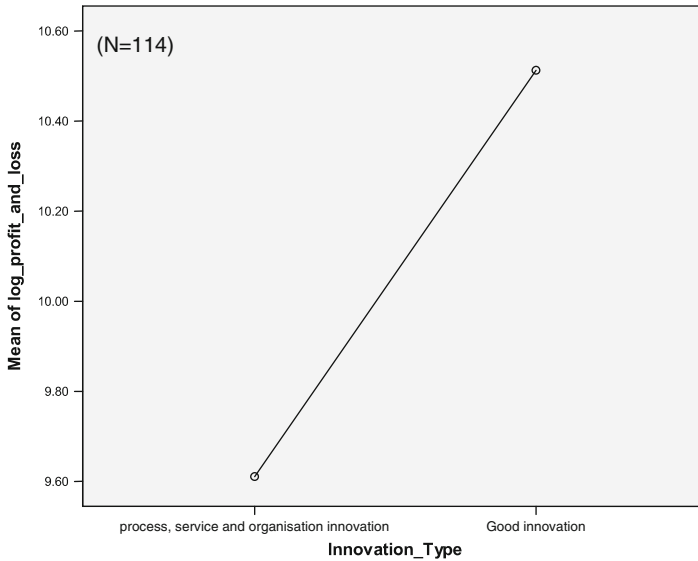


Fig. 14 Comparison of [log] Profit and Loss between SE which under took goods innovation and those that didn't

- Involves **new combinations or hybrids** of organisational structure, form and operations;
- Cuts **across boundaries** – in terms of geography, intended beneficiaries, and operations; and
- Simulates **new relationships** to achieve both mission and business goals.

Our findings also suggest that adoption of different innovation practices produces distinct outcomes in terms of the dimensions of sectors of our society and economy, and in terms of organisational-level financial performance amongst our participating social enterprises. With regard to the latter, our findings suggest that different aspects of innovation produce different risk profiles for social enterprises and, consequently, their beneficiaries. Better understanding of these risk profiles and their effects on the mission fulfilment of social enterprises could enable policy makers and social enterprise intermediaries to develop more effective policy frameworks to support high impact social enterprise development. Social enterprises are characterised by hybridity – of mission orientation, industry location, organisational structure and the dual fulfilment of social and business functions. As a consequence, they typically sit rather uncomfortably within traditional policy frameworks. This hybridity, which is a presumed strength of social enterprises' innovative capabilities, is undermined by the limited capabilities of policy regimes to embrace hybridity. Insofar as social enterprise is active in social innovation, its full potential will only be realised where institutional levers are able to support it.

With regard to sector dimensions, our research evidence indicates that social enterprises challenge traditional organisational categories within the social economy, incorporating profit distributing forms that were entirely consistent with our operational definition of this form of activity. As Defourny and Nyssens (2006) have suggested, social enterprise combines the public orientation of traditional charities with the trading activity more typical of traditional cooperatives and mutuals, thus internally reconfiguring the social economy. The emergence of ‘profit for purpose’ social enterprises, that use profit distributing forms as vehicles for the fulfilment of public or community benefit further challenges the presumed boundary between civil society and the private business sector. This growing ‘grey space’ produces both new sites of contestation and co-optation of social change agendas, suggesting that critically informed understandings of the enabling and constraining effects of social innovation on substantive social change are required.

The research presented here tells us a little about *what* types of innovation practices are undertaken by social enterprise in the Australian context. Although consistent with other research on business innovation, the self-reported nature of these practices means that there is no independent validation of the innovation, although this is an inherent challenge for all survey data. In addition to this limitation, further research is needed to understand *how* these self-reported innovations are initiated and *to what end*, or what kinds of impacts they produce. Greater understanding of the practices and effects of social innovation amongst social enterprise would assist us to move beyond the uncritical conferral of symbolic legitimacy upon social enterprises as sources of social innovation to an understanding of the practical legitimacy – including what kinds of social and environmental equity these organisations can, and cannot, facilitate – of these and related social economy organisations.

Appendix: Principal Component Analysis

Principal Component Analysis (PCA) is a method of determining the empirical association between a number of variables (Tabachnick and Fidell 2007: 610), by generating a unique mathematical solution which analyses variance (Tabachnick and Fidell 2007: 635). Consequently Principal Component Analysis, with Oblique rotation and Kaiser Normalisation, was used to examine the relationship of the covariance matrix of the types of innovation used in social enterprises. Analysis of the screen plot indicated that there was an elbow, indicating two components in the data. This is confirmed by examining the rotated component matrix (with higher loadings shown in bold) (Table 3):

Table 3 Rotated Component Matrix^a for the Principal Component Analysis

	Rescaled Component	
	1	2
Improved Processes – Beneficiaries	.757	.280
Improved Services – Business	.714	.219
Expanding the Mission of the Organisation	.631	–.120
Improved Services – Beneficiaries	.630	.331
Improved Processes – Business	.603	.154
New Goods – Beneficiaries	.175	.893
New Goods – Business	.146	.884

Extraction method: Principal Component Analysis.
 Rotation method: Varimax with Kaiser Normalization.

^aRotation converged in three iterations.

Consequently, two components were found in the data differentiating between organisations which undertook goods innovation and those who undertook process, service and mission innovation.

References

- Australian Bureau of Statistics. (2004). Characteristics of small businesses, Australia, 2004, Cat. No. 8127.0, Canberra.
- Barraket, J., & Collyer, N. (2010). Mapping social enterprise in Australia: Conceptual debates and their operational implications. *Third Sector Review*, 16(2), 11–28.
- Barraket, J., et al. (2010). Finding Australia's social enterprise sector: Final report, Brisbane: Social traders and the Australian centre for philanthropy and nonprofit studies. Available at: http://www.socialtraders.com.au/sites/www.socialtraders.com.au/files/FASES_9.7.10.pdf. Accessed October 28, 2010.
- Barraket, J. (2008). Social enterprise and governance: implications for the Australian third sector. In J. Barraket (Ed.), *Strategic issues for the not for profit sector* (pp. 126–142). Sydney: UNSW Press.
- Barraket, J. (2004). Social and community enterprise: What role for government? [http://www.dvc.vic.gov.au/Web14/dvc/rwpgslib.nsf/GraphicFiles/CommunitySocialEnterpriseMarch2006.pdf/\\$file/CommunitySocialEnterpriseMarch2006.pdf](http://www.dvc.vic.gov.au/Web14/dvc/rwpgslib.nsf/GraphicFiles/CommunitySocialEnterpriseMarch2006.pdf/$file/CommunitySocialEnterpriseMarch2006.pdf).
- Beck, U. (1992). *Risk society towards a new modernity*. London: Sage Publications.
- Dart, R. (2004). The legitimacy of social enterprise. *Not for Profit Management and Leadership*, 14(4), 411–424.
- Defourny, J., & Nyssens, M. (2006). Defining social economic organization. In M. Nyssens (Ed.), *Social economy organization. At the crossroads of market, public policies and civil society* (pp. 3–26). London: Routledge.
- Defourny, J., & Nyssens, M. (2010). Conceptions of social enterprise and social entrepreneurship in Europe and the United States: Convergences and divergences. *Journal of Social Entrepreneurship*, 1(1), 32–53.
- Department of Families and Community Services. (2005). Giving Australia: Research on philanthropy in Australia, Summary of findings, Canberra, http://www.cafaustralia.org.au/uploads/files/Giving_Australia_Summary_Oct05.pdf.
- Kerlin, J. (2006). Social enterprise in the United States and Europe: Understanding and learning from the differences. *Voluntas*, 17(3), 247–263.

- Leadbeater, C. (2007). 'Social enterprise and social innovation: Strategies for the next 10 years', Cabinet office, Office of the third sector http://www.charlesleadbeater.net/cms/xstandard/social_enterprise_innovation.pdf. Last accessed 19/5/2011.
- Lyons, M., & Passey, A. (2006). Need public policy ignore the third sector? Government policy in Australia and the United Kingdom. *Australian Journal of Public Administration*, 65(3), 90–102.
- Mulgan, G., Tucker, S., Ali, R., & Sander, B. (2007). Social innovation: What it is, why it matters and how can it be accelerated. Oxford: Skoll Centre for Social Entrepreneurship.
- Mulgan, G. (2006) The Process of Social Innovation. *Innovations, Technology, Governance, Globalization 1*(2), 145–162.
- Phills, J. A., Deiglmeier, K., & Miller, D. T. (2008). Rediscovering social innovation. *Stanford Social Innovation Review*, 6(4), 34–43.
- Tabachnick, B. G., & Fidell, L. S. (2007). *Using multivariate statistics* (7th ed.). Boston: Pearson.
- Weber, E. P., & Khademian, A. M. (2008). Wicked problems, knowledge challenges, and collaborative capacity builders in network settings. *Public Administration Review*, 68(2), 334–349. Business Source Elite, EBSCOhost (accessed October 17, 2011).