Mapping social enterprises in New Zealand

Results of a 2012 survey

January 2013
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Introduction

What is a social enterprise?

While the term “social enterprise” is relatively new, social enterprises have been operating in various guises for many years. Non-profit organisations have commonly derived some income by selling goods and services. If this trading element grows and becomes a significant focus, the organisation may be viewed as a social enterprise.

In addition, some business entrepreneurs are looking to achieve “social good” alongside, or instead of, private profit. Social enterprises exist in a hybrid space, where social or environmental goals and commercial objectives come together.

The definition of social enterprise is subject to much discussion by academics and practitioners. For the purposes of this research we have largely adopted the definition used by Social Traders in Australia, whose work to map Australian social enterprises precedes our own research. To be classed as a social enterprise for the purposes of this survey, an organisation demonstrates these three elements:

- a social, cultural, or environmental mission;
- a substantial portion of its income derived from trade; and
- the majority of its profit/surplus reinvested in the fulfilment of its mission.

Appendix 1 outlines some further considerations about the definition of social enterprise.

Given varying revenue streams, governance structures and objectives, there is no ‘typical’ form of social enterprise. The objective of the survey described in this report was to try to identify the range of social enterprises operating in New Zealand. It does not try to identify the relative merits of different approaches. As it was a voluntary survey, it is likely that some types of enterprises will not be as well represented as others. Therefore, this report provides a basis for ongoing investigation into the social enterprise sector. It will also help inform initial policy responses as Government develops its approach to this important but, in some aspects, poorly understood sector.

Ongoing interest in social enterprises

There has recently been growing interest globally from governments, businesses, the non-profit sector and philanthropy in social enterprise. This is largely because social enterprises can help governments deal with persistent social and economic problems including helping to boost a local economy and provide an avenue for people to develop new skills.

The growing international interest in social enterprise is meeting with varying levels of response by governments. Multi-faceted interventions in the United Kingdom include a new legal form for businesses with a social purpose, social procurement policies, an investment readiness fund, and the launch of the Big Society Capital bank to fund social finance intermediaries that support social enterprises.
In comparison, the Australian Federal Government provides a social enterprise development fund comprising both Government and private investment. In New Zealand, where there is a growing social enterprise movement, researchers have begun to examine the nature of social enterprises and the challenges they face.

Methodology

Criteria for selecting the sample for analysis

In early July 2012 the Department of Internal Affairs sent an electronic survey about social enterprises to a range of umbrella organisations and interested persons. The survey consisted of 31 questions. People receiving the survey were encouraged to distribute it further as they saw fit. The survey closed in mid September 2012. Because of the wide range of potential definitions of social enterprise, responses were screened using the following criteria:

- revenue from sales greater than 50 per cent for organisations that indicated they had been operating for more than five years (Question 17 and Question 5). If this type of income was less than 50 per cent, we looked at the percentage of additional revenue from sources other than grants or donations;

- revenue from sales greater than 25 per cent for organisations that had been operating between two and five years (Question 17 and Question 5), or for organisations less than two years old that they showed a clear commitment to trade (Question 17 and Question 5);

- revenue from government contracts was classed a form of trading income (Question 17); and

- organisations with a high reliance on revenue from grants and donations (including government grants) were not considered to be social enterprises (Question 17).

In the context of this survey, the questions about the percentage of income from trading and other sources provided the best indication of whether an organisation could be considered a social enterprise. Responses that did not provide this information were generally not included in the sample for subsequent analysis. In some cases, decisions on inclusion were made after reviewing responses to other questions in the survey.

Responses from 421 organisations were analysed to form the basis of this report. As this information is based solely on responses to the survey, it provides only an indicative snapshot. In addition the voluntary nature of the survey may mean some types of enterprises are not as well represented as others. Depending on survey distribution networks, some potential respondent organisations may not have had the opportunity to participate.

The results of this survey provide a base for ongoing investigation of the social enterprise sector. The findings will inform further work, identify areas for future exploration and refine our understanding of the sector in New Zealand. Any follow up survey work should include:

- targeting of additional business networks with links to social enterprises, to ensure there is no bias towards charities;

- a clear upfront definition of social enterprise, rather than self identification; and

- matching any financial questions to emerging reporting frameworks.
Results of the 2012 social enterprise survey

Link to other studies

Many of the questions in this survey are based on a survey done in Australia in 2009/10 as part of a wider research project called Finding Australia’s Social Enterprise Sector (FASES). FASES is a joint initiative of Social Traders and the Australian Centre for Philanthropy and Nonprofit Studies at Queensland University of Technology.

The FASES survey is based on similar mapping exercises undertaken in the UK, continental Europe and Canada. The decision to use many of the questions in the FASES survey meant we could build on an existing survey platform, and use the results to make comparisons with Australia. The survey included additional questions such as:

- affiliation with Māori authorities (Question 6);
- perceptions of barriers to growth (Question 22); and
- an organisation’s need for external advice and resources (Question 23).

Results of the survey

Industry orientation and trading

Participating organisations were asked to identify all the industries they traded in (Figure 1).

The industry classification scheme used was based on Australian and New Zealand Standard Industry Classification.¹ Most respondents indicated they are involved in more than one of the industries listed (an average 1.8 per response).

The two most commonly cited categories were education and training (23 per cent of responses; n = 180) and recreation and sport (12 per cent of responses; n = 92). Industries with very low numbers of responses were: building, cleaning and pest control; electricity, gas and water services; and personal services.

Comparison with the Australian survey – Over 40 per cent of respondents to the Australian survey said they work in ‘education and training’, followed by ‘arts and recreational services’. This is broadly similar to the New Zealand responses, except that more New Zealand respondents work in ‘social assistance services’. In contrast to our survey, respondents to the Australian survey appear to have only listed one (main) industry. This makes detailed comparison more difficult.

Respondents were also asked to identify the type of trading activities they engage in. Over 37 per cent of respondents indicated they provide services paid for by the user, followed by 17 per cent indicating they raise revenue through the sale of goods (Figure 2).
Respondents were also given the opportunity to provide an open ended response to the type of trading activity question. This elicited the following activities:

- sale of goods through shops or other outlets;
- processing of (often waste) materials for sale;
- provision of services at no cost (for some clients);
- provision of (often subsidised) services on behalf of other agencies, often through a contract process;
- provision of other services (such as entertainment) as a way to support their mission;
- management of facilities or investments; and
- provision of financial services (including loans to members).

A number of these organisations also indicated they use fundraising as a source of income.

**Comparison with the Australian survey** – Over 60 per cent of Australian respondents provide services for a fee, also the highest category in the New Zealand survey. Sale of goods was the next highest category in both surveys, although most of the remaining categories were proportionately higher in the Australian survey. Providing support for members to trade had the lowest response rate in both surveys.

**Mission and beneficiaries**

Respondents were asked to describe their primary mission. The main response was that over two thirds (69 per cent) of organisations are trading to support their mission (Figure 3). Organisations could indicate if their mission is to generate financial benefits for private shareholders.
Results of the 2012 social enterprise survey

Figure 3 – Question 1: Primary mission [n = 421]

<table>
<thead>
<tr>
<th>Main purpose of organisations</th>
<th>% main purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>To support our social, cultural or environmental mission</td>
<td>69%</td>
</tr>
<tr>
<td>To earn income for our non-profit organisation</td>
<td>9%</td>
</tr>
<tr>
<td>To provide benefits to our members</td>
<td>13%</td>
</tr>
<tr>
<td>None of the above</td>
<td>10%</td>
</tr>
</tbody>
</table>

Respondents were also given the opportunity to provide an open ended response to this question. The responses received provided more detail on the:

- specific sector the organisations worked in (e.g. education);
- beneficiaries of their work (e.g. young people); or
- organisation’s mission (e.g. to support local enterprise).

We collected similar information of this type from other questions in the survey.

Comparison with the Australian survey – The stated primary mission in both surveys was to provide a community benefit (over 65 per cent in both surveys). The order and approximate percentage values for the next categories (‘to provide benefits to our members’ and ‘to earn income for our non-profit organisation’) were also similar in both surveys.

Respondents were asked to describe the geographic reach of their markets, both for their organisation’s trading activities and the beneficiaries of their work. Note: individual organisations may participate in several different markets. Most social enterprises said they participate in local markets (68 per cent), followed by regional, then national (Figure 4). A small percentage (7 per cent) said they are involved in international activities.

Overall, the geographic location of organisations closely matched where their beneficiaries are located.
Comparison with the Australian survey – The overall proportions showing where social enterprises trade or operate were similar in both surveys.

The relative location of organisations is also generally matched to where the beneficiaries are located (Figure 5).

Families or whānau, and youth, are the main beneficiary groups of the social enterprises that responded to this survey (Figure 6). There was an average of four responses to this question from each organisation, suggesting that organisations deal with a range of beneficiaries.
Some chose to answer ‘other’ and gave more detail on types of beneficiaries. They also touched on the industries the beneficiaries might be associated with. Typical responses included:

- particular health issues faced (e.g. Alzheimers);
- areas of educational focus (e.g. earth science); and
- general location of the beneficiaries.

**Comparison with the Australian survey** – The largest beneficiary groups in the Australian survey were ‘Young people’, followed by ‘A particular geographic community’, ‘Families’ and ‘Unemployed people’. The order of the first three in the New Zealand survey is similar. ‘Animals’ had the smallest number of respondents in both surveys.

**Ownership and business structures**

Responding organisations range in size and age. Most are single ventures (Figure 7). Organisations with multiple ventures are evenly split between those working in a single industry, and those working in multiple industries.
Some respondents gave more details of how their organisations operate. These included:

- those with links to international organisations;
- separate clubs or organisations with affiliations to a national body; or
- those with links to other organisations through a ‘loose federation’.

**Comparison with the Australian survey** – Around 65 per cent of Australian survey respondents are single ventures, which is lower than the 75 per cent from the New Zealand survey. The Australian survey had a larger proportion of respondents from multiple ventures in different industries than the New Zealand survey.

In terms of the number of locations, for respondents with more than one location, most have between two and four locations (Figure 8).

**Figure 8 – Question 10: Number of locations used by organisations [n = 419]**

Over 75 per cent of responding organisations were more than 10 years old (Figure 9).
Results of the 2012 social enterprise survey

Figure 9 – Question 5: Length of time organisation have been operating [n = 421]

How long have organisations been operating

<table>
<thead>
<tr>
<th>Duration</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than 10 years</td>
<td>76%</td>
</tr>
<tr>
<td>6 - 10 years</td>
<td>12%</td>
</tr>
<tr>
<td>2 - 5 years</td>
<td>8%</td>
</tr>
<tr>
<td>Less than 2 years</td>
<td>3%</td>
</tr>
<tr>
<td>Not yet fully operational</td>
<td>1%</td>
</tr>
</tbody>
</table>

Comparison with the Australian survey – Over 60 per cent of Australian survey respondents have operated for more than 10 years. This is less than the 75 per cent in the New Zealand survey, although in both cases it is by far the most common band of organisation lifespan.

Over two thirds of organisations indicated they are non-profit trading organisations (Figure 10).

Figure 10 – Question 3: Ownership structures [n = 388]

Best description of organisation

<table>
<thead>
<tr>
<th>Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>A non-profit organisation that is trading</td>
<td>69%</td>
</tr>
<tr>
<td>A for-profit organisation focused on social, cultural or environmental goals</td>
<td>18%</td>
</tr>
<tr>
<td>An informal group of interested individuals</td>
<td>5%</td>
</tr>
<tr>
<td>A trading arm of a non-profit organisation</td>
<td>4%</td>
</tr>
<tr>
<td>A non-profit organisation that is not yet trading</td>
<td>2%</td>
</tr>
<tr>
<td>A mutual or member-owned organisation (e.g. co-operative)</td>
<td>2%</td>
</tr>
</tbody>
</table>

Most of the open ended responses to this question provided details as to the type of non-profit organisations they are. Other responses indicated that organisations considered they are a:

- community enterprise;
- service club;
- trust (hiring out venues); or
• group formed for an express purpose.

Comparison with the Australian survey – Most respondents to the Australian survey are businesses owned by a non-profit. This is similar to the main response to the New Zealand survey.

Approximately five per cent of organisations were affiliated with Māori authorities (Figure 11).

Figure 11 – Question 6: Association with Māori authority [n = 420]

<table>
<thead>
<tr>
<th>Associated with a Māori Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Yes</strong></td>
</tr>
<tr>
<td><strong>No</strong></td>
</tr>
<tr>
<td>5%</td>
</tr>
<tr>
<td>95%</td>
</tr>
</tbody>
</table>

Responses on the types of links that organisations had with Māori authorities indicated they are:

- affiliated to a marae;
- a subsidiary of an iwi organisation;
- partly owned by Māori organisation shareholders (often more than one);
- informally associated with a hāpu or iwi;
- assisted by board members from a local iwi or Māori organisation; or
- linked to Māori organisations through a memorandum of understanding.

Over half (n = 218) of the responding organisations are charitable trusts (Figure 12), followed by incorporated societies. Only 7 per cent (n = 29) of organisations indicated they are limited liability companies.
Other responses to this question indicated that some respondent organisations have more than one of the type of legal status (e.g. charitable trust and incorporated society).

**Comparison with the Australian survey** – Results of the Australian survey showed over 50 per cent of respondents identify as incorporated society associations, followed by limited liability companies (24 per cent). Only a small (2 per cent) are trusts. The differences with the New Zealand survey may reflect different use of legal entities in each country.

Most organisations (86 per cent) indicated they reinvest their profits in their own enterprise (Figure 13).

**Comparison with the Australian survey** – A similar proportion of respondents to both the Australian survey and New Zealand surveys indicated they invest in improving their operations. The remaining categories also had similar relative proportions in both surveys.
Around two thirds (65 per cent) of responding organisations indicated they are looking to increase the amount of income they make from trading (Figure 14).

**Figure 14 – Question 21: Organisations goals from trading [n = 400]**

<table>
<thead>
<tr>
<th>Organisations goals for trading</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase income from trading</td>
<td>65%</td>
</tr>
<tr>
<td>Maintain current income levels from trading</td>
<td>34%</td>
</tr>
<tr>
<td>Decrease income from trading</td>
<td>1%</td>
</tr>
</tbody>
</table>

**Resource inputs and outputs**

Just under three quarters of responding organisations indicated they put between 75 and 100 per cent of their profits toward their goals (Figure 15).

**Figure 15 – Question 19: Percentage of profits to goals [n = 401]**

<table>
<thead>
<tr>
<th>Percentage of profits to fulfil goals</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>75% - 100%</td>
<td>74%</td>
</tr>
<tr>
<td>50% - 74%</td>
<td>8%</td>
</tr>
<tr>
<td>25% - 49%</td>
<td>4%</td>
</tr>
<tr>
<td>0% - 24%</td>
<td>14%</td>
</tr>
</tbody>
</table>

Respondents were able to give an open ended answer for this question. The range of responses included:

- providing a more specific percentage value for the amount of revenue they distribute;
- indicating they do not always make a profit, but if they do it goes to their mission; or
- indicating how the profits are distributed (e.g. by members).
The sources of income identified in the survey were:

- sales of goods and services – over 25 per cent for organisations that have been trading from two to five years, and over 50 per cent for organisations that have been trading more than five years;
- government contracts;
- revenue from investments or capital assets;
- contributions from a parent or partner organisation;
- government grants – to be considered a social enterprise this should not be the main source of income;
- grants or donations from trusts or individuals – to be considered a social enterprise this should not be the main source of income;
- debt finance;
- finance from external investors; and
- other.

Sales are the most common form of revenue, also used by the largest number of organisations (Table 1). Government contracts are also an important source of income, although for a smaller number of organisations. Grants and donations are also collected by many of the organisations in this survey.

Table 1 – Question 17: Percentage of revenue from different sources

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Average</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>60%</td>
<td>346</td>
</tr>
<tr>
<td>Government contracts</td>
<td>59%</td>
<td>173</td>
</tr>
<tr>
<td>Investments</td>
<td>11%</td>
<td>211</td>
</tr>
<tr>
<td>Contributions</td>
<td>11%</td>
<td>30</td>
</tr>
<tr>
<td>Government grants</td>
<td>17%</td>
<td>69</td>
</tr>
<tr>
<td>Grants and donations</td>
<td>18%</td>
<td>219</td>
</tr>
<tr>
<td>Debt finance</td>
<td>14%</td>
<td>24</td>
</tr>
<tr>
<td>External investors</td>
<td>23%</td>
<td>3</td>
</tr>
<tr>
<td>Other</td>
<td>13%</td>
<td>100</td>
</tr>
</tbody>
</table>

The main areas of expenditure by organisations is salaries and wages, and running costs (Table 2). Many organisations also indicated they use professional services, although this only makes up a small percentage of total expenditure.
Table 2 – Question 18: Percentage of expenditure to sources

<table>
<thead>
<tr>
<th>Expenditure</th>
<th>Average</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and wages</td>
<td>52%</td>
<td>306</td>
</tr>
<tr>
<td>Running costs</td>
<td>37%</td>
<td>377</td>
</tr>
<tr>
<td>Professional services</td>
<td>5%</td>
<td>246</td>
</tr>
<tr>
<td>Fundraising expenses</td>
<td>12%</td>
<td>85</td>
</tr>
<tr>
<td>Capital assets</td>
<td>10%</td>
<td>117</td>
</tr>
<tr>
<td>Materials – transformation</td>
<td>19%</td>
<td>41</td>
</tr>
<tr>
<td>Materials – resale</td>
<td>20%</td>
<td>65</td>
</tr>
<tr>
<td>Grants</td>
<td>20%</td>
<td>84</td>
</tr>
<tr>
<td>Other</td>
<td>24%</td>
<td>98</td>
</tr>
</tbody>
</table>

The average income of survey respondents is $1,968,000 per annum. However, the respondents included a small number of organisations with large revenues. The median value of $276,700 better reflects the larger number of small to medium sized organisations in the sample (Figure 16).

Figure 16 – Question 16: Range of revenue for organisations [n = 394]

Not surprisingly, trends for revenue and expenditure are similar. The average expenditure of survey respondents is $1,856,000 per annum, with a median value of $248,100 (Figure 17). Overall, organisations appear to raise more money than they spend.
Results of the 2012 social enterprise survey

Figure 17 – Question 16: Range of expenditure for organisations [n = 394]

The average value of assets for survey respondents is $3,494,000 while the median is $294,400. As with income and expenditure, this reflects a wide variation in the scale of organisations, with a large number of small organisations and a few very large organisations in the sample (Figure 18).

The average value of liabilities is $1,387,000 per annum while the median is $91,700.

Figure 18 – Question 16: Range of asset and liability values for organisations [n = 314]

Future direction for social enterprises

Organisations were asked to identify potential barriers to their growth (Question 22). The replies showed a range of different issues facing the social enterprise sector in New Zealand. To better enable analysis, several themes and sub-themes were identified, with the responses coded to the main point raised. The main themes are outlined in Table 3.
### Table 3 – Question 22: Main barriers to growth [n = 328]

<table>
<thead>
<tr>
<th>Theme</th>
<th>Sub-theme</th>
<th>Substantive issues raised</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic impacts</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wider economy</td>
<td>Economic impacts</td>
<td>General recession, high exchange rates, low commodity prices, lack of growth</td>
</tr>
<tr>
<td>Affordability</td>
<td>Affordability</td>
<td>Families not able to afford services, reduced disposable income</td>
</tr>
<tr>
<td>Changing market conditions</td>
<td>Changing market conditions</td>
<td>Decline in tourist numbers, increased use of technology, downturn in a business sector</td>
</tr>
<tr>
<td>Increased competition</td>
<td>Increased competition</td>
<td>Competition from the private sector</td>
</tr>
<tr>
<td>Impact of the earthquake</td>
<td>Impact of the earthquake</td>
<td>Demographic change, loss of markets</td>
</tr>
<tr>
<td>Location and local economy</td>
<td>Location and local economy</td>
<td>Isolated locations, local economy in trouble</td>
</tr>
<tr>
<td>Demographic change</td>
<td>Demographic change</td>
<td>Low population, ageing population</td>
</tr>
<tr>
<td><strong>Financial impacts</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lack of funding or resources</td>
<td>Financial impacts</td>
<td>No additional funding or decreased existing funding, reduced donations or sponsorship</td>
</tr>
<tr>
<td>Issues with capital</td>
<td></td>
<td>No space to expand</td>
</tr>
<tr>
<td>Access to financial instruments</td>
<td></td>
<td>Access to start-up capital and available finance</td>
</tr>
<tr>
<td>Increasing costs</td>
<td></td>
<td>Increased running costs, higher rent, cost of labour and transport</td>
</tr>
<tr>
<td><strong>Human resources</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Falling memberships</td>
<td>Human resources</td>
<td>Fewer members or clients, reduced take-up</td>
</tr>
<tr>
<td>Availability of workers</td>
<td></td>
<td>Availability of volunteers, less time available, staff attrition, retention of volunteers</td>
</tr>
<tr>
<td>Capability of workers</td>
<td></td>
<td>Finding the right staff, lack of business expertise</td>
</tr>
<tr>
<td><strong>Role of government</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduced government funding</td>
<td>Role of government</td>
<td>Reduced contracting, funding cuts to agencies, reduced subsidies available</td>
</tr>
<tr>
<td>Changed priorities</td>
<td></td>
<td>Programmes discontinued, new tendering arrangements</td>
</tr>
<tr>
<td>Compliance costs</td>
<td></td>
<td>Time taken to apply and comply with tax laws</td>
</tr>
<tr>
<td><strong>Other issues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Governance and management</td>
<td>Other issues</td>
<td>Amalgamation, lack of knowledge, poor culture in organisations, change in political direction</td>
</tr>
<tr>
<td>Profile of the organisation</td>
<td></td>
<td>Need to build profile, marketing expertise</td>
</tr>
<tr>
<td>No capacity for growth</td>
<td></td>
<td>Limited by the size of the property</td>
</tr>
</tbody>
</table>

As the responses were coded, it is possible to look at the relative numbers of responses (Figure 19). The main barrier identified by organisations is the wider economic conditions associated with the global financial crisis. To a certain extent this is also the cause of some of the other barriers identified, such as reduced government funding, and a general lack of funding overall.
Organisations were also asked where they could benefit from external advice (Figure 20). Around 65 per cent (271) of respondents answered this question, with respondents identifying around two areas each where they could benefit from additional advice. The most common areas for assistance were help with developing marketing strategies (to improve sales), and training in management skills.

Respondents could also describe other areas they would like to receive assistance. Some of the more common replies included:

- assistance with website design and maintenance, and general IT issues;
- construction and building managements (for facility owners);
training in compliance issues, such as human resources; and
business development and promotion activities.

Conclusions

The findings of this survey reveal a social enterprise sector that is relatively mature and quite diverse. Social enterprises in New Zealand are operating in a range of industries, serving many different types of beneficiaries. While most organisations are locally based, a number have more regional or national perspectives. A small number also focus their profits on international causes.

Both the Australian and New Zealand surveys show social enterprise is not a new phenomenon. Most social enterprise organisations have been operating for more than 10 years. They have a range of approaches to supporting their many and varied missions. Most respondents are looking to increase the amount of revenue they derive from their operations.

The limitations of the survey vehicle make it difficult to define a “typical” social enterprise. An indication of the differing scale and scope of social enterprises may be best understood through the complementary use of case studies or similar qualitative research methods.

The survey used to create this report was conducted as an initial mapping exercise. As the findings are based on a relatively small population the complexity of the sector, and issues facing it, may be greater than indicated in this report.
APPENDIX 1 – Discussion on definition of social enterprises

The social enterprise definition used in this paper has three elements:

- a social, cultural, or environmental mission;
- a substantial portion of income derived from trade; and
- the majority of profit/surplus reinvested in the fulfilment of its mission.

Within the three broad criteria, various nuances can be debated. For instance, is an organisation focused on benefiting members able to fulfil the “social mission” criteria? The Social Trader’s view is “yes”, provided the membership is open and voluntary, or the membership serves a marginalised social group.

Along similar lines, can organisations serving members with blood ties be viewed as serving a social good rather than private interests? In the New Zealand context, blood relationships do not prohibit organisations from being registered as charities. So a trading organisation set up by an iwi or ethnic group might reasonably be considered a social enterprise if the profit is used to serve the needs of its people.

What activities constitute trading, within the social enterprise definition, is another moot point. For instance, do fundraising efforts fit the bill (such as a sausage sizzle), or are we really only thinking about larger scale commercial activities (such as a mainstreet business selling trade aid products)? Do the products need to be integrally connected to the social/environmental mission, like sunscreen sold by the Cancer Society? This study simply focuses on the extent of sales in support of the mission – hence the definition refers to “substantial” trade. This is operationalised as 50 per cent or more of the organisation’s income if it has been in operation for over five years, 25 per cent if it have been only operating three to five years, or less if it is under two years from start-up and has a demonstrable intention to trade.

In addition to the three core elements of the definition, the focus is specifically on organisations that are institutionally separate from government. This eliminates organisations with governing boards appointed by government without independent authority to wind up their own operations. Receiving government funding does not, however, discount an organisation from being considered independent. Contracts with government agencies, in an open tender context, are a form of trading income, although from a government perspective, the degree to which social enterprises can garner income from other sources is of particular interest.
APPENDIX 2 – Analysis of trading subset

In order to better understand variation within the social enterprise sector, some additional analysis was undertaken on a smaller sample. This sub-set comprised social enterprises that indicated they were funded predominantly from trading (as opposed to having reliance on government contracts). These graphs can be compared to the relevant figures in the main report.

(i)  

**Main purpose of organisations**

- To support our social, cultural or environmental mission: 68% Trading, 69% All
- To earn income for our non-profit organisation: 14% Trading, 9% All
- To provide benefits to our members: 9% Trading, 9% All
- None of the above: 13% Trading, 10% All

(ii)  

**What organisations do**

- Provide services paid for by the user: 65% Trading, 34% All
- Sell goods either directly or wholesale: 23% Trading, 15% All
- Provide the use of capital assets: 10% Trading, 10% All
- Tender for government contracts: 10% Trading, 7% All
- Produce goods: 7% Trading, 2% All
- None of the above: 10% Trading, 10% All
- Provide support for producers to sell their goods: 2% Trading, 7% All
- Provide support for members to trade with...
(iii) Results of the 2012 social enterprise survey

**Best description of organisation**

- A non-profit organisation that is trading: 71%
- A for-profit organisation focused on social, cultural or environmental goals: 13%
- An informal group of interested individuals: 7%
- A trading arm of a non-profit organisation: 6%
- A non-profit organisation that is not yet trading: 1%
- A mutual or member-owned organisation (e.g., co-operative): 3%

(iv) Legal status of organisations

- Charitable Trust: 48%
- Incorporated Society: 41%
- Limited Liability Company: 7.1%
- Informal group: 1.3%
- Set-up under an Act of Parliament: 0.8%
- Co-operative: 0.8%
- Co-operative company: 0.0%
- Māori Land Trust: 0.8%
- Not sure: 0.4%

(v) How long have organisations been operating

- More than 10 years: 100%
- 6 - 10 years: 71%
- 2 - 5 years: 6%
- Less than 2 years: 1%
- Not yet fully operational: 3%
(vi) Associated with a Māori Authority

- Yes: 3%
- No: 97%

(vii) Location of organisations

- Local: 67%
- Regional: 29%
- National: 23%
- International: 8%

(viii) Number of locations used by organisations

- 1: 71%
- 2: 9%
- 3: 7%
- 4: 4%
- 5: 1%
- 6 to 10: 3%
- 11 to 20: 1%
- 21 to 50: 2%
- More than 50: 1%

Results of the 2012 social enterprise survey
How organisations operate

- **A single venture**: 78%
- **Multiple ventures in different industries**: 9%
- **Multiple ventures in a single industry**: 13%

How organisations reinvest their profits

- **Improving or increasing our enterprise operations**: 79%
- **Donate income to external organisations**: 15%
- **Return income to our parent or sponsor**: 8%
- **Distribute surplus to our members/beneficiaries**: 7%