

Shrinking public budgets and social and environmental issues are forcing a moral economic challenge that society ignores at its peril. The wave of values-based economic initiatives emerging in the 21st Century, such as social enterprise, 'not for profit' business, and 'for profit' social business are testament to an evolution occurring in the 'real economy'. These diverse and economically sustainable businesses engage people in democratic ownership and management of commercial businesses that have social purposes at their core.

2012 is the United Nations declared International Year of Co-operatives. It offers a unique opportunity for all co-operative-type businesses to redefine their difference. New social businesses, like Hepburn Wind, have successfully applied the new form of business capitalisation - the community/retail investor. New sectors like renewable energy benefit from this approach.

The DNA of Social Business

Trent Bartlett, Founding Chair of Social Business Australia and CEO of Capricorn Society Ltd.

“A couple of weeks ago, a Business Council of Australia (BCA) e-bulletin dropped into my inbox titled, “Economic Success, Community Prosperity”. As CEO of the Australian mutual business, Capricorn Society Ltd, and Chair of Social Business Australia (an organisation formed to support and grow social businesses in the mainstream economy). I was interested to see what the heads of Australia’s private corporations are saying on the issue of economic success and social purpose.

According to a BCA-commissioned survey, 85% of respondents said you *can* have economic prosperity and social responsibility. Social businesses have been doing just that - linking strong, profitable businesses and community needs for the last 150 years (when the first co-ops started up). Co-operatives, (one form of social business) were talking about their triple bottom line (financial, social and environmental) long before ‘corporate social responsibility’ became part of the for-profit business landscape.

The new mainstream economic interest in the interconnection between economic success and community prosperity is understandable if you consider the fall-out from the global financial crisis (GFC).

In his address to the National Press Club in Canberra on the 24 June, BCA President Graham Bradley, acknowledged that community attitudes towards business had been affected by the GFC. Bradley said the sector needed to rebuild trust and earn back reputation. Businesses, he said, needed to ‘communicate better and explain our role and contribution, and to listen to the community’s expectations of us’. By contrast, social businesses make these social outcomes the very essence of their business. You could say, ‘Social responsibility’- it’s in their DNA.

The demise of ABC Learning Centres is an example of the failure of the profit maximising model of business. Now replaced by a different ‘social’ business model, Good Start, a non-profit chain of companies uses the business discipline of a private sector company, but is investing all profits back into its social purpose (high quality, accessible, community connected childcare). Notwithstanding its non-profit structure, Good Start used a private equity route to capitalise the venture, demonstrating that hybrid business forms can enhance our potential to address the manifest social and environmental problems that beset human society.

I believe social business has a moral obligation to step up to the plate to ensure we grow the space in the mainstream economy for different and diverse forms of business. The public sector and all those depending on it must prepare for a sharp squeeze in public spending. On current trajectories, the biggest sectors (both by value and employment) of Western economies in 2020 and beyond will not be cars, ships, steel, computer manufacturing or personal finance. Health, education, and care will be central to employment and the macro economy as a whole. And this poses a major financing issue.

It's not just about 'big business' connecting with its social obligations. It's time for those forms of business that make community prosperity their *raison de'tre* (co-ops, mutuals, employee owned businesses, trust owned companies and credit unions, to name some) to make their difference known.

The UK is experiencing a society wide shift in the model of public service delivery – in the NHS trust models, community managed schools and co-operative social housing. In Italy, social co-operatives that combine public funding, community ownership and commercial approaches deliver up to 70% of public services in aged care, employment services and education.

Hepburn Wind, Australia's first community-owned wind farm, secured over \$7.8m of its total \$12.9m project cost from 1200 community member/owners. Chairman Simon Holmes a Court said, co-ops/community ownership are an ideal business model for new enterprises such as renewable energy.

'The community feeling was against some overseas firm that would come in with massive investment and not be engaged with the community. Community understanding that they had control was critical and there was great comfort taken that there would not be a single large shareholder.

Everyone involved (even at arms length) has been touched with the togetherness of the project. When you get a lot of active members all pointed in the same direction - it becomes infectious. The number of pro-bono hours given by people and professional services has been amazing,' said Holmes a Court.'

'Whilst experience has shown it [the co-operative model] to be not at all interesting to institutional investors, we have really struck a chord with the community and their preparedness to invest. It has been wonderful to see grandparents buying shares for their grandchildren. It is encouraging to see very young members with investments of \$1,000 and below – median investment is \$2,000 - \$3,000.

' The Policy framework in other countries is more enabling. Hepburn has applications from 150-200 potential members from other states – but the lack of a national co-operative law and the requirements of ASIC have made it problematic.

'In my experience, our governance is no less rigorous than using a corporate structure, and it also has real and tangible social responsibility'.

Holmes a Court said, 'With such a model – there is no anonymity and there is an extra level of transparency and accountability not placed upon typical companies.'

In 2012 the world will be celebrating the contribution of co-operative forms of enterprise, to the betterment of humankind, poverty alleviation, better workplaces, local economic renewal, trade and service delivery. If the world's global body for independent states, the UN, recognises the important role of social business forms in delivering sustainable economic, social and environmental futures, why can't social business? Now clearly is the time to make the social forms of enterprise visible.

More information on the organisations mentioned above can be found at these links:

International Co-operative Alliance www.ica.coop

International Year of Co-operatives 2012 www.ica.coop/activities/iyc/index.html

SBA www.socialbusiness.coop

Hepburn Wind www.hepburnwind.com.au/

Capricorn Society Ltd www.capricorn.coop