



# BANKWEST FOUNDATION SOCIAL IMPACT SERIES

## SUPPORTING DEVELOPMENT AND GROWTH IN THE WA COMMUNITY SECTOR

In 2014, the Bankwest Foundation partnered with the University of Western Australia Centre for Social Impact (UWA CSI) to undertake a major five-year research program entitled *Supporting Development and Growth in the Community Sector in Western Australia*.

The Bankwest Foundation research program is led by Professor Paul Flatau, Director of the UWA CSI and aims to improve the evidence base to support growth and innovation in the community sector and build organisational effectiveness, resilience and social progress in Western Australia.

The Bankwest Foundation research program comprises of two five year studies:

- Outcomes measurement in the community sector in Western Australia
- The financial resilience of Western Australia's social enterprises.

These projects will support:

- ✓ enhanced policy debate in Western Australia around outcomes measurement and social enterprises
- ✓ produce a range of tools and resources that will benefit the WA community sector and support the development and growth of social enterprises in Western Australia.

### Measuring Outcomes for Impact in the WA Community Sector addresses these issues:

What difference do Western Australia's social programs make to the lives of West Australians?

How well do we currently measure that difference in WA?

What barriers and challenges exist to effective outcomes measurement in WA?

What direction do we need to take in the future to improve the measurement of impact in the community sector?

How can the community sector be supported to achieve the highest possible standard of outcomes measurement?

### Social Enterprise Financial Resilience in Western Australia addresses these issues:

What are the resource and financing needs of WA's emerging social enterprise sector?

How does financial resilience affect the ability of social enterprises in WA to fulfil their social mission?

What barriers and opportunities exist to accessing financial resources?

How are WA's social enterprises faring in terms of their financing needs and tasks?

What tools and resources are needed by social enterprises in WA to support their financial resilience?



# MEASURING OUTCOMES FOR IMPACT IN THE WA COMMUNITY SECTOR

**WHAT IS OUTCOMES MEASUREMENT?** The measurement of the difference that an initiative, program or organisation makes to the lives of people engaged with it.

## Why is outcomes measurement important?

By building more effective outcomes measurement systems, community sector services, governments, local authorities and funders are better able to understand what matters to people, families and frontline teams and what difference their programs are making. Outcomes measurement provides the basis of learning within the sector, and can help to provide a framework for evaluation and strategic planning.

## Outcomes measurement in Western Australia

27 community sector leaders participated in focus groups to answer the question:

**Where is outcomes measurement at in WA right now? Participants included:**

- CEOs and managers of community sector not-for-profit organisations of all sizes
- peak bodies representing the community sector
- state government departments and agencies
- philanthropic funders of community services.

"When you think outcomes measurement, you think of the end of the process, saying is this a good program, did it do what we wanted it to do? That's the most important thing."

[A WA non-government funder of community services]

## Outcomes measurement is at a tipping point in Western Australia

Community sector stakeholders confirmed that:

- there was a growing interest in outcomes measurement in WA
- many community sector organisations were implementing or seeking to implement well-grounded outcomes measurement frameworks.

Focus groups in the Bankwest Foundation UWA CSI study suggested:

- the community sector is struggling with outcomes measurement and facing critical barriers at the organisational and systems level that are impeding progress.

## Key struggles and barriers of outcomes measurement in Western Australia

### Struggles

Articulating outcomes  
Integration with strategy  
Being systematic across diverse programs  
Using existing data  
Meaningful participation  
Estimating cost/benefit

### Barriers

**Organisation Level**  
Internal capacity  
Funding  
Engagement of staff  
Client and service diversity

**System Level**  
Expectations of quality  
Fragmented funding  
Data access  
Timing of outcomes  
Exclusivity  
Inconsistent language

# SOCIAL ENTERPRISE FINANCIAL RESILIENCE

## WHAT ARE SOCIAL ENTERPRISES?

- organisations that exist to fulfil a mission consistent with public or community benefit
- trade to fulfil that mission
- reinvest a substantial proportion of their profit or surplus in the fulfilment of mission
- provide opportunities for sustainable, market-based solutions to social issues and employment opportunities for those experiencing entrenched disadvantage.

**Financial resilience:** an organisation's capacity to access financial opportunities and weather shocks that generate financial challenges.

**What factors affect the financial resilience of social enterprises, and what tools are needed to support this resilience?** Despite increasing interest in social enterprises and the development of new social enterprises in WA, we know little about the factors that support their ability to deliver social objectives over the longer term, and in particular, the role of financial and other resources.

## Sources of finance for Social Enterprises

The main source of finance for established social enterprises is through revenue or profit from trading. However, in terms of external sources, not-for-profit social enterprises also use:

- general purpose funding (such as grants) from government
- contributions from individual members
- philanthropic grants and bequests, and
- debt.

For-purpose, for-profit social enterprises also seek to obtain impact investing funds to fund their growth.

Accessing external finance can be very difficult for social enterprises. Indeed, when Western Australian social entrepreneurs, social financiers and policy professionals were questioned about their experiences in resourcing social enterprises, **access to finance was found to be one of the main inhibitors of social enterprise development.**

Participants identified the following problems experienced in attempting to access external finance:

### Problems experienced by Western Australia's social enterprises in accessing external finance

- A mismatch exists between (limited) financial products and social enterprise needs
- Information asymmetries, high transaction costs, and low levels of skills and experience
- The impact investing market is immature in Australia (and virtually non-existent in WA)
- Board composition, structure and culture uninformed about social enterprises.

Social enterprises in Western Australia face constraints on resourcing their operations as a result of:

1. A lack of awareness on the part of Board members of the commercial realities and financing options facing, and available to, social enterprises
2. The absence of a developed impact investing market; and
3. The limited use of social procurement as a means to support their operations.



# WHERE TO FROM HERE?

## OUTCOMES MEASUREMENT

- Ask all community sector organisations in Western Australia to complete the **Outcomes Measurement in the Western Australian Community Survey** to help us find out more about:
  - outcomes measurement in the WA community sector,
  - the struggles and barriers experienced around outcomes measurement, and ideas for future development of outcomes measurement in Western Australia.
- We will also be engaged in a conversation with the community sector and funders around **thirteen ideas** to support the future direction of outcomes measurement in Western Australia. These ideas are detailed in the WA Social Impact Series report issue #3 (October 2015), but can be grouped into the following categories:

### Funding

- Full, separate funding for outcomes measurement included in contracts and Requests for Tender

### Data

- Transparency and open data from all levels of government, infrastructure for data collection supported by government, and a core set of common outcomes items

### Standardisation

- Standardisation of language, key concepts and outcomes reporting requirements across all stakeholders

### Collaboration

- Explore opportunities for collaborative outcomes-based initiatives with shared measurement (as evident in Collective Impact frameworks)

### Capacity Building

- Professional development and capacity building within community organisations

## SOCIAL ENTERPRISES

- We will be working with 15 social enterprises in WA over the next four years to better understand their resourcing behaviours and needs.
- Find out what works in what contexts and why and what is needed to improve the financial resilience of Western Australia's social enterprises.
- Stay linked in to the study as it builds **Decision Tools** to assist social enterprises to fulfil their social missions by increasing their financial resilience.

## KEEP UP TO DATE WITH THE BANKWEST FOUNDATION RESEARCH PROGRAM

- The **Bankwest Foundation Social Impact Series** provides regular papers from the research program and is available on the Bankwest Foundation website. Visit [www.bankwest.com.au/bankwestfoundation](http://www.bankwest.com.au/bankwestfoundation) to download copies of all papers in the Social Impact Series.
- Register your interest in receiving the quarterly newsletter of the Bankwest Foundation **Supporting Development and Growth in the Community Sector in Western Australia** program by emailing Margaret Ritchie at [margaret.ritchie@uwa.edu.au](mailto:margaret.ritchie@uwa.edu.au).