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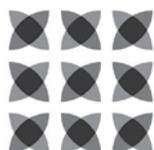
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### **Supporting social enterprise resilience through reporting**

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This Snapshot Report is the ninth publication from the **Supporting Development and Growth in the Community Sector in Australia** research program, supported by the Bankwest Foundation. The aim of this program of research is to increase our understanding of the difference community programs make and what factors can enhance the resilience and long-term financial viability of Western Australia's emerging social enterprise sector. Improving the evidence base on the measurement of outcomes of community programs and of the financial sustainability of WA's social enterprises will support growth and innovation in the community sector and build community resilience. Outcomes of the research program will be delivered through the **Bankwest Foundation Social Impact Series** and through community workshops and forums. The present paper ***Supporting social enterprise resilience through reporting*** is the ninth issue of the **Bankwest Foundation Social Impact Series**.

### **Citation**

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## SECTION ONE: INTRODUCTION

Small to medium social enterprises are often highly resilient, but face particular challenges in managing their financial sustainability. The research undertaken in this program has highlighted that:

- Small to medium social enterprises use a diversity of resourcing strategies, but usually turn to internal resources and networks before seeking external finance;
- The operating environment has significant effects on the opportunities for social enterprises, with macro-economic conditions in Western Australia (WA) affecting opportunities for philanthropic resourcing and market development; and
- Resource paucity and sector maturity can affect the way social enterprises operate, with WA social enterprises looking more frequently to partnerships and collaboration as they respond to current conditions and seek to grow their impacts.

Previous reports in the Bankwest Foundation Social Impact Series have gone some way to documenting the business and reporting needs of social enterprises in WA (see Figure A). The current report details the development of a prototype Social Enterprise Reporting Tool (SERT), which has been designed to meet some of the needs identified in the previous research.

**Figure A – Bankwest Foundation Social Impact Series Reports on social enterprises in WA**

|  |  |
|--|--|
| <p><b>Snapshot Report Issue 2:</b><br/><b>Resourcing Social Enterprises: Approaches and Challenges</b><br/>(August 2015)</p>                       | <p>Snapshot Report 2 reviewed existing evidence, and data from workshops and interviews with 15 Western Australian (WA) social entrepreneurs and seven social financiers and policy professionals in May-June 2015, with a focus on approaches to resourcing.</p>                    |
| <p><b>Snapshot Report Issue 4:</b><br/><b>How do Western Australia's Social Enterprises meet their Financial Challenges?</b><br/>(April 2016)</p>  | <p>Snapshot Report 4 presented initial findings from the first wave of interviews and organisation documents collected from 11 participating WA social enterprise case studies, with a focus on how social enterprises meet their financial challenges.</p>                          |
| <p><b>Snapshot Report Issue 7:</b><br/><b>A year in the Life of Western Australia's Social Enterprises</b><br/>(April 2017)</p>                    | <p>Snapshot Report 7 contained findings from the second wave of interviews and organisation documents collected from 10 remaining participating WA social enterprise case studies, and described changes in the operating environment and strategies used to support resilience.</p> |
| <p><b>Snapshot Report Issue 9:</b><br/><b>Supporting Social Enterprise Resilience Through Reporting</b><br/>(The current report, October 2017)</p> | <p>Snapshot Report 9 details the development of a prototype Social Enterprise Reporting Tool (SERT), which has been designed with the purpose of meeting some of the needs of social enterprises as identified in the previous research reports.</p>                                 |



Both the research findings and the process of working with 10 social enterprises throughout the project illuminated the importance of effective data-driven financial and social reporting of social enterprise performance as a mechanism to enable access to external resources, including mainstream finance. Yet, for many social enterprises, obtaining and using the reporting systems required to produce such reports demands resources beyond their means.

In this report, we reflect on the process and outcomes of developing the Social Enterprise Reporting Tool (SERT) prototype, which is a key output of the research project. The SERT is a free, robust reporting tool for social enterprises to use, assisting them to meet finance barriers and opportunities head-on. The SERT has been built from the ground-up, with the needs of social enterprises at its core. However, it also has benefitted from input from many important stakeholder groups, including banks, philanthropy, government, and third sector intermediaries.

Social enterprises using the tool will be able to create a Statement of Social Performance (SSP), a reporting framework developed by Luke (2016). The SSP provides a concise summary of financial and non-financial resources, as well as an overview of social impacts for a given reporting period. This enables social enterprises to address the common challenge of communicating their business and social performance to multiple audiences, simply and effectively. The SERT outputs can also support data-driven internal discussions about performance and strategy by social enterprises. The longer-term aim of the SERT is that it could help support more social enterprises to overcome their financial barriers, and prepare well for opportunities as they arise.

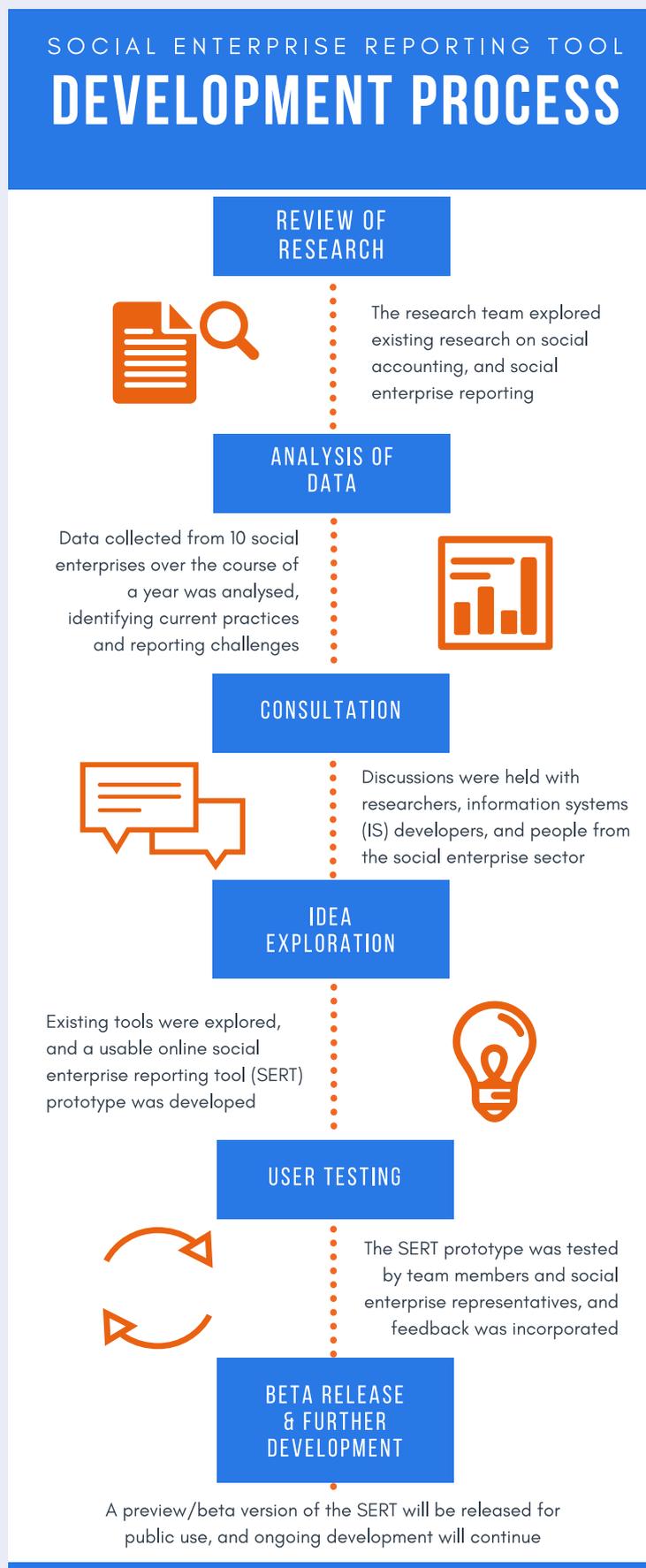
## SECTION TWO: DEVELOPING THE SOCIAL ENTERPRISE REPORTING TOOL (SERT)

The system behind the SERT was developed by the research team, using inputs from the research as well as broader social enterprise, accounting and information systems expertise.

### Addressing the need for SERT

One of the key findings from the research has been the clear need for a system to help social enterprises easily report their performance and impacts. The project findings also highlight, however, the differing stakeholder needs that influence what is reported and how reporting happens. In developing the SERT, we needed to fully understand the variety of stakeholder needs to support effective performance reporting. Although we anticipate that the SERT can meet the needs of several stakeholder groups, the process for making sense of these various needs took careful planning. See Figure B for an overview of the development process.

Figure B - Social Enterprise Reporting Tool (SERT) development process





## Section 2: Developing the Social Enterprise Reporting Tool

To develop the tool, we used a consultative system design process. This approach requires a high level of stakeholder input throughout, bringing quite diverse needs together to find common ground. As Figure B shows, there were several steps involved in this process, each providing input regarding stakeholder needs, and feedback on the tool as it has been developed. Overall, it took 18 months to complete a full prototype of the SERT.

From the initial consultation workshop and interviews, we found participants had common ground over some of the key resourcing challenges for social enterprises. This gave us some insights into the major resourcing barriers for social enterprises. With this in mind, we worked closely with the social enterprise case studies to understand the specifics, such as:

- What are their perceptions of the key resourcing barriers?
- Which examples illustrate the barriers?
- How do they try to overcome these barriers?
- Which barriers remain?

At this point, our case study participants helped by explaining both what was missing in their current operating environment, and what would be required to fill the gaps. These insights helped us to understand which aspects of their businesses needed more support to help overcome resourcing barriers, and conceptualise how the SERT could do that.

Next, we assessed a range of similar tools currently available online, to understand their concepts, applications and intended user groups. This helped to clarify which tools already offer services that match some social enterprise reporting needs. Table 1 provides an overview of some of the tools currently available.

**Table 1 – Examples and functions of other analysis and reporting tools available online**

| Function and cost per month in whole \$AUD | SERT | Third-bridge   | Clear Impact              | B-Analytics                             | Microsoft Power BI   | Zoho Reports                                       | Tableau  | Xero      | MYOB Essentials | Saasu      |
|--|------|--|---------------------------|---|--|--|--|-----------|-----------------|------------|
| Financial analysis and reporting           | Yes  | Some   | N/A                       | N/A                                     | Some   | Some   | Some   | Yes       | Yes             | Yes        |
| Business analysis and reporting            | Some | Some   | Some                      | Some                                    | Yes  | Yes  | Yes  | N/A       | N/A             | N/A        |
| Social impact measurement and reporting    | Yes  | Yes  | Yes                       | Yes                                     | Possible   | N/A  | N/A  | N/A       | N/A             | N/A        |
| Cost per month (\$AUD)                     | Free | Free for registered charity or SE, or tiered pricing from \$3 per staff member | \$315 for 5 users minimum | Tiered pricing, not publicly advertised | Basic / desktop account free, or \$13 upwards based on user needs (capacity pricing) | Basic/ limited account free, or between \$63-\$619 | Public/ limited account trial free, or \$44-\$87 | \$25-\$60 | \$25-\$50       | \$15-\$180 |

As Table 1 shows, there are several tools that each provide a combination of financial and non-financial, or social impact reporting. Many of the reviewed tools charge a fee for use. Our audit found that only one of these tools appears to combine all three reporting processes into a single system. This tool, Thirdbridge, is an online network for third sector organisations to connect with companies and other professionals, and map their impacts. Using a data dashboard, Thirdbridge aims to enhance cross-sector partnerships and collaborations. However, this approach does not necessarily respond directly to other key organisational needs we have identified in this project. Therefore, an alternative solution specifically tailored to meet social enterprise needs is required.

The value of the SERT is that it could help address some of the specific needs identified through this research project, by providing social enterprises with:

- A reporting framework that is informed by research and incorporates relevant criteria as identified by social enterprises, funders, and financial institution representatives who were consulted throughout the development process.
- A free and accessible reporting tool that helps inform early stage or small social enterprises about what they need to report on - building reporting knowledge, practice, and confidence in organisations with otherwise limited resources to achieve this.
- A system that prompts reflection on business processes, risks and opportunities - supporting social enterprises to anticipate and respond effectively to changing markets.
- A clear and succinct report that outlines both financial and social performance, and could be used by SEs for a wide variety of internal and external purposes.

Based on these insights and stakeholder consultation, the decision was taken to design and build a reporting tool prototype. Some of the major user-based needs that have influenced SERT are described briefly below:

### Social enterprises

We know that social enterprises seek several benefits from a reporting system (Mason, Barraket, Simnett & Elmes 2017; Callis, Flatau & Seiwright 2017). First, they require a system to help to provide evidence of their impacts, both financial and social. Their performance appraisal needs to be data-driven, requiring a practical focus on what kinds of data are collected, and how and why it will be used. However, a major constraint for small businesses (including many social enterprises) is dedicating resources, especially time, to the regular and efficient collection of data. An opportunity for the SERT is to provide users with an overview of the data that needs to be collected. Once information is collected, the SERT can help social enterprises by providing simple, useful analysis that can be used for internal and external audiences.

During early workshoping of the tool, it was suggested that the SERT would be particularly useful for new entrant social enterprises, which may lack the resources to purchase access to existing tools. The SERT is likely to have more limited appeal to larger, or more established social enterprises, that already have systems in place.

### Financial institutions

Our research has shown that one of the main barriers to financial resources for social enterprises is accessing mainstream finance. Feedback from the launch of Snapshot Report 7 (April 2017) suggested that financiers, especially banks, require social enterprises to clearly document their financial status and performance across reporting periods. Our evidence suggests that social enterprises are often unable to do this consistently and could overcome this constraint through simple, regular reporting. Feedback from financier stakeholders was very positive in this regard, indicating that both the collection of data and its effective presentation provides assessable evidence of good business practices.

The SERT could also be helpful for financial institutions in their assessment of the management of risk. The clearer the picture that is provided of the business, the more effectively that business can be appraised. Also, it was suggested that assessment of qualitative data (especially related to social impacts) is an important part of due diligence. This suggests that being able to 'get ahead' of investor and lender needs would be a strong aspect of the tool.



### Philanthropic funders

Philanthropic funders are important stakeholders in the social enterprise ecosystem, in terms of the level of funding they provide, the point at which they invest (e.g. often providing risk capital), and the contributions they make to the wider creation of social impact in society. Their interest in the tool relates to the incentive it provides to the sector to represent itself better. SERT could help here by providing a consistent and reputable process to enable social enterprise development, through providing a tool that supports social enterprises to generate clear, concise reports that incorporate the financial and social performance information most relevant to funders.

Based on the feedback received throughout the consultative development process, we considered how users could get a simple and accurate financial and non-financial overview of a social enterprise for a given reporting period. At the same time, the design had to meet the needs of other key audiences, and so we distilled the core aspects of the system requirements as being robust, secure, useful and free.

### Robust

The robustness of the SERT is underscored by the research-driven nature of its design and implementation. Each question in the survey either adds directly to the production of the Statement of Social Performance, or should be used for further internal discussions that may impact on decision-making. In the latter case, information concerning the business model, the board and governance, and long-term goal setting all feed into development discussions within the business, as these areas are all known to be fundamental to long-term business sustainability (Daily and Dalton 1992; Zott and Amit 2010).

### Secure

The system prototype has been designed to ensure high level security for user information and storage. In alignment with the broader research project's ethics guidance, all data must be stored in Australia and not transferred to any third party or overseas provider. This principle applies to the SERT too.

### Useful

The SERT is designed to be both practical and accessible. In terms of practicality, because the SERT has been designed from the ground-up with key users and audiences in mind, we have closely followed their expectations. This means ensuring:

- Layout is simple, clear and instructive.
- Users are aware from the outset:
  - What the aims of the SERT are.
  - What information they need to gather.
  - How long it should take to complete.
  - What they receive once they have completed it.
  - Who owns their information and how information will be used
- Questions are written in plain English, with any technical terms explained in 'pop-out' boxes.

Regarding accessibility, the SERT site and output have been designed according to the current standards of the Web Content Accessibility Guidelines 2.0. This means that layout, fonts, and colour schemes have been chosen to make the experience as accessible as possible for all users.

## Free

Finally, for the SERT to be trialled and adopted by social enterprises, it is vital that financial costs to use it are low. To this end, the SERT has been set up to be free at the point of use. This means that any user can create an account, enter, store and retrieve their data and perform simple analytics - for free.

Future developments might see the SERT feature some further analytic capabilities provided on a fee for service basis, which could be built into the current system design. Although there may be costs associated with any future service development, this current version of the SERT will remain free to use.

## SECTION THREE: HOW DOES THE SERT WORK?

The SERT is designed to be used by people working in, managing or leading a social enterprise. These individuals will need to have authority over and access to the types of information needed to use the SERT most effectively.

First, users create a unique SERT account, requiring some personal user information and a two-step security process for authentication. User data is stored on secure servers based in Australia. Once the user enters their information into the SERT, the data is held on the secure servers and is processed there. Data never leaves the server. This removes the risk associated with transferring data to separate systems for analysis.

Naturally, some preparation will be needed before completing the SERT survey – meaning that users will need to locate the information required to complete the form easily, efficiently and accurately. We estimate that for first-time users, the SERT will take between 45-60 minutes to complete. A description of the types of information users will need, and the length of time it might take to complete the SERT are displayed on the initial pages of the website, so that users are able to prepare as needed before working through the tool. Figure C shows an example of this information, which lists some of the types of documents that users might need to access in order to complete the SERT.

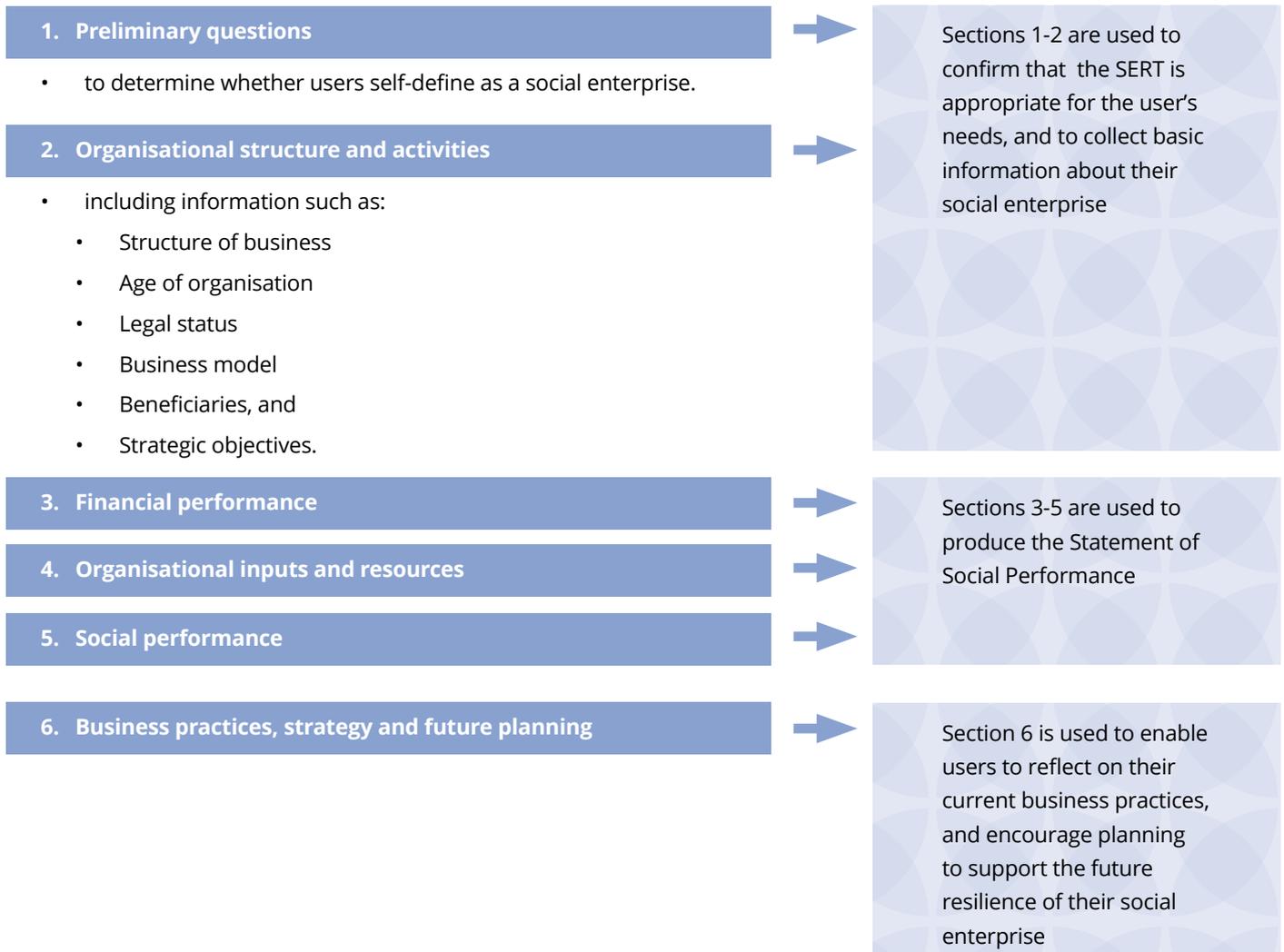
**Figure C - Types of documents or materials users will need to inform their use of SERT**

| Financial data   | Business data   | Social data   |
|--|---|---|
| <ul style="list-style-type: none"> <li>Existing financial reports</li> <li>Budgets</li> <li>Income and expenditure (including revenue from business operations and grants, etc.)</li> <li>Profit and loss statements</li> <li>Assets and debt</li> </ul> | <ul style="list-style-type: none"> <li>Business model information</li> <li>HR records, for example number of employees and volunteers, and hours contributed.</li> <li>Staff and board diversity</li> <li>Current and future risks and opportunities</li> <li>Sources of support</li> </ul> | <ul style="list-style-type: none"> <li>Information about social beneficiaries</li> <li>Social objectives for the current year, and longer term</li> <li>Information on what has been achieved in relation to social objectives - for example, X number of disadvantaged people were employed, etc.</li> </ul> |

Next, each user works through and completes the SERT survey. During this process, the survey requires information focusing on financial (income and expenses), and non-financial inputs and social outcomes. The questions have been tailored to the needs of social enterprises, based on prior research (Barraket, Mason & Blain 2016). For example, under non-financial inputs users can estimate the number of hours of 'in-kind' services received, such as volunteer or pro bono support.

## COMPONENTS OF THE SERT

The SERT survey has six sections in total. As users proceed through the survey, they have the option to 'Exit and continue later', and can proceed to the end without completing optional sections that are not required to generate the Statement of Social Performance (SSP) report. The six sections of the SERT survey are:



The SERT sections that feed directly into the SSP include: financial performance, organisational inputs and resources, and social performance. The content of these sections is described in more detail on the pages that follow.

### Financial performance

The financial section covers typical reporting items for financial income and expenses in a social enterprise. Items included here cover income from trade and from partners, grants and debt finance, and expenses including salaries and wages. The aim here is to encourage users to understand the importance of different financial items and prompt thinking around the implications of current financial status for future planning. See Box 1 for further examples of financial items covered in SERT.

### Box 1 - Examples of financial items covered in the SERT survey<sup>1</sup>

| Income   | Expenses  | Assets and Debt   |
|--|---|---|
| <ul style="list-style-type: none"> <li>Income from goods and services provided by the social enterprise</li> <li>Income received from partnering organisations</li> <li>Investments or capital assets</li> <li>Grants from government</li> <li>Philanthropic grants or bequests</li> <li>Contributions from members</li> </ul> | <ul style="list-style-type: none"> <li>Salaries and wages</li> <li>Running costs</li> <li>Professional Services Contracts</li> <li>Capital Asset Acquisition</li> </ul> | <ul style="list-style-type: none"> <li>Assets</li> <li>Finance from external investors</li> <li>Debt finance</li> </ul> |

## Organisational Inputs and resources

These items cover non-financial inputs into the business, including number of staff (e.g. full-time, part-time, casual and volunteer), in-kind support (expressed in hours) and estimated value of in-kind assets. Capturing this information gives a clear overview of current non-financial resourcing needs as they relate to current business performance and social impact. If these data were traced over time, a SERT user could be able to use this information to spot trends related to their financial and social performance, and plan resourcing strategies accordingly. These data could also give a potential funder an overview of the type and number of non-financial resources upon which the social enterprise relies to deliver viable businesses. See Box 2 for examples of SERT items related to inputs.

<sup>1</sup>Some of the items in this section may not be relevant to all types of SE, and will be determined by organisational factors, such as SE type, legal form etc.



**Box 2 – Examples of input items covered in the SERT survey**

**Inputs**

- Full-time staff
- Part-time staff
- Casual staff
- Volunteer staff
- In-kind support
- Estimated value of in-kind assets

## Social Performance: Outputs and Outcomes

The final section of the SSP covers the organisation's social performance. Here, the tool will ask for details of how the social enterprise has delivered impacts related to its core mission. In the tool, this requires the user entering the nature and quantity of impacts they have created. We have designed this part of the survey to allow users the freedom to describe their impacts in their own words. Our approach is also very simplified in contrast to more established, detailed measurement frameworks, such as SROI. With the SERT we intend to complement existing social impact measurement approaches, rather than offer an alternative.

As an example, if the user works for a social enterprise creating employment and training opportunities, then their social impact information could be "We created 12 employment opportunities for young people in the past year". Multiple impacts can be entered, and this data is presented in this simple format in the SSP output. See Box 3 for some examples. Other examples might include welfare savings, personal development tied to grant funding or stronger ties with indigenous communities (Luke 2016). Ideally, start-up social enterprises would use the SERT as a first step in documenting and reporting their impacts, moving on to other established reporting methods in the future as they grow.

**Box 3 – Examples of social outputs and outcomes covered in the SERT survey**

**Social Impacts<sup>2</sup>**

- Number of beneficiaries entering a specific program.
- Number of staff transitioned to full-employment.
- Impacts on defined communities.
- Welfare savings.
- Environmental impacts.

The following section describes the idea behind the SSP in more detail, and an overview of the potential benefits of this kind of output for the needs of social enterprises.

<sup>2</sup> Social (or environmental) impacts will vary between social enterprises. These list items are indicative only.

# SECTION FOUR: CREATING USEFUL OUTPUTS - THE STATEMENT OF SOCIAL PERFORMANCE

In designing the SERT tool and system, one of the key challenges was how to make it as user-centred as possible. The project has shown, alongside how social enterprises collect and report their performance data, the challenge of identifying the most effective way to communicate their performance. The creation of the SERT helps to respond to the first challenge, and in this section, we explain how we responded to the second.

In looking into how to deliver useful and meaningful outputs from the SERT, we sought a robust framework that uses the same rigour as applied to standard financial reporting. At the same time, the hybrid nature of social enterprises often requires them to adopt and adapt standard systems in order to cover off on both financial and social goals.

Luke (2016) developed a reporting framework for social enterprise to accommodate the particular needs of running a business with dual goals. Called the Statement of Social Performance (SSP), this framework aims to simplify the reporting processes, while providing enough useful information to assist with both internal and external-oriented decision making. The decision to implement the SSP into the tool was made once the first round of data had explored barriers to effective reporting among the case studies. The SSP fits well with core principles behind the SERT: being useful, robust, and free.

There are many benefits of the SSP to SERT users. First, it simplifies the presentation of the key information that social enterprises should report on. This will make the reporting routine more focused into the three sections of the framework: financial, non-financial and social impact. The creation of a reporting statement will also help social enterprises to demonstrate both financial and social performance, providing evidence that social enterprises exercise stewardship of their resources. The SSP also works on the principle that for reporting to be meaningful, the focus should be on using the most appropriate measures. This focuses on the usefulness of inputs, not the application of measurement approaches (such as Social Return on Investment, or SROI) that can have symbolic legitimacy rather than providing performance insights.

Based on stakeholder feedback, the SSP is also potentially useful to other groups, such as banks and funders, because it portrays the fundamental aspects of business performance. This helps these stakeholders to understand how the business is tracking in a given reporting period, illustrating a level of professionalism around commitment to systems-based reporting.

### Box 4 – Benefits of the Statement of Social Performance

- Research-based design.
- Simple, effective output.
- Covers three major reporting areas relevant to social enterprise.
- Outputs are relevant to multiple audiences.
- Report is exportable into different formats.

## What information goes into the SSP?

To meet the reporting and decision-making needs of social enterprises, the SSP has a simple design providing an overview of key performance data. The SSP is divided into three clear sections: financial (income and expenses), inputs (non-financial resources), and social contribution (outputs and outcomes). The SERT has been designed to collect information that aligns with these three core reporting areas. See Figure D for an example of the SSP template.

**Figure D – Statement of Social Performance (adapted from Luke 2016)**

|   |              |
|---|--------------|
| <b>Organisation:</b>  |              |
| <b>Mission:</b>   |              |
| Statement of Social Performance   |              |
| Reporting period  |              |
| <b>Income</b>   | \$           |
| - Grants/donations (monetary)   |              |
| - Earned income (e.g. sales)  |              |
| - Interest  |              |
| - Other   |              |
| Total income  | (a)          |
| <b>Expenses</b>   |              |
| - General administration expenses   |              |
| - Social expenses   |              |
| - Other   |              |
| Total expenses  | (b)          |
| <b>Net profit/loss from operations</b>  | <b>(a-b)</b> |
| <b>Inputs</b>   |              |
| - Cash  | \$x          |
| - Program costs   |              |
| - Volunteer time  | x hours      |
| - Other (e.g. non-monetary donations)   | ...          |
| <b>Social contribution: Outputs and outcomes</b>  |              |
| For example:  |              |
| - Employment provided   |              |
| - Training provided   |              |
| - Resources saved (e.g. welfare savings, or waste/energy savings for environmental enterprises) |              |
| - Other   |              |

### How will the data be used?

In developing the SERT, we recognise that such tools can have an enabling effect on social enterprise development in Australia. As such, there are wider benefits arising from the SERT that can help to understand and support the wider social innovation ecosystem, of which social enterprise is a part. First and foremost, the SERT will be used to analyse the reporting data provided by social enterprises, meeting the need established throughout this project. The data will be used by social enterprises to inform their internal decision-making and to communicate their performance with external groups. We anticipate this would be most useful to the enterprise if used on a regular basis, as the business grows.

Secondly, part of the added-value of SERT is using the tool to enable researchers to understand how social enterprises make use of the tool. The evidence gathered from using the tool will offer unique insights into the reporting practices and needs of a much bigger sample of social enterprises than we currently have. We are especially interested in patterns of SERT use, rather than specific reporting details entered by users. This means that aggregated data will be used for research purposes, and users' data will be de-identified to protect the privacy of individual users.

To ensure full transparency, we have developed and published full Terms of Use for the tool which are available via the SERT website [www.sert.org.au](http://www.sert.org.au). It is important to note that both the SERT and the SSP rely on the accuracy of the data entered. At this stage of development, the SERT cannot automatically verify the quality and accuracy of data used in creating the SSP. Thus, the onus is on users to input the most reliable and accurate data they have available. This would normally take the form of audited financial data and any social impact evaluation data that users are able to access. External stakeholders will require supporting evidence to validate any SERT outputs.

## SECTION FIVE: LEARNING FROM THE CONSULTATIVE DEVELOPMENT PROCESS

In this section, we summarise some of the major insights that have emerged from the consultative development process. We anticipate these insights will be useful to others seeking to develop new systems in this growing field of activity. Many of the learnings from this process could apply outside of the social enterprise space too, especially to small-medium sized enterprises (SMEs).

### Things to consider when engaging SMEs

Designing an accessible reporting system for small to medium social enterprises has presented many opportunities for learning how to engage in collaborative tool development among SMEs. CPA (Certified Practising Accountants) Australia have noted there are multiple accounting reporting requirements that apply to different organisation types, as well as legal forms (CPA Australia 2014). Based on our work with social enterprise SMEs in this research, our evidence suggests that resources are often scarce and 'making-do' is borne out of necessity. In order to fully engage these SMEs in the development process, significant time was spent talking to, and learning from the entrepreneurs in the study. This involved many conversations about entrepreneurs' motivations, experiences, and hopes for the future. Obtaining clarity over social enterprise financial and non-financial resourcing barriers thus allowed us to find and develop a useful tool. These close working relationships forge trust and legitimacy, two factors that have been indispensable to creating a productive environment in which to develop the SERT. In our view, system and tool design requires a commitment to understanding the public value of such systems, acknowledging the value to social enterprise but also to wider stakeholder groups.

### Developing stakeholder consultation processes

With the needs of wider stakeholder groups in mind, we found that creating a process to understand different stakeholder interests in the tool was critical to being able to apply the feedback into its design. Thus, a key learning has been the value of using a consultative design process. From the specific needs of users of the system to the broader needs of the social enterprise ecosystem in Australia, the information we collected was wide-ranging. In order to get the most value into the tool,



as well as creating the most useful outputs, the consultation was timed for key intervals across the project. Given their central place in the project, we engaged with social enterprises throughout the project via workshops and interviews.

Wider stakeholder engagement was achieved at various points through workshops and report launches. It is vital that the timing of when different stakeholders provide input is planned well in advance. The variety of stakeholder interest in the tool means that often the scale and detail of feedback can be considerable. Interest from finance providers and funders alone provided considerable, constructive feedback, and ensuring all the voices were heard was a fundamental part of the process we developed.

## **SECTION SIX: CURRENT LIMITATIONS, AND OPPORTUNITIES FOR FUTURE DEVELOPMENT**

The SERT is currently at prototype stage, meaning that we expect to develop and refine the platform, survey instrument and outputs in the future. Further research and development work is needed to enhance its usefulness for social enterprises.

The SERT can only report data; it cannot verify it. To that end, the usefulness of the SERT depends significantly on the quality of data input.

The SERT will not meet the needs of all social enterprises. More established social enterprises, or those auspiced within large non-profits, will likely have their own systems already in place. Thus, the SERT is unlikely to be useful to these kinds of organisations. It should also be noted that some of the survey questions limit responses to Australia. We recognise that SERT has potential use for social enterprises outside of Australia. However, the nuances of reporting standards outside Australia would need to be considered on a country-by-country basis.

The SERT currently has a limited ability to visualise data, a feature that would be potentially helpful to different users. The technical requirements to enable this are currently outside of scope for this project, but are entirely possible in future versions of the tool. We acknowledge there are many complementary services and tools for social enterprises and the wider third sector, such as CSNet and Community Insight Australia. Working more closely with these services could further enhance the SERT's capabilities by scaling the tool to other third sector organisations, and mapping, as well as measuring, their social impact.

Also, the SERT does not currently allow users to import data into the tool from other sources, such as MYOB, Xero or Excel. This feature would be a significant timesaving measure for many users, and so presents another opportunity for future work.

The SSP also has some limitations. Its simplicity may only suit small or start-up social enterprises that have less complex information needs or reporting requirements. As a result of its simplicity, the SSP misses much of the richness of social impact data, as is often captured using other measurement approaches. We recognise that in order to tell the social enterprise's 'full story', more detailed data capture and analysis would be needed. This might involve developing machine learning capabilities to process annual reports and embed other media, such as digital/social media, into a wider data dashboard.

Although the SERT is a working prototype, there are still many opportunities to improve its usefulness and to develop it to scale. An implication for policy makers is to engage in focused dialogue about how the SERT can also meet public and social procurement requirements. For example, as we have seen in this project, the NDIS poses many strategic and resourcing challenges and opportunities for social enterprise both now and into the future. Refining the SERT to reflect government expectations more closely could help social enterprises working with government in the delivery of services.

## SECTION SEVEN: CONCLUSIONS AND IMPLICATIONS

This project began with the aim of understanding the resourcing challenges faced by social enterprises in Western Australia. Over the past three years, many people have contributed significant time, effort and knowledge to help us to understand what these challenges look like, and how social enterprises deal with them.

The result of these efforts has been a series of unique insights about social enterprises, but the impacts of this study do not end there. The high level of engagement involving many stakeholders reflects the interconnectedness of people and organisations in the social enterprise ecosystem in WA, and in Australia more widely. Part of the added contribution of this project has been to provide opportunities for these different groups to meet and discuss their experiences and needs. From these conversations many linked issues have arisen, such as developing social impact investment opportunities into social enterprise, the important role of government, and what is needed to support the next generation of social entrepreneurs.

Specifically in this report, we focused on how the evidence collected throughout the project led to the development of the SERT prototype. The development of the SERT is hopefully the first step of many more, working towards supporting more people and organisations to create social impacts in a sustainable and entrepreneurial way.

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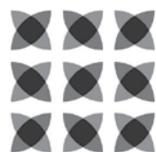
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