



**Social Enterprise Development
Practitioner's Guide**

2017

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Social Enterprise Development

Around the world old attitudes towards development and the role of enterprise in that process are changing. Old certainties about tightly defined roles for government, civil society and business are dissolving. Social sector organizations are becoming more business-like; and many entrepreneurs are motivated beyond profit to a stronger social agenda where the provision of social benefits within their communities is beginning to matter equally.

Introduction

Social entrepreneurship has been the subject of considerable research and exploration for both governments and entrepreneurs. Largely this increased interest in social entrepreneurship stems from both its increased importance in broadly addressing social problems by enriching communities and societies in general; and by its contributions to the individual well-being of individual citizens so they might better contribute to the broader social agenda within their own communities.

Social entrepreneurship is a new breed of entrepreneurship that exhibits characteristics of nonprofits, public sector agencies, and businesses—including social problem solving, a focus on innovation, a concern for risk-taking, and an emphasis on large-scale transformation.

While social entrepreneurship is not a new phenomenon, the field has experienced enormous growth over the past 15 years, receiving increasing recognition from all levels of government, philanthropists, researchers, and policymakers as an important and distinctive part of the social, economic, and political landscape. While the characteristics of social enterprises have been in existence since the beginning of commercial development the actual concentration of purposeful designed development tools and modalities is relatively new.

To date the collaboration between social entrepreneurs and government has occurred in only isolated incidents despite an acknowledgement that the full impact of working together more strategically represents a significant opportunity to benefit all parties in the greater challenge of resolving and ameliorating some of the more significant and persistent social problems. That said this trend of ignoring or dismissing is finally changing. There is strong evidence that governments at all levels are learning how to adapt some of the same levers that have successfully encouraged entrepreneurialism. Now more so than at any other time, there is a very real opportunity to support social entrepreneurship—and thereby generate transformative, financially sustainable solutions to social problems.

Scope

This report is intended for local governments, oblast governments and LED practitioners. It is drafted as a guide. It begins by defining social enterprise and social innovation and then sets out

realistic measures that local governments can employ to support positive growth in this important sector. It includes a discussion on selected Canadian models that support social enterprise growth within urban and rural communities, and explores a variety of financial tools, Ukrainian relevant, that can assist in social enterprise development.

Objectives

As presented this report:

1. Provides clarity to the meaning and concept of social entrepreneurship;
2. Discusses how social entrepreneurship helps local government and benefits individual citizens;
3. Explores and presents the various ways in which local governments currently support social-enterprise initiatives; and
4. Identifies key fundamentals that need to be addressed to build a supportive environment for social enterprise development.

SME and Social Enterprise Development

Because Social Enterprises are in fact a sub-component of the broader category of small and medium sized enterprises (SME) not surprisingly many of the same efforts and strategic tools and modalities used to support SME development are also applicable to the development of Social Enterprises. There are some key foundational differences however between a for-profit business and a social enterprises. These differences are predominantly within the organization's "core values" addressing such considerations as social, cultural, environment and profit considerations.

SMEs and Social Enterprises both require the existence of a supportive and vibrant business ecosystem in order to be successful. This is confirmed with well documented evidence from Canada and various transitional economies. An SME ecosystem refers to the socio-economic environment, both formal and informal, that impacts and influences the organization, operations and sustainability of SMEs and entrepreneurs. The ecosystem is a framework of interactions that occur between SMEs/entrepreneurs and generally includes positive and negative issues and considerations in respect to: (1) entrepreneurial culture; (2) experienced mentor; (3) regulatory environment; (4) collaborative culture; (5) visible successes; (6) risk tolerance (7) availability of capital; and, (8) human capacities.

Social Enterprise – Definitions Matter

Most social enterprise development efforts begin with the never-ending quest for agreement on a better understanding and a universally accepted definition of social enterprise. This discussion has been ongoing throughout Canada and worldwide for over a decade. At present a 'social

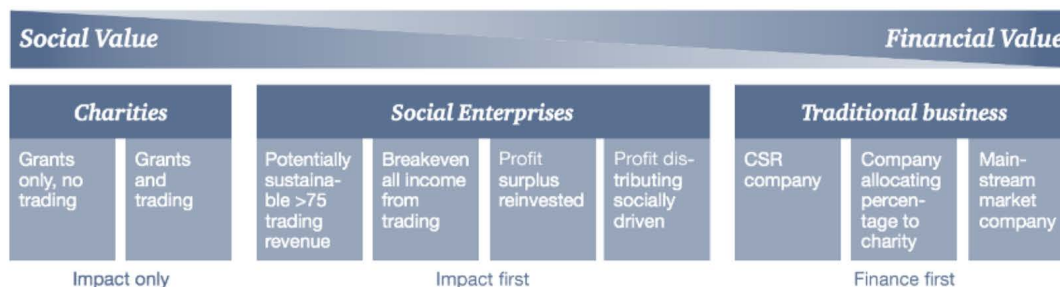
enterprise' is not defined within Canada's *Income Tax Act* nor is there a form of certification or other program to enable a venture to be officially deemed a social enterprise.¹ That said, for the purpose of this discussion we will use one of the more commonly accepted definitions:

*“an organization that applies commercial strategies to maximize improvements in human and environmental well-being—this may include maximizing **social** impact alongside profits for external shareholders.”*

In an effort not to limit the thinking in respect to the scope and breadth of social enterprises it is useful to consider some other complementary definitions:

- Social enterprise encompasses those activities that apply an entrepreneurial approach to the challenges of social issues and creating positive community change.
- Social enterprise is any entity that uses earned revenue to pursue a double or triple bottom line often including profit, social and/or environmental benefits.
- A social enterprise is a business that uses entrepreneurial methods to accomplish social goals and/or feed profits to a parent charity or non-profit to enable it to fulfill more of its own social mission.
- A social enterprise is a revenue-generating business guided and influenced primarily by social objectives whose surpluses are reinvested for that purpose in the business or in the community, rather than being driven by the need to deliver profit to shareholders and owners.
- Social enterprise is a non-profit activity where a significant part of its mixed revenue stream is accrued from philanthropy and/or government subsidies.

As another way of appreciating the concept of social enterprise the figure below illustrates a spectrum in which typical organizations can be categorized ranging from 'Social Value' through to 'Financial Value'.



Social enterprises typically directly address social needs through their products and services rather than indirectly through socially responsible business practices such as corporate philanthropy, equitable wages and environmentally friendly operations – or through the unrelated business activities undertaken by most non-profits.

¹ There is, however, a legal structure in British Columbia which has been expressly designed as a 'container' for social enterprise. That said, the Community Contribution Company (C3) is not the best choice for all ventures, and adoption of a different legal structure than the C3 does not negate its identity as a social enterprise. There are around 30 C3's registered in BC. The option has been available since 2013

Social Innovation

Another key term to consider when exploring the concept of social enterprise development is “*social innovation*”. While efforts to define social innovation can quickly become entangled in a debate over meaning and nuance the working definition that seems to have the greatest acceptance is as follows:

Social innovation refers to the creation, development, adoption, and integration of new concepts and practices that put people and the planet first. Social innovations resolve existing social, cultural, economic, and environmental challenges.

Some social innovations are systems changing in that they permanently alter the perceptions, behaviours, and structures that give rise to social, cultural, economic, and environmental challenges.

A social innovation is an idea that provides for or serves a public good.

Social innovations come from individuals, groups or organizations, and can take place in the for-profit, non-profit and public sectors. Increasingly these social innovations are happening in the spaces between these three sectors as perspectives collide to spark new ways of thinking.

What is the difference between a social enterprise and...

... A SOCIAL BUSINESS?

A social business is defined as²:

A non-dividend company created to solve a social problem. Like an NGO, it has a social mission, but like a business, it generates its own revenues to cover its costs. While investors may recoup their investment, all further profits are reinvested into the same or other social businesses.

In other words, a social business is a specific kind of social enterprise that does not provide dividends to investors. The key idea behind a social business is that investors might be able to recover their initial investment, but they would not be able to profit from an investment in the business. However there are no limitations on the dividends issued to investors in a social enterprise.

... A COMPANY WITH A DEFINED CORPORATE SOCIAL RESPONSIBILITY (CSR) MANDATE?

Regardless that some companies may dedicate a portion of their revenues and/or resources towards social causes these companies are not necessarily social enterprises. The key distinction

² Professor Mohammed Yunus, Nobel Peace Laureate and Founder of the Grameen Bank

between a social enterprise and any other company with a CSR mandate is that the conventional business has at its core the primary purpose to maximise profit for shareholders and does not include a core business measure of addressing a social issue. The primary purpose of a conventional business is to maximise profit for shareholders.

Even if a company is generating social impact as part of its activities, as long as it is set up to maximise profit for shareholders, it is a conventional business. We can only say that it is a social enterprise if it has a different kind of business model, like for example the instance of cross-subsidisation where sales and profits from core products and services help decrease the price of products/services to meet social and/or environmental impacts.

...A PROFESSIONAL ACTIVIST/EDUCATOR?

A professional activist/educator is an individual working to educate, motivate, and inspire others to action about practical solutions to social issues. He or she earns a living at writing, teaching, speaking, artistic works, or organizing to communicate, advocate for, and implement these ideas.

Clearly there are differences between and amongst these concepts. The concern is the degree of confusion between what is truly a social enterprise and what might be perceived as a social enterprise. The importance in understanding the difference is critical to the design, development and implementation of approaches that need to focus on support for this unique modality as a keystone in the municipal development agenda.

The Growing Role of Social Enterprise in Local Government

There are significant signs that social enterprises are playing an important role in communities with the reality of local governments needing to deliver 'more for less'

In order to fully appreciate the existing and potential role of social enterprises and the development benefits accruing therefrom it is first important to understand even at a cursory level the realities and context of local governments.

Not that long ago it seems that the mandate and operations of local governments was relatively straight forward, and for the most part, quite manageable. Providing core services such as water, sewer, recreation, cemetery, public works and administration had to be delivered and only one legislative reference to the Municipal Act was all that was required to guide the day-to day work. Citizens' expectations seemed for the most part reasonable. Unfortunately these times have come and gone.

Today, throughout Canada, municipalities are under immense pressure to deliver an increasing array of services, address critical infrastructure challenges, and manage significant and growing numbers of responsibilities being devolved from other orders of government. These challenges are especially acute in the context of the scarcity of funds and expertise compounded by limited revenue generating options. As such, many of Canada's municipalities have had to seek alternatives in which they might meet the needs of the community at large.

Why is social enterprise important?

There are a great many reasons why social enterprises are valuable and important players within communities, many of which are founded upon the dynamic pressures local governments are facing in the provision and delivery of key services. Social enterprises are able to bring the self-sufficiency mindset to business models of for-profit businesses and the incentives of market forces to bear on social problems in a way that neither a pure market oriented response nor pure charity nor non-profit response has been able to match.

They can also scale to benefit large numbers of people by incentivising other players in the value chain and receiving financing from a mix of sources, including: consumers, franchisees, patent capital funds, and commercial sources.

Other notable points:

Scalability & Accessibility

Well designed and managed social enterprises are able to balance the sometimes competing drivers of efficiency and profitability of the private sector with the social ethos of the public and voluntary sectors. This means they can operate where the private sector does not see the typical market attractiveness of return on investment and/or profit and provide solutions for areas traditionally managed by the public sector. Once the social enterprise's business model has been proven and refined it can scale efforts by either increasing local presence or expanding markets serviced.

Service Offerings with Deep Community Trust

Many social enterprises are founded and operated by individuals with specialized knowledge of the social and/or environmental realm they are operating in. These enterprises typically emerge from the ecosystem in which social/environment issues are rooted bringing with them an incredible level of not only knowledge but also extensive networks which helps embed local relationships into their practices. In doing so social enterprises are often able to ensure there is confidence and trust within communities.

Tailored and Innovative

Social enterprises are sometimes better placed than the public sector to develop innovative solutions to social needs. Social enterprises while usually smaller in scale than public sector organizations are led by individuals with a passionate belief in certain social goals and therefore often accept risks that the public sector cannot, despite their need to remain competitive. By their very nature social enterprises are collaborative and thrive on peer-to-peer sharing of both issues and possible solutions. While the public sector is typically risk adverse and the profit sector often focuses on intellectual property to gain a competitive edge, social enterprises focus on developing new and innovative solutions.

Long-Term Increased Return on Investment

When delivering public services, social enterprises often deliver additional social benefits. These additional benefits favor the traditional financial source of government programs - the taxpayer.

Tax saving benefits can include increased community cohesion and local employment, and the development of new skills and community capacities in a form and format that exceeds the expectation of traditional expenditures. In confirmation of these benefits there is a substantive body of research to support the contention that social enterprise creates greater long-term return on investment to the financial contributions no matter the form.

Local Sustainable Community Development

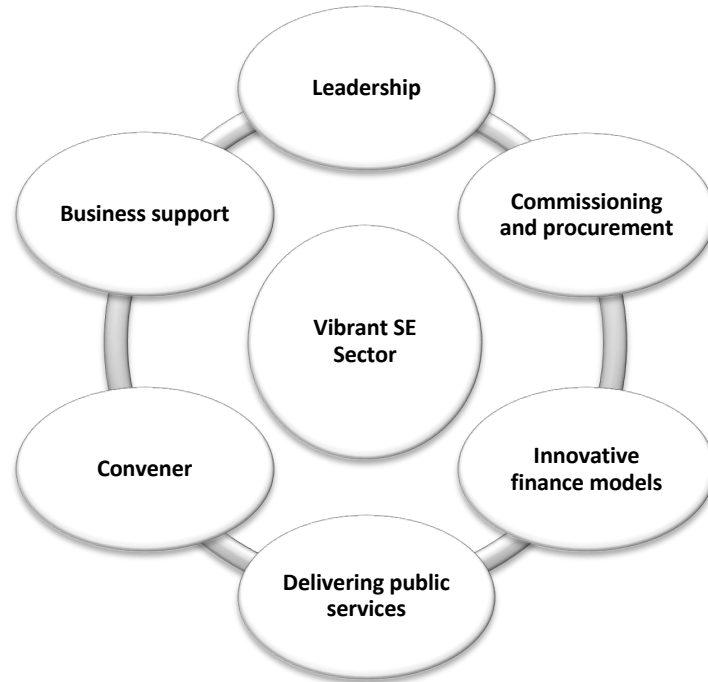
Social enterprises are based on people. This comes in the form of employment and training for local citizens and leaders. They often include marginalized or disadvantaged people in service design and offerings. In doing so social enterprises enhance civil engagement by putting communities in control, establish a wider understanding of local needs, build social capital and contribute to a sense of pride and cohesion and ultimately the ability to become largely self reliant.

Ways Local Government Can Support Social Enterprises

With the growing recognition by local governments that social enterprises offer significant development benefit there has been much interest and debate on the best way(s) in which local government can support the sector. Six broad approaches that a local government could pursue in order to create a vibrant social enterprise sector have been prioritized in the literature:

1. Leadership
2. Commissioning and procurement
3. Innovative finance models
4. Delivering public services
5. Convener
6. Business support

In isolation, actions under each of these themes are valuable, but when combined they signal the intent of local authorities to support the growth and significance of social enterprises in their localities.



Leadership

Leadership of the social enterprise agenda by local authorities often rests with a handful of individuals whose input is rarely underpinned by corporate strategy or policy. Leadership, understanding and policy are needed to support the social enterprise agenda’s movement to the mainstream. Some of the actions developed include: activities to celebrate and promote social enterprise, training in social enterprise for senior managers and elected members, and a joint vision propagated by public service leaders and elected members.

The following case study illustrates the importance of leadership to social enterprise success and the role of government in supporting that effort.

Case Study - The BC Partners for Social Impact

The BC Partners for Social Impact is a diverse provincial network that leads social innovation in the province of British Columbia. This partnership provides a platform for leaders from all levels of Government, Non-profit organizations, businesses, Universities, community groups and other stakeholder interests to self identify and convene. It is all about about a range of interests all working collaboratively to improve social outcomes for British Columbians. At present the network is supported with administration and organizational functions through the British Columbia Ministry of Social Development and Social Innovation with progress and plans being made to set up as a separate organization.



The BC Partners for Social Impact arose out of the work of the BC Social Innovation Council. The Council was appointed in January 2011 to make recommendations to the Parliamentary Secretary (of the Provincial Government) for Non-Profit Partnerships and the Minister of Social Development and Social Innovation, *“on how best to maximize social innovation in British Columbia, with an emphasis on social finance and social enterprise.”*

In April 2012, the Council presented a summary of their findings and an Action Plan to the BC Government. The recommendations focused on five key areas: supporting social enterprise; legislative enablement; social innovation labs; engaging communities; and learning and research. To implement this Action Plan they proposed the creation of the BC Partners for Social Impact.

The BC Partners for Social Impact through its members identified the need for a web portal that will:

- Share tools and resources
- Learn about new projects
- Raise awareness of their own projects
- Connect with B.C.’s innovators
- Create a profile sharing their work and interests

Through this identification the BC Partners for Social Impact launched HubcapBC.ca in September 2014.

Commissioning and Procurement

Recognizing that cumulative government spending at all levels in Canada well exceeds \$400 billion per year; one solution to social and environmental issues is to provide access to this funding for social enterprises. That is social purchasing can utilize government spending to create added social value. For instance, a government can ensure its building maintenance contracts provide employment and training opportunities for people on social assistance. This means government infrastructure investments are simultaneously easing the financial strain facing the social assistance, health, and justice systems.

Commissioning and procurement procedures can be simplified to allow social enterprises increased opportunity to successfully contract with local authorities. This requires strong leadership and the acceptance of higher levels of risk though the payoff is potentially more significant. Local authorities can change the way they procure services including: develop service standards to change attitudes towards risk, maintain a procurement calendar showing when contracting opportunities will arise, issue guidance for commissioners to aid understanding of legislation on using social clauses, and support the development of broker relationships between the private and social enterprise sectors to increase social enterprise as sub-contractors.

The following case study is a good illustration of how government procurement can be structured to build a more vibrant and sustainable social enterprise sector.

Case Study - The Winnipeg Social Purchasing Portal (SPP)



The Winnipeg Social Purchasing Portal (SPP) (<http://sppwinnipeg.org/>) was started by the organization Supporting Employment and Economic Development (SEED) Winnipeg in 2004. It was designed to strengthen CED initiatives by bringing together social enterprises and purchasers to raise sales and put both suppliers and purchasers in touch with a pool of employment-ready workers from disadvantaged groups. The SPP Winnipeg web-site puts it thus: *“The portal is a web-based, business-to-business database that facilitates these business relationships, which then triggers economic growth for the suppliers, which in turn creates employment opportunities for individuals or groups who face multiple barriers to employment.”* (SPP Winnipeg webpage).

The SPP works through three key partner groups; purchasers, suppliers and an SPP host organization. SPP purchasers direct some of their buying to the participating suppliers without having to spend more money on their everyday business needs. These purchases commonly include office supplies, couriers, catering, printing and janitorial services. By keeping track of what they buy from SPP suppliers purchasers are able to demonstrate that they are being socially responsible. The SPP gives purchasers an opportunity to keep track of what they have done to fulfill their commitment to social outcomes.

The SPP benefits the community in a number of ways. The SPP creates financial capital by increasing sales and marketing opportunities for social enterprises and local small businesses in the region and keeping money in the local economy. The SPP builds human capital by creating sustainable employment opportunities. Finally, the SPP creates social capital by helping to build business relationship for social enterprises and employment for unemployed or underemployed people who face barriers to employment.

Innovative Finance Models

“Social Finance” is an approach to managing money that delivers social and/or environmental benefits, and in most cases, a financial return. Sometimes called impact investing, social finance encourages positive social or environmental solutions at a scale that neither purely philanthropic supports nor traditional investment can reach. The word “finance” refers to the diverse funding methods for social sector organizations. As the role and structure of social enterprises within Canada are under continuous evolution so are the financing tools. Social enterprise varies greatly in methods of financing.

At present the sources of social enterprise financing – (from most significant to least significant) include the following:

1 Fee for service	5 Corporate sponsorships
2 Government grants and contributions	6 Mission-based investment (foundations)
3 Philanthropy Cooperative sector Community banks, credit unions, charity banks	7 Labour Sponsored Investment Funds (LSIFs)
4 Community economic development and Community Futures Development Corporations	8 Angel investors Socially responsible investment (SRI) mutual funds
	9 Economically Targeted Investing (ETI) pension funds

While these methodologies are the more traditional types of financing, there is a significant need to create alternative innovative financing tools to fill a growing gap in the demand for financial support and availability. Some of the more interesting financial Innovative finance models include:

Angel investor: These investors invest in an organization based on ideological considerations. This means that the social mission of the investment target is the primary objective. Angel investors focus strongly on social return before financial return.

Crowd funding: Crowd funders make use of platforms that bring together small amounts of capital from a large group of individuals. These individuals contribute because they believe in the social mission and/or business model of a social enterprise. Depending on the group of people that participate, the focus can be on the social mission or the financial possibilities (in fact, this may actually differ per individual crowdfunder though the overall support may be unaffected).

Financial institution: These organizations have a significant sum of capital available and generally place a greater emphasis on financial return. A social mission is not necessarily the main business objective as is often the case with crowdfunders and angel investors. While financial institutions invest relatively large sums of capital in social enterprises, they tend to choose less risky investments than would venture capitalists.

Investment fund: Investment funds are typically described as having large, though often conservative, amounts of capital available. Investment funds aim to ensure steady growth in capital over the long term. Think for example of a pension fund—although stakeholders appreciate socially responsible investments, they are also interested in the long-term financial returns. Due to its future payment obligation, investment funds, such as pension funds, focus more on financial return than on social return and look for low risk investments.

Social Impact Bonds (SIBs): These instruments use funding from private investors to scale-up innovative social programs. The social benefits of the program are linked to economic results (e.g. reduced healthcare costs, lower prison costs, increased employment) and the effectiveness of the program is monitored and tracked. If the social

program is able to achieve its target outcome, the government will pay investors back their initial capital, plus an incremental return. We refer to this structure as “pay-for-success” since the government is only required to pay if the program is proven successful.

While SIB are very interesting and an innovative means to finance social enterprise it must also be couched with the reality that it is a very complicated modality to design and implement. Largely this is due to the matter of collaboration which is required among all of the necessary stakeholders – government officials, social service providers, and private investors which has proven challenging to facilitate. To overcome this it is necessary to develop the tools, networks, and processes to bring SIBs to fruition. The reality is that each stakeholder has different interests and concerns, and therefore it is necessary to build customized, actionable plans to prepare each group for future SIBs, as well as a collaborative process that brings everyone together to make the most important decisions. Many of today’s visible global efforts are largely based on what was developed in the UK, then adjusted to the contextual realities of individual countries.

Case Study – Sweet Dreams Project, Saskatoon Saskatchewan



The EGADZ’s Saskatoon Downtown Youth Centre offers the program Sweet Dreams which provides affordable housing and support to single mothers with children under the age of eight who are at risk of requiring services from Child and Family Services. This service is provided while the mothers complete their education, secure employment, or participate in pre-employment activities such as life skills training and parenting classes. The ultimate goal of this program is to help families transition back into the community. The project aligns with the objectives of the Saskatchewan Child and Family Agenda.

Under the terms of the Social Impact Bond agreement, EGADZ received \$1 million from private investors – local Credit Union ‘Conexus Credit Union’, and philanthropists Wally and Colleen Mah.

This partnership is widely acknowledged as Canada’s pioneer social impact bond.

The return on investment is based on the degree to which the social outcome are met. The Government of Saskatchewan does not reimburse the investors but rather the EGADZ’s Saskatoon Downtown Youth Centre. The success of the social outcome being met will be measured by an independent assessor at the end of the second, fourth and fifth years of the agreement.

Because of the provincial implications/value of the services being offered through a

social enterprise the Sweet Dreams project is expected to result in savings to the Government of Saskatchewan of between \$540,000 and \$1.5 million over five years. These savings are based on the cost of children in care. This figure does not include any other potential savings related to health, criminal justice and any projected social assistance savings.

The spring 2016 periodic review from an independent assessor confirmed that 21 children and their mothers had been supported, significantly reducing the likelihood of those children having to come into care in the future. The Sweet Dreams pilot project is set to continue until 2019.

“I am delighted to see so much success at such an early stage... “We believed from the start in this project and the partners involved, and we knew that vulnerable children and their families would benefit.”

Social Services Minister Donna Harpauer

Delivering Public Services

The movement for social enterprises delivering public services is a vital new step in Canada. Those local authorities envisaging a vibrant social enterprise sector appreciate the value of exploring and actively seeking out the opportunities and gaps in service provision often provided by government. Recently authorities are exploring options to support existing public sector staff in either spinning out services into new social enterprises or migrating services to existing social enterprises.

Case Study – Vancouver Native Housing Society (VNHS)

Vancouver Native Housing Society has entered into the social enterprise world with the creation of two businesses, the Urban Aboriginal Fair Trade Gallery and the Skwachays Lodge. While the Vancouver Native Housing Society is a registered charity and is governed by an all Aboriginal Board of Directors and employs approximately 50 people the two businesses operate as profit generating enterprises in an effort to support their mission to...



provide safe, secure, affordable housing for Aboriginal individuals and families living in the urban setting.

VNHS was founded in 1984 and manages a portfolio of 17 buildings with a total of 706 units. The Society currently houses approximately 8% of the urban Aboriginal population. VNHS works in partnership with federal and provincial government agencies to achieve affordability for individuals and families with low incomes. In

1984 the primary funding agency was the Canada Mortgage and Housing Corporation (CMHC), which provided subsidies through the Urban Native Housing Program. In 1997 the responsibility for funding of all housing programs was transferred to BC Housing; all developments and acquisitions after 1997 were done in partnership with this provincial housing agency. In 2013, BC Housing transferred responsibility for administration of VNHS housing subsidies to the Aboriginal Housing Management Association (AHMA).

Although the VNHS original and ongoing mandate is to focus on the housing needs of the urban Aboriginal community the organization expanded their operations to include housing solutions for seniors, youth, women at risk, persons living with mental illness, as well as those who are homeless or at-risk of becoming homeless. Recognizing that providing housing alone is not enough, some VNHS buildings include on-site support services that are often provided by forms of government or quasi government programs. VNHS has included these services in all of their housing developments in an effort to help tenants connect to available resources in the community when needed.

In recent years the Society has embraced the social enterprise model. In the face of declining government financial support, VNHS works with tenants and the community at large to build economic and individual capacity by adopting an entrepreneurial approach. Two such ventures are the Urban Aboriginal Art Gallery and Skwachays Lodge, both established in 2012.

Convener /Catalyst

Collaboration between the public, private and social enterprise sectors can provide greater opportunities for social enterprises to grow. The goal of convening the sectors is to bring people together, either virtually or in-person, to drive a collective effort that is targeted towards finding innovative solutions to social issues. Through convening the three different sectors and lenses there is increased understanding and shared knowledge on social issues that acts starting point to creating shared strategies and actions to address social issues.

Case Study – The Social Enterprise Council of Canada (SECC)



Vision - We envision vibrant community-based social enterprises successfully contributing to creating healthy communities.

Mission - Our Mission is to convene, inform and influence community-based social enterprises and their key stakeholders.

Goals - Our strategic goal is to insure social enterprises have a supportive ecosystem that: · Enhances Their Business Skills · Assures Access To Capital · Creates Market Opportunities · Recognizes Their Impact · Provides Supportive Legislation And Regulations.

Through the commitment and passion small group of social enterprise thought-leaders from across Canada meeting for three-days in spring of 2017 to explore the future of social enterprise in Canada emerged an unincorporated entity named the Social Enterprise Council of Canada (SECC). Those founding members defined SECC as:

“an alliance of social enterprise leaders who leverage their networks, knowledge and experience in order to build a strong and enabling environment for social enterprise.”

SECC adopted the following six ‘pillars’ as the foundational components of a supportive ecosystem.

1. Expand Market Opportunities
2. Promote and Demonstrate the Impact
3. Create a Supportive Regulatory Framework
4. Enhance Enterprise Skills
5. Ensure Access to Capital and Investment
6. Animate Networks and Engagement

In 2014 the SECC incorporated as a federal non-profit corporation that is a membership-driven organization. The incorporation of the organization was completed in order to create greater capacity for social enterprise practitioners, supporters, intermediaries, funders and thinkers to engage in building the social enterprise sector. The commitment was to convene the Canadian Conference on Social Enterprise every 18 months while helping to animate and support the implementation of the six ecosystem building “pillars” through partnership and collaboration with many other valued actors across the country. Notably, SECC focuses its efforts on the first three of these pillars by promoting social procurement, measuring and capturing the impact of social enterprises in Canada, and working with governments at all levels and other policy makers to ensure that Social Enterprise can and will flourish.

Business support

Business support for social enterprise is the bedrock of growth in the sector. Local authorities need to play a significant role by ensuring there is in place a range of development support. This

support can be driven by the local government or other players in the community. Typical measures include: setting up a local social enterprise directory; promoting and distributing self-assessment tools for social enterprises; undertaking gap analyses to pinpoint growth opportunities; providing information to social enterprises to support them in building capacity seeking financial support, and networking. Typical modalities include: co-working spaces, incubators, accelerators, one-stop business shops and business service Centres) see SME Development Guide.

Case Study - Centre for Social Innovation (CSI)



“Whimsical and functional workspaces, CSI Hookup, Salad Club, Summits, Six Degrees, Party in the Park, member discounts, promotional opportunities, mountains of social capital... this ain’t your run-of-the-mill coworking space! We’re an ecosystem! A village! A cradle and a catapult for you to nurse an idea or propel your enterprise towards even greater impact.”

The Centre for Social Innovation (CSI) describes itself as a co-working space; and community launch-pad for people who are changing the world. *“We provide our members with the tools they need to accelerate their success and amplify their impact. Together, we’re building a movement of nonprofits, for-profits, entrepreneurs, artists and activists working across sectors to create a better world... We believe that society is facing unprecedented economic, environmental, social and cultural challenges. We also believe that new innovations are the key to turning these challenges into opportunities to improve our communities and our planet.”*

The Centre for Social Innovation operates in the spaces between the public, private and not for profit sectors and among a vibrant mix of people, projects and organizations. *“We’re creating new spaces to catalyze and support social innovation.”*

CSI began in 2003 in Toronto, when a group of entrepreneurs began imagining a new model for shared workspaces for social innovators. The group knew that the social mission sector faces capacity and resource challenges. As a result, too many organizations were working out of isolated and substandard facilities. *“Our questions were: How can we improve access to office facilities, lower the cost of administration, and let organizations focus on their mission? How can we tear down the silos that keep organizations apart? How can we best become a catalyst for social change?”*

The group recognized that part of the answer came in the form of the Robertson Building at 215 Spadina Avenue in Toronto Ontario. Once the group made the decision to go ahead (January 2004), one of the group's families (Zeidler family) stepped up and offered to pay for the leasehold improvements in a 6,000 sq. ft. space on the first floor. The Ontario Trillium Foundation and the Harbinger Foundation stepped forward with core operating grants to help with start-up and operational costs. Another original group member, Ms Tonya Surman, volunteered for six months to get the project off the ground, and the Centre for Social Innovation Spadina opened its doors to 14 founding tenants in June 2004.

CSI business model was a great success with the members very pleased with the service and operations of the facility. More than that, the community was drawn to the space and the small staff team now had the room to begin supporting new projects. The growth was as follows:


















2006 - the Centre took over an additional 14,000 sq ft. In March 2007, the Centre for Social Innovation had become home to over 180 social mission groups in sectors ranging from arts and environment to social justice and education.

2010 - the Centre for Social Innovation bought a beautiful brick and beam building. This was a massive step, fuelled by our innovation in social finance - The Community Bond. With the support of our community network, we purchased, renovated and filled the Centre for Social Innovation Annex, a 36,000 sq ft building filled from top to bottom with world-changing social entrepreneurs.

2012 – CSI opened a 10,000 sq ft space in Regent Park, Canada's largest public housing community, currently undergoing Canada's largest community revitalization. We wanted to know what it would mean to take our model into a community in transition – a community comprised primarily of newcomers from around the world (we're talking 85 spoken languages here!). CSI is rapidly becoming a community, innovation, and entrepreneurship hub in Regent Park.

2012 - CSI Starrett-Lehigh is a 24,000 square-foot jewel of modern design located in the Starrett-Lehigh building; one of Manhattan's largest and premier landmark properties with a history of attracting world-class talent and brands.

Amenities within locations include:

- | | |
|--|---|
|  Printing, Copy & Fax |  Likeminded Community |
|  Free Organic Coffee |  24hr Office Access |
|  Wifi |  Mailboxes |
|  A/V Equipment |  Meeting Rooms |
|  Event Space |  Guest Wifi |
|  Dog Friendly |  Wheelchair Accessible |
|  Kitchen Library |  Community Kitchens |
|  Community Garden |  Lounge |
|  Terrace | |

What can additionally be done to support the development of the Social Enterprise Sector?

While much progress towards supporting the development of the social enterprise sector has been recorded in Canada and elsewhere there is still much work to be done. In order to grow the sector further requires concerted effort on building and strengthening the ecosystem. Building on the experience from Canada and other jurisdictions, the narrative below explores a partial list of activities that governments may realistically consider in their efforts to measurably support further growth and development within this important sector.

Growing through regulations

Ensure that access to government programming and services is inclusive of all of the various business models and types of incorporations.

Social economy entrepreneurs are leading the way in merging profitable enterprises with positive social change. However just as traditional entrepreneurs often need support, social entrepreneurs would also benefit from the many business development programs that currently exist or are planned. As interest in these innovative business typologies increases, blended value businesses of all corporate forms will also have to scale up their operations. Governments should ensure that

all forms of incorporation – including non-profit, social enterprise, and co-operatives – have equal access to existing government supported business development tools.

Create and fund a Social Economy Development Strategy.

In Canada, many provincial governments have had successful experiences in developing and implementing strategies to bolster the Social Economy. Most notably there are: Québec's Action Plan for Collective Entrepreneurship, Manitoba's Co-op Visioning Strategy, and Ontario's Impact: A Social Enterprise Strategy for Ontario. These co-created strategies ensure government support to the sector is efficient and effective, thereby strengthening the sustainability of local economies and communities in the process. Progress within the Social Economy – made up of social enterprises along with other non-profits and co-operatives – has a proven track record of providing innovative and flexible solutions to complex community challenges, from unemployment to crime reduction. It is in Canada's public interest that these enterprises grow. The Federal government should play a lead role in strengthening the Social Economy by creating one or more strategies to support non-profit social enterprise and cooperative development. These strategies would ensure government supports are getting the best value for money return.

Create and fund on-going learning opportunities in social economy business planning, incubation and acceleration. Capacity building

Building a stronger Social Economy and increasing its impact on local communities requires blended-value entrepreneurs to have opportunities to share and learn. Various engagement and learning opportunities have been successful, such as the Social Enterprise World Forum 2013 held in Calgary, or the Canadian Conference on Social Enterprise 2011 held in Halifax. Building upon and expanding these efforts will result in stronger returns from the Social Economy. The Federal government can support this process of capacity building by creating and funding on-going learning opportunities in social economy business planning, incubation, and acceleration through various engagement options and events.

Growing through investment

Support for Impact Investing

Social enterprises like all businesses need access to investment capital. Many social enterprises are by design non-share issuing corporations and as such have few capital raising options beyond that of grants or standard loan arrangements. The sector requires new forms of patient, investment-like capital pools.

There are currently only a few Canadian examples of investment funds that support the Social Economy. These include: the Chantier de l'Économie Sociale Trust Fund in Québec, and Vancity Credit Union's Resilient Capital Fund. These investment funds have demonstrated measurable success in supporting Social Economy entrepreneurs and much can be gained by augmenting these efforts or through a replication of practices to other jurisdictions.

Governments can create a fund, capitalized by the government, co-invested with private investors and co-managed by social economy partners, which would support existing regional and sectoral funds to reach scale and catalyze the formation of new funds. One such way is for governments to create and support an Impact Investment Fund, in partner with private, institutional and philanthropic investors.

Create Special Conditions for Assets and Asset-Lock

Many social enterprises choose to ensure that their assets are legally protected and permanently retained for social or environmental benefit (this means they cannot be bought-out and privatized). There are some situations in which having an asset lock is critical for a social enterprise. The most common is one in which the transfer of public services and public assets to a social enterprise is proposed, then it is essential that these are locked and protected for social or environmental benefit. An asset-lock can be effective in ensuring that a social enterprise operates in the wider interests of society in perpetuity and is not at risk of sale.

Create Tax Credits for Social Enterprise Development

While many countries allow social enterprises to be incorporated as non-profits, many times they concurrently require commercial business activities to be secondary to other activities, thereby strictly limiting the ability to generate profit income. Further, often times the national tax laws limit the ability of social enterprises to generate profits, even where these profits are committed to be reinvested in social and/or environmental causes. Along with a new legal structure that allows social enterprises to be cause 'driven' there also needs to be supportive federal tax law to allow for profit generation and retained earnings.

Accountability and Transparency

Respecting that social enterprises are operating in the wider interests of society, transparency and accountability are critical. With that said structures need to be innovative and non traditional so as to encompass the many different ways in which organisations can reach (and protect) their social mission.

Social enterprises that are part of the co-operative movement are accountable to their members – consumers, staff or community members. Other social enterprises take a more traditional 'company' structure with a board of directors legally accountable for ensuring/maintaining the organisation's social mission as well as its financial performance. In other instances organisations may choose a legal form that is regulated – such as the community interest company (CIC) – to protect their social mission, and they may not choose an additional accountable board.

Measuring and Reporting Impacts

Social enterprises should be held to the same standards as NGOs for measuring their impacts and also to the same standards as corporations in measuring and reporting their financial performance. When governments create the right processes and tools the cost of doing this can be minimised. A Canadian example of this is the Le Comptoir de l'Innovation (CDI) which has been created in order to promote the development of social businesses. The evaluation is a necessary prerequisite to any investment, and le Comptoir de l'Innovation has developed its own financial and extra financial assessment method. A social business must achieve a dual performance: financial profitability and the realization of a social impact must be achieved at the same time and thus both are evaluated.

Growing through market opportunities

Adopt social procurement as a policy across all government departments

The traditional government purchasing criteria of price, quality, and timeliness does not always ensure government is getting the best 'value' for dollar. In fact research suggests that governments can achieve a better return on investment and greater impact when considering a blended value in its purchasing,, i.e. taking into consideration a concern for social, economic, and environmental outcomes. Governments at all levels and all government departments can adopt social procurement practices, to ensure social, economic, and environmental value are calculated. This can include targeted purchases, supportive purchasing protocols, and criteria to guide purchasing decisions.

Unbundle large government contracts

When governments issue large contract tenders for goods or services, by their complexity and size larger businesses have a distinct competitive advantage in bidding. Large contracts are inaccessible to many small and medium enterprises, including non-profits, co-operatives and other local social economy businesses. For the purpose of strengthening the Social Economy and increasing its impact on communities, large government contracts could be unbundled into smaller contracts, thereby allowing more entrepreneurs to compete for the work.

Revisit governance legislation to allow blended value business more flexibility for generating profits and accessing capital

Often legislation and regulations inadvertently create a division between for-profit and non-profit activities with no shared value middle ground for social enterprises. Therefore it often hinders non-profit organizations from adopting an entrepreneurial business model. This unnecessarily challenges the ability of social enterprises to innovate, attract investment, and improve their financial stability. This in turn perpetuates the continuing dependence of non-profits on charity or government grants to fund their mission.

Concluding Thoughts

Globalisation makes it clear that social responsibility is required not only of governments, but of companies and individuals.

Social Enterprise and the Social Economy are not new phenomena's. The social enterprise sector in Canada has been in existence for several decades. Worldwide the concept is already well entrenched. That said the popularity of these concepts in respect to the essential role they might play in furthering the local development agenda is new and is significant. Largely this is driven by the dynamic myriad of social and economic issues and challenges falling on the shoulders of local governments, exacerbated by not only the complexity of the challenges but the lack of adequate resources and capacities to positively effect change.

With this renewed attention the sector is undergoing radical change in its evolution.

While social enterprises are growing in their importance as a bridge between the ever growing divide of social issues and government's ability to cope or manage these challenges, it needs to be recognized that social entrepreneurship can only go so far.

Entrepreneurs who want to develop and operate profitable enterprises as well as achieve social goals are a vital source of social innovation; they shouldn't be seen as the only solution. Where no market exists to find a solution, non-profits or governments must still be active and step in. There remains a concern that in some areas, such as healthcare, the profit motive will outweigh the social and health motives and make entrepreneurs more likely to guard their intellectual property, preventing innovative solutions from reaching sufficient scale. Moreover, in relatively wealthier, stable democracies, it may not necessarily be iconoclastic entrepreneurs but large companies or clusters of civil society organisations that deliver social innovation.

The above caveat does not discount the importance that social enterprises have. The importance and benefits of social enterprise are numerous.