

It's About TIME

Investing in Canadian social entrepreneurs

by Joanne Norris

You know something is a buzz when “social entrepreneurs” are being honoured at a party before the 2002 annual meeting of the World Economic Forum in New York City. It seems that social entrepreneurship is in vogue now.

Well, it's about time. Let's just hope that with this current tickling of interest comes a broader understanding of what social enterprise development is all about. A newly established Canadian venture philanthropy organization – Social Capital Partners (SCP) – has a mandate to understand social enterprise development. Over the next 12-18 months SCP will be testing four different models of how to best incubate, invest, and launch social enterprises in Canada.

SOCIAL CAPITAL PARTNERS

In 2001, Bill Young, Founder and President of SCP and Sean Van Doorselaer, Director of SCP's Enterprise Centre, spent a significant amount of time meeting with people and learning about the not-for-profit sector in Canada. Original intentions were to set up an organization similar to New Profit Inc. – a successful venture philanthropy organization based in Cambridge, Massachusetts.

Through this research process however they learned that many Canadian nonprofits face “strategic barriers” relating to heavy dependence on government funding attached to external performance measures. In this context, it is difficult to create an environment suitable for long-term investment in social goals. With the basic principles of venture philanthropy still in mind, SCP began to look more closely at a different approach to working with the social sector: investing in social entrepreneurship.

SCP's mandate is twofold:

- Support the creation of employment and skills training opportunities for disadvantaged populations.
- Act as a catalyst for the creation of revenue-generating social enterprises that have the potential to enable nonprofit organizations to lessen (ideally eliminate) their dependence on government and other traditional funding sources.

SCP wants to address the issue of employability and the growing divide among those who get jobs, those who get the good jobs, and those who don't get jobs at all. As Bill Young states:

“We believe that the most significant contribution SCP can make to the nonprofit sector is to become a catalyst for the creation of social enterprises that generate revenue while achieving successful social outcomes.”

SCP's assumption then is that a significant gap exists in the current portfolio of resources available to the social enterprise development sector. To address this gap, SCP is positioning itself to invest in social enterprises with clear “double bottom-lines.”

4 INVESTMENT MODELS

One particular group with which SCP believes there are opportunities for innovative work is the at-risk youth population. Significant federal, provincial, and municipal dollars are going into training this group for the job market.

SCP plans to test whether providing jobs in social enterprises can also be an effective way for at-risk youth to move into the mainstream job market or inspire them to return to school. The assumption is that investing in on-the-job training approaches –

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packaged with additional, relevant support services – funded by self-generating revenues, can be a positive departure from the established model of government-funded training programs.

Over the next several months, SCP will be experimenting with four different ways of investing in social enterprise:

1. Find an existing “learning lab,” and invest in at least one social enterprise.

SCP is in discussions with Canadian organizations that either are or are seriously considering launching a social enterprise that employs at-risk youth.

2. If the above doesn't work, SCP will start one instead.

In this case, SCP would potentially look to the U.S. for business models that could be applicable in the Canadian context. SCP has set up a Youth Advisory Group to work with us on initiatives that involve at-risk youth.

3. Launch the Enterprise Centre

The Enterprise Centre will be an “incubator” organization where social entrepreneurs can explore ideas, draw on expertise to develop business plans, make connections with other like-minded people, and obtain financing for their projects. This initiative is critical in fulfilling the “catalyst” part of our mission.

4. Private Sector Partnerships

Given the background of the SCP team and Advisory Group, SCP will work at bringing the private and nonprofit sectors together in new ways. Several partnership options might emerge, ranging from a partner providing expertise or funding for a social enterprise, to a model where SCP provides the “social infrastructure” (providing job-ready youth, counselling, and life skill services) and the business provides the jobs and its “brand” for aggressive growth.

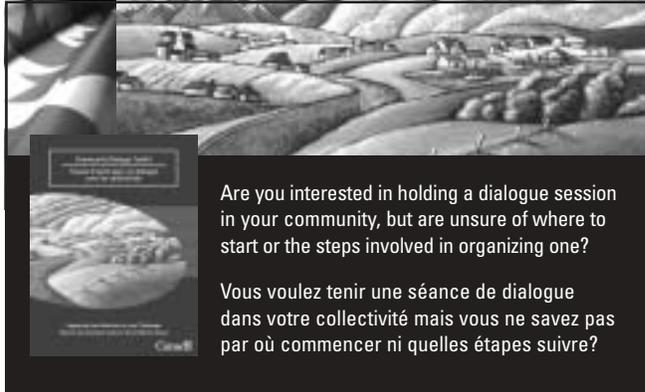
The assumption is that investing in on-the-job training approaches – packaged with additional, relevant support services – funded by self-generating revenues, can be a positive departure from the established model of government-funded training programs.

It is through these approaches that SCP hopes to learn how most effectively to accomplish our vision – to create a network of revenue-generating, financially self-sufficient social enterprises that are significant in size, national in scope, and capable of achieving improved social outcomes for disadvantaged populations. The businesses will operate under one common brand for the express purpose of engaging the community as consumers, suppliers, and supporters of our activities and mission.

BRANDING & SCALE

We believe that to make a meaningful contribution to the nonprofit sector in Canada SCP needs to make this idea work on a large scale. Why not capitalize on the current interest in social entrepreneurship, corporate social responsibility, and the growing and increasing profile of conscious consumers? How many small or micro social enterprises out there have the time and resources to leverage the value derived from operating their “double bottom-line”? Not many.

This is why we believe that branding and scale are key. CED strategies and initiatives are not commonly discussed around your average Canadian household dinner table. We believe that they can and should be. SCP is interested in scale and branding because they give profile, profile leads to interest, and interest leads to understanding. SCP wants to emotionally connect Canadians across the country to our mission and inspire them to make a consumer decision based on the quality of the product or service *and* the social good it can deliver to their communities.



Are you interested in holding a dialogue session in your community, but are unsure of where to start or the steps involved in organizing one?

Vous voulez tenir une séance de dialogue dans votre collectivité mais vous ne savez pas par où commencer ni quelles étapes suivre?

The **Community Dialogue Toolkit** is a “how-to” guide to holding community-based dialogue sessions to identify goals, build partnerships and seek out solutions that fit your community.

To obtain a copy of the **Community Dialogue Toolkit** or for more information on programs and services available to Canadians living in rural and remote areas:

Call: 1 800 0-Canada (1 800 622-6232)
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La **Trousse d’outils pour un dialogue avec les collectivités** est un guide pratique qui vous aidera à organiser des séances de dialogue communautaire en vue de cerner les objectifs, créer les partenariats et rechercher les solutions qui conviennent à votre collectivité.

Pour obtenir un exemplaire de la **Trousse d’outils pour un dialogue avec les collectivités** ou pour obtenir de plus amples informations sur les programmes et services offerts aux Canadiens et aux Canadiennes des régions rurales et éloignées :

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Branding and strategic profile development of the social enterprises could also potentially provide a platform from which to raise the profile of the Canadian CED sector in general. I believe that SCP’s introduction to the marketplace is timely in the sense that recently established national organizations and networks such as the Canadian CED Network and the CED Technical Assistance Program are already working on this particular issue.

SUPPORT FOR SOCIAL ENTREPRENEURSHIP

Of course, we have the luxury of lofty goals because we haven’t started anything yet. So as Sean says, after a year of research and learning about the nonprofit sector in Canada, it is time “we dipped our foot in the water. We have a certain set of skills and want to apply these

skills to the social entrepreneurship sector.” Because these are revenue-generating enterprises, the particular skills of SCP and SCP partners such as The Monitor Group (an international strategy consulting firm with offices in 26 countries in the world) will be relevant.

SCP also recognizes the importance of setting up clear systems to monitor both bottom lines. As a first principle, SCP recognizes the importance of measuring social return on investment (SROI) and putting in the time to develop appropriate SROI instruments to do so. We also know that this has not been an area where funding has been in place to do this effectively, if at all.

It is through these approaches that SCP hopes to learn how most effectively to accomplish our vision – to create a network of revenue-generating, financially self-sufficient social enterprises that are significant in size, national in scope, and capable of achieving improved social outcomes for disadvantaged populations.

Therefore, SCP will be working with the social enterprises in which it invests to establish and operationalize instruments that measure SROI. We hope that this will be an area to which we can contribute and disseminate lessons learned.

So have I mentioned exactly how SCP will address these goals? SCP will support social entrepreneurs through:

1. Incubation

Those entrepreneurs who submit a sound business concept plan may be offered the opportunity to be incubated by the SCP Enterprise Centre. These entrepreneurs will be provided with seed funding up to C\$20,000 and technical assistance while building a business plan.

2. Launch support

Entrepreneurs that provide sound, well-articulated business plans that are chosen by SCP could expect to receive significant support to help launch the enterprise and gain initial scale. The SCP Enterprise Centre provides support in such areas as initial financing, fundraising assistance, marketing and promotional strategy advice, management team recruiting support, integration support for social mission, legal support, and financial services connections.

3. Post Launch

SCP wants social enterprises to achieve the goals set out in both the financial and social agreements. Therefore, even after enterprises supported by the Enterprise Centre have been launched, SCP remains committed to providing support to help ensure the ongoing success of both the financial and social aspects of the firm.

- *Business Planning and Strategy Support:* SCP staff and advisors will continue to offer ongoing strategy and business planning

advice after the enterprise has moved through launch stage. This support will help the enterprise continue to meet financial targets effectively.

- *Social Mission Integration:* SCP will continue to offer support in managing partnerships with other social organizations and balancing the double bottom-line to ensure that the social goals of the enterprise continue to be met at the same time as the financial returns are being generated.

Honestly, we don’t know exactly how SCP’s future will unfold. We do know that these types of business exist across the country and organizations are doing innovative things with a small pocket-book. And we’re convinced that it’s time that this sector received some significant investment. ☺

JOANNE NORRIS (center, among friends) is Director of Social Returns at Social Capital Partners (SCP). In 10 years of working and volunteering in the not-for-profit sector, Joanne has led local and international CED initiatives with governments, women’s organizations, non-governmental organizations, and new and young Canadians. She has worked as a business consultant and trainer for entrepreneurs and community business ventures with youth-serving organizations such as the Canadian Business Resource Centre (CBRC) and the Canadian Youth Business Foundation. Joanne is vice president of World Literacy of Canada (WLC), a Toronto-based non-governmental organization supporting literacy and community development in Canada and South Asia.



For further details about SCP and how it will support social entrepreneurs go to www.socialcapitalpartners.ca. This website also features links to organizations such as Roberts Enterprise Development Fund (REDF) that practice this approach and to Juma Ventures, one of REDF’s portfolio organizations. In addition to your business concepts, Joanne and the SCP welcome your thoughts about their plans and projects. Contact her at (tel) 416-646-1871 ext. 110 and (e-mail) joanne@socialcapitalpartners.ca.