

Promoting Social Enterprise in Newfoundland and Labrador

Reporting on the priorities of social enterprise leaders

Prepared by the
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BACKGROUND AND PURPOSE

CSC defines social enterprise as any nonprofit-run initiative that sells products and services to achieve or contribute to community goals. This can include non-charitable nonprofits, charities and nonprofit co-operatives, and is also referred to as community enterprise and nonprofit enterprise. As part of its ongoing effort to explore and promote social enterprise, CSC recently undertook two activities to engage social enterprise leaders in defining priorities: a one-day forum and a series of follow-up interviews with selected Forum participants. This report compiles the findings of these engagement activities, and makes recommendations for first steps that can be taken to move social enterprise forward.

NL SOCIAL ENTERPRISE FORUM

Overview

On March 18, 2010, CSC hosted a meeting of representatives from several of the province's leading social enterprises. The goal of this meeting was to create an action plan for how best to promote social enterprise in Newfoundland and Labrador. While the action plan did not get finalized at this meeting, a number of key issues did get identified, namely:

1. Establish a strategic investment fund to support social innovation
2. Enhance networking of social enterprises
3. Measure and promote the real value of social enterprises
4. Secure sustainable, multi-year funding for social costs of running social enterprises (i.e. those costs over and above normal business costs)
5. Provide strategic planning support
6. Provide recruitment and retention support

See the following section for a more detailed listing of the priorities that were discussed at the Forum.

Detailed Priorities

At the Forum, participants were asked to identify their "wish list" for social enterprise in Newfoundland and Labrador. While their responses generally aligned with the six national policy priorities that emerged from the Third Canadian Conference on Social Enterprise in Toronto in November 2009 (see sub-section headings below), their specific comments reflected the unique challenges being faced in Newfoundland and Labrador.

Numbers in parentheses correspond to the numbers of participants who selected the issue as being something that they would like to see explored further. Based upon this selection, the key issues listed in the "Overview" section above were identified.

Priorities for Enhancing Human Resource Capabilities

1. Strategic planning support (selected by 8 participants)
2. Recruitment and retention support (7)
3. Professional development (5)
4. Succession planning support (5)

Priorities for Increasing Access to Capital for Social Enterprises

1. Sustainable, multi-year funding (selected by 9 participants)
2. Provide funding to support social innovation (8)
3. Establish a strategic investment fund (5)
4. Enhanced financing for social enterprise (5)
5. Better / smarter financing (2)
6. Proposal writing support (2)

Priorities for Expanding Market Opportunities

While expanding market opportunities for social enterprise was discussed in the various small group discussions, it was not selected as being a high-priority issue by the participants.

Priorities for Raising Awareness and Demonstrating the Value of Social Enterprise

1. Measure and promote the real value of services provided by social enterprises (selected by 6 participants)
2. Raise the profile and enhance community acceptance and recognition of the value of the sector (5)

Priorities for Facilitating Networking Among Stakeholders in the Social Enterprise Sector

Enhance networking at regional, provincial, and national levels (selected by 11 participants)

Priorities for Ensuring an Enabling Infrastructure and Supportive Regulatory Environment

Streamline government requirements of social enterprise (selected by 3 participants)

FOLLOW-UP INTERVIEWS

Subsequent to the NL Social Enterprise Forum, follow-up interviews were held with nine of the meeting participants, to drill down into these six key priorities. The following sections present the findings from these interviews and associated recommendations.

Methodology

As indicated in the preceding section, interviews were conducted with nine of the people who attended the March 18 meeting. The interviews were conducted over a period of roughly two weeks, between June 10 and June 28. The 30-minute telephone interviews were structured around five questions:

1. What is the one issue (of the six identified at the March 18 meeting) that you are most interested in?
2. How are social enterprises (including your own) experiencing this issue?
3. What would be your ultimate goal for this issue? How would things be better or different for social enterprises in NL if this issue were addressed?
4. What is already being done to address this issue? What is working? What isn't?
5. What else do you think could be done to address this issue?

As can be seen, each interviewee was asked to frame her/his responses around the one issue s/he found most interesting or relevant. This was done to allow for some depth of discussion within a relatively short interview. All nine interviewees were very accommodating and focused in their responses.

It is important to note that the findings presented in this report represent the views of only nine of the over 20 people who attended the March 18 meeting. As such, these findings may not represent the consensus view of this larger group. This report will be shared with the March 18 meeting attendees, to give them an opportunity to challenge or confirm its findings.

Overview of Findings

While all six of the issues that were identified at the March 18 meeting should be considered as being important and relevant, the interviewees' selection of issues to discuss did produce the following ranking:

1. Measure and promote the real value of social enterprises
2. Secure Early Stage Funding for Social Enterprise (Includes "Establish a strategic investment fund to support social innovation" and "Secure sustainable, multi-year funding for social costs of running social enterprises".)
3. Provide recruitment and retention support
(“Enhance networking of social enterprises” and “Provide strategic planning support” were not selected by any of the interviewees as being of primary interest.)

From this, it seems clear that the issue of measuring and promoting the real value of social enterprise is, at least for a majority of these nine interviewees, the single most important issue.

Moreover, interviewees who did not pick “measure and promote the real value of social enterprise” did, during the course of their interview, stress the fundamental importance of this issue. It seems clear that the issue of measuring and promoting the real value of social enterprise is, at least for a majority of these nine interviewees, the single most important priority for promoting social enterprise in Newfoundland and Labrador.

The following sections present highlight of the interviewees' comments about these four priority issues.

On Measuring and Promoting the Value of Social Enterprise

How Social Enterprises are Experiencing this Issue

From the interviews and also the observation of CSC staff in meetings and workshops it has held throughout the province, it is apparent that the community sector lacks a shared understanding of what community/social enterprise actually is.

“We don't even know what we are yet. Even at the ACCSE (Atlantic Council for Community and Social Enterprise) meetings in Nova Scotia this year, it wasn't clear amongst the members.”

If this is so, it will be very difficult for the sector as a whole to measure and promote the value of this kind of activity.

“If we're going to affect public policy, we've got to be able to describe ourselves very clearly to the powers that be (government and private sector).”

“If you can sort this one out, it will contribute to all the other issues.”

With the support of INTRD and ACOA, CSC has invested significant time and resources in promoting a shared understanding of community and social enterprise¹ throughout the province. But it seems that this work needs to continue. Perhaps clear measures of impact and value will help further the sector's (and the public's) understanding of this important activity.

Beyond the basic requirement of developing a shared understanding of community enterprise, the issue of measuring and communicating the value of this kind of activity was stressed by many of the interviewees.

"The people who have the money are just not going to free it up unless we can clearly demonstrate our return on investment."

"The role that they [social enterprises] play in economic development is really not well understood. If, for example, Rising Tide Theatre left Trinity, I'm sure it would impact many local businesses."

"Social enterprise are generating economic and social benefits that are beyond what private businesses are doing, and that is what needs to get better recognized."

"The people who have the money are just not going to free it up unless we can clearly demonstrate our return on investment."

So, while there is a strong sense by the interviewees of the value of community enterprise, there is also a recognition that what is needed is a clear, measurable way to demonstrate this value to funders, the local business community, and the public at large.

"We've got to have tools to measure impact on the economy and society."

What also became clear from the interviews was that communicating the impact of community enterprise in terms that their stakeholders understand and value is a prerequisite for addressing the other priorities issues that were identified at the March 18 meeting.

"If you can sort this one out, it will contribute to all the other issues."

Until community enterprises can demonstrate their return on investment and, more specifically, their *social* return on investment, their ability to access funding and other vital supports will be limited.

Ultimate Goals for this Issue

The interviewees expressed their goals for this issue in terms of 1) having the tools to do the measurement, 2) having the measurement in place, and 3) what could result from having that measurement.

To the first point, one interviewee spoke about the need for a clear measurement framework, but went beyond this, advocating for standards of practice and benchmarks that clearly communicate "...the goals that we're striving to achieve."

Another interviewee went so far as to present a hypothetical impact analysis:

"If a summer theatre festival could demonstrate that 50% of their patrons are staying over night in the local community only because of the festival and, say, 15,000 people go to festival over the course of a season, then that would be 7,500 room nights at \$100 – or \$750,000 – coming to the community because of the festival. If they could demonstrate this, then maybe the local tourism operators would be open to financially supporting the festival, through sponsorships and other contributions. That would be a real recognition of value."

¹ CSC defines community enterprise as any nonprofit-run initiative that sells products and services to achieve or contribute to community goals.

From this hypothetical case, it is clear that what this interviewee (and others) wants is a clear, unambiguous measure of impact, which community stakeholders – in this case, the local business community – can understand and value.

Finally, the interviewees highlighted the potential benefits of doing this kind of analysis, including:

- Better access to financial and other support from government, private foundations and the local business community
- Opportunity to influence government policy
- Enhanced ability to recruit volunteers, individual donors and other supporters – from within the province and abroad
- Raised public profile

“If they could demonstrate this [impact], then maybe the local tourism operators would be open to financially supporting the festival, through sponsorships and other contributions. That would be a real recognition of value.”

What is Already Being Done to Address this Issue

It appears that measurement of impact is being done by only some enterprises and then only on an ad hoc basis, for annual general meetings and grant proposal submissions. While reference was made to a variety of activities that CSC and others are doing to sow the seeds for this kind of measurement², there seems to be very little in the way of a systematic or widespread approach in place for measuring and communicating the value of community and social enterprise.

[CSC is also aware of the work of several other groups who have sought to address the issue of measuring community and social enterprises’ return on investment, namely: REDF (formerly the Roberts Enterprise Development Fund), the nef (New Economics Foundation), the Toronto Enterprise Fund, Social Capital Partners, and the Enterprising Nonprofits Program. See the “Recommendations” section for more details.]

What Else Could be Done to Address this Issue

“Focus” and “leadership” were the two themes that emerged around this question.

One interviewee advocated for doing research about the economic impact of the different levels / tiers of nonprofit social enterprises, but then focusing the measurement efforts on the largest enterprises that are the “economic engines” for their local communities. It was suggested that it would be the role of a group like the Rural Secretariat to identify the need for and frame this kind of research and CSC’s role to carry out the research.

“Somebody needs to be assigned to run with this ball. It can't be part of somebody's side job.”

Whether CSC or some other group, leadership for this research effort was stressed as being critical:

“Somebody needs to be assigned to run with this ball. It can't be part of somebody's side job. You almost need somebody to be dedicated to this, supported by a small steering committee – with representatives from the University, government, CSC, the sector - to pound it out now, and start physically drafting stuff up for our government to support. I think that CSC has the connection with the provincial government. It's almost a full-time job. The community enterprise leaders are busy running their businesses and don't have the time. We need a person who's leading the charge for the whole Atlantic region.”

² For example: CSC’s hosting of the Chantiers presentation, as well as its own workshops, webinars, research and networking meetings; the recent Learning Event of the Atlantic Council for Community and Social Enterprise in Nova Scotia; and NLREDA’s new certificate.

In Summary

The interviewees have been clear on this important issue: put focused leadership here first and it will go a long way to addressing many of the other challenges faced by community and social enterprises in the province. There also seems to be a shared acknowledgement of CSC's strong position to play this leadership role.

On the Need for Early Stage Funding

A total of four interviewees identified funding as that issue which they found most relevant. At the beginning of their respective interviews, two people selected "strategic investment fund for social innovation" and two others selected "multi-year funding for social costs." As these interviewees progressed, however, it became clear that all four people were talking about the same thing: the need for early stage funding, to help social enterprises build capacity and reach sustainability – to, in their words, get their feet on the ground. In light of this, the results of these interviews have been combined under this one heading.

How Social Enterprises are Experiencing this Issue

One interviewee provided a thoughtful commentary on the challenges and potential pitfalls of being under-resourced in the first years of an enterprise's life:

"I've had to watch grant deadlines come and go, because I had to deal with the day-to-day essential activities. Because I'm doing everything, I'm not able to engage the way I'd like. You come in [to the local community] too fast, you don't take time to engage on the local level, and you miss opportunities. I'm making program mistakes. I'm having to make decisions in the short term - doing what pays as opposed to what's right – which may not help us in the long term. This can all lead to mission drift. There's a need for seed capital. With seed capital, there'd be time to involve and engage all communities."

Another interviewee stressed the need for funding which would go beyond the early start-up period, through to sustainability:

"Without the continued funding, you may see a really good program that may have great long-term potential but, because the project funding only lasts 6-8 months, the project stops [before it can sustain itself]. Multi-year funding would enable such projects to reach sustainability - to get their feet on the ground. These projects often involve people who need significant personal and career supports for more than 6-8 months. Three to five years is really what's required to get these enterprises on their feet, to become profitable."

In the private sector, this seed capital and ongoing support often comes from entrepreneurs' "patient" investment of retirement funds and/or spousal income. If this personal investment is sufficient, the entrepreneur is able to make and benefit from decisions that are in the best long-term interests of the venture. With insufficient investment (or capitalization), private entrepreneurs find themselves making short-term decisions, and with insufficient time to allow the enterprise to get its financial feet on the ground. This personal financial investment is something that nonprofit enterprises lack, and which often is made up only in part from investments of volunteer time and the provision of short-term grants. This undercapitalization has the same impact on nonprofit enterprises as their for-profit counterparts: short-term decisions and insufficient time to allow the enterprise to get its financial feet on the ground.

"I've had to watch grant deadlines come and go, because I had to deal with the day-to-day essential activities."

Ultimate Goals for this Issue

With sufficient early stage funding, social enterprises would have a better chance to build their long-term capacity and achieve their potential community impact:

“The funding would enable the organization to build the necessary production and non-production skills. They [the community members who work at the enterprise] would be creating their own employment, working for themselves, working together, which would give them some strength, and build a sense of community. They would see they can do this together.”

What is Already Being Done to Address this Issue

While there does seem to be some precedent for this multi-year “seed” funding – including ACOA’s Innovative Communities Fund³ and the Province’s Cultural Economic Development Program⁴ – current sources seem to lack the flexibility of private seed capital:

“The way the deal was structured, it didn't give us enough time to become sustainable. We end up doing what the funders want, and lose sight of what the communities we serve really need.”

What Else Could be Done to Address this Issue

The interviewees highlighted two strategies to address this issue: 1) build on the existing funding programs offered by INTRD (Innovation, Trade and Rural Development), HRLE (Human Resources, Labour and Employment), ACOA (Atlantic Canada Opportunities Agency), Canadian Heritage, et al. and 2) engage the local business community.

Regarding the first strategy, reference was made to the strong relationships that exist between social enterprise leaders and the representatives of the various development agencies and government departments. From the interviews, it was evident that there is a strong desire on both sides of the funding table to explore new ways to provide the necessary capital to support the successful start-up and growth of high-potential social enterprises. One specific recommendation was made regarding payroll expenses, which are generally one of the largest expenses in many social enterprises:

“I don't think they [local businesses] really realize how valuable social enterprises are for the community and their business. If the local daycare shuts down, the major employers in the community have got a problem.”

“Provide multi-year funding for wage subsidies...an apprenticeship model that reflects the true learning curve – up to four years, depending on the person's situation.”

Regarding the second strategy, one interviewee presented their own compelling case for engaging the local business community:

“We need to demonstrate value to local businesses before they can make a case to provide funding support. I don't think they [local businesses] really realize how valuable social enterprises are for the community and their business. If the local daycare shuts down, the major employers in the community have got a problem. Until you make the business case to these companies, you don't have the ammunition to make the deal.”

³ For details, see: www.acoa.ca/English/ImLookingFor/ProgramInformation/Pages/ProgramDetails.aspx?ProgramID=6

⁴ For details, see: www.tcr.gov.nl.ca/tcr/artsculture/cedp/index.html

This case, like the one presented in the “Measuring and Promoting Value” section, presents a practical reason for why local the local business community should support social enterprise. They went on to outline the kind of support private companies could provide:

“They [local industry] have a role to play in helping establish a community fund that would provide equity that could be leveraged to help get matching government funding and debt financing. An annual donation of \$50,000 would go a long way, and it’s not a lot of money for these major employers.”

This comment illustrates the interconnectedness of the funding and value issues: financial support from the local business community would provide needed funding, but will only be forthcoming if the value of social enterprise can be made in terms that business understand. If successful, this financial support would in turn provide concrete evidence to government and other stakeholders of the value of social enterprise.

On the Need for Recruitment and Retention Support

One interviewee selected this as their most important issue. Their comments focused on the role that a profitable social enterprise can play in providing the necessary funding to upgrade the pay and benefits at a nonprofit, thereby making it more able to recruit and retain good staff. Highlights of their feedback follow.

How Social Enterprises are Experiencing this Issue

The interviewee explained the important role that his social enterprise has played in supporting his organization’s staff:

“Our social enterprise helps to pay for all the important things that our staff do. Without it, we wouldn’t be able to do what we do. It really helps address turnover. It gives you the ability to do what you need - health plan, pension, benefits - to enable you to retain staff. The larger nonprofit organizations all have social enterprises to help fund them.”

“People aren’t doing social enterprise now because they’re barely making ends meet themselves.”

However, he was careful to point out the “Catch 22” nature of social enterprise; namely, you need good people to be able to run a profitable enterprise, and these good people cost money that many nonprofits do not have.

“You can’t run it [a social enterprise] without the people to do the work. People aren’t doing social enterprise now because they’re barely making ends meet themselves. Without the tools [health plan, pension, benefits], you can’t attract and retain staff. You need to offer them what they can get elsewhere, in the private and public sector, so that they can make a decision. People within the [nonprofit] sector, good people, are going to the public sector for 25% better pay and benefits.”

This comment is consistent with the comments in the earlier section, which advocated for funding support for payroll expenses early in the life of the enterprise. So, while social enterprise can play a strong role in enhancing the organization’s ability to recruit and retain good staff, the organization needs the ability to invest in good staff before the enterprise reaches profitability.

Other Comments

The interviewee didn’t offer specific recommendations regarding what could be done to help address this issue. However, if nonprofits were able to demonstrate the value of social enterprise to private and public sector funders (as suggested in the first section), it is possible that they could build a case to secure the funding to make the necessary investments in staffing to help build strong, profitable enterprises (as suggested in the second section). These issues clearly are linked.

RECOMMENDATIONS

A logic emerged from these interviews, namely: measure and promote value to the current and potential funders of social enterprise, which will help secure new and significant funding support, which in turn will enable nonprofits to build stable, sustainable, high-impact enterprises. Like one interviewee said, “If you can sort this one [demonstrating value] out, it will contribute to all the other issues.” With this in mind, we recommend that future efforts begin with a focus on measuring and promoting value of social enterprise. The following sections briefly outline our proposed approach.

Define

An effective evaluation effort requires a clear definition of scope; i.e. what exactly are we measuring? CSC defines community/social enterprise as any nonprofit-run initiative that sells products and services to achieve or contribute to community goals. We recommend that this definition be adopted for this first pilot effort, and that a manageable number of leading social enterprises (that clearly align with this definition) be recruited to participate as evaluation subjects. The participant list from the March 18 networking event could provide a good starting point for soliciting participants.

Measure

There are several well-established evaluation models in active use in Canada, the USA and the UK, from which an evaluation framework could be developed. In Canada, there is the Enterprising Nonprofits Program’s *Demonstrating Value* project (www.enterprisingnonprofits.ca/projects/demonstrating_value)⁵; in the USA, there is REDF’s seminal work in Social Return on Investment (www.redf.org/about-redf/measuring-results); and in the UK there is the New Economics Foundation’s DIY Guide to Social Return on Investment (www.neweconomics.org). CSC could contact one or more of these organizations and explore how they might adapt their existing evaluation model for use in this NL evaluation project. It is worth noting that Bryn Sadownik of Demonstrating Value has already expressed her willingness to work with CSC to bring her evaluation model to this province.

Promote

A vital part of any evaluation effort is to establish from the outset whom the target audience will be. From the interviews, three key stakeholder groups include: nonprofit groups, potential private sector funders, and current and potential public sector funders. It would be important to engage with these groups early in the process to ensure that the evaluation process was relevant and valid. Perhaps the best way to ensure this would be to establish an evaluation committee composed of key representatives from these three stakeholder groups, which would guide both the measurement and dissemination process.

⁵ For details of the Demonstrating Value project, contact Bryn Sadownik at Bryn_Sadownik@vancity.com