



# Creating a Robust Social Enterprise Sector in Winnipeg

*(Final Report – February 20, 2009)*  
***(Action Plan Summary Added – April 2, 2009)***

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## **Background**

This research began with an aspiration and a thesis. The aspiration is to create a robust social enterprise sector in Manitoba<sup>1</sup>, especially in Winnipeg. The thesis is that other jurisdictions have created large scale, viable social enterprises that meet CED principles, whereas Winnipeg, while following the same principles, has tended to create small, grant dependent social enterprises. The purpose of the research is to test the thesis, examine the factors that have led to success elsewhere, and draw conclusions about how to replicate the success of other jurisdictions in Winnipeg.

The research has paid particular attention to the following social enterprise sectors:

- The social enterprise sector in Winnipeg
- The enterprises supported by the Community Economic Development Investment Funds in Nova Scotia
- The Quebec Social Enterprise sector
- Some enterprises developed through "sectoral strategies" in the United States

Some information has also been gathered from other jurisdictions.

In each of the jurisdictions that were researched, there was an attempt to learn about the characteristics of the enterprises that have been developed, as well as the interventions and supports that have helped them to flourish.

The enterprise characteristics were researched to determine whether there are any significant differences in the types of enterprises created in Winnipeg compared to the other jurisdictions. The research looked at characteristics such as:

- The markets they serve
- The ownership structure
- Size of the enterprise
- Social goals
- Management background of the entrepreneur
- How the enterprise achieves sustainability

The review of the supportive environment examined the character and priority of five specific interventions. They are:

- Providing access to capital

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<sup>1</sup> Reference to "Manitoba" is made occasionally in this report. In fact the research has related almost exclusively to Winnipeg. The Manitoba reference has been retained because it is likely that some of the supports created to strengthen the Winnipeg social enterprise sector may also be useful for social enterprise development in the rest of the province.

- Creating supportive networks
- Creating the capacity to animate the social enterprise sector
- Changing government or other procurement policies
- Providing technical assistance to new or existing social enterprises

The intention of this research has been to inform the development of an action plan for creating a more robust social enterprise sector in Winnipeg. All of the research has been focused to that end. There has been no attempt to be exhaustive in the research. Rather the approach for each component of the research has been to assemble enough information to reach conclusions for the future directions of the Winnipeg social enterprise sector, and then to move on.

This report provides the highlights of the research, and the action plan that is now recommended for strengthening the Winnipeg social enterprise sector. Two companion documents have also been produced. One is a detailed assessment of the social enterprise funds/trusts, and tax credit programs that are instrumental in financing social enterprises in the other jurisdictions<sup>2</sup>. The other is a proposal to create an animating capacity to exploit the many opportunities that exist to create a more robust social enterprise sector in Winnipeg.

## **The Characteristics of Social Enterprises in Winnipeg & Elsewhere**

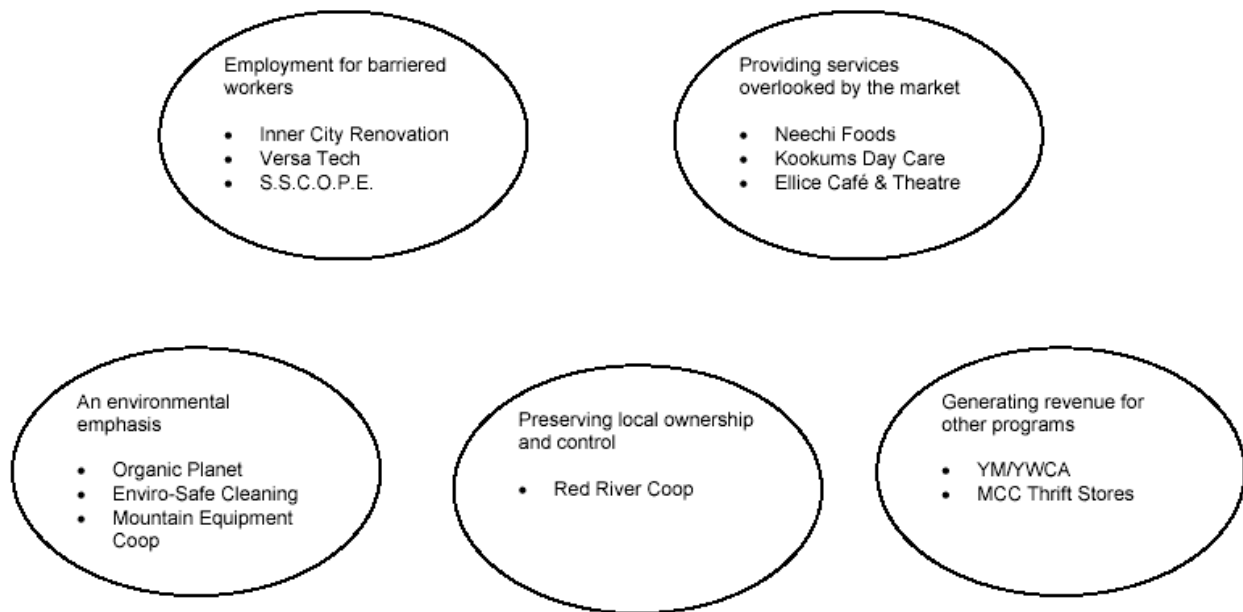
Social Enterprises vary greatly in their form and purpose. Indeed the very definition of social enterprises is frequently in dispute. For the purpose of this research report we have followed the definition used by the Canadian CED Network. For CCEDNet, *“A social enterprise is a revenue-generating business with primarily 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 enterprises are characterized firstly by their social purposes. Some examples of the social purposes that Winnipeg based social enterprises embrace are shown in Table 1 below. Many social enterprises pursue more than one social purpose – in fact some social enterprises pursue all of the social purposes shown in Table 1. The viability of each enterprise and the types of supports that will help the enterprises to flourish may vary, depending on which social purposes the enterprise hopes to achieve. The challenges facing enterprises that attempt to provide employment for barriered workers, for example, may be quite different than the challenges facing enterprises attempting to achieve environmental goals. These differences need to be kept in mind when preparing an action plan for creating a more robust sector.

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<sup>2</sup> Chernoff, Alex; “Creating Capital Pools to Support Social Enterprise Development in Manitoba”

Table 1: Social Goals of Social Enterprises



## **Winnipeg Enterprises**

Seventeen Winnipeg based social enterprises were interviewed as part of this research. A list of the interviewees is included in an Appendix to this report. The social enterprises each provided some information about the nature of their enterprise, and some commentary on the relative importance of the five interventions that were being tested. While these seventeen social enterprises are not exhaustive, and might not even be representative of the social enterprises in Winnipeg, they were selected mostly because they identify in one way or other with the CED sector in Winnipeg, and would be most likely to relate to any supports or interventions created to strengthen the sector. Following are some characteristics of the seventeen social enterprises:

### *Markets*

- 13 of the enterprises receive their commercial revenues primarily from the private marketplace
- 2 of the enterprises receive their commercial revenues primarily through service fees from governments
- 2 of the enterprises receive their commercial revenues primarily from sheltered markets e.g. non-profits

### *Organizational Structure*

- 7 operate as worker coops
- 6 are incorporated as non-profit corporations
- 3 operate as programs of an existing non-profit corporation
- 1 is a share capital corporation, with plans to convert to a worker coop
- At least 10 of the seventeen were initially established by non-profit corporations

### *Size (in FTE's)*

- 8 have between 0 and 5 employees
- 2 have between 6 and 10 employees
- 5 have between 11 and 20 employees
- 1 has between 40 and 50 employees
- 1 has 150 employees

### *Capitalization*

- 12 were capitalized by grants and/or donations
- 4 were capitalized with loans
- 3 were capitalized with personal equity
- 1 was capitalized entirely with sweat equity

The above numbers are greater than 17 because some enterprises were capitalized with more than one type of capital.

### *Management at Start-up*

- 11 managers brought production expertise, but not business management expertise (e.g. cook, carpenter, early childhood educator etc.)
- 5 brought management expertise
- 1 had neither production nor business management expertise

### *Continuity*

- 7 enterprises have been in operation for 5 years or less
- 6 enterprises have been in operation between 6 and 10 years
- 2 enterprises have been in operation between 11 and 20 years
- 2 enterprises have been in operation for over 20 years

### *Financial viability*

- 11 require some kind of subsidy to remain viable



- 6 are viable on market revenues alone

### *Conclusions*

Based on the above, the researchers have drawn the following conclusions about the character of the social enterprise sector in Winnipeg:

- Three quarters of the enterprises derive the bulk of their commercial revenues from the private marketplace – only two derive them from service fees paid by governments
- The social enterprise sector employs a diverse range of organizational structures, with worker coops and non-profit corporations representing the great majority
- Social enterprises are most commonly started by non-profit organizations
- Most of the social enterprises are relatively small in size, with half having fewer than five employees and all but two having fewer than 20 employees
- Two-thirds of the enterprises required grant or donation money to start
- Two-thirds of the enterprises continue to need subsidies to remain financially viable
- Over half of the enterprises have been in existence for six years or more, which represents a significant level of continuity
- Two-thirds of the enterprises are managed by individuals with no prior business management training or experience

### **Quebec Enterprises**

Social entrepreneurs in Quebec define their social enterprises differently than the rest of Canada. In Quebec the language is about the “social economy”. Within the social economy there are approximately 7000 “collective” enterprises. Many of the collective enterprises would fall within the definition of “social enterprise” as that term is used in the rest of the country. But many would not. “Collective enterprises” in Quebec include all cooperatives, regardless of the strength of their social goals. Cooperatives across the country frequently operate much like private sector businesses. Their primary foci of growth, profitability, efficiency etc. mirror the goals of private sector businesses. Their human resource, procurement, environmental and social practices also mirror those of private sector businesses. Those same types of cooperatives exist elsewhere in Canada. But in the rest of the country, outside of Quebec, only the enterprises whose social goals are paramount and who reinvest their profits to advance their social goals, would be considered social enterprises.

### *Markets*

A very large segment of the collective enterprise sector in Quebec competes openly in the private marketplace. Worker and consumer cooperatives have operated for years in commercial and industrial sectors such as transportation (taxis), agriculture, forestry, cultural, funeral services etc.

The size of Quebec's collective enterprise sector has also benefited enormously from the provincial government's policy of devolving responsibility for many services to the non-profit sector. The Province of Quebec has actively promoted building non-profit corporations to provide ambulance, home care, child care, legal clinics, social housing, recycling and other types of social services. These services receive the bulk of their commercial revenues from the government, not the private marketplace.

### *Organizational structure*

One of the criteria used to define a "collective" enterprise in Quebec is that it must involve democratic governance and decision making. Both cooperatives and non-profit corporations meet that criteria. The dominant organizational structure for collective enterprises in Quebec is cooperatives – both worker cooperatives and consumer cooperatives. Non-profit corporations also make up a very significant component of the collective enterprise sector in Quebec.

### *Size*

The collective enterprise sector in Quebec is quite mature, and the size of the enterprises reflect that maturity. While a breakdown of size data is not available for the entire portfolio of 7000 businesses, it is apparent from the industry sectors in which they operate that many are very substantial businesses.

Elsewhere this report provides information about the new Chantier de l'économie sociale Trust Fund. The first 11 investments in collective enterprises from that Trust Fund ranged in value from \$95,000 to \$740,000, with an average investment of \$350,000. Employment in those 11 enterprises is 345 staff, or an average of 32 staff per enterprise. These numbers provide some insight into the size of the enterprises in the Quebec sector.

### *Financial Viability*

As in the previous section, a breakdown of financial data is not available for the entire Quebec collective enterprise sector. The Chantier de l'économie sociale Trust Fund, however, has reported that of its first twelve investments, approximately 60 – 75% of enterprise revenues comes from the private market, with the rest made up by grants, subsidies, or government fees for service<sup>3</sup>.

### *Conclusions*

The data collected for the social enterprises in Quebec is not directly comparable to that which has been collected for the Winnipeg ones. Nevertheless, important observations can be made:

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<sup>3</sup> Chernoff, Alex; "Creating Capital Pools to Support Social Enterprise Development in Manitoba"

- The collective enterprise sector competes heavily in the private marketplace and derives a substantial portion of its commercial revenues from it
- A major element in the composition of the Quebec collective enterprise sector is the devolution to the non-profit sector of the responsibility for providing public services on a government contract or fee for service basis
- Cooperatives and non-profit corporations are both important players in the Quebec collective enterprise sector
- The collective enterprise sector in Quebec is quite mature, and the size of enterprises reflects that maturity. They are considerably larger than the average size of Winnipeg social enterprises.
- While market revenues make up the bulk of commercial revenues for the Quebec enterprises, non-market revenues continue to be important as well

## **Nova Scotia Enterprises**

Winnipeg CED practitioners have looked with envy at the development of the CED sector, especially the social enterprise sector, of Nova Scotia. Nova Scotia has developed a broad range of interventions to stimulate and support the growth and development of local businesses. The supports, which are described elsewhere in this and the companion documents, include investment capital, animation, entrepreneur development, procurement policies etc.

What can be said about the nature of the enterprises that benefit from all of those supports? Firstly, it needs to be said that Nova Scotia's supports are not primarily directed at "social enterprises". The supports have been established to foster local economic development. Local economic development implies locally owned businesses, not necessarily social enterprises. Some of the most impressive supports are specifically targeted at the development of cooperative enterprises. None are specifically targeted at social enterprises. There is not a specifically identifiable social enterprise sector. And yet social enterprises have benefitted enormously from the range of supports.

This research project has been particularly interested in the enterprises assisted by the Equity Tax Credit of Nova Scotia, the Community Economic Development Investment Funds (CEDIF's), and the work of the Nova Scotia Cooperative Council. Examples of the social enterprises assisted are shown below. All of the following examples are cooperatives:

- A cultural centre cooperative in Truro
- A transit cooperative to provide transportation services to seniors, and people living on low incomes
- A housing cooperative to provide housing to people with disabilities
- A health cooperative operating an online, virtual health care clinic
- A farmers market cooperative
- Alternative renewable energy cooperatives
- A cooperative funeral home

- A fund to invest in businesses owned by persons in the Black community
- A fair trade coffee business

Following are some characteristics regarding the social enterprises assisted by the three above mentioned supports in Nova Scotia:

#### *Markets*

The bulk of their revenues are derived from the private marketplace.

#### *Organizational Structure*

All of the enterprises highlighted above operate as cooperatives. The Tax Credits and CEDIF's however, can also be used to support share capital enterprises.

#### *Size (in FTE's)*

Many of the enterprises are quite large. The health care cooperative, for example, was capitalized with \$4 million. The cultural centre required \$950,000.

#### *Capitalization*

The enterprises under examination were capitalized through use of the Equity Tax Credit, CEDIF's, or small business loans. All of this financing is repayable to investors.

#### *Financial viability*

The enterprises expect to achieve viability on market revenues.

### **Enterprises Created Through Sectoral Strategies in the USA**

Sectoral strategies are designed to expand the number or quality of jobs in a particular economic sector. Strategic interventions within particular industries are designed to improve that sector's competitiveness, expand the number of jobs within the sector, or affect its supply of workers. All of these results can have a positive impact on low-income communities.<sup>4</sup>

The main goal of a sectoral strategy is to improve employment prospects for people with barriers to employment. This is achieved by providing quality jobs to disadvantaged workers in specific social enterprises. It is also achieved by creating sufficient scale within those enterprises to "raise the bar" in terms of employment conditions for the industry as a whole.

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<sup>4</sup> "NFG Jobs Toolbox: A Funder's Guide to Jobs" - <http://www.nfg.org/toolbox/members/chap4-1.htm>

Sometimes sectoral strategies are used to strengthen existing firms in the targeted industries and help disadvantaged persons find jobs within those industries. Sometimes they are used to create social enterprises which provide those jobs directly.

The sectoral strategy movement in the United States is large and has existed for almost three decades. Sectoral strategies have targeted a wide array of industries. This research has looked at how sectoral strategies have been used in two industries – commercial and residential cleaning, and home care.

Later in this report we discuss the types of supports that animating organizations provide in the incubation and growth of sectoral enterprises. The purpose of this section is simply to provide some insight into the characteristics of the enterprises themselves.

### Commercial and residential cleaning

**WAGES** (Women's Action to Gain Economic Security) is a non-profit organization whose mission is to build worker-owned green businesses that create healthy, dignified jobs for low-income women. To date it has played the key role in creating and supporting three worker owned cleaning coops. The cleaning coops, whose members are made up mostly of undocumented immigrants, have the following characteristics:

#### *Markets*

The enterprises receive all of their revenue from the private marketplace.

#### *Organizational Structure*

All of the enterprises developed to date are structured as worker cooperatives. The parent organization, which is a non-profit organization, retains some control of the cooperatives until they are ready to be launched independently.

#### *Size (in FTE's)*

Each of the first three enterprises are made up of between 17 and 27 worker owners.

#### *Capitalization*

All of WAGES' associated cooperatives have been approved for business start-up loans totaling \$125,000 from Lenders for Community Development, a consortium of community development banks based in San Jose.

### *Management at Start-up*

Initially the parent organization recruits a professional manager for each cooperative. Each cooperative contracts with WAGES for the services of that manager.

### *Continuity*

All three enterprises have been operating for more than five years, and all have experienced significant growth.

### *Financial viability*

As indicated above, the enterprises receive all of their revenues from the private marketplace. No subsidies are provided and none of the work is obtained through privileged procurement programs. The parent organization, however, provides a range of free services that effectively reduces operating costs for the enterprises.

### Home care worker cooperatives

There are currently four home care worker coops in the United States (Wisconsin 2, New York 1, Philadelphia 1). Additional groups across the country are in various stages of exploration, development or conversion to home care worker coops. The four existing coops are independent of one another, but connect by teleconference four times a year to share challenges and practices. They all receive some inspiration and services from PHI, a non-profit organization that supports in the organizing, leadership, policy development, research, capacity building and technical assistance work for home care worker cooperatives.

### *Markets*

The enterprises receive all of their revenue from the private marketplace.

### *Organizational Structure*

The enterprises are structured as worker cooperatives.

### *Size (in FTE's)*

There is considerable variability in size, although the cooperatives tend to be quite large. Cooperative Home Care Associates of New York has over 1600 worker owners. Cooperative Care in rural Wisconsin has 85 worker owners.

### *Capitalization*

Initial capitalization was provided by a combination of grants, donations, and market capital (loans).

### *Management at Start-up*

The entrepreneur who built Cooperative Home Care Associates was a community development worker prior to establishing the worker coop.

### *Continuity*

Cooperative Home Care Associates has been operating since 1985. Cooperative Care has been operating since 2001. Both have experienced significant growth.

### *Financial viability*

As indicated above, the enterprises receive all of their revenues from the private marketplace. No subsidies are provided and none of the work is obtained through privileged procurement programs. Both have received important services, including worker training and recruitment, that has effectively reduced operating costs for the enterprises.

## **A Social Enterprise Continuum**

The purpose of this research has been to test the shape and priority of five types of interventions for scaling up the social enterprise sector in Winnipeg. In the course of conducting the research, it has become apparent that there are significant differences in social enterprise models. The merit of each intervention, and the features that need to be incorporated into each intervention, will vary according to the model of social enterprise that it is targeted at.

The following diagram is an attempt to portray the social enterprise continuum within a range that is useful for this research. At one end of the continuum are social enterprises that tend to function like programs of non-profit organizations. A portion of their revenues are derived from the marketplace, but the bulk of their revenues are not. They are often managed by people who relate more strongly to the social goals of the program, than to the business imperatives of running a “market viable” enterprise. At the other end of the continuum are social enterprises that are fully self-sufficient on market revenues. We have added an assessment of the potential for long term viability for each model on the continuum. Like any continuum, the following provides some conceptual clarification, but it cannot capture the many anomalies that exist within the sector.

Later in this report we discuss how the place on the continuum an enterprise is located, affects the importance of each the five interventions, and the characteristics with which that intervention needs to be designed.

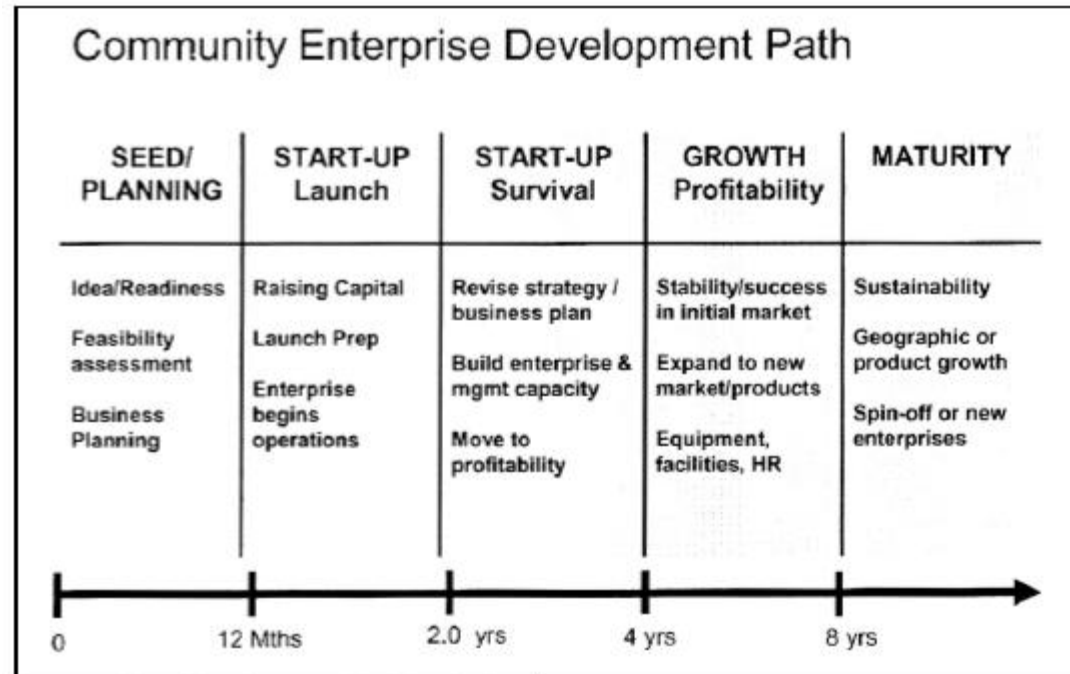


## A Social Enterprise Continuum

<b>Focus:</b>	<div style="display: flex; align-items: center; justify-content: space-between;"> <span>Program</span> <span>←</span> <span>→</span> <span>Enterprise</span> </div>				
<b>Model:</b>	<b>Program</b>	<b>Grant dependent</b>	<b>Striving for market self-sufficiency</b>	<b>Previously grant assisted – now self-sufficient</b>	<b>Self-sufficient on market revenues</b>
	<ul style="list-style-type: none"> <li>Operates as a program of another organization</li> <li>Market revenues cover some, but not all program costs</li> <li>Market revenues may or may not be critical to program survival</li> </ul> <p>e.g. Fort Whyte Farms sells the produce from an urban gardening program with at risk youth</p>	<ul style="list-style-type: none"> <li>Incorporated as an independent organization – npo, coop or share capital</li> <li>Market revenues cover some costs</li> <li>Grant revenues relatively secure over the long term</li> </ul> <p>e.g. S.S.C.O.P.E. employs people with mental health issues to perform a variety of services on a fee for service basis</p>	<ul style="list-style-type: none"> <li>Incorporated as an independent organization – npo, coop or share capital</li> <li>Market revenues cover most costs</li> <li>Grant revenues currently supplementing market revenues, but are not secure for the long term</li> </ul> <p>e.g. Inner City Renovations employs workers with employment barriers to renovate residential and commercial buildings</p>	<ul style="list-style-type: none"> <li>Incorporated as an independent organization – npo, coop or share capital</li> <li>Some grant moneys used at start-up or expansion</li> <li>Now fully self-sufficient on market revenues</li> </ul> <p>e.g. Mondragon Bookstore and Restaurant achieves a variety of social goals through its operation as a worker collective</p>	<ul style="list-style-type: none"> <li>Incorporated as an independent organization – npo, coop or share capital</li> <li>Start-up costs covered through normal financial market arrangements</li> <li>All ongoing costs covered by market revenues</li> </ul> <p>e.g. Mountain Equipment Coop has a variety of social and environmental goals</p>
<b>Long-term viability:</b>	Moderate	High	Low	Moderate	High

The above continuum is intended to identify the models within which social enterprises can be typified. Each point on the continuum represents the end state to which the enterprise aspires. The continuum bears close resemblance to and can be confused

with a “stages of development” continuum. The stages of development continuum suggests the following stages that most social enterprises go through on their way to maturity. The importance and character of interventions is related not only to the model to which the enterprise aspires, but also to the stage it is at in developing towards full maturity within that model. Following is a “stages of development” continuum provided by the Van City Community Foundation<sup>5</sup>.



(Source: Van City Community Foundation<sup>1</sup>)

<sup>5</sup> From a presentation by Wendy Rogers, Van City Community Foundation at the CSR and National Community Investment Forum, University of Guelph, May 17, 2007

## **Priorities for Social Enterprise Development in Winnipeg**

On September 9, 2008 a presentation was made to the reference group<sup>6</sup> which has helped to guide this research. The researchers suggested to the group that it would be helpful to identify the types of social enterprises that should receive priority in an action plan to create a more robust social enterprise sector. The reference group determined that a number of supports are already in place to assist “program” and “grant dependent” enterprises to start and grow. It suggested that priority be placed on supporting social enterprises which have the goal of eventually becoming self-sufficient on market revenues. The group felt it would be important to create supports for each stage of development for those enterprises. The action plan at the end of this report is based on that feedback.

## **The Five Interventions**

One purpose of this research has been to discover the supportive environment that needs to be in place for a social enterprise sector to become robust. The research examined the character and priority of five specific interventions that make up a supportive environment. The five interventions are:

- Creating the capacity to animate the social enterprise sector
- Strengthening the skills and supportive networks for social entrepreneurs
- Providing access to capital
- Changing government or other procurement policies
- Providing wage subsidies to offset productivity losses from employing workers with employment barriers

This section of the report describes the purpose of each intervention, the relationship between the intervention and the position of the enterprise on the social enterprise continuum , and the relative importance that has been assigned to each intervention by a number of different audiences.

### **Creating the capacity to animate the social enterprise sector**

The number of social enterprises is growing rapidly across Canada, in the United States, and in many other parts of the world. Much of the growth occurs organically, apart from any larger structures or processes to ensure its growth. There has been a strong sense in Winnipeg that the social enterprise sector would be larger, more dynamic and stronger if its development was stewarded by an entity that researched market opportunities, provided business supports, brokered deals, recruited entrepreneurs, advocated for policy changes etc. This is currently a very strong priority for the leadership of the social enterprise sector in Winnipeg.

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<sup>6</sup> For a list of members of the Reference Group, please Appendix ?????

### A Winnipeg perspective

The interviews with Winnipeg based social entrepreneurs and the leaders of the organizations that support social enterprises revealed the following as the most important functions to be provided by an animating entity:

- 1) Research
  - a) Identify new market opportunities
  - b) Assist in identifying economic and social returns on investment
- 2) Broker deals
  - a) Link high potential opportunities to capital, entrepreneurs, support organizations etc. to ensure that the opportunities are exploited
  - b) Organize existing small entrepreneurs to take advantage of larger contracts
- 3) Perform advocacy
  - a) Identify to government or other systems how they could be more supportive of social enterprise opportunities e.g.
    - i) Changing procurement policies
    - ii) Enhancing entrepreneurial development programs
    - iii) Improving access to capital
  - b) Promote opportunities/possibilities to add a social component to existing for-profit business
- 4) Facilitate supportive networks for social entrepreneurs
  - a) Skill development networks
  - b) Business opportunity networks with mainstream businesses, governments etc.
- 5) Provide business supports such as:
  - a) Legal expertise
  - b) Financial expertise
  - c) Business planning
  - d) Business systems and management support
  - e) Assist with the bidding process where government procurement policies provide an opportunity
  - f) Assist in identifying government grants for training allowances etc.
  - g) Assist with application and reporting requirements for government grants.

### A national perspective

A workshop was conducted in May 2008 with about 30 social enterprise leaders from across Canada. They were asked to identify the critical considerations for establishing an entity to animate the social enterprise sector. The national group provided a range of considerations,

some of which they prioritized as their top five messages. The feedback from the national workshop, which was quite different from the Winnipeg feedback, was as follows:

#### *Top five messages*

- The key function should be to provide social enterprises with access to capital
- Services must be accessible in terms of cost, timeliness of response, appropriateness of technical language – the entity should use a capacity building approach including process's to transfer knowledge and skills from experts to social entrepreneurs
- Should offer support at all stages of the development cycle -- especially medium to long term
- Should provide connection to business schools and public schools to:
  - Offer the theoretical and ideological foundations for social enterprise development
  - Promote cooperative development
  - Create internships
  - Create other relationships between academia and the community
- Needs to have deep connections into the community to ensure that all sectors of the community are considered for any particular initiatives that are brokered

#### *Other messages*

- Could assist in identifying barriers that the potential workforce will have in participating in the enterprise, and in assisting to overcome those barriers
- Can the intermediary itself be a business? Is it possible to create a funding formula whereby the intermediary could be sustainable on earned revenues?
- Intermediaries already exist in some areas -- it would be important not to sideline them
- The key is to find core funding to operate the animating organization
- There needs to be clarity about the different types of social enterprises and how the intermediaries' roles will be different depending on the type of enterprise it is working with
- It would be helpful to offer board development and other skill development functions

#### Two concluding thoughts on social enterprise animation

There is some debate within the social enterprise community about the relative importance of animating organizations. There is a school of thought that suggests that ultimately the success of an enterprise is so dependent on the entrepreneur who will run it, that it is counterproductive to establish animating organizations with a mandate to put together new business opportunities. This point of view would suggest that new businesses should be animated by the entrepreneur who will run it, not by an organization who will recruit an entrepreneur after many other aspects of the business have already been planned. There is

some evidence in Winnipeg and elsewhere, however, of successful social enterprises that have emerged out of formal animation processes.

The second thought is that if an animating capacity is to be developed, consideration should be given to attaching it to organizations that already have other social enterprise related purposes – e.g. a loan fund. This will create higher capacity organizations with a stronger offering to the sector.

## Relationship of Animation Functions To Social Enterprise Model

**Focus:**

Program



Enterprise

**Model:**

**Animation Role**

Program:	Grant dependent	Striving for market self-sufficiency	Previously grant assisted – now self-sufficient	Self-sufficient on market revenues
<ul style="list-style-type: none"> <li>Most likely to be facilitated by funding organizations e.g. Enterprising Non-Profits Program</li> <li>Most likely to consist of stimulating the NPO's imagination toward social enterprise, providing business development supports, and offering access to grant capital</li> <li>May involve facilitating access to markets – e.g. SPP</li> <li>Not likely to consist of brokering deals</li> </ul>	<ul style="list-style-type: none"> <li>As per “Program” related animation</li> </ul>	<ul style="list-style-type: none"> <li>Primary target for a full range of animation services, including opportunity identification, deal facilitation, providing access to capital, facilitating special procurement arrangements, offering business development supports etc.</li> </ul>	<ul style="list-style-type: none"> <li>Primary target for a full range of animation services as per “Striving for market self-sufficiency”</li> </ul>	<ul style="list-style-type: none"> <li>Not a primary target for animation</li> <li>Animation much more likely to be achieved through involvement of the entrepreneur, or through existing coop structures</li> <li>Enterprise may be the outcome of a more modest initial endeavor similar to those described under “Striving for self-sufficiency” and “now self-sufficient”, in which case it would be the product of an externally animated process.</li> </ul>

### Three models for performing the animation function

Concrete examples that demonstrate how the animating function is being performed elsewhere may be helpful in thinking about how to set up a similar function in Winnipeg. This section provides examples of the animating services provided in three jurisdictions in North America.

#### *Enterprising Non-Profits*

Enterprising Non-Profits (ENP) is a funding program that provides matching grants to non-profit organizations in BC who are interested in starting or expanding a business. The program was established in 1997 in response to requests by organizations for support in the development of revenue-generating enterprises that would help stabilize and diversify the non-profit's funding base, and enhance its programs and services. ENP program funding enables organizations to conduct planning activities related the development of a business venture.

ENP is funded by a diverse network of funders including:

- Vancity Credit Union
- Coast Capital Savings Credit Union
- Vancouver Foundation
- United Way of the Lower Mainland
- Northern Development Initiative Trust
- Bell
- Vancity Community Foundation
- Western Economic Diversification Canada

ENP plays the following roles in animating the development of a strong social enterprise sector in BC:

Planning & Technical Assistance:	Conducts workshops to assist organizations to identify business opportunities and to prepare to capture them. Provides technical assistance across the whole development spectrum. Develops and disseminates online business development resources.
Markets:	Assists social enterprises to identify and link with market opportunities. The promotion of the Social Purchasing Portal would be one example of that.
Advocacy:	Coordinates stakeholders to identify and advocate for public policy changes that would help to strengthen the social enterprise sector. Develops and disseminates resources that promote increased understanding of the social enterprise sector.



Financing:	Links new or established social enterprises to sources of investment capital.
Enterprise Development:	Provides matching grants of up to \$10,000 to an average of 40 to 50 organizations annually. The grants are to be used to pay for professional fees or staff costs directly related to business planning and organizational development activities.
Leadership Development:	Creates opportunities for knowledge networking.

### *Nova Scotia Cooperative Council*

In 1999 the Province of Nova Scotia decided to devolve the responsibility for cooperative development to an external agency, namely the Nova Scotia Cooperative Council. The mandate of the NSCC does not specifically relate to social enterprises. It was established to form a strong cooperative movement in Nova Scotia. Never the less, the NSCC has played an important role in developing the cooperative and social enterprise sectors in Nova Scotia, and the way in which it has done that can be instructive for creating a similar capacity for social enterprise development in Winnipeg.

The NSCC is a member driven organization. 84% of the cooperatives and 89% of the credit unions in Nova Scotia are members. They make up the bulk of the 350 member organizations. The NSCC provides services directly to cooperative enterprises. It also takes responsibility for carrying out a range of movement building functions.

The supports and services available to both prospective and existing cooperatives include:<sup>7</sup>

- Business development, including business planning and technical assistance
- Incorporation assistance
- Law and practices advisory
- By-law development and updating
- Community Economic Development Investment Fund (CEDIF) development
- Administration of a Short Term Equity Fund
- Seminars and workshops
- A mentoring program
- Sector-relevant publications, research and information

For the cooperative movement as a whole, the NSCC provides the following services:

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<sup>7</sup> Soots, Lena K, "Supporting Innovative Cooperative Development: The Case of the Nova Scotia Cooperative Development System, BALTA, March 2008

Planning:	The NSCC works with its members and many other partners to identify needs, opportunities, challenges etc., for the cooperative movement, and to forge agreement on the priorities to be pursued by the sector as a whole.
Research:	To inform the general strategic planning. Also to provide assistance on specific projects and proposals.
Advocacy:	To raise the profile of the cooperative sector and to advocate for its needs.
Financing:	Advocates for, develops, and sometimes administers financing vehicles for enterprise creation and expansion.
Enterprise Development:	The NSCC has annual targets for the development of new cooperatives. In some cases it actually launches the cooperative itself (e.g. a new on-line Health Care Cooperative). Mostly it assists other groups to launch new enterprises.
Innovation:	It helped to form and now coordinates the work of the Nova Scotia Innovation Council. The Council has responsibility to identify new opportunities to grow and expand the cooperative economy, and to assist in overcoming barriers to implementation.
Leadership Development:	Has developed and administers a youth leadership program. Is working with a local community college to incorporate cooperative development modules into the general business curriculum.

The NSCC operates with a staff of seven, including three Business Development Officers. Its budget in 2006<sup>8</sup> was approximately \$440,000 with the sources of revenue shown below:

Fee for Service*	\$128,358
Membership Dues	26,425
Development Contributions	
Government	200,000
Other	46,225
Investment Income	38,110
Miscellaneous	2,610
Total Revenue	\$441,728

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<sup>8</sup> Ibid

\* Most of the services provided directly to enterprises are free of charge, but NSCC also does some contracting on a fee for service basis.

### *Women's Action to Gain Economic Security (WAGES)*

Sectoral strategies provide the opportunity for animating organizations to provide services that are tailored specifically for the industry in which all of their social enterprises operate in. WAGES is an example of that.

WAGES is a non-profit organization whose mission is to build worker-owned green businesses that create healthy, dignified jobs for low-income women. Since 1998, WAGES has focused on developing housecleaning cooperatives that use eco-friendly products and cleaning techniques. Through its network of eco-friendly housecleaning cooperatives, women develop personal and professional skills, become leaders, and gain economic security.

WAGES uses a cooperative business model that allows women to pool their skills and work together to succeed. The workers make decisions democratically, and they distribute business profits equitably to all workers. As co-owners of successful businesses, women increase their incomes substantially and help their families move out of poverty. These businesses are economically viable, they support high quality jobs, and they protect the health of workers and their business clients.

Prior to start-up and during the first years of business operations, WAGES provides intensive support for each new co-op they create. This support is strategically targeted to make the business self-sufficient after the start-up years, and is divided into four areas:

Technical Assistance:	WAGES helps each cooperative develop business plans, access accounting services, legal assistance, benefits packages and identify cost-saving opportunities.
Education:	WAGES provides on-going, high quality cooperative business and cleaning training. Their business training program includes group-building activities to promote trust, encourage positive communication, democratic decision-making and conflict resolution. The training also addresses financial literacy and management, quality control, marketing, and customer satisfaction. The cleaning training includes how to use environmentally safe products and tools, practice cleaning in demonstration homes, and introduction to the environmental and health benefits of using environmentally-friendly products.
Management Services:	Each cooperative contracts with WAGES for a professional manager. The manager is responsible for business administration, teaches individual members business skills, and coordinates business growth.

Governance Training:	WAGES provides training and expertise to help co-ops develop strong boards of directors that can provide oversight for the business and leadership opportunities for the members.
Access to Start Up Capital:	WAGES brokers relationships between the individual cooperatives and financial institutions. All of WAGES' associated cooperatives have been approved for business start-up loans totaling \$125,000 from Lenders for Community Development, a consortium of community development banks based in San Jose.
Collaboration Between Cooperatives:	<p>By creating a network of similar cooperatives, WAGES is able to assist in creating efficiencies in areas such as:</p> <ul style="list-style-type: none"> <li>• Marketing: While each cooperative has a distinct name and promotional materials, WAGES uses its network to market all of the cooperatives through their network of religious organizations, service agencies, foundations and environmental contacts.</li> <li>• Accounting: WAGES has identified an accounting service which provides assistance to the cooperatives.</li> <li>• Purchasing: WAGES associated cooperatives have begun jointly purchasing products in order to have sufficient quantities to receive wholesale discounts from the manufacturers.</li> <li>• Management Training: Cross training and information sharing between managers</li> </ul>

WAGES achieves its own financial sustainability through grants and donations from a large group of foundations, charities and corporations.

### **Strengthening the skills and supportive networks for social entrepreneurs**

The growth and viability of enterprises is highly dependent on the skills, experience, energy, and expertise of the entrepreneur. In the private sector these attributes are nurtured through a vast array of business schools, networks, publications, professional development programs etc.

There is much discussion in the social enterprise sector about the challenge of finding entrepreneurs with a passion for the social values as well as the business skills required to run a strong enterprise. Some would argue that it is easier to train the business skills than to inculcate the social values, so the best way to combine both is to recruit candidates with the appropriate social values and teach them the business skills. Others would argue that the culture of the non-profit sector (from which many candidates with strong social passions come) is so foreign to the culture of the private sector, that candidates from that sector rarely have

the instincts required to meet the imperatives of running an enterprise. They would argue that there are many candidates with strong business skills, experience and instincts who would appreciate working for a social enterprise if the conditions were more attractive.

In a research project in 2006, Kristi Fairholm Mader discovered that social entrepreneurs typically strive to develop three types of skills<sup>9</sup>. These include general business skills, social service skills, and industry specific skills. Examples of the types of skills that are included within each category are shown below:

General Business Skills	Social Service Skills	Industry Specific Skills
<ul style="list-style-type: none"> <li>• Cost estimates</li> <li>• Balance sheet</li> <li>• Profit/loss</li> <li>• Financial forecasting</li> <li>• Sales</li> <li>• Communications</li> <li>• Business writing</li> <li>• Financing</li> <li>• Negotiating contracts</li> <li>• Risk management</li> <li>• Insurance practice</li> <li>• Business planning</li> <li>• Tracking time efficiencies</li> <li>• Business accounting</li> <li>• Networking</li> <li>• Market research</li> <li>• Employment standards</li> <li>• Data and record keeping</li> <li>• Quality control</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain social values</li> <li>• Communicate values effectively</li> <li>• Proposal writing and fundraising</li> <li>• Research and writing</li> <li>• Build rapport with clients and employees</li> <li>• Understand the role of government</li> <li>• Understand and navigate social support networks</li> <li>• Advocacy</li> </ul>	<ul style="list-style-type: none"> <li>• Industry lingo</li> <li>• Systems for invoices</li> <li>• Logistics and flow of materials</li> <li>• Warehouse management</li> <li>• Deliveries</li> <li>• Task analysis</li> <li>• Proper job descriptions</li> <li>• Time trials</li> <li>• Employable standard</li> <li>• Time motion studies</li> <li>• Bidding jobs</li> <li>• Tracking times on jobs &amp; products</li> <li>• Sales database</li> <li>• Computerized inventory system</li> <li>• Organizing production processes</li> </ul>

In addition to the above specific skills, there is a need for training that reflects the values conflict between business-for-profit and business-for-social-change. The Stanford Centre for Social Innovation, for example, offers an executive management training program for social entrepreneurs that includes topics such as “Balancing social and economic value”, “Blending for profit and non-profit legal forms”, and “Creating cross sectoral partnerships”.

Our research project tested for the relative importance of creating interventions to improve the skills of social entrepreneurs, and the methods for doing so. The responses tended to cluster into two main themes. One theme has to do with the systems that prepare entrepreneurs for work in a social enterprise. The other had to do with supporting entrepreneurs once they are already working for a social enterprise.

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<sup>9</sup> Mader, Kristi F. & Markey, Sean; “Winging It Is Not Enough”, Making Waves Volume 9 Number 3, 2008

### A Winnipeg perspective

The interviewees for this project gave highest priority to the need for entrepreneur development. When they focused on systems to prepare entrepreneurs for work in social enterprises, they tended to focus on existing college and university programs. The suggestion was to include social enterprise as a distinct specialization within the business education programs in Manitoba. A specific suggestion was to create an interdisciplinary program of studies between the business program and the inner city studies program at the University of Winnipeg.

Some interviewees spoke of the need to create supports for existing social entrepreneurs. Specific suggestions included:

- Business support and training services tailored to the uniqueness of social enterprises. Both the federal and provincial governments already provide business planning and management resources (training, publications, research) for the private sector. With slight modification they could be made more useful for the social enterprise sector.
- Mentorship programs.
- Peer to peer exchanges within the social enterprise sector, or between social enterprises and mainstream businesses.
- Internship programs for social entrepreneurs to work in mainstream businesses or for mainstream business folks to work in social enterprises.
- Creating and supporting social entrepreneur networks .
- Specialized training programs along the lines of SEED Winnipeg's Build a Business Program.

Some interviewees also spoke of the need to improve the employment conditions in the social enterprise sector in order to attract qualified entrepreneurs. Social enterprises typically pay less than the private sector, offer very little job security, and tenuous career paths. The sacrifices required to work in the social enterprise sector may be too much to ask of entrepreneurs with strong business qualifications.

### A national perspective

The participants of the above referenced May 2008 workshop suggested the following perspectives on entrepreneur development:

- The key competencies to be an effective social entrepreneur are not yet clear. A network of social enterprise managers should be established to identify those competencies.
- It would be helpful to produce a "Social Enterprise For Beginners" Toolkit, covering topics such as:
  - Models of production
  - HR supports

- Mentoring
  - Training
  - Product development
  - Financial management
- Stronger ties should be developed between the social enterprise sector and post secondary institutions
- A social enterprise managers network should be developed and nurtured
- A mentorship program should be developed for social entrepreneurs

The best approaches for strengthening entrepreneurial skills will vary according to the nature of the social enterprise. The following identifies the types of support that are likely to be appropriate at various points of the social enterprise continuum.

## Relationship of Entrepreneur Development To Social Enterprise Model

Focus:	<div>Program ←————→ Enterprise</div>				
Model:	Program:	Grant dependent	Striving for market self-sufficiency	Previously grant assisted – now self-sufficient	Self-sufficient on market revenues
Entrepreneur Development	<ul style="list-style-type: none"><li>Not likely to attract somebody with strong entrepreneur aspirations and professional qualifications</li><li>Most likely to be run by somebody with program related skills and passions</li><li>Could benefit from training in basic business management principles</li></ul>	<ul style="list-style-type: none"><li>As per “Program” related enterprises</li></ul>	<ul style="list-style-type: none"><li>May be attractive to somebody with strong entrepreneurial aspirations</li><li>Would be a potential employer for entrepreneurs trained specifically in social enterprise management</li><li>Could benefit from supports such as business training, business mentorships, internships, creation of business networks etc.</li></ul>	<ul style="list-style-type: none"><li>As per “Striving for self-sufficiency”</li></ul>	<ul style="list-style-type: none"><li>As per “Striving for self-sufficiency”</li><li>Incumbents are likely to be strong in business skills.</li></ul>



## **Providing access to capital**

Virtually every jurisdiction that was examined for this research has been working hard to ensure that the appropriate types and amounts of capital are available to help establish and grow social enterprises. As the CEO of the Nova Scotia Cooperative Council said in her 2006 Annual Report “Business ideas without money remain that – just ideas!”<sup>10</sup> Our project completed an in-depth review of six capital pools and two tax credit instruments that provide capital for social enterprise development. The detailed findings are included in the “Capital Pools” report referenced earlier.

Access to investment capital will need to be strengthened for the social enterprise sector to flourish. This research project has come to three main conclusions regarding investment capital. The first is that investment capital comes in many different forms, and the form that will be most helpful is very dependent on the type of social enterprise being established and the stage of development it is at. The second conclusion is that access to equity in the form of non-repayable grants is the most urgent intervention for the Winnipeg social enterprise sector at this time. The third conclusion is that we are beginning to see evidence that the demand for repayable debt and equity capital is being to grow, and will most certainly become a primary need as the social enterprise sector matures.

Investment capital is provided in five main forms:

- Equity – which acts as patient capital and comes with an ownership stake in the enterprise
- Debt – which typically demands that repayment start soon after disbursement, and so is most appropriate after an enterprise has established a reliable cash flow
- Equity Equivalent – which functions as patient capital but is usually structured as debt. It may be provided by friends and family, developmental lenders such as Community Futures Corporations, or private “angel” investors.
- Grants – which are non-repayable
- Internally generated funds – which are generated by positive cash flows or sweat equity


























The Van City Community Foundation has illustrated how the type of capital required varies according to the stage of development an enterprise is at:<sup>11</sup>

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<sup>10</sup> Dianne Kelderman, NSCC 2006 Annual Report, page 7

<sup>11</sup> From a presentation by Wendy Rogers, Van City Community Foundation at the CSR and National Community Investment Forum, University of Guelph, May 17, 2007

## Type of Funding - Stage of Development

	Seed	Start-up	Survival	Growth	Maturity
Equity					
Debt					
Equity Equivalent					
Grant					
Internally Generated					

The nature of an enterprise's capital needs varies also by the type of enterprise it intends to be. We have identified the types of capital that are likely to be appropriate at various points of the continuum described previously.

### Relationship of Investment Capital Needs To Social Enterprise Model

<b>Focus:</b>	<div> <div>Program</div> <div>←</div> <div>→</div> <div>Enterprise</div> </div>				
<b>Model:</b>	<b>Program:</b>	<b>Grant dependent</b>	<b>Striving for market self-sufficiency</b>	<b>Previously grant assisted – now self-sufficient</b>	<b>Self-sufficient on market revenues</b>
<b>Access to Investment Capital</b>	<ul style="list-style-type: none"> <li>Typically prefer grants or donations</li> </ul>	<ul style="list-style-type: none"> <li>Typically prefer grants or donations</li> <li>May seek loans for capital purchases or lines of credit as operating capital</li> </ul>	<ul style="list-style-type: none"> <li>Typically prefer grants or donations for start-up capital</li> <li>May seek loans for capital purchases or lines of credit as operating capital</li> <li>Equity incentives (e.g. tax credits) are of limited value due to uncertainty about future profitability</li> </ul>	<ul style="list-style-type: none"> <li>Typically prefer grants or donations for start-up capital</li> <li>May seek loans for capital purchases or lines of credit as operating capital</li> <li>Equity incentives (e.g. tax credits) may be useful for growth and expansion</li> </ul>	<ul style="list-style-type: none"> <li>Have the financial capacity and sophistication to use a wide range of debt and equity instruments.</li> <li>Have access to most mainstream financing vehicles</li> </ul>

#### Capital needs of Winnipeg enterprises

The social entrepreneurs and those who provide services to them in Winnipeg were asked about the relative importance of investment capital for strengthening their enterprises. Many of the enterprises expressed a desire for higher levels of equity capital, mostly in the form of non-repayable capital e.g. grants or donations. Most businesses indicated they were not currently positioned to take advantage of tax credits or venture capital funds that required repayment and/or return. This may be about to change. The Jubilee Fund, which has historically been under utilized, is now completely loaned out. The Manitoba CED Tax Credit has recently been used to capitalize a hardware cooperative. A worker owned taxi coop may soon be established. All are indications that the demand for investment capital is about to increase.

### General characteristics of social enterprise development funds

Although access to repayable capital is not currently the primary need for Winnipeg based social enterprises, that could change quickly if other measures are taken to stimulate the sector. As the demand for capital increases, there is much to be learned about how social enterprise development Funds have been structured in other jurisdictions. Following is a summary of the characteristics of the Funds that were examined as part of this research project, and that are elaborated in more detail in the “Capital Pools” report.

#### *Northcountry Cooperative Development Fund*

Background	Incorporated in 1978 to provide community development loans to consumer, worker, housing, and agricultural producer coops across the Midwest United States.
Size of Fund	Has over 200 investors and a capital pool of about \$12 million.
Who Is Using the Fund	Over 100 consumer, producer and worker cooperatives across a large range of industry sectors. About 80% of the investments go to business expansions – the other 20% for business start-ups.
Financial products offered	Loans for any business purpose, including equipment purchase, capital improvement, working capital, inventory etc.
Sources of funds	A large spectrum of organizations committed to social justice and/or local development. All of the investors accept a below market rate of return.
Viability of fund	The fund sustains itself through the profits it earns on the loans, and by using a portion of the investment capital to fund administrative costs.
Nature of T/A supports	Technical assistance is not provided directly by the Fund. It is provided by an associated organization – the Northcountry Cooperative Foundation.

#### *Chantier de l'économie sociale Trust*

Background	Set up in 2006 by the Chantier de l'économie Trust
Size of Fund	Has a capital pool of about \$53 million.
Who Is Using the Fund	The Fund is still quite new. It is available to “social economy” enterprises, which means market driven or market supplemented enterprises created by

	democratically governed non-profit organizations and by cooperatives. 2/3 of the Funds will be used for business expansions. The remainder for start-ups. Housing cooperatives are not eligible to apply.
Financial products offered	Loans
Sources of funds	Major portions of the Fund have been provided by the Federal and Provincial governments. Some has been provided by labour sponsored organizations.
Viability of fund	Operating costs for the first two years are provided by federal government grants. In the longer term, operating costs will be financed through investment returns. Just under half of the capital invested in the Fund does not require a return.
Nature of T/A supports	Technical assistance is not provided directly by the Fund. There are a range of other technical assistance support organizations in Quebec.

#### *ICOF Community Capital Ltd*

Background	Incorporated in the United Kingdom in 1994 as part of a family of cooperative support organizations that have been operating since 1973.
Size of Fund	Approximately £ 450,000.
Who Is Using the Fund	Cooperatives, community businesses and social enterprises throughout the mainland UK. The social goals of the enterprises tend to cluster around employment creation and community economic renewal.
Financial products offered	Loans
Sources of funds	Withdraw able membership shares – some of which receive an interest return when the Fund is in a position to pay it.
Viability of fund	It is not entirely clear how the administrative costs of the Fund are managed. The Fund is managed within a family of other organizations, which may keep its administrative costs low. Investment losses are financed by limiting the returns to investors in the Fund, and by fund-raising to cover the cost of loan guarantees.

Nature of T/A supports	ICOF provides in house technical assistance and facilitates networking between enterprises.
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### *Ontario Social Enterprise Trust*

Background	OSET is a proposal, not a reality. At the time of this writing, the proponents of OSET have not yet been able to raise the capital to operationalize the Fund. It is included here because it reflects the thinking of a broad consortium of organizations in Ontario that combined to create the Fund.
Size of Fund	The plan was to raise \$75 million over a ten year period.
Who Is Using the Fund	The plan was to invest the proceeds of the Fund in social enterprises across a broad spectrum of social goals. Eligibility criteria related to organizational structure, start-ups versus expansions, percentage of revenues that need to come from the marketplace etc. have not yet been developed.
Financial products offered	Patient capital in the form of long term loans or loan guarantees, at market based interest rates.
Sources of funds	The plan was to raise \$20 million from the Provincial government, \$25 million from the Federal government, \$10 million from Foundations, and \$20 million from private corporations. Much of this funding would be raised on a non-repayable basis. Some would be raised by issuing debentures which would yield a return equivalent to a 10 year Treasury bill or a 5 year GIC.
Viability of fund	The plan was to cover operating costs through operating grants, interest on loan repayments, returns on the investment of the Trust's capital pool (in mainstream instruments), and operating grants for special projects.
Nature of T/A supports	Technical assistance was to be provided by providing non-repayable grants of \$5,000 to \$25,000, which the enterprise would use to purchase technical assistance services from other sources.

### *Toronto Enterprise Fund*

Background	Established in 2000 with non-repayable grants from the City of Toronto, Human Resource Development Canada, The United Way of Greater Toronto, and the Province of Ontario. The current funding partners and the
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	funding structure has remained largely unchanged since its inception.
Size of Fund	Is funded with a budget of \$2,735,000 every three years.
Who Is Using the Fund	TEF is currently funding 12 social enterprises, all of which are being run under a parent organization which is incorporated as a non-profit organization. The social objectives of the recipient organizations are primarily targeted at providing employment for homeless people or those at risk of homelessness in Toronto.
Financial products offered	Grants
Sources of funds	Non-repayable funding from the City of Toronto, Human Resource Development Canada, The United Way of Greater Toronto, and the Province of Ontario. The United Way contribution comes from two sources that were brokered by the United Way of Greater Toronto.
Viability of fund	The Fund receives all of its revenues as grants from the above referenced sources of funds. Its viability is dependent on being able to continue to attract that funding.
Nature of T/A supports	Grants are provided to social enterprises to purchase technical assistance. Some in house technical assistance is also provided, as is the facilitation of networking arrangements.

#### *Edmonton Social Enterprise Fund*

Background	Established in 2008 with leadership from the City of Edmonton and the Edmonton Community Foundation.
Size of Fund	The plan is to capitalize the fund at \$10.5 million. Not all of the funding is yet in place.
Who Is Using the Fund	The Fund is available for social enterprises in the City of Edmonton. It is anticipated that most of the capital will be loaned to registered charities who are creating social enterprises to further the social purposes of the parent organization. A particular emphasis is placed on supporting social housing initiatives.
Financial products offered	Short and long term loans. Mortgages for social housing.

Sources of funds	The plan is to eventually raise all of the money from all three levels of government, the Edmonton Community Foundation and other local funding agencies. All of the capital will be raised as non-repayable capital.
Viability of fund	The Fund intends to achieve sustainability on the returns it earns on both its social enterprise investments and the investment of its unallocated capital in mainstream investments.
Nature of T/A supports	Technical assistance is provided in-house, in the form of grants, and through partner organizations.

#### *Nova Scotia Community Economic Development Investment Funds (CEDIF's)*

Background	The Province of Nova Scotia offers an Equity Tax Credit to stimulate investment in small businesses, cooperatives and community enterprises. One vehicle through which these tax credits are administered is a CEDIF. A CEDIF is a fund that receives contributions of capital, and invests them in enterprises that are eligible for the equity tax credit.
Size of Fund	There are approximately 50 CEDIF's in existence, with a total capital pool of about \$28 million.
Who Is Using the Fund	Only share capital corporations and cooperatives are eligible for the tax credit. Non-profit organizations are not eligible. The goal of the tax credit is to stimulate local economic development. While social enterprises are being supported through this instrument, it has not been designed exclusively for them.
Financial products offered	These are equity investments, which are fully repayable over time.
Sources of funds	Private investors
Viability of fund	Each fund is set up according to its own business plan. Funds are often set up to support just one specific enterprise. The Fund needs to demonstrate its viability to the individual investors. There is considerable variability in the returns that Funds pay to investors. Many Funds are having difficulty exiting their investments within the timelines initially established.
Nature of T/A supports	Technical assistance is not provided directly by any of the Funds.



We would suggest that the above Funds can be categorized into three main typologies. These typologies closely parallel the social enterprise continuum provided in [section ??? above](#). All of the Funds are designed to support the development of social enterprises. Some of them are directed at social enterprises that display many “program” or “grant dependent” characteristics. Others are directed more at social enterprises where “enterprise” characteristics dominate. Still others seem to be directed more at enterprises in the middle of the continuum. As indicated earlier, linking the typology to the social enterprise continuum over simplifies the situation. Never the less, it can be helpful in discerning the type of intervention that might be helpful for providing Winnipeg social enterprises with access to capital. The typology we would offer is as shown in the table beginning on the next page<sup>12</sup>:

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<sup>12</sup> ICOF has not been included in this typology. It is part of a larger family of interventions, and was difficult to categorize.

<b>General Characteristics of Social Enterprise Development Funds By Type of Fund</b>			
	<b>Program Characteristics Significant (TEF)</b>	<b>Hybrid (OSET, Edmonton SEF)</b>	<b>Enterprise Characteristics Dominate (NCDF, NS CEDIF's, The Chantier)</b>
<b>Type of Businesses Supported</b>	<ul style="list-style-type: none"> <li>• Grant dependant</li> <li>• Small to medium sized businesses</li> <li>• Started by non-profits</li> <li>• Targeted at providing employment opportunities for the homeless and people with disabilities</li> </ul>	<ul style="list-style-type: none"> <li>• OSET – criteria not yet clear               <ul style="list-style-type: none"> <li>○ OSET's initial focus will likely be on supporting social enterprises that address poverty reduction</li> <li>○ Pending funding, this focus may broaden to support social enterprises which address other social issues.</li> </ul> </li> <li>• Edmonton SEF               <ul style="list-style-type: none"> <li>○ 90% will be enterprises run by charities</li> <li>○ Looking for a strong history of successfully running social enterprises; and sound financial management practices</li> <li>○ Edmonton SEF places special emphasis on supporting social housing initiatives.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• NCDF               <ul style="list-style-type: none"> <li>○ Consumer, producer, worker and agricultural coops</li> <li>○ Mostly business expansions</li> </ul> </li> <li>• The Chantier               <ul style="list-style-type: none"> <li>○ 2/3 will be expansions</li> <li>○ Definition of SE's is quite broad</li> <li>○ Businesses tend to be quite large by SE standards</li> <li>○ Enterprises derive 60-75% of their income from market revenues, and 25-40% from government subsidies, contributions from foundations, and fundraising activities.</li> </ul> </li> <li>• NS CEDIF's               <ul style="list-style-type: none"> <li>○ 25% coops, 75% share capital</li> <li>○ Local economic development emphasis, not necessarily CED</li> <li>○ Capable of demonstrating viability to local investors</li> </ul> </li> </ul>
<b>Product Offerings</b>	<ul style="list-style-type: none"> <li>• Grants</li> </ul>	<ul style="list-style-type: none"> <li>• OSET – Long term loans or guarantees</li> <li>• Edmonton SEF               <ul style="list-style-type: none"> <li>○ TA grants</li> <li>○ Mortgages</li> <li>○ Loans</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• NCDF – Loans</li> <li>• The Chantier – Loans</li> <li>• NS CEDIF's – Equity investments</li> </ul>

General Characteristics of Social Enterprise Development Funds By Type of Fund			
	Program Characteristics Significant (TEF)	Hybrid (OSET, Edmonton SEF)	Enterprise Characteristics Dominate (NCDF, NS CEDIF's, The Chantier)
Source of Capital	<ul style="list-style-type: none"> <li>Grants from a variety of organizations</li> </ul>	<ul style="list-style-type: none"> <li>Grants from a variety of organizations – especially government</li> </ul>	<ul style="list-style-type: none"> <li>All use money that has been obtained free or at below market rates</li> <li>NCDF – a large spectrum of organizations committed to social justice and/or local development</li> <li>The Chantier – largest portion from federal government. Some also from provincial government and other institutions.</li> <li>NS CEDIF's – private investors</li> </ul>
Return to Investors	<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>Edmonton SEF – None</li> <li>OSET – Plan is for only a portion of OSET's capital to require a return to investors – which would be below market.</li> </ul>	<ul style="list-style-type: none"> <li>NCDF <ul style="list-style-type: none"> <li>Highly variable -depends on institutional expectation</li> <li>Below market</li> </ul> </li> <li>The Chantier <ul style="list-style-type: none"> <li>Only a portion requires a return</li> </ul> </li> <li>NS CEDIF's <ul style="list-style-type: none"> <li>Tax credits</li> <li>Some also pay dividends</li> <li>Exits are a problem</li> </ul> </li> </ul>
Operating Funding/Viability	<ul style="list-style-type: none"> <li>Provided by grant money – most of which has already been raised</li> </ul>	<ul style="list-style-type: none"> <li>OSET – Sources of operating funding: <ul style="list-style-type: none"> <li>Loan interest</li> <li>Returns on market investments</li> <li>Operating grants</li> </ul> </li> <li>Edmonton SEF – Sources of operating funding: <ul style="list-style-type: none"> <li>Loan interest</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>NCDF - Sources of operating funding: <ul style="list-style-type: none"> <li>- Loan interest &amp; loan fees;</li> <li>- Management fees;</li> <li>- Grant revenue;</li> <li>- Project reimbursement income;</li> <li>- Development fees.</li> </ul> </li> <li>Affiliated organization performs</li> </ul>

**General Characteristics of Social Enterprise Development Funds  
By Type of Fund**

	<b>Program Characteristics Significant (TEF)</b>	<b>Hybrid (OSET, Edmonton SEF)</b>	<b>Enterprise Characteristics Dominate (NCDF, NS CEDIF's, The Chantier)</b>
		<ul style="list-style-type: none"> <li>○ Returns on market investments</li> <li>• Both Funds are quite large. Both reserve a substantial portion of the fund to invest in the mainstream market as a way of generating operating funds</li> </ul>	<ul style="list-style-type: none"> <li>• most of the development work</li> <li>• NS CEDIF's – CEDIF's use a portion of the funds raised, or investment earnings to cover administrative costs. These functions are also sometimes carried out by a partner organization.</li> <li>• The Chantier – Sources of operating funding: <ul style="list-style-type: none"> <li>- 1<sup>st</sup> two years – federal grants</li> <li>- Beyond – investment returns</li> </ul> </li> <li>○ Due diligence, technical assistance, development work performed by partner organizations</li> </ul>
TA	<ul style="list-style-type: none"> <li>• TA provided either via in-house services or through TA grants.</li> </ul>	<ul style="list-style-type: none"> <li>• OSET – TA grants</li> <li>• Edmonton SEF – TA grants</li> </ul>	<ul style="list-style-type: none"> <li>• NCDF – Provided through an affiliated organization</li> <li>• The Chantier – None.</li> <li>• NS CEDIF's – None</li> </ul>
Longevity	<ul style="list-style-type: none"> <li>• A proven model to obtain results.</li> </ul>	<ul style="list-style-type: none"> <li>• An emerging but as yet unproven model – mostly still in the proposal stage</li> <li>• The model that most closely approximates the Manitoba SEIF proposal (see note below)</li> </ul>	<ul style="list-style-type: none"> <li>• A proven model to obtain results.</li> <li>• The model most used by the jurisdictions whose SE sector Winnipeg has hoped to emulate.</li> </ul>

## **Changing government or other procurement policies**

Prior to conducting this research there was considerable informal feedback to indicate that government and other procurement practices created barriers for social enterprise participation. The interviewees in Winnipeg, and the participants of the national workshop, were asked to identify how significant this was to them, and how the practices would need to be changed to be more helpful to them.

### **The Winnipeg perspective**

Government procurement practices was not a priority for the social enterprise sector in general. There are some Winnipeg enterprises, however, which could be much stronger if they had access to government business. They have experienced strong barriers to accessing it.

The businesses which indicated that this is not a priority either did not sell the kinds of products or services that government tends to buy through contract (e.g. restaurant services), or they were not ready to implement the kind of organizational discipline required to fulfill such a formal contract.

Not all government procurement occurs through direct contractual relationships. A variety of social enterprises offer services directly to the public, but are essentially sustained by government subsidies (e.g. child care centres). Government policy about how to support these services has a significant impact on the viability of the commercial arrangements through which they are provided.

Government procurement is not the only type of procurement that can be adjusted to create more favourable conditions for social enterprises. The Social Purchasing Portal for example has been implemented to assist private sector procurement to support social purpose enterprises. An expansion of this type of mechanism has potential to support the strengthening of the social enterprise sector.

The businesses which indicated that procurement is a priority tended to name one or more of the following as solutions:

- Split larger government contracts into smaller pieces to make it possible for smaller companies to perform the work.
- Change some of the technical aspects of the bid process such as the requirement for bid bonds and other insurance.
- Implement some wage equity guidelines for suppliers so that it is possible to perform the work at wage levels that can sustain a household. The researchers were provided a number of examples of contracts that are structured in such a way that the workers are receiving extremely low wages (sometimes below minimum wage). Examples included cleaning and courier services.

- Use criteria in the RFP process that recognize the social contribution of social enterprises and favour those bids accordingly.
- Strengthen the social return on investment evidence (SROI) base and use the evidence to advocate for more favourable procurement practices.
- Expand the solidarity within the social enterprise sector so that social enterprises purchase more from one another.

### The national perspective

The participants at the May 2008 workshop preferred to have this discussion within the context of expanding market opportunities. They suggested interventions such as:

- Create a national capacity to proactively identify market demands and trends, and share the research with other social enterprises across the country
- Build a public awareness and social marketing campaign, including a national definition of social enterprises, creating appropriate brands, logos (e.g. fair trade) etc
- Advocate for “set aside” policies, unbundling of contracts etc.

The importance of changes to procurement practices will vary according to the place a social enterprise is on the continuum. Following is our assessment of the relationship between the two:

## Relationship of Procurement Arrangements To Social Enterprise Model

<b>Focus:</b>	<div style="display: flex; align-items: center; justify-content: space-between;"> <span>Program</span> <span>←</span> <span>→</span> <span>Enterprise</span> </div>				
<b>Model:</b>	Program	Grant dependent	Striving for market self-sufficiency	Previously grant assisted – now self-sufficient	Self-sufficient on market revenues
<b>Procurement Arrangements</b>	<ul style="list-style-type: none"> <li>• Can benefit from small scale, voluntary, socially conscious procurement such as SPP</li> <li>• Not likely to scale up to consistently meet government or corporate needs in a contractual environment – even a favoured one</li> </ul>	<ul style="list-style-type: none"> <li>• Can benefit from small scale, voluntary, socially conscious procurement such as SPP</li> <li>• Might be able to scale up to consistently meet government or corporate needs in a contractual environment</li> </ul>	<ul style="list-style-type: none"> <li>• A primary target for modified government and/or corporate procurement policies</li> <li>• Many have the intention of putting in place the systems that are required to meet quality and other requirements in a contractual environment</li> </ul>	<ul style="list-style-type: none"> <li>• A primary target for modified government and/or corporate procurement policies</li> <li>• Many have the intention of putting in place the systems that are required to meet quality and other requirements in a contractual environment</li> </ul>	<ul style="list-style-type: none"> <li>• A primary target for modified government and/or corporate procurement policies</li> <li>• Many already have the systems in place to meet quality and other requirements in a contractual environment</li> </ul>

## **Providing wage subsidies**

The social purposes of social enterprises vary widely. Earlier in this paper we identified five primary social purposes. The social purpose of a large cluster of enterprises is to provide employment and/or employment training for job seekers with employment barriers. Many other enterprises, whose primary social purpose may be related to other issues, also incorporate some aspect of workforce development into their goals. All of these enterprises incur above normal costs in running their enterprises. Most have significant additional training costs. Some have additional supervision costs. And many have difficulty meeting private sector productivity levels because of the limitations of their workforce.

For all of these businesses there is a moral and economic argument to be made for providing wage subsidies to offset the extra costs and the productivity losses they incur. The jobs that are provided create a private benefit for each of the workers. They also provide public benefits by reducing the dependency of this workforce on other government services such as health and income supports and by avoiding undesirable public consequences such as crime and safety issues.

Many of the businesses that we interviewed do not receive wage subsidies of any form, and are not interested in applying for them. For those that do receive wage subsidies, it is usually the difference between breaking even or losing money. While there is strong agreement to continue the subsidies currently in place, there was not strong representation to substantially expand them. The group at the national workshop in May 2008 was not interested in discussing them.

A number of entrepreneurs suggested that while the moral and economic arguments for providing the subsidies are strong, it is unlikely that rapid growth of the social enterprise sector will come from the enterprises that need them. The growth of such enterprises will always be limited by the availability of grants and subsidies, rather than the market.

An analysis of how enterprises on the continuum relate to wage subsidies is shown below:



## Relationship of Wage/Training Subsidies To Social Enterprise Model

Focus:	<div>Program ←-----→ Enterprise</div>				
Model:	Program:	Grant dependent	Striving for market self-sufficiency	Previously grant assisted – now self-sufficient	Self-sufficient on market revenues
Wage/Training Subsidies	<ul style="list-style-type: none"><li>• Wage/training subsidies less likely to be applicable</li><li>• Workers frequently are program participants, and receiving only casual remuneration or honorariums</li><li>• Subsidization usually comes from funders related to the host program, not from labour force development funders</li></ul>	<ul style="list-style-type: none"><li>• As per “Program” related enterprises</li></ul>	<ul style="list-style-type: none"><li>• A primary target for labour market related subsidies</li></ul>	<ul style="list-style-type: none"><li>• A primary target for labour market related subsidies</li></ul>	<ul style="list-style-type: none"><li>• Not a primary target for labour market related subsidies</li><li>• Less likely to employ a significant portion of workers who would qualify for labour market subsidies</li><li>• Business model generally oriented to growth, and can not be dependent on constantly increasing subsidy pool</li></ul>

## **Relative Priority of the Five Interventions**

### Lessons from Quebec

In October 2007 John Loxley and Dan Simpson completed a study of government policies toward community economic development and the social economy in Quebec and Manitoba<sup>13</sup>. They provided evidence that there are at least five major contributing factors to the development of a robust social enterprise sector in Quebec. Those five factors can be summarized as follows:

- 1) The existence of an historical cooperative culture, with a large consumer cooperative sector including non-traditional sectors such as funeral services, as well as a large number of worker cooperatives in sectors such as:
  - a) Taxi industry
  - b) Agriculture
  - c) Forestry
  - d) Cultural activities
- 2) The Provincial government's approach to service delivery – particularly its sectoral policies of devolving the following types of work to the non-profit sector:
  - a) Ambulance services
  - b) Child care centres
  - c) Legal clinics
  - d) Social housing
  - e) Recycling services
- 3) The availability of investment capital through a variety of very significant long term federal and provincial government funded sources, the Desjardins credit union movement and Labour sponsored funds.
- 4) The roles and resources given to the community sector to plan and direct the economic development of various regions. Local community development corporations have been mandated to create and implement development strategies related to employment. Long term core funding has been provided to sustain planning and coordination work. And the non-profit sector has been included at multi-sectoral planning tables throughout the province. All of this has facilitated the integration of social and economic planning at local, regional and Provincial levels.

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<sup>13</sup> Loxley, John and Simpson, Dan; "Government Policies Toward Community Economic Development and the Social Economy in Quebec and Manitoba"; October 2007

- 5) The Provincial government has provided long term support for institutional capacity building. This has partly been achieved through a strong array of policies and resources to support cooperative development. It has also included long term financial supports to sustain community economic development corporations (CEDC's), which support the development of social enterprises.

### Lessons from Nova Scotia

In March 2007 the British Columbia – Alberta Research Alliance on the Social Economy (BALTA) completed a research project which investigated the factors that have contributed to the emergence, development and outcomes of the Nova Scotia Co-operative Development System<sup>14</sup>. As indicated earlier, cooperative development and social enterprise development are not synonymous. In Nova Scotia, however, community economic development, social enterprise development, and cooperative development are closely linked. Social enterprise development tends to occur within the cooperative sector.

The BALTA study documented a vital cooperative development system in Nova Scotia. It concluded there are four main reasons for the vibrancy of that system:

- 1) Key contextual factors such as a strong history of cooperatives in the province, and a relatively small geography and population size.
- 2) The devolution of the mandate for cooperative development to an external agency – the Nova Scotia Cooperative Council.
- 3) A supportive political environment with existing community economic development programs and initiatives conducive to the inclusion of cooperatives (e.g. CEDIF's and a number of other capital financing instruments)
- 4) The presence of an influential social entrepreneur with the skills and abilities to identify and take advantage of opportunities, create tools, and forge innovation within the sector.

The first three of the above points mirror closely the conclusions that Loxley and Simpson provided about Quebec. The fourth point is an important observation and needs to be kept in mind when thinking about replication possibilities in Manitoba.

### The view from Winnipeg

The Winnipeg interviewees, Social Enterprise reference group, and participants at the national workshop in May 2008 were all asked to rank order the five interventions in order of importance. Following are their rankings:

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<sup>14</sup> Soots, Lena K, "Supporting Innovative Cooperative Development: The Case of the Nova Scotia Cooperative Development System, BALTA, March 2008

Intervention	Local Interviewees	Local Reference Group	National Workshop Participants
Animation	2 <sup>nd</sup>	1 <sup>st</sup>	4 <sup>th</sup>
Entrepreneur Development	1 <sup>st</sup>	2 <sup>nd</sup>	2 <sup>nd</sup>
Investment Capital	5 <sup>th</sup>	3 <sup>rd</sup>	1 <sup>st</sup>
Procurement	4 <sup>th</sup>	4 <sup>th</sup>	3 <sup>rd</sup>
Wage/Training Subsidies	3 <sup>rd</sup>	5 <sup>th</sup>	n/a

The conclusion that one can draw from the above is that in the Winnipeg context, the two most urgent priorities are to improve the local animation capacity, and the local capacity to develop entrepreneurs. The national experience would suggest that if these two capacities are significantly increased, the demand for various forms of investment capital will become an urgent priority soon afterwards.

## **An Action Plan for Social Enterprise Development in Winnipeg**

At a meeting of the Social Enterprise Reference Group on January 7, 2009, it was agreed that while each of the five interventions have some value in strengthening the social enterprise sector, the following three interventions should receive priority.

- The need for a strengthened animating capacity
- The need to strengthen, develop and support social enterprise entrepreneurs
- The need to improve access to capital

### **Options For Developing An Animating Capacity**

#### Programmatic options

Earlier in this report we provided three specific examples of how the animating function is performed elsewhere. A summary of the key animation functions and how they are performed in each of those organizations may be helpful. There is a great deal of similarity of function between the three models described below. There are also some significant differences in the functions that are emphasized, and how they are delivered.

Function	Enterprising Non-Profits	Nova Scotia Cooperative Council	WAGES
Target Group	<ul style="list-style-type: none"> <li>Non-profit organizations wishing to start or expand a business</li> </ul>	<ul style="list-style-type: none"> <li>Cooperative enterprise development</li> </ul>	<ul style="list-style-type: none"> <li>Worker owned eco-friendly housecleaning cooperatives employing low income women</li> </ul>
Research, Planning & Opportunity Identification	<ul style="list-style-type: none"> <li>Conducts workshops to assist non-profit organizations to identify business opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Works with its members and other partners to identify the needs, challenges and opportunities for cooperative enterprise development</li> <li>Assists with research related to specific cooperative opportunities</li> <li>Has launched some enterprises itself e.g. Health Care Cooperative</li> </ul>	<ul style="list-style-type: none"> <li>Limited activity, related exclusively to worker owned green businesses</li> </ul>
Technical Assistance	<ul style="list-style-type: none"> <li>Provides technical assistance across the whole development spectrum</li> <li>Conducts workshops</li> <li>Develops resources, makes them available online</li> <li>Provides technical assistance grants</li> </ul>	<ul style="list-style-type: none"> <li>Provides workshop and one-on-one support for business planning, incorporation assistance, business management etc.</li> <li>Offers sector relevant publications and information</li> </ul>	<ul style="list-style-type: none"> <li>Provides consulting support for business planning, legal assistance etc.</li> <li>Provides training in cooperative governance and management</li> <li>Provides specific job training related to cleaning, environmentally safe products and tools etc.</li> </ul>
Links to markets	<ul style="list-style-type: none"> <li>Promotes the Social Purchasing Portal</li> <li>Brokers specific opportunities e.g. a connection with RONA</li> </ul>	<ul style="list-style-type: none"> <li>Builds solidarity within the cooperative sector</li> </ul>	<ul style="list-style-type: none"> <li>Promotes the individual cooperatives through its website</li> </ul>

Function	Enterprising Non-Profits	Nova Scotia Cooperative Council	WAGES
Advocacy	<ul style="list-style-type: none"> <li>Coordinates stakeholders to identify and advocate for public policy changes</li> <li>Promotes understanding of the social enterprise sector</li> </ul>	<ul style="list-style-type: none"> <li>Coordinates stakeholders to identify and advocate for public policy changes</li> </ul>	<ul style="list-style-type: none"> <li>No apparent involvement</li> </ul>
Capital	<ul style="list-style-type: none"> <li>Provides grants</li> <li>Links enterprises to sources of loan capital</li> </ul>	<ul style="list-style-type: none"> <li>Focus is on loans and equity financing</li> <li>In conjunction with the Province and Nova Scotia Credit Unions, develops financing instruments</li> <li>Assists cooperatives to access the financial instruments</li> <li>Administers its own loan fund</li> </ul>	<ul style="list-style-type: none"> <li>Links cooperatives to a source of loan capital that it helped to broker</li> </ul>
Leadership Development	<ul style="list-style-type: none"> <li>Technical assistance</li> <li>Provides opportunities for networking</li> </ul>	<ul style="list-style-type: none"> <li>Technical assistance</li> <li>Has a youth leadership development program</li> <li>Working to include cooperative development in community college business administration program</li> </ul>	<ul style="list-style-type: none"> <li>Facilitates collaboration between the cooperatives it supports</li> <li>Recruits and trains business managers for the cooperatives</li> </ul>
Maintains its own viability through	<ul style="list-style-type: none"> <li>Grants/donations</li> </ul>	<ul style="list-style-type: none"> <li>Grants/Fees for Service</li> </ul>	<ul style="list-style-type: none"> <li>Grants/donations</li> </ul>

### *A Note About the Sectoral Strategy (WAGES) option*

The third option shown above is applicable only if a sectoral strategy is to be followed. Out of their research which compared the Quebec and Manitoba contexts, Loxley/Simpson<sup>15</sup> identified three potential sectors to focus on. Each of these were sectors in which service provision is currently provided through the public sector, but could be provided through a more devolved model. The three sectors they named were home care, child welfare and recycling.

A fourth opportunity has also become apparent through the course of doing this research. The Province has committed to funding an additional 5,000 child care spaces over the next five years. Only a portion of those spaces currently exist. Child care advocates in Manitoba are clear that a significant animation effort will be needed to ensure that enough new spaces are created to take up all of the additional funding that will be made available. A sectoral strategy could be used to capture this opportunity.

### Organizational options

The above programmatic options could be delivered through a number of different organizational models. Four of the organizational options are presented below.

<i>A new entity</i>	Each of the programmatic options presented above are delivered through an entity that was established specifically for the purpose of delivering the programs and services that are described. It would be possible to do the same thing in Winnipeg.
<i>A program of an existing entity</i>	An existing entity could be mandated and funded to provide all (or most) of the services required to animate the social enterprise sector. SEED Winnipeg, for example may have a broad enough mandate to develop such a program, and the capacity to do so. Community Ownership Solutions also has a very compatible mandate to take this on. It's capacity to do so is not clear.
<i>Include within the cooperative development strategy for the Province</i>	The Province of Manitoba and the cooperative development sector have been preparing a vision and strategy for accelerating cooperative development in Manitoba. Social enterprise development has been closely linked with cooperative development in many of the jurisdictions reviewed in this report. There could be some advantages to implementing the programmatic options through the cooperative sector (political support, solidarity with other cooperatives, a coordinating body already in place etc.). One difficulty is that it might restrict social enterprise development to the cooperative model, which would exclude the many social enterprises that have been created through other models

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<sup>15</sup> Ibid

(especially non-profits) elsewhere.

*A distributed model*

Some of the functions required to animate social enterprises are already provided by organizations in Winnipeg. A distributed model would have a new program, or a new entity provide the supports that are not adequately provided right now, while referring or partnering with other organizations for the supports that are currently being provided. One way to structure that is as follows:

Research, Opportunity Identification	<ul style="list-style-type: none"><li>• Performed by the core entity</li></ul>
Technical Assistance	<ul style="list-style-type: none"><li>• Performed by organizations such as SEED Winnipeg, Women's Enterprise Centre, Provincial Business Development Centre, CEDTAS etc.</li></ul>
Investment Capital	<ul style="list-style-type: none"><li>• Provided by referral to organizations such as WEC, Assiniboine Credit Union, Jubilee Fund, Louis Riel Capital Corporation etc.</li></ul>
Link to markets, broker deals	<ul style="list-style-type: none"><li>• Performed by core entity</li></ul>
Advocacy	<ul style="list-style-type: none"><li>• Performed by organizations such as CCEDNet, Manitoba Cooperative Association</li></ul>
Leadership development	<ul style="list-style-type: none"><li>• Animated and coordinated by the core entity with portions delivered by academic institutions, other community based organizations (SEED Winnipeg is well placed to do this), and the core entity.</li></ul>

At the meeting of the Social Enterprise Reference Group on January 7, 2009 there was general agreement that the preferred programmatic model was one that emulated the Nova Scotia Cooperative Council. If an animating entity with similar characteristics were to be created in Winnipeg, its programming could include some of the programmatic options currently provided by the Enterprising Non-Profits and the WAGES programs. Implementation of a sectoral strategy is dependant upon finding a sector that provides good potential to develop one or more sustainable enterprises while also achieving some strong social goals. Some concerns were raised about the potential of the child care sector to provide that.

The Reference Group also provided strong support for the possibility of incorporating an animating capacity for social enterprises within the vision and strategy currently being developed by the cooperative development sector. One limitation of this option is that it could potentially exclude the development of social enterprises outside of the cooperative model. Participants were clear that it even if the animating capacity were developed from within the



cooperative movement, it would need to have terms of reference sufficiently flexible to support enterprises with non-profit or share capital organizational structures. There was also a desire not to duplicate technical assistance and other capacities that already exist in other organizations, but rather to work in partnership with them. One possibility for achieving this would be to build the capacity for social enterprise animation within the cooperative movement, but have it guided by an inter-sectoral council made up of a variety of social enterprise support organizations.

## **Options To Strengthen, Develop And Support Social Enterprise Entrepreneurs**

In an earlier section of this report we described the four main categories of skills that social entrepreneurs need to build. They were:

- General business skills
- Social service skills
- Industry specific skills
- Skills to assist in bridging the worlds of commercial enterprise and social service

Many resources already exist to meet some of those needs. Following is a sample of the resources available to assist Winnipeg based social entrepreneurs to strengthen their capabilities:

<u>Organization/Program</u>	<u>Supports Provided</u>
<ul style="list-style-type: none"> <li>• SEED Winnipeg</li> </ul>	<ul style="list-style-type: none"> <li>• Business management training</li> <li>• Individual help and business advice</li> <li>• Financial management training</li> <li>• Referrals to other programs</li> <li>• Access to financing</li> <li>• Training specific to individual businesses, partnerships and worker owned cooperatives</li> </ul>
<ul style="list-style-type: none"> <li>• Women's Enterprise Centre</li> </ul>	<ul style="list-style-type: none"> <li>• Business management training</li> <li>• Individual help and business advice</li> <li>• Referrals to other programs</li> <li>• Access to financing</li> </ul>
<ul style="list-style-type: none"> <li>• Louis Riel Capital Corporation</li> </ul>	<ul style="list-style-type: none"> <li>• Business management training</li> <li>• Individual help and business advice</li> <li>• Referrals to other programs</li> <li>• Access to financing</li> </ul>
<ul style="list-style-type: none"> <li>• Aboriginal Youth Mean Business!</li> </ul>	<ul style="list-style-type: none"> <li>• Business management training</li> <li>• Individual help and business advice</li> <li>• Referrals to other programs</li> </ul>

- Resource materials
- Business Start Program
  - Business management training
  - Access to financing
- CESO
  - Business management training
  - Individual help and business advice
- Canada Manitoba Business Service Centre
  - Large selection of resources and guides for planning and operating a business
    - Online
    - In the Resource Centre
  - Some industry specific guides
  - Robust offering of seminars on a wide range of business planning and management topics
- CEDTAS
  - One on one technical assistance
  - Periodic seminars
- CD/CED Training Intermediary
  - CED training program that includes modules related to social enterprise planning and management
  - Periodic seminars that include modules related social enterprises
- Community Development Business Association
  - A network to support social entrepreneurs in Winnipeg
- Cooperative Development Branch of MAFRI
  - Assistance in developing cooperative businesses
- Enterprising Non-Profits – Vancouver
  - Online resources related specifically to managing social enterprises
- Toronto Enterprise Fund
  - Online resources related specifically to managing social enterprises

Despite the range of supports described above, the Winnipeg social enterprise community still names entrepreneurial development as one of the top two priorities for strengthening the sector. This is likely due to a combination of factors, which include:

- Many of the training opportunities are at a fairly introductory level and may not provide enough depth to adequately inform business practices. The seminars offered by the Canada Manitoba Business Service Centres, for example, are two hours long.
- Most of the supports are not specifically directed at social enterprises. The business skills that social entrepreneurs need to develop are very similar to those in the general

business world, but the context is different and it does impact the usefulness of general business skills.

- The organizations that provide a more in depth treatment of business subjects (CD/CED Training Intermediary, SEED Winnipeg) do so by embedding them within a larger program of study, which may not be as relevant or accessible to a social entrepreneur.
- The supports are delivered through a wide array of organizations and methodologies, and it would take considerable initiative on the part of a social entrepreneur to navigate through the various choices
- The social entrepreneurs may not be availing themselves of the some of the good opportunities that do exist for them

The options for developing and supporting social enterprise entrepreneurs fall into two main categories – those that are academically based, and those that are sector based. A few options for academically based entrepreneurial development were suggested during this research. The Nova Scotia Cooperative Council provides one example of an organization pursuing such options.

The following recommendations would lead to a robust program for developing and supporting social entrepreneurs:

1. A university level business management program that incorporates a stream for students preparing to work in social enterprises. Discussions are currently underway with the University of Winnipeg to explore the possibility of creating a program for social entrepreneurs by integrating aspects of the Business Management program with aspects of the Inner City Studies program. This should be encouraged.
2. A one year certificate level program in which people currently employed in social enterprises attend classes two to three days per month, and continue their employment the balance of the time. This could be delivered through an academic institution, a sector initiative, or a combination of both.
3. A series of stand alone workshops, seminars, lectures etc. that provide practical, in depth instruction related to general business skills, within the context of the social enterprise sector. Each workshop would be of sufficient length (1 or 2 days) to provide participants with significant skill building in the workshop topic. These could be delivered through an academic institution, a sector initiative, or a combination of both.
4. Sector based initiatives that include:
  - Mentorship programs that provide opportunities for experienced business people or social entrepreneurs to provide guidance to less experienced entrepreneurs

- Internship programs, whereby business people work for a period of time in a social enterprise, or aspiring social entrepreneurs have an opportunity to work in a corporate setting
- Regular opportunities for social entrepreneurs to network with one another; with academics, trainers, and consultants; and with mainstream business leaders

It is recommended that the development and coordination of the above entrepreneurial development be carried out by the entity charged with animating the sector.

The sector based portion of the above education and training program could provide industry specific skills if the animating organization selects a sectoral strategy as one of its future directions for animation.

### **Improving access to investment capital**

Social enterprises need access to equity and loan capital. Depending on their stage of development, they generally need access to both repayable and non-repayable investment capital. This research has shown that all forms of investment capital are necessary to stimulate the social enterprise sector.

The Winnipeg social enterprise practitioners whom we interviewed gave a priority to the development of stronger sources of equity capital. A majority of those interviewed spoke of the need for non-repayable equity in the form of grants. This may be partly because many non-profit organizations and other enterprise sponsors are in the early stages of social enterprise development, and not yet ready to service repayable investments. It is also because several sources of loan capital are already available for capitalizing social enterprises that are ready to service repayable loans.

Social enterprises in Winnipeg have been able to access start up grants from a variety of sources. The sources have included funders such as the United Way of Winnipeg, Winnipeg Partnership Agreement, Assiniboine Credit Union, The Winnipeg Foundation etc. Generally the sources relate to the social purposes of the enterprise that is being started. None of them operate comprehensive programs to finance the start up of social enterprises.

It is difficult to estimate the size of the grant pool required to nurture the Winnipeg social enterprise sector. Two reference points might be the Toronto Enterprise Fund and the Enterprising Non-Profits Program. The Toronto Enterprise Fund provides long term support to social enterprises that offer transitional or permanent employment to people who are homeless, at risk of homelessness or low-income. The businesses obtain significant revenue from the marketplace, but are not totally self-sufficient on market revenues. TEF receives an infusion of approximately \$900,000 per year to cover both its operating costs and its granting activity. The granting activity is distributed amongst twelve enterprises. This would imply an average annual grant per enterprise in the range of \$50,000.

The ENP program supports between 40 to 50 enterprises per year with grants up to \$10,000 each. These are technical assistance grants, not capital start up grants. ENP has estimated that operational grants of between \$20,000 and \$70,000 are required to support the start up of a new social enterprise<sup>16</sup>.

The Social Enterprise Reference Group determined that priority be given to supporting enterprises that have a goal of becoming self-sufficient on market revenues. This would suggest that the TEF model of providing long term support not be replicated here. If one time operational start-up grants (but not sustaining grants) of \$50,000 are to be provided, then an annual pool of \$250,000 would be adequate to support the start-up of five enterprises each year.

If such a fund is made available, there are a number of possibilities for how it would be administered. One possibility is that it be administered directly by a funder. There is a fairly high level of confidence amongst the members of the Reference Group in the capability of the United Way of Winnipeg to administer such a fund. A potential problem with that however is that the United Way is subject to charitable regulations, which would likely be too restrictive for the range of social enterprise applications that might come forward. The preferred methodology for the members of the Reference Group is that the funds be allocated through a sector based council, with one non-profit organization designated to bank the funds and perform the administrative work.

In terms of repayable equity capital, the uptake on the Provincial CED Tax Credit has been very low in Winnipeg. The demand for the CED Tax Credit is likely to strengthen as the social enterprise sector matures. In the meantime a number of changes could be made to increase its utilization. It could be structured to be made available to enterprises structured as non-profit organizations. It could be more heavily promoted. There is some evidence that it is complicated to access, and entrepreneurs require a high level of sophistication to access it. Social enterprises may need assistance in navigating the various regulations involved. That assistance could be provided by the animation entity recommended above.

Loan capital is currently available through a number of intermediaries. They include Aboriginal Business Canada, Louis Riel Capital Corporation, SEED Winnipeg, Assiniboine Credit Union, the Women's Enterprise Centre, the Jubilee Fund, the Tenacity Fund etc. Until recently these sources seem to have been adequate to meet the needs for loan capital in Winnipeg. There is now some evidence (e.g. Jubilee Fund) that a new infusion of capital is required, especially for loan capital at favoured rates. The creation of an animating entity is expected to sharply increase the demand for loan capital relatively quickly.

It is clear from the "Reflections" below, that most of the loan capital required to meet the increased demand will need to come from non-payable sources such as governments or

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<sup>16</sup> ENP internal document

foundations. It is not yet clear what the best organizational option is for increasing the supply of loan capital. The preference of the Social Enterprise Reference Group is that the capital be provided through existing delivery channels (e.g. Jubilee Fund, SEED Winnipeg, ACU, etc.). This would avoid the need to set up a whole new due diligence and administrative capacity in a new organization.

Once the sources of the capital are more clear, and the requirements of the capital providers are known, we may discover that it would be better to start a new stand alone fund. In the event that a stand alone Fund is considered the preferred alternative, the sector can benefit from the following observations regarding a previous attempt to create an investment fund.

#### Reflections regarding a Manitoba Social Enterprise Investment Fund Model

In 2004 some of the leaders within the Winnipeg social enterprise sector created a business plan for a social enterprise investment fund. The highlights of that Fund, which was patterned after the community development venture capital funds in the United States, were as follows:

- The purpose of the Fund was to provide patient capital for the start-up and expansion of social enterprises, and for the transformation of existing enterprises to a social enterprise format.
- To be eligible for an investment from the Fund, enterprises needed to be:
  - structured as a for-profit entity
  - have a demonstrated intention to work towards a goal of broadly based employee ownership and/or participation in the governance of the enterprise
  - have a goal of becoming commercially sustainable within a reasonable period
  - start with a minimum of three full time employees, with a business plan to expand to at least eight employees within two to five years
- Investments would be a minimum of \$20,000, and a maximum of \$100,000.
- The primary investment instruments to be used by the Fund were to be convertible debt or convertible preferred shares with a small annual interest or dividend yield. The Fund was also intending to employ a variety of other investment instruments such as subordinated debt, royalties, warrants, common shares etc.
- It was assumed that on average over seven years each businesses would provide an annual return of 9% to the Fund, with 3% of that being paid annually and the balance paid at redemption.
- It was anticipated that companies who received Fund investments would begin to exit those investments through a share buy-back plan beginning in the third or fourth year. Each investment would be fully exited after seven years. In some cases, where the

company was well established but did not yet have sufficient funds to fully exit in a reasonable period of time, it might need to borrow money to redeem the outstanding shares.

- While the Fund would have a limited technical assistance capacity, most of the technical assistance would be provided through partner organizations such as SEED Winnipeg, Women's Enterprise Fund, Louis Riel Capital Corporation etc.
- It was estimated that at the outset the Fund would receive applications from less than a dozen potential deals per year, and would accept between 3 to 6 deals per year. These volumes would slightly more than double by the seventh year. The average investment would be about \$50,000.
- The Fund would need to raise about \$3 million in equity capital over seven years. It was anticipated that within seven years the Fund would be exiting investments and freeing up capital for more investments. The Fund was expected to rely on grant funding to cover its operational costs in the early years, but to achieve commercial sustainability by the sixth or seventh year.
- A number of scenarios were developed for raising the initial equity pool. Eventually it was concluded that the only viable scenarios were those which raised the entire equity pool on a non-repayable basis.

Following are some reflections on the implications of the current research for the model that was contemplated in 2004. It is provided for the benefit of the folks who were a part of the 2004 exercise.

- The 2004 exercise did not distinguish between the various types of social enterprise models, or the stage of development they are in. It is clear that these foci need to be determined before deciding on the most appropriate way of providing investment capital to support the enterprises.
- The model developed in 2004 most closely reflects the hybrid models outlined earlier in this report. This model is still essentially untested, and may not match the SE sectors we wish to emulate.
- Viability with any self-sustaining model will require a larger fund than anticipated in 2004, with a range of "safe" investments to complement the riskier investments
- The demand for expansion funding vs. start-up funding needs to be evaluated
- The 2004 model had too many financial products in its offering. It was patterned after the social enterprise venture capital funds in the US. Given the availability of equity capital through grants and tax credits, the fund should be able to focus on providing loans.

- Only one of the seven funds included in this research provides equity funding, and it is having difficulty accommodating exits.
- All of the models are sourced either by non-repayable money or money that has been obtained at below market rates. Some variations of the 2004 model anticipated providing significant returns to investors. This is not viable in the current environment.
- The ownership restrictions (only share capital corporations or worker cooperatives would be eligible for funding) in the 2004 model may be unnecessarily restrictive.

#### Summary of Investment Capital Recommendations

The recommendations regarding the provision of investment capital are as follows:

- A) That a program of equity grants be established to support the Winnipeg social enterprise sector. These grants to be administered through either a sectoral council or the United Way of Winnipeg. The precise criteria for providing the grants to be determined later.
- B) That the core entity take responsibility for assisting social enterprises to access the Provincial CED Tax Credit, and for assisting the Province to adjust the Credit to make it more accessible. The most important revision that needs to be made is to create the ability to expand the Credit to social enterprises organized as non-profit corporations. There is some discussion currently underway about creating a new type of limited liability corporation to accommodate the uniqueness of social enterprises. This might create one alternative for the expansion of the criteria for the Tax Credit.
- C) That work to expand the availability of patient loan capital at favoured rates be started now. The organizational form to be used to achieve this to be determined after consultation with the potential funders.



## **Summary of Action Plan Recommendations**

### **Recommendation 1:**

That the capacity of the sector to animate, develop and support social enterprises be strengthened.

The fulfillment of this recommendation requires ongoing grant funding to one or more entities to:

- convene the sector,
- lead sector wide strategic planning,
- research market opportunities,
- broker deals,
- perform advocacy and
- provide business development supports to new or existing social enterprises.

The animating entity would also take responsibility for stewarding some aspects of the following recommendations regarding entrepreneur development and investment capital.

It is recommended that no new entities be formed as a result of this recommendation. Any new grant funding should be provided to one or more entities who already have a mandate for social enterprise development, and are already providing some level of support.

### **Recommendation 2:**

That a robust program for developing and supporting social entrepreneurs be implemented. The program should contain the following elements:

- A) A university level business management program that incorporates a stream for students preparing to work in social enterprises. This could be achieved a number of ways, including:
  - i) Integrating aspects of the Business Management program at the University of Winnipeg with aspects of the Inner City Studies program.
  - ii) Establishing a Chair in Social Enterprise Development
  - iii) Establishing a Chair in Cooperative Development, with a unit on Social Enterprise Development
- B) A one year certificate level program in which people currently employed in social enterprises attend classes two to three days per month, and continue their employment the balance of the time. This could be delivered through an academic institution, a sector initiative, or a combination of both.

- C) A series of stand alone workshops, seminars, lectures etc. that provide practical, in depth instruction related to general business skills, within the context of the social enterprise sector. Each workshop would be of sufficient length (1 or 2 days) to provide participants with significant skill building in the workshop topic. These could be delivered through an academic institution, a sector initiative, or a combination of both.
- D) Sector based initiatives that include:
- i) Mentorship programs that provide opportunities for experienced business people or social entrepreneurs to provide guidance to less experienced entrepreneurs
  - ii) Internship programs, whereby business people work for a period of time in a social enterprise, or aspiring social entrepreneurs have an opportunity to work in a corporate setting
  - iii) Regular opportunities for social entrepreneurs to network with one another; with academics, trainers, and consultants; and with mainstream business leaders

It is recommended that the development and coordination of the above entrepreneurial development be carried out by the entity charged with animating the sector, as per recommendation #1 above.

The sector based portion of the above education and training program could provide industry specific skills if the animating organization selects a sectoral strategy as one of its future directions for animation.

### Recommendation #3:

That the availability of investment capital for capitalizing social enterprises be increased through:

- A) A program of equity grants established to support the Winnipeg social enterprise sector. These grants to be administered through either a sectoral council or the United Way of Winnipeg. The precise criteria for providing the grants to be determined later.
- B) That the core entity take responsibility for assisting social enterprises to access the Provincial CED Tax Credit, and for assisting the Province to adjust the Credit to make it more accessible, including a revision to allow social enterprises organized as non-profit corporations to access it.
- C) That work to expand the availability of patient loan capital at favoured rates be started now. The organizational form to be used to achieve this to be determined after consultation with the potential funders.