

# Social Enterprise Reporter

Innovative Business Solutions for Nonprofit Entrepreneurs

## Vancity Credit Union: Taking a Risk on Entrepreneurs Who Make a Difference

by Tom White

**W**ith over \$10.5 billion in assets and more than 310,000 members, Vancouver's **Vancity Credit Union** (VCU) is the largest credit union in Canada. Vancity prides itself on continuing to provide financial support to members who have been ignored or forgotten by the larger commercial banks and has been helping BC-based nonprofits to build their own asset base. Each year Vancity commits to give back no less than 30% of profits to its membership and the local community. In 2005, more than \$7.4 million in grants has been made to over 250 organizations, including an annual \$1million award, selected democratically by the members, towards building the Phoenix Society's drug and alcohol addiction services center.

As a result of community mobilization in the 1980's and '90's, Vancity Board members gave their support to establishing both the venture capital subsidiary, **Vancity Capital**, to make more risk-oriented repayable investments, and the separate arms-length **Vancity Community Foundation**. Derek Gent is Vancity Capital's Investment Manager for the Social Enterprise Portfolio. According to Gent, "The original vision for Vancity Capital was to be more of a pure venture capital firm for social enterprise, but we found

### INVESTOR PERSPECTIVE

that there just weren't enough viable deals, and not enough financial upside to warrant that type of risk profile. Most of the social enterprise deals we saw weren't far enough along the development path in

terms of financial strength."

Mr. Gent manages a social enterprise portfolio dedicated to making risk capital investments in non-profit organizations, co-operatives and values-based businesses that make a significant social and environmental impact. "Most credit unions are risk averse and typically have ninety percent or more of their outstanding debt in consumer-based real estate mortgages," states Gent. "We were looking to offer unsecured debt and to take a risk on people who would make a difference. Not necessarily pure start-ups, but strong, viable organizations who could handle the additional debt service."

### Building a Social Enterprise Pipeline

Vancity Capital has found that the best pipeline for potential investees is from their grantee pool of organizations currently in the planning and development phases. In 1997 the Vancity Community Foundation started the **Enterprising Nonprofits Program** (ENP) in

## index

SER 210 November 2005

- 2 Editor's Letter
- 3 Boschee on Marketing: The Strategic Marketing Matrix for Social Entrepreneurs® Part Two
- 5 Innovative Solutions: Connecting Enterprise with Social Responsibility
- 8 Entrepreneurs Abroad: Hybrid Social Enterprise in the UK
- 9 Social Enterprise Toolkit: Turning Administrative Expenses Into Opportunities
- 10 News
- 11 Reviews: Social Enterprise: the Canadian Perspective
- 14 Events

(continued on page 12)

# Letter to Readers:

Dear Reader,

Social enterprise has been making great strides in Canada, the UK and other international locations. This issue was prompted by a recent visit to Vancouver, the largest city in BC. As many of my hosts reminded me, Vancouver is known for being home to the Canadian environmental movement, and as the birthplace of Greenpeace.

Canada also introduced the concept of social economy back in the 1990's and social enterprise is now frequently referred to as social economy enterprise. The concern for the environment, combined with public policy and financial support for a social economy has helped to spawn a vigorous social enterprise movement among BC nonprofits and cooperatives.

With this public policy support for a social economy comes another added benefit: nonprofit social enterprise is viewed holistically within the broader parameters of community economic development, alleviating poverty, providing affordable housing, improving employment and economic opportunities, addressing environmental concerns and providing access to services and programs that can assist individuals and groups to improve their personal circumstances (source: Western Economic Diversification Canada website.) ➔ [www.wd.gc.ca/ced/se/default\\_e.asp](http://www.wd.gc.ca/ced/se/default_e.asp)

The leadership of the Canadian Government has helped to place social enterprise squarely within the federal public policy agenda, across multiple agencies. As David LePage mentions in his interview, this federal initiative will help social enterprises to gain access to the same loan funds, consulting and export services that have traditionally been used to support private sector small and medium-sized businesses. An example of that is the recent publication of the *Guide to Financing Social Enterprise* published by Small Business BC. ➔ [www.smallbusinessbc.ca](http://www.smallbusinessbc.ca)

For more information on Canadian social enterprise, keep reading these pages or check out the BC-based Centre for Community Enterprise at ➔ [www.cedworks.com](http://www.cedworks.com).

Best wishes for the New Year,



Tom White

## PUBLISHER'S GUARANTEE

Our goal is to help you gain the maximum return on your subscription investment by providing information you can act on. If paid subscribers are not satisfied with their *SER* subscription or subscriber services for any reason, they may receive a full refund of their entire subscription cost at any time.

### Tom White

Editor and Publisher

### Susan Weeks

sjWeeks Designs

Production Designer

### Nancy Cutler

Midnight Oil Design, LLC

Designer

### Serge Vladimiroff

Web Developer

### Editorial Advisory Board

Sutia Kim Alter

Philip Arca

Samantha Beinacker

Jerr Boschee

Beth Bubis

Kathleen Kelly

Charles King

Rolfe Larson

Cynthia Massarsky

Jim Masters

Jim McClurg

Amber Nystrom

Richard Steckel

Mal Warwick

Kevin Weston

Natalie Woodroffe

Social Enterprise Reporter™ (ISSN: 1550-7300) is published monthly 10 times per year at [www.sereporter.com](http://www.sereporter.com), Jan-June, Aug-Nov by Social Enterprise Reporter.

### Annual Subscription:

\$69 institutional/multi-user

license; \$59 Individual;

\$29 Student/Low-Income.

### Editorial and Business Offices:

2644 Fulton Street, Suite A

Berkeley CA 94704

510-384-2336

Fax: 510-217-4065

E-mail: [ser@sereporter.com](mailto:ser@sereporter.com)

### Subscriber Services: [service@sereporter.com](mailto:service@sereporter.com)

[sereporter.com](mailto:service@sereporter.com)

Copyright © 2005 Social Enterprise Reporter. Fair use quotation with attribution is permitted. Extra copy, multiple subscription, and reprint rates are available on request.

Contributions are welcomed.

E-mail submissions to

[ser@sereporter.com](mailto:ser@sereporter.com).

# The Strategic Marketing Matrix for Social Entrepreneurs®: Part Two - Segmentation Strategies

by Jerr Boschee

As we learned last month, nonprofits are frequently stunned to discover that the first rule of entrepreneurship is contraction. Strategic marketing requires them to make difficult decisions about which programs to expand, nurture, harvest or kill.

Many nonprofits resist the need to practice triage. The process is taxing, and emotions run high. But even social entrepreneurs who understand its importance and summon the courage often start from a false premise.

During my coaching sessions with nonprofits around the world, I frequently ask Board members and senior managers what they believe is a simple question: “How many programs do you offer?”

None has ever gotten the answer right.

Here’s the list provided by a Texas nonprofit helping people with developmental disabilities live independently:

- Home care services
- Adult day care centers
- Independent living skills
- Social skills training
- Education programs
- Residential programs
- Transportation services
- Respite care

In other words, eight programs. Or so they thought. Actually, they had 31.

*Jerr Boschee's column about entrepreneurial marketing is a regular monthly feature of the Social Enterprise Reporter*

Why were they so far off the mark?

Because every program has both a “subject” *and* a “predicate”—a product or service *and* a target market. It is not enough to say a nonprofit offers home care services for “people who are developmentally disabled.” To effectively allocate resources, the nonprofit must reduce that mass market to more manageable proportions.

Doing so is called “market segmentation,” and the criteria for dividing a consumer market includes such things as:

• **Geography** (e.g., nations, states, regions, counties, cities, neighborhoods, climates)

• **Demographics** (e.g., age, income, gender, marital status, family size, occupation, education, income, nationality)

• **Psychographics** (e.g., customer lifestyles, activities, interests, social class, personality characteristics, comfort with technology, political leanings)

• Or **customer behavior** (e.g., frequency of purchase, sensitivity toward price, levels of desired quality, and so on)

Once the people in Texas decided “age” was their best segmentation strategy, it became evident they were operating many more programs than they thought, because each of the 31 market segments in the chart below requires a different marketing plan, operations plan, price points, personnel, and so on:

(continued on page 4)

Strategic Marketing Matrix for Social Entrepreneurs®: Market Segmentation (Example)

	Infants	Pre-Teens	Teens	Adults	Elderly
<i>Home care services</i>	X	X	X	X	X
<i>Adult day care centers</i>				X	X
<i>Independent living skills</i>		X	X	X	X
<i>Social skills training</i>		X	X	X	X
<i>Education programs</i>	X	X	X	X	X
<i>Residential programs</i>			X	X	X
<i>Transportation services</i>			X	X	X
<i>Respite care services</i>	X	X	X	X	X

## The Strategic Marketing Matrix (continued from page 3)

Triage, then, required them to move from the macro level (eight programs) to the micro (31) before making any decisions about resource allocation. And, as we saw last month, The Strategic Marketing Matrix for Social Entrepreneurs® contains four possible allocation strategies:

- Programs high on both the social impact and financial viability scales should be **expanded** and deserve the bulk of an organization's resources.
- Those that are high in social impact but haven't yet achieved financial viability need to be **nurtured**.
- Those that deliver positive financial returns but have minimal social impact should be **harvested** to generate resources for the programs being expanded or nurtured.

• And, of course, those that are low on both the social impact and financial viability scales should be **killed**.

As a rule of thumb, programs to be expanded should collectively receive about 50 to 70 per cent of a nonprofit's resources. "Nurture" programs should receive about 20 to 40 per cent, and "harvest" programs whatever remains.

Beginning next month, we'll examine some of the key questions social entrepreneurs must ask about a target market to determine which allocation strategy is appropriate. Ultimately, my Texas friends completed their research and made the following decisions, killing 14 of their 31 programs (Results Example below). ■



Jerr Boschee has spent the past 25 years as an advisor to social entrepreneurs in the United States and abroad.

To date he has delivered seminars or taught master classes in 41 states and 13 countries and has long been recognized as one of the founders of the social enterprise movement worldwide. Mr. Boschee is Executive Director of The Institute for Social Entrepreneurs, which he created in 1999, and Chairman and CEO of Peace Corps Encore!, a nonprofit that sends former Peace Corps volunteers and staff members back into service on short-term assignments that match their professional expertise with specific social needs. Please direct your comments to

✉ [jerr@orbis.net](mailto:jerr@orbis.net)

Strategic Marketing Matrix for Social Entrepreneurs®: Results (Example)

	Infants	Pre-Teens	Teens	Adults	Elderly
<i>Home care services</i>	EXPAND	EXPAND	HARVEST	EXPAND	EXPAND
<i>Adult day care centers</i>				EXPAND	EXPAND
<i>Independent living skills</i>		KILL	NURTURE	NURTURE	KILL
<i>Social skills training</i>		KILL	KILL	KILL	KILL
<i>Education programs</i>	NURTURE	NURTURE	KILL	KILL	KILL
<i>Residential programs</i>			KILL	EXPAND	KILL
<i>Transportation services</i>			KILL	NURTURE	NURTURE
<i>Respite care services</i>	HARVEST	NURTURE	HARVEST	KILL	KILL

## Connecting Enterprise with Social Responsibility

### Vancouver's Social Purchasing Portal

by Tom White

*SER recently met with CEO David Le Page in the Downtown Eastside Vancouver offices of **Building Opportunities for Business**, formerly **Fast Track to Employment**. BOB links over 35 existing community-based training providers and educational institutions with 60-plus small to medium sized businesses (SMB) and social enterprises who provide employment opportunities for the inner city's long-term unemployed. FTE partnered with **BC Technology Social Venture Partners (SVP)** in 2003 to launch the **Social Purchasing Portal (SPP)**, an online environment for business-to-business procurement transactions that connects these employers with purchasers who also want to give back to the community.*

#### Q: What was your model for the Portal?

A: We first looked at the Fasttrack to Information Technology employment model that had been successful in Ireland. We approached the IT sector here and they were quick to tell us it wouldn't work here—it was 2002 and they were laying people off. So we started to look one step down the business-to-business model and realized that every business has to buy some basic goods and services on a daily basis: they need offices cleaned, office supplies, or catering.

BCT SVP, **Vancity Credit Union**, and **Western Economic Diversification Canada** provided the seed funding and support in development of the model. The Portal is just an online database—it allows interested buyers to find suppliers who in turn have access to qualified employees. As their business grows they find a business as well as a social value.

#### Q: What are the benefits of the Portal?

A: Vancouver social enterprises don't have the capacity to meet the entire scope of demand that we're trying

to create. The demand is growing, but, for example, we don't have a social enterprise courier service company, like in Toronto. So the Portal creates a marketplace that introduces social enterprise and other suppliers to private sector purchasers who don't spend more money, they just redirect it!

We've never seen a system that brings good purchasers together with good suppliers together with good community development initiatives. The Portal is more about the whole supply chain: how do we connect social enterprises with private sector Corporate Social Responsibility? It's very similar to Pioneer Human Services' market-based model, but we focus on everyday goods and services.

#### Q: What were some of the challenges you faced in starting the Portal?

A: We had to move the pre-employment training providers to a demand-side model, which meant we had to start working on where we could create jobs. We had to find a way

to create demand for employees. Most of these would need to be entry level jobs for people coming off of income assistance, addiction recovery, and recent immigrants. So we moved down that business-to-business relationship to say, 'If we went to those suppliers or caterers, maybe they would have the entry level jobs.'

When we merge with Building Opportunities with Business, BOB, (a new entity) the Portal is one tool in an array of business development supports for local businesses and social enterprises. We offer case management for people on income assistance, and soon a business loan program. The BOB model is built upon the collaboration and partnership of community, government and business integrating social, human and economic capital development.

#### Q: Canadian Prime Minister Paul Martin (formerly Minister of Finance) announced in 2004 that

(continued on page 6)



David LePage, CEO, Building Opportunities for Business.

## Connecting Enterprise with Social Responsibility

(continued from page 5)

### the Government would allocate \$132 million for initiatives to support the social economy. How has this impacted you?

A: The significance of Mr. Martin's initiatives is that he has introduced social economy across federal ministries. So it's creating a context to grow social enterprise. The money is a small piece—it's the public policy impact which is much more important. The federal government has all kinds of programs that support private sector small and medium-sized businesses, so the question is how do we shift those policies to allow social enterprises to have access to those same loan funds, consulting and export services. They don't exclude social enterprises, they just never marketed it that way, so now it's a matter of educating the program operators and the social enterprises that many of these programs have been there for years!

### Q: How do you motivate employers to take on new trainees from inner-city employment programs?

A: We're going to introduce employers to new markets, and we've placed over 75 people last year. We're getting business to change how they look at employment. **Mills Basics** (office supplier) has hired 11 people through the Portal. They recently won the Olympic contract for office supplies because they could compete on business terms, but throughout their proposal they also said we have a corporate social responsibility (CSR) plan, and we hire from the inner-city, and we're part of the Portal. So the Olympic Group, which has a commitment to inner city development as part of their bidding process could say, "Aha! We can get a blended return if we choose Mills." Now they become an example to other SMB's that say "Look at Mills—they're on the front page of the Olympic Commerce site home page!"

### Q: What kind of supports do you provide to employers who are not used to working with inner-city employees?

A: That's where FTE merging with Building Opportunities with Business becomes a critical piece. With BOB we have an initiative on the retention side, working with the employees and the employers. And the service providers are more conscious of getting people ready for work. BOB will provide case management services for pre and post-employment training providers.

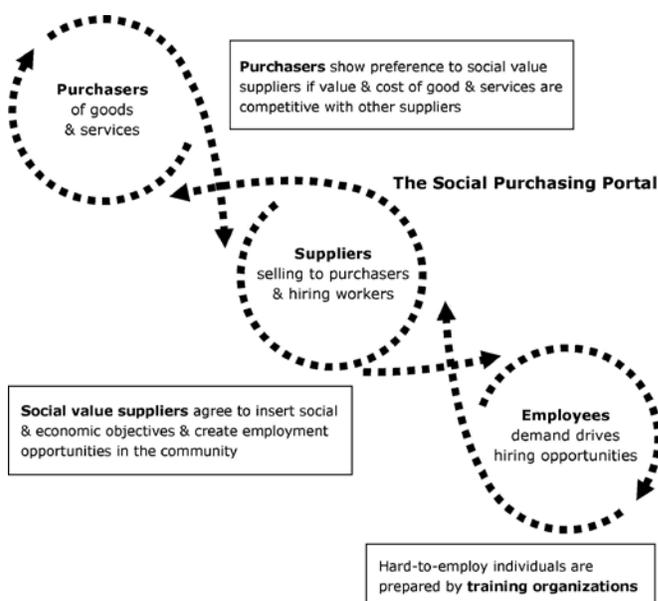
### Q: How do users of the Portal measure their social impacts?

A: Employers can easily track the amount of spending, both from lists of purchases as well as jobs filled. The Olympic committee measures every dollar they spend on businesses through the Portal as one of the ways to monitor their CSR. Supply chain CSR research is usually focused on purchasing done in developing countries—we want to use it in the inner city!

### Q: What other type of public policy supports are in place to further social enterprise in BC?

A: When a developer needs to get a permit, we leverage what's referred to here as "Benefit Agreements" to support social economy activity. An example is a casino that wanted to put in slots in the city. The government said, "OK, part of the condition of the license is you have to hire 10% of your employees from the inner city." That motivated the owners of the casino to contract with a local social entrepreneur, who is a very active supplier on the SPP, to provide the food services because they train

(continued on page 7)



## Connecting Enterprise with Social Responsibility

(continued from page 6)

and hire from the inner city.

**Simon Fraser University** put out a catering Request for Proposal that included a CSR component. The catering company that got the contract called us up and asked “How can we participate in the Portal?” SFU has had pressure from the students for No Sweatshop Purchasing policies. To be competitive, the caterer says “I guess I have to add a social component to our bid.” We shouldn’t have to have the Portal, but it’s a lever!

### **Q: What are some of the challenges of pitching CSR to a company that isn’t faced with a Benefit Agreement or stockholder movement?**

A: We’ve tried not to make it our role to introduce CSR to business. There are enough corporations who are saying we’re ready to do that, so we’ve been leveraging businesses that want to do something in that area, rather than trying to convince them that they should be doing something on CSR. The SVP CEOs are already personally committed to CSR, so the question is how to get an introduction to their organization. We leverage their existing environmental CSR and say another component is the social.

The challenge now is how to get more depth than just numbers. If we get a business that says we want to use the Portal for catering, how do we move them to consider office supplies, or cleaning services. We’re trying to avoid becoming a web site that just has a bunch of names. And on the supplier side, we’re trying to

help build capacity with a competitive price and high quality.

### **Q: Have there been any claims of unfair competition from businesses not using the Portal?**

A: There is no subsidy included because you’re using the Portal. There’s no unfair competition because anyone can use the Portal. We’re really about employment. And the supplier can’t say I’m adding 10% to my prices because I’m on the Portal. The suppliers have to meet buyers’ business requirements. What they’re offering is a social value in addition to the business value. If the supplier doesn’t meet the business value requirement, a purchaser isn’t going to buy from them.

**“We have to reward the companies that buy or supply in a way that blends both business and social values. People can do it with every purchase they make!”**

### **Q: Are you rolling out the Portal in other Canadian communities?**

A: Yes, and one of the things we’re finding is that it works best if it’s a tool that’s part of a larger organization. In Calgary it’s integrated into a movement around a living wage. In Winnipeg it’s embedded in a community economic development organization.

### **Q: What earned revenue streams help sustain the Portal?**

A: We will sell advertising space for business product ads from suppliers. Advertising revenue will eventually cover a third of the \$75,000 annual operating budget for the Portal Coordinator, office and overhead, marketing, and technology. The balance will come from business sponsors and small grants.

### **Q: What input do you get from employers on the pre-employment training curriculum?**

A: We’ve created that dialogue by meeting with employers and the training groups to focus on what’s working. What we’ve found with entry level positions is that it’s more about attitude than skill. The employers can do the skill training, but they can’t provide the pre-employment behavioral training and communication skills. Will the employee show up every day wanting to work? Can they guarantee that the candidates will be prepared for the job? If they’ve had the pre-employment training, the skills training is more effective.

On the purchasing side, we’re moving from an emphasis on signing people up, to an emphasis on getting depth. We’re better off having 200 really engaged purchasers, than having 500 unengaged purchasers. It’s not a numbers game, it’s really a participation process. The whole role of the Portal is the relationship building and the introductions. We just pass the resumes on to the employer. For the employer it becomes a single point of contact and they know that they’ll get 7-10 resumes of qualified people. We’re posting more jobs then we’re filling! ■

➔ [www.sppvancouver.org](http://www.sppvancouver.org)

➔ [www.bctsvp.com](http://www.bctsvp.com)

## Hybrid Social Enterprise in the UK

Chipmunka: Consumers Changing The Way The World Thinks About Mental Health

by Tom White

*This issue of SER introduces the first profile of a hybrid social enterprise—a for-profit company with a closely related nonprofit subsidiary. Hybrid social enterprises are new but are becoming more common as for-profit entrepreneurs look for ways to incorporate charitable programs into their overall approach to serving markets.*

### The World's First “Mental Health Brand”

The London-based **Chipmunka Group** is the world's first “mental health brand”. In 2001, Chipmunka CEO Jason Pegler, then age 26, wrote and self-published an autobiographical book “A Can of Madness”, about living with manic depression. In 2005 he received the Young Social Entrepreneur of the Year Upstarts Award from the London-based **New Statesman** magazine. The award recognizes his work advocating for and giving a voice to people with mental health issues through his for-profit **Chipmunka Publishing** company and the **Chipmunka Foundation**.

### In Control: a Hybrid Business Model

Pegler wanted to start a company that would be controlled by a person who had lived with a mental health illness, rather than starting a charitable organization that would be controlled by caregivers. “It became an empowerment model for me. While Chipmunka was charitable in its origins, I set it up as a business, knowing I had control, and could hire and fire people. It gave me belief in myself,” stated Pegler in a recent interview.

In August 2004, Pegler and Andrew Latchford, a co-founder of Chipmunka Publishing, co-founded the Chipmunka Foundation with Nigel Kershaw, The Chairman of **The Big Issue** and Chief Executive of the **Big Issue Foundation**. According to Pegler there are thousands mental health groups in the UK competing

against each other, relying on donations for 90% of their income. With 10% of profits from the Chipmunka Group's for-profit ventures going to support the Foundation,

Pegler hopes to not have to rely on donations and other traditional forms of fundraising for the bulk of the Foundation's income.

Pegler's goal for the Foundation is to be the largest and most effective global mental health charity, a communications hub for people with mental health issues, providing information, education and advocacy. Patients would get news for free and the Chipmunka Foundation would earn income from consultancies, multi-media products and subscription sales revenues.

### Publishing as a Self Help Tool

Chipmunka has published 100 books, and most are offered as e-book MP3 downloads. “Writing and publishing is a tool that can really help people survive the UK mental health institutions. Ninety-five percent of our titles are written by people with mental health issues.”

Publishing books is just the first venture of many. Pegler plans to launch 7 websites related to mental health selling health-related products, consulting, media, art and film. “When you buy any product through the Chipmunka Group you know it's cool—the money will go toward helping people with mental health issues as well. We are helping to save people's lives!”

Pegler plans to offer books free for one year to people with mental health issues, and plans to give away \$10 million of e-books via the internet.

### Mental Health Employment Marketplace

According to statistics on the Chipmunka.com web site, in 2020 suicide is projected to be one of the most common forms of death. Pegler has a radical point of view for solving this problem: turning mental health into



Jason Pegler, CEO of Chipmunka Publishing, Chipmunka Group and The Chipmunka Foundation

(continued on page 10)

## Turning Administrative Expenses Into Opportunities

by Warren Tranquada

*As organizations develop new social enterprise ideas, they typically think first of businesses that leverage programmatic value, skills and assets. However, earned income innovation and social value can also come from administrative functions.*

### Scaling for Profit

Social sector organizations often operate at a small, local scale and miss out on opportunities to improve efficiency and increase quality through collaboration. **La Casa de Don Pedro** in Newark, NJ recognized one such opportunity in its early childhood centers. La Casa, like other operators in the city, had a relatively small kitchen that was losing money on its contracts with the Department of Agriculture. Realizing that kitchen efficiency depends on scale, La Casa decided to build a larger central kitchen to serve the needs of all of its childhood centers, and for other providers in its community.

With sufficient scale, kitchen operations switched from being a hassle and liability to a profit generator for La Casa and a more efficient administrative function for its customers. Raymond Ocasio, Executive Director notes, “In addition to generating income for La Casa, this social enterprise creates an appropriate scale to maximize our efficiency. More importantly, preparing these meals through an independent business frees La Casa staff and other early childhood centers to concentrate on the business of educating our students.”

### Profiting from Back Office Efficiency

An MSO, or **Management Service Organization**, is a company created to share services amongst a number of organizations. Most commonly, organizations share back-office operations such as information technology (IT), financial management services, human resources, purchasing functions, and/or property management services. MSOs are constructed to improve efficiency by

providing services that are often costly at a small scale and bring them to a level where economies can be realized.

Ideal shared service opportunities are functions in which:

- There are cost benefits to scale—typically because fixed costs are high.
  - There are challenges to achieving quality as a small consumer.
  - Traditional vendors do not appreciate the unique needs of the sector. For example, the **Brooklyn Justice Counsel** was created to provide legal services to HIV/AIDS organizations in New York City. This sector has complicated legal requirements that are not always understood by non-specialist law firms.
  - The function is a significant part of your budget. Even a small percentage of savings can be significant on a high cost item, such as medical insurance.
- Key benefits of MSOs include:
- **Increased quality:** Smaller organizations can often not support an array of IT services, but through sharing, a wider range of services can be accessed.
  - **Saves money** through sharing fixed infrastructure.
  - **Generates profits:** MSOs can be a source of earned income through providing services to external organizations.
  - **Spirit of sharing:** An MSO can open the door to talk about opportunities in programmatic synergies.

### Eight-Agency MSO Partnership

**Al Sigl Center** in Rochester, New York is an example of a very successful MSO. The Center is a 40-year old partnership of eight independent rehabilitation agencies with aligned missions of providing services for people with physical and mental disabilities. This MSO functions to provide shared real estate, shared fund raising and marketing, and shared business services (IT, Human Resources, Risk Management, Public Relations, Training and Telecommunications).

The shared business services division of the MSO was started seven years ago, and has generated savings of over \$4.0M to its partners and is generating a profit. Beyond the savings, this division of the MSO hires top talent to provide services to the partnership that any one of the

---

Warren Tranquada is the Chief Executive Officer of Pepin, Tranquada, Baker & Associates, a consulting firm that helps non-profits develop and implement income diversification strategies. [www.pepintranquada.com](http://www.pepintranquada.com)

## Social Returns Plans New Series of Social Enterprise Business Plan Competitions

Cynthia Massarsky recently announced the launch of SocialReturns, Inc., a new nonprofit organization that carries on and builds upon the work of the former Yale School of Management – The Goldman Sachs Foundation Partnership on Nonprofit Ventures. Massarsky worked with The Pew Charitable Trusts to conceive the groundbreaking partnership in 2001 and create the National Business Plan Competition for Nonprofit Organizations, for which she served as co-director under contract with Yale’s School of Management until its closing in September 2005.

SocialReturns will educate nonprofit, philanthropic, and private sector organizations about social enterprise and social entrepreneurship, helping them to affect positive and lasting social change. The organization will also provide financial capital to the most promising profit-making ventures, and build the practice of social enterprise and entrepreneurship in the nonprofit sector at-large.

With an offer from Yale’s School of Management to share The Partnership’s intellectual property with

the field, Massarsky is designing a website of resources and planning to house an upcoming series of Social Enterprise Business Plan Competitions for nonprofit organizations worldwide. SocialReturns is planning to continue The Partnership’s tradition of holding an Annual Conference and Awards Ceremony.

SocialReturns will also include a new University Consortium on Social Enterprise and Entrepreneurship—a virtual network where faculty and students will connect for research, publishing, curriculum development, and community outreach activities. So far, more than 24 colleges and universities have expressed an interest in joining the Consortium, and several universities have stepped forward to take a lead role in guiding and administering the program.

“This is a very exciting time for social enterprise and entrepreneurship, a movement that has finally reached its tipping point,” says Massarsky, a 30-year veteran in the field.

For more information, contact Cynthia Massarsky at (201) 569-6692 or ✉ [info@socialreturns.org](mailto:info@socialreturns.org) ■

## Turning Administrative Expenses Into Opportunities

(continued from page 9)

partners could not afford individually. For example, a Risk Manager was hired to provide specialized expertise in assessing business risk within the partner agencies, providing loss control and claims management for all partners, and buying insurance on a group basis to create economy of scale purchases.

Value can be found in many different aspects within an organization and both large and small organizations can find opportunities to collaborate and share services and costs on functions common to all organizations. Administrative functions can indeed be a source of increased value and social enterprise innovation! ■

## Hybrid Social Enterprise in the UK (continued from page 8)

a marketplace for the good of society, promoting a positive image for people with mental illness, helping them to be proud of who they are. Pegler sees a time when there will be no such thing as mental illness, only mental health well-being. Pegler is making mental health a trendy issue so that people can easily talk about it.

According to Pegler, at least half of the 2.8 million individuals in the UK who are receiving incapacity benefits also want to work, and in his view some of them could work as mental health consultants. Pegler plans to work as an agent and trainer for former patients who will draw on their personal experience to give training talks to mental health staff in the UK’s National Health Service.

## Patient Experts—Consumers as Change Agents

In Pegler’s view, the mental health experts are the people who have lived through and recovered from the experience of illness themselves. “People who are prepared to come out openly will change the world. Moms and Dads won’t lead the mental health revolution,” states Pegler. “The way the world thinks of mental health can only be changed by someone who’s prepared to speak out about their own mental health issues. I will make it my career to stop the humiliation of people with mental health issues.” ■

➔ [www.jasonpegler.com](http://www.jasonpegler.com)

➔ [www.chipmunkapublishing.com](http://www.chipmunkapublishing.com)

➔ [www.chipmunkafoundation.org](http://www.chipmunkafoundation.org)

# Social Enterprise: the Canadian Perspective

by Penny Handford

## Social Enterprise: The Three P's: Philosophy, Process and Practicalities

by Shelley Williams,

The Muttart Foundation, February 2005,

105 pages, softcover,

ISBN 0-9730679-6-9

CAN \$15 plus 7% Goods and Services Tax

Available from Volunteer Calgary

➔ [www.volunteercalgary.ab.ca](http://www.volunteercalgary.ab.ca)

Resource Centre for Voluntary

Organizations ➔ [www.rcvo.org/](http://www.rcvo.org/)

[bookadpages/socialshelley.htm](http://bookadpages/socialshelley.htm)

This is, as far as I am aware, the first book on social enterprise written from a Canadian perspective. Although this is a Canadian book, much of what is contained is generally applicable to North American social enterprises.

Author Shelley Williams, a Muttart Foundation Fellow, has 22 years experience as an executive director and

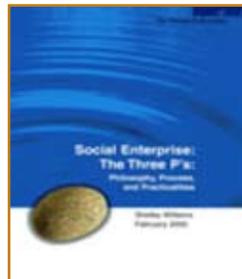
senior manager of five different Canadian social service agencies that have run social enterprises. She provides information and suggestions to help individuals and organizations decide whether social enterprise is an appropriate choice. The workbook is divided into seven sections and a bibliography, and can be read from front to back or section by section.

Williams defines social enterprise as a venture/business activity within a non-profit organization providing financial and/or social benefits that further the mission. By her definition, social enterprises are controlled by non-profit organizations. Some practitioners in Canada would argue that this definition is too narrow and that the concept of social enterprise should include a diversity of relationships between non-profits, communities, corporations, and small business.

Within her definition, Williams identifies three models of social enterprise:

- *The Business Model* (profit-based only) is usually operated by a non-profit as a separate legal entity with net revenues being directed to assist the organization in realizing its mission. For example, an agency providing residential and vocational support to people with disabilities which purchases and runs a coffee kiosk in a mall.

- *The Social Service Model* (need-based only) is a venture directly linked to the organization's mission. It may not make any revenue; in fact, it may require subsidies in order to function. The agency believes the venture to be worthwhile because of the opportunities it offers to clients. For example, an organization providing support to people with mental health issues which operates a catering company hiring clients as employees.



- *The Hybrid Model* (double bottom line—profit and social benefit) is a venture that is linked to, and helps fulfill, the organization's mission while also generating net revenue which is used to support other mission-based activities. For example, an agency providing supports to immigrants which offers

language interpreting services to businesses, other agencies, or the public.

I found the delineation of these three models interesting and would have appreciated a more detailed discussion of the similarities and differences between how “the three P's” apply to each model.

There are three particularly valuable sections of this book. First, *The Phases of Development* section. This outlines the development of a social enterprise from assessing an agency's interest in social enterprise to the writing of the business plan. It divides the process into phases, each with a number of distinct steps. Those new to social enterprise will find this a useful guide. There could have been more detail and clarity regarding how to research potential markets and organizational/technical issues. It is my experience that many non-profits need a great deal of assistance in these areas.

Second, the *Words of Wisdom from the Field* section provides “dos and don'ts” gathered from nine interviews with social entrepreneurs. It is interesting and helpful to read the opinions of those who have lived the experience.

Finally, *The Basic Practicalities* section is an informative overview of a number of critical issues. Of particular interest to Canadians is Williams' explanation of the charitable status and related business requirements of the **Canada Revenue Agency** (CRA) and how these effect choices of structural options. This, in conjunction with the *CRA—Related Business Decision Tree* (in the Worksheet and Templates section), provides an excellent guide to a complex issue. I have used the Decision Tree with my students and they have found it effective. ■

Penny Handford, with Changeworks Consulting, is a consultant in Vancouver, BC, Canada. She is a sessional instructor in social enterprise for the Community Economic Development Professionals Certificate Program at Simon Fraser University. Ms. Handford recently wrote the *Guide to Financing Social Enterprise* available at ➔ [www.smallbusinessbc.ca](http://www.smallbusinessbc.ca)

## Taking a Risk on People Who Make a Difference

(continued from page 1)

response to the community's interest in obtaining more funding for developing earned income ventures within non-profit organizations.

The ENP, which is hosted at the Foundation, provides matching grants of up to \$10,000 to BC-based non-profit organizations to pay for the professional fees of a consultant or resource person and/or staff costs directly related to business planning and organizational development.

"One of our early learnings was that we were naïve to think that the ENP grantees would immediately come back to Vancity for debt financing," stated Gent. "There's a huge leap from a feasibility study or a plan to implementing a viable business. So the ENP continues to provide nonprofits with tools and ladders to take enterprise development in steps. We are continuing to develop a broader range of financial tools that help ENP grantees to mobilize their assets for sustainable social enterprise. It's taken a lot of time and money, but we can't overemphasize the importance of engagement with our clients."

The usual ENP program participant takes at least two years to get a successful business up and running. "We found that our timeline for social enterprise development did not work out to be the same linear timeline as we envisioned in the pilot," stated Ms. Irene Gannitsos, ENP Program Manager. "The ENP has been a great way to help grantees develop business plans—about 50% of them get to launch and about 10% of those end up growing or having potential. Many also decide not to proceed with their venture, and we

see this as a win as well—a lot of money and effort is saved by making good decisions early on."

## Pooling Resources—Evaluating Opportunities

The ENP is unique in that it has grown to attract other funding partners, including another credit union, **Coast Capital Savings**, as well as the **United Way**, the **Vancouver Foundation** (one of Canada's largest) and even the federal government through **Western Economic Diversification Canada**. States Ms. Gannitsos, "These partners provide a great venue for evaluating business plans and helping social entrepreneurs make it through the early stages. The partners are also willing to look at follow-on support through other funding programs."



Derek Gent, Investment Manager for the Social Enterprise Portfolio at Vancity Capital

Each of the ENP funding partners contributes up to \$30,000 annually to the program for a total of \$90,000 of grant funding per year and \$270,000 over a minimum three year commitment. Seven percent of this amount (\$18,900) is allocated

to administration and additional support, leaving \$251,100 available for grant distribution.

## Tying Investments To Outcomes

VCC is working on an accountability framework for its portfolio. "We don't want to overburden entrepreneurs with reporting, but the better we are at showing how our investments make a difference, the easier it will be, for us and for them, to raise future capital," states Gent. "We work closely with investees to clarify the interest rates they can afford and their target outcomes, for example the number of jobs created or square footage of green building space developed. We also want to track our learnings and be better able to measure ROI, as these improve our capacity to provide future technical assistance to other investees."

## Mobilizing Opportunities and Capital

In addition to Vancity's invested resources, VCC is looking to mobilize different forms of capital from more investors, being an intermediary partner offering a range of investment tools with financial and non-financial results.

For example, VCC is currently partnering with the Vancouver Foundation and the **BC Technology Social Venture Partners** to create a new **Social Enterprise Fund** to provide enhanced financial and technical support for those social enterprises with the greatest potential to expand. From a pool of matched funds and local volunteer business coaches these three major funders and investors will work with

(continued on page 13)

## Taking a Risk on People Who Make a Difference

(continued from page 12)

investees on the best ways to support specific opportunities.

Ventures range from employment and training-based services, to mission-based products and services, and those just hoping to generate additional revenues for their core operation. “From our experience” says Gannitsos, “those that are most successful are well matched to their markets, have a large base of investor support, and often have one or more reliable big customers.”

## Blended Returns

“VCC’s initial \$25 million has now almost all been allocated, and out of approximately 40 social enterprise investments worth approximately \$10million, we have written off only 3 so far,” states Gent. “Looking ahead we don’t have a firm answer on what the most appropriate blended return is for our social enterprise portfolio. We manage it as part of a larger portfolio, so it works overall. It’s getting better in terms of more and better transactions and is very sustainable, depending on investor expectations. Currently our internal return on equity looks weak because we were funded without any debt on our own balance sheet. While we don’t want to forego revenue for members of the credit union, the initial goal has been to build a sustainable portfolio which will pay for our overhead.”

Currently most of the VCC social enterprise portfolio is priced at around prime plus 3%. This is slightly more expensive than conventional secured debt (to discourage those that can get financing elsewhere),

but not nearly as expensive as other unsecured financing or equity. The pricing reflects a financial return but includes a subsidy on the risk premium based the social, ecological and cultural impacts being achieved.

“We want to be flexible enough to meet the needs our market and still be able to tolerate the risk,” says Gent. “Looking ahead, we need to appeal to more investors looking at a blend of their philanthropic and conventional investing. We’re working with pension fund managers, foundations and a number of high net worth individuals trying to better articulate the social benefits of philanthropic investing. And we’re looking at more creative ways to mitigate risk and leverage financial partnerships with government.”

## Growth Capital

*Growth capital is a hybrid of equity and conventional debt. Similar to equity, growth capital (aka subordinated debt) is usually not supported by collateral assets. Like conventional debt, growth capital typically requires regular monthly payments of principal and interest. Loan terms are generally three-to-five years and amounts range from \$50,000 to well over \$1,000,000.*

## Corporate Strategies to Build the Sector

In addition to direct capital investments and technical assistance, Vancity is making other financial services, such as insurance, available to investees. Vancity has also been a key leader in developing mechanisms and policies to incorporate

social enterprises into its roster of approved purchasing options. The ENP is also considering ways of linking social enterprises to market opportunities by increasing awareness of social enterprise products and services among Vancity businesses and community contacts.

To help further the entire field in Canada, Vancity is publishing the *Canadian Guide to Social Enterprise* in Jan. 2006, and is a lead partner in the second Canadian national conference on social enterprise, to be held in Dec. 2006 in Vancouver. In the past, VCF has also sponsored a number of grantees to attend the **Social Enterprise Alliance’s National Gatherings of Social Entrepreneurs.**

“Furthering a movement around social enterprise will be a key to the growth and development of the individual ventures” notes Gent. ■

➔ [www.vancitycapital.com](http://www.vancitycapital.com)

➔ [www.vancity.com/MyCommunity/](http://www.vancity.com/MyCommunity/)

Western Economic

Diversification Canada/Social

Economy ➔ [www.wd.gc.ca/ced/se/default\\_e.asp](http://www.wd.gc.ca/ced/se/default_e.asp)

Vancity’s *Canadian Guide to Social Enterprise* ✉ [seguide@vancity.com](mailto:seguide@vancity.com)

Tom White is Editor and Publisher of SER.

## **The Grantsmanship Center**

### **New Business Ventures for Nonprofits Workshop**

January 9–11, 2006 Baltimore, MD; January 18–20 Louisville, KY  
February 22–24, 2006 Visalia, CA; March 13–15, 2006 Baton Rouge, LA

An entirely new and up-to-date curriculum has been developed in cooperation with two SER contributors who also share the actual training: Rolfe Larson, and Andy Horsnell.

➔ [www.tgci.com/training/nbv/nbv.asp](http://www.tgci.com/training/nbv/nbv.asp)

---

## **Second International Conference on Environmental, Cultural, Economic and Social Sustainability**

January 9–12 2006 Hanoi and HaLong Bay Vietnam

➔ <http://sustainabilityconference.com/>

---

## **United States Association for Small Business and Entrepreneurship/Small Business Institute Annual Conference**

January 12–15, 2006 Tuscon, AZ

➔ [www.usasbesbi2006.org/](http://www.usasbesbi2006.org/)

---

## **Local Government Commissions 5th Annual New Partners for Smart Growth Conference: Building Safe, Healthy and Livable Communities**

January 26–28, 2006, Denver, CO

➔ [www.outreach.psu.edu/programs/smartgrowth](http://www.outreach.psu.edu/programs/smartgrowth)

---

## **Federation of Canadian Municipalities Centre for Sustainable Community Development Sustainable Communities National Conference and Trade Show**

February 2–4, 2006 Ottawa, ON

➔ <http://fcm.ca/english/events/events.html>

---

## **National Association of Community Development Extension Professionals Annual Conference**

February 13–16, 2006 San Antonio, TX

➔ <http://srdc.msstate.edu/nacdep/confs/2006/>

---

## **7th Gathering of the Social Enterprise Alliance**

March 7–10, 2006, Atlanta GA

➔ [www.se-alliance.org/events\\_gathering7.cfm](http://www.se-alliance.org/events_gathering7.cfm)

---

## **National Conference on CED and the Social Economy Rooting Development in Community**

March 15–18, 2006, Vancouver, BC

➔ [www.ccednet-rcdec.ca](http://www.ccednet-rcdec.ca)

---

## **Community Development Venture Capital Alliance Annual Conference**

March 27–29, 2006, New York, NY

➔ [www.cdvca.org](http://www.cdvca.org)

---

## **Skoll World Forum on Social Entrepreneurship**

March 29–31, 2006, Saïd Business School, Oxford University, England

➔ [www.skollfoundation.org/skollcentre/skoll\\_forum.asp](http://www.skollfoundation.org/skollcentre/skoll_forum.asp)

---

## **LOHAS 10 Forum**

April 26–28, 2006 Los Angeles, CA

➔ [www.lohas.com](http://www.lohas.com)

---

## **Association for Enterprise Opportunity Annual Conference Microenterprise Development: From Dreams to Reality**

May 16–19, 2006 Atlanta, Georgia

➔ [microenterpriseworks.org](http://microenterpriseworks.org)

---