

Social Ventures: Doing Good Through Business – May 8 2015

David Cameron Speaking Notes

DEFINITION – SOCIAL ENTERPRISE

- A social enterprise is an organization that applies commercial strategies to maximize improvements in human and environmental well-being - this may include maximizing social impact rather than profits for external shareholders
 - Wikipedia
- a business operated by a non-profit entity
 - Enterprising Nonprofits (Vancity Community Foundation)
- A social enterprise is a business that trades for a social and/or environmental purpose. It will have a clear sense of its 'social mission': And it will also have clear rules about what it does with its profits, reinvesting these to further the 'social mission.' They should:
 - Have a clear social and/or environmental mission set out in their governing documents
 - Generate the majority of their income through trade
 - Reinvest the majority of their profits
 - Be autonomous of state
 - Be majority controlled in the interests of the social mission
 - Be accountable and transparent
 - Social enterprise UK
- Social enterprises are businesses (non-profit and for-profit) that have a social purpose
 - Hubcap BC (BC's online social innovation community) www.hubcapbc.ca

Note: Issue of social washing, like green washing has made it confusing. Lots of companies claim to be a social venture, or at least, socially minded.

Note: In BC you have a community contribution company (locks assets in, can't distribute more than 40%, and has to have a social mission).

Triple bottom line: social well being, environmental sustainability, economic profit

Boils down to: we all live in the same community, and we create the world we live in.

DEFINITION – SOCIAL INNOVATION

- A new idea that has been put into practice for the public good.
 - Center for Social Innovation in Toronto (co-working space, events, members, etc. major catalyst)

Forbes article written in 2012 to understand what is social entrepreneurship anyways?

"Any definition of social entrepreneurship should reflect the need for a substitute for the market discipline that works for business entrepreneurs. Social entrepreneurs play the role of change

agents in the social sector by:

- Adopting a mission to create and sustain social value (not just private value),
- Recognizing and relentlessly pursuing new opportunities to serve that mission,
- Engaging in a process of continuous innovation, adaptation, and learning,
- Acting boldly without being limited by resources currently in hand, and,
- Exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created.”

Sound familiar? It’s essentially the same definition as our for-profit entrepreneur. This shouldn’t be surprising. Execution in pursuit of value creation should look the same no matter what the form. So what’s different? For social enterprises that have the twin goals of social outcomes and earning free cash flow from revenue, mission-related impact is the central criterion, but wealth creation isn’t ignored. “On the surface, many social enterprises look, feel, and even operate like traditional businesses. But looking me deeply, one discovers the defining characteristics of the social enterprise: mission is at the centre of business, with income generation playing an important supporting role.”

FROM ASHOKA

Rather than leaving societal needs to the government or business sectors, social entrepreneurs find what is not working and solve problems by changing systems, spreading the solutions, and persuading entire societies to take new leaps. Every leading social entrepreneur is a mass recruiter of local changemakers. They are role models proving that citizens who channel their passion into action can do almost anything.

“There is nothing as powerful as a new idea in the hands of a first-class entrepreneur.”

SO IT IS SOMETHING THAT IS ESTABLISHED? IS THIS NEW? OR JUST NEW LANGUAGE?

Vancity – founded in 1946. On September 28, 1946, 14 Vancouver residents signed a charter to establish an open-bond credit union that would be open to any resident of the city, regardless of social affiliation.

- Now the largest credit union in Canada with over (18 billion in assets)
- First financial institution to install an atm
- First to lend mortgages to women

COMMUNITY INTEREST COMPANY (CIC)

Term got used more widely in the 1990’s, particularly the UK. Roughly 1 in every 200 new companies last year was a CIC, and as of August 2014 there were almost 10,000 CICs on the Regulators register. Introduced in 2006 in the UK. Locks assets to a social cause and limits dividend distribution. Coops can be a CIC. So more flexible. Regulated by tax bodies where here we aren’t.

“The danger is that, as a result, 'social enterprise' may end up meaning nothing at all.”

– quote in the Guardian debunking a stat about having over 68,000 social enterprises in the UK. The debate was whether you could count companies that at any moment could decide to distribute all profits to shareholders, vs. CICs that restrict profit distribution.

COOPERATIVES

Coops started back in 1841. In a direct challenge to the practice of adulterating food, and over charging workers by fixing weights and measures, the Rochdale pioneers guaranteed quality and value for money and more importantly developed a business structure which allowed those that shopped with them become members and share in the profits of the business, a practice which continues today through every co-operative store.

See more at: <http://www.isbe.org.uk/EMSocialEnterprise#sthash.Igg0xDD5.dpuf>

Figures from the International Cooperative Alliance, which represents just one part of the social enterprise sector, they have over 240 organisations in 90 countries representing over 800 million members either as employees, customers, or by association. The sheer size and potential of such a large international sector has led the United Nations to declare 2012 the International Year of Co-operatives.

See more at: <http://www.isbe.org.uk/EMSocialEnterprise#sthash.Igg0xDD5.dpuf>

SHARED VALUE

Michael Porter – Harvard Business Review article

The solution lies in the principle of shared value, which involves creating economic value in a way that *also* creates value for society by addressing its needs and challenges. Shared as the solution to companies that were optimizing short-term financial performance in a bubble while missing the most important customer needs and ignoring the broader influences that determine their longer-term success.

There are three key ways that companies can create shared value opportunities:

1. By reconceiving products and markets
2. By redefining productivity in the value chain
3. By enabling local cluster development

SMALL BUSINESS STATS

Self employed people: British Columbia ranks first in Canada for the number of small business per capita, with **83.5** per **1,000** people. The share of self-employed people in B.C. is the second highest in the country at 18.1 per cent, about three points above the national average of **15.2** per cent.

There were approximately 382,200 small businesses operating in British Columbia in 2013, representing about 98 per cent of all businesses in the province. About 81 per cent of these small businesses were micro-businesses with fewer than five employees.

In 2013, small business provided almost 32 per cent of all wages paid to workers in British Columbia, the highest share of all provinces.

SOCIAL ENTERPRISE STATS

Forbes article : <http://www.forbes.com/sites/davidprosser/2015/05/07/five-good-reasons-to-invest-in-social-enterprises/>

Five Good Reasons To Invest In Social Enterprises (UK) – posted yesterday

- Social enterprise revenues are growing
 - 52% had reported revenue increases
- Social enterprises are expanding into new markets
 - 59% had developed new products and services. 39% expanded into new geographical regions
- They are attracting new customers
 - 83% attracted new clients
- They are proving sustainable
 - Half had been in business 6 years or longer. 20% had been in business 20 years
- They are promoting management diversity
 - 40% have female leaders (compared to 18% SME)

SETTING THE STAGE - THEMES

- Social Venture has something to do with the trade-off between profit maximization and societal good maximization.
- There's a debate around where or when profits should be shared, and how revenues should be spent on costs (certain labour, suppliers, etc. seen as more social than others).
- What was socially innovative yesterday is not always seen as socially innovative today. The same stands to reason that what we consider a social enterprise today, we may have trouble defining as a social enterprise tomorrow. We have some work to do here.
- Today's innovations become tomorrow's standards of practice. This is true for both social enterprise and normal companies. You have to stay ahead of the curve.
- Lots of vehicles are used for business (self employed, corporate, non-profit, charity) and people from all these backgrounds are wanting to get involved in "social venture". Is this watering down the definition of a social enterprise, or is it adding to it?
- We all live in the same community, and we create the world we live in.
- We need people to rethink and redesign everyday things.

MYTHS AND THOUGHTS / ADVICE TO DEBUNK THEM

- A. It's only for entrepreneurs or non-profits
 - a. Examples: Intrapreneurs. Shared value. Value chain activities. How can the company create more benefit/value? Ask yourself how this is positively impacting your community? Be more mindful of other stakeholders
 - b. Multiple types of legal entities
 - c. Lots of people can spot the social or environmental need, we need people great at catalyzing others and resources towards solving it efficiently
- B. Customers want to buy your social cause
 - a. #1 thing I see. Probably why marketing is so weak.
 - b. They want to buy your product or service
 - c. Need to prioritize the business
- C. Social entrepreneurs / enterprise need different types of support
 - a. Not true. An abundance of support mechanisms, including access to capital exists today. Social entrepreneurs need help figuring out how to integrate into what exists and find it. Probably a symptom of our efforts to make it seem so distinct from everyday entrepreneurship or companies.
 - b. A few areas are nuanced. Social Enterprises are innovating in certain areas, but this is not exclusive. Other companies are doing this too. Areas like governance, sustainability practices, ownership models, transparency and reporting, etc.
- D. You can't succeed without measuring your impact
 - a. I tend to disagree. I see more people crippled in the process of measuring impact. Measure what matters, and what you can make decisions off of. And what matters is what matters to your customers.
 - b. Don't disempower staff from making complex decisions (what, how, comparables, management alignment)
- E. Social Enterprise means lower quality
 - a. This is the public's perception, but it doesn't mean it's true. This shows us how hard we have to work to show otherwise. Evidence of too much a focus on the impact vs. great product / service. (example of product / service first (w/o compromising the social impact) = east van roasters)