

SOCIAL ENTERPRISE

I am presenting today on the subject of "*social enterprise*". I realize social enterprise is a term that in the Aboriginal community we may use from time to time and perhaps one that we refer to even more frequently, given the nature of our work. However, it is a subject to which we may not give our full attention. During this panel presentation I want to take a look at the definition of social enterprise, its impact on social support systems, and the opportunities and potential that it offers not-for-profit organizations engaged in the provision of assisted and affordable living accommodation for Aboriginal peoples in urban centres.

I must confess that having spent 30 to 40 years involved in many different Aboriginal not-for-profit organizations, I have often thought of both my voluntary contribution and at times, salaried employment as working in a social enterprise environment, or in the least some watered down or abbreviated form of social enterprise.

While there are many definitions and interpretations the generally accepted definition of the term in the academic world is:

*"business ventures operated by non-profits, whether they are societies, charities, or co-operatives. These businesses sell goods or provide services in the market for the purpose of creating a blended return on investment, **both financial and social**. Their profits are returned to the business or to a social purpose, rather than to shareholders". (NYC)*

A second broader definition is:

the field of social enterprise is the application of business skills and methods to social problems. It can take place in many forms, from socially responsible investing and corporate responsibility to nonprofit management and social entrepreneurship. (Professor Horton, NYC)

Of these two definitions, Aboriginal housing corporations fit more closely into the broader definition. This explains my reference to the fact that perhaps we are engaged only in an abbreviated form of social enterprise... that is addressing the social outcome with little or no focus on the idea of creating

"profits" that could to be reinvested in the corporation or alternate community priorities.

I am uncertain whether the Urban Native Housing Program in its early inception was created in the spirit of social enterprise. For the most part, housing providers received subsidies that enabled them to acquire, maintain, and rent homes with the sole purpose of providing Aboriginal people with access to adequate, safe and affordable homes in the city. Rental revenue generated was to be applied to operational costs in order to minimize the level of subsidy. The idea of profit or surplus on this investment was not included in the program design. It was necessary to return surplus funds to the funder and expenditures were closely monitored to ensure consistency with program guidelines. This made the reward for efficiency and stringent financial management of little consequence to our housing corporations and did little to stimulate a more entrepreneurial spirit. With program devolution to provinces and municipalities this is beginning to change. The controls originally placed on organizations are more relaxed and flexible and provide opportunities for the evolution of social enterprise in at a much greater level.

There are Aboriginal housing corporations that are creating revenue in their assisted housing property management roles. To become engaged in subsidiary activity, it is often necessary to create a separate development organization. An example is the Madawan Management & Development Corporation here in Ottawa . This corporation was formed for the purpose of creating opportunities to foster the entrepreneurial spirit and move more towards social enterprise. The business lines of the Corporation include commercial lease, affordable rents, management services, and special community projects. Much of the early development of the Corporation was and continues to be supported primarily through volunteer efforts. Funds generated through MMDC over the past years represent the community's stake in today's Cummings Avenue affordable housing project here in Ottawa and have been made possible by the added voluntary contributions of board, staff and community volunteers.

While some organizations have indulged in social enterprise using this model, many have not gone beyond exploring opportunities to create off spring enterprise that is complimentary to their housing goals.

An example of social enterprise perhaps at its purest is in the Netherlands.

When the Dutch approached social housing they treated it like an investment and did not hesitate in capitalizing their portfolio at a rate of 120,000 units a year... 75% of all organizations manage 1800 to 10,000 units and 10% manage in excess of 10,000. Other key success factors included: **adequate reserves for maintenance and replacement, access and use of cumulative portfolio equity, dual subsidies for the provider and the tenant, and flexibility between social and market rents.** In the Netherlands 34% of housing stock consists of social/affordable rents. Corporations hold reserves of \$30k to \$40K per unit. This accumulated wealth enables them to finance their own projects. Selling off old stock to build and add to the social portfolio, cooperation and partnerships, and the acquisition of units from market contractors are methods of responding to demand. As a condition of building permits all Contractors must produce 20% of the units they build for the social housing marketplace

The Columbia Business School in New York City offers courses in social enterprise and related executive education. Professor Ray Horton, the Director of the Social Enterprise Program at the school says, "the great crash of 2008 has turned a huge number of students off about greed. He believes that now people understand the antisocial consequences of the finance game that major institutions were playing in the USA". The shift in student thinking underscores Horton's view that the traditional economic division between profit incentive and social good is fading away. According to Horton, the private sector and the non profit world are more alike than they are different.

Examples of social enterprise closer to home are evident in British Columbia and in Manitoba.

British Columbia is one of the few provinces that offer program funding to support community projects in social enterprise.

An organization, "*Enterprising Non-Profits*" recently entered into a contract with the Province of British Columbia's Labour Market Partnership to create the resources and tools to enhance the non-profit human resources skill set to meet the challenges and emerging opportunities of social enterprise. The project will develop and test learning and skill building products, tools, and resources to serve non-profit leadership, management, and staff to contribute to a new level of human resource capacity and professional skills. The resources will be developed for use on-line, in print, and workshops.

Aboriginal projects supported by the BC program include: a project to explore options on how the organization can leverage a former correctional site for use and location of social enterprises by and for Aboriginal youth.... and, support for a feasibility study in the hospitality and catering industry and options for additional services.

In Manitoba, a construction/renovation firm with a dual mandate: the traditional financial one and a far-less-common social one is owned by a non-profit agency. Its mandate is to provide employment for inner-city, low-income residents and quality services to inner-city, non-profit community organizations.

Its 20-person workforce is proving that with a little effort and the right attitude, under-employed, marginalized citizens from the mainstream labour market can become more productive than the average employee. The firm has built houses in the inner city through the Housing Opportunity Partnership (HOP) program, but its greatest recognition is in high scale commercial renovations. The firm won awards for its outstanding contribution to the apprenticeship program. Close to two-thirds of the firms employees are Aboriginal.

The CEO said. "There is a small sliver of the economy that is motivated by the social component. The analogy he used is the hybrid car. There are many people who think it's a good idea, but only a small percentage of people are willing to pay the price, never considering the return on the social investment associated with tackling systemic poverty.

Conclusion

There are three reasons why social enterprise will become more and more important in our future.

First, at times like right now, when the economy is overly sensitive, governments react by imposing restraint measures. As the financial belt tightens, this impacts on not for profit organizations that rely on financial support for their existence.

Secondly, many of the mortgage agreements under the former Urban Native Housing Program are expiring or will expire over the next 10 to 15 years and social enterprise may offer part of the solution to replace subsidies as they diminish.

Finally government interest appears to be more prevalent in the economic sector than in social development, as indicated in current thinking and in the past Budget Speech. The primary thrust is on education, training, jobs and economic stimulus and with a continuing tender economy that outlook is expected to continue.

I believe we have a great deal of opportunity before us,...look for it, and if you can't find it at first, then its up to you to create the opportunity yourself.

Jim Lanigan, September 23, 2010