

# Innovation & Social Enterprise: Building Financial Capacity



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TIDES  
CANADA  
FOUNDATION

“We have seen that the function of entrepreneurs is to reform or revolutionize the pattern of production . . .”

Joseph A. Schumpeter  
Capitalism, Socialism and Democracy

## **ASHOKA – Defining Characteristics of a Leading Social Entrepreneur: A Knock-out Initial Test: A New Idea**

Is the person possessed by a truly new idea for solving a public need? Is it a truly transformational innovation, or just a tweaking of how things are now done? How is it different from what others do in the field?

### **Creativity**

Is the person creative - both in vision/goal-setting and in problem solving? How creatively does the person approach opportunities and obstacles - be they organizational or political? Does he/she create original solutions?

### **Entrepreneurial Quality**

Is the person so committed to his/her vision that it is impossible for him/her to rest until the vision becomes the new pattern across society? Is the person willing to spend years relentlessly grappling with myriad, practical "how to" challenges (how to get to national scale, how to make the pieces fit together, etc)?

### **Social Impact of the Idea**

Is the idea likely to solve an important social problem at the national level or beyond? Is the idea itself sufficiently new, practical, and useful that people working in the field will adopt it once it has been demonstrated?

### **Ethical Fiber**

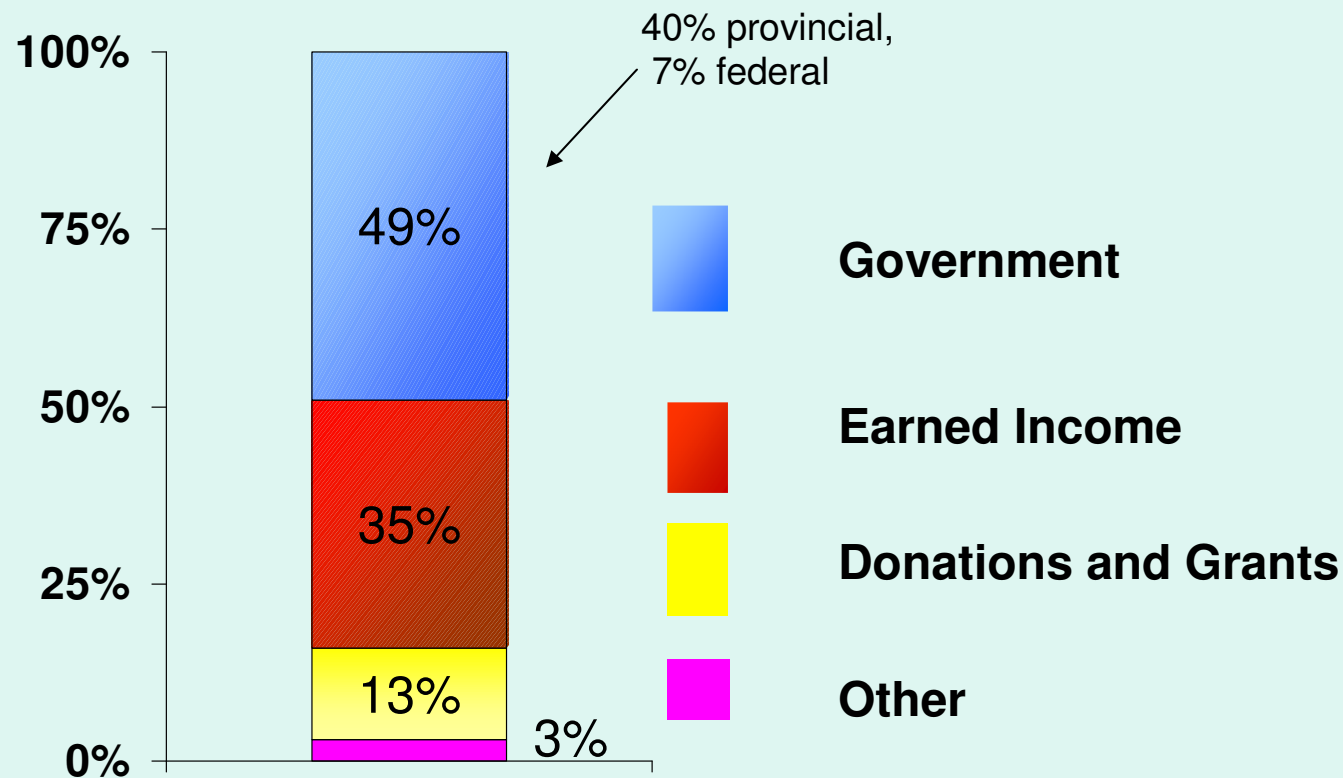
Is the person totally honest? Would you instinctively trust him/her? (A quick intuitive test: Imagine yourself in danger and ask if you would feel fully comfortable if the candidate were with you.) Is his/her motivation deeply and firmly rooted in a commitment to serve others?

# How Do Social Entrepreneurs Finance Their Great Ideas?

- Social entrepreneurs are seeking:
    - Scale, Durability, Impact
  - That requires resilient, sustainable financing
  - Traditional nonprofit external funding sources – charitable donations and Gs+Cs – face challenges
  - More likely option is “business model”: social enterprise or hybrid (part nonprofit, part enterprise)
  - **Challenge becomes: How to finance social entrepreneurs’ enterprises?**
- ***Social Finance can provide a solution...***

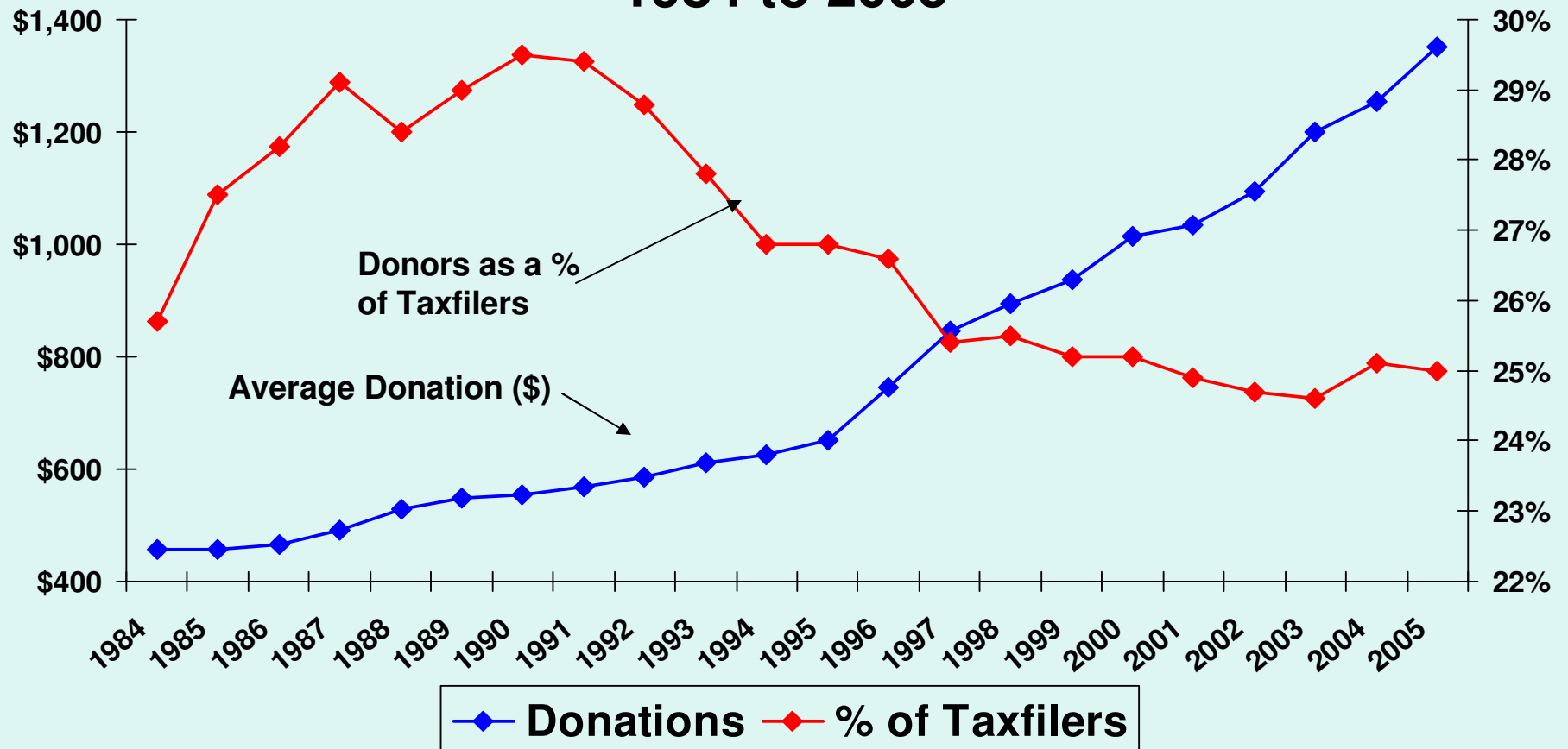
# NONPROFITS DEPEND ON FEW SOURCES OF INCOME

## All Organizations



Source: CRA and Imagine Canada

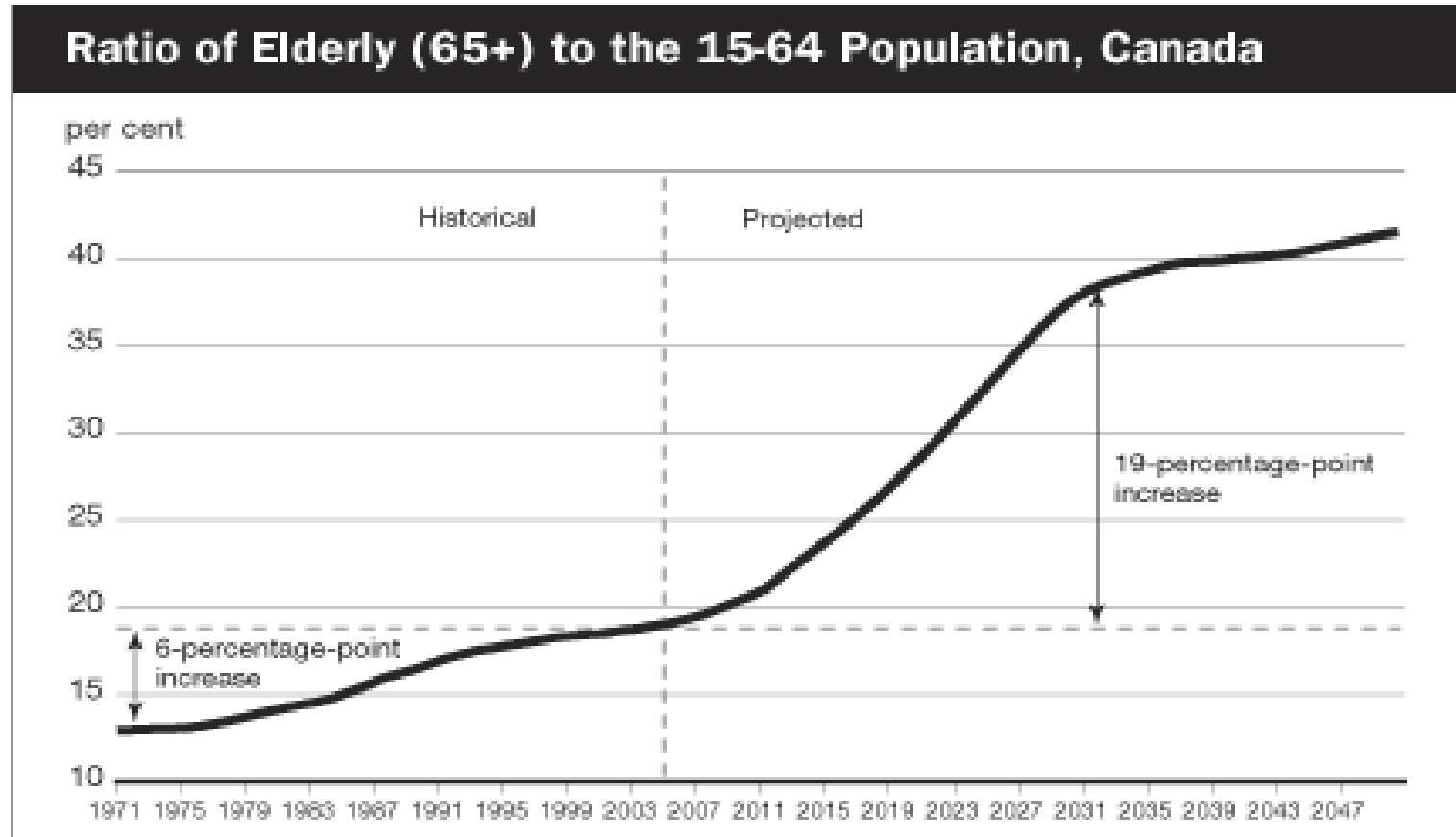
# Growing Donations But Declining Donors: 1984 to 2005



Source: CRA compiled by Imagine Canada

Courtesy Michael Hall @ Imagine Canada

**“Population aging will be a key challenge facing the Canadian economy over the coming decades”**



Sources: Historical values from Statistics Canada; projections from the 21st Actuarial Report on the Canada Pension Plan.

# **Social enterprise is...**

A business with primarily social (and/or environmental) objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners...



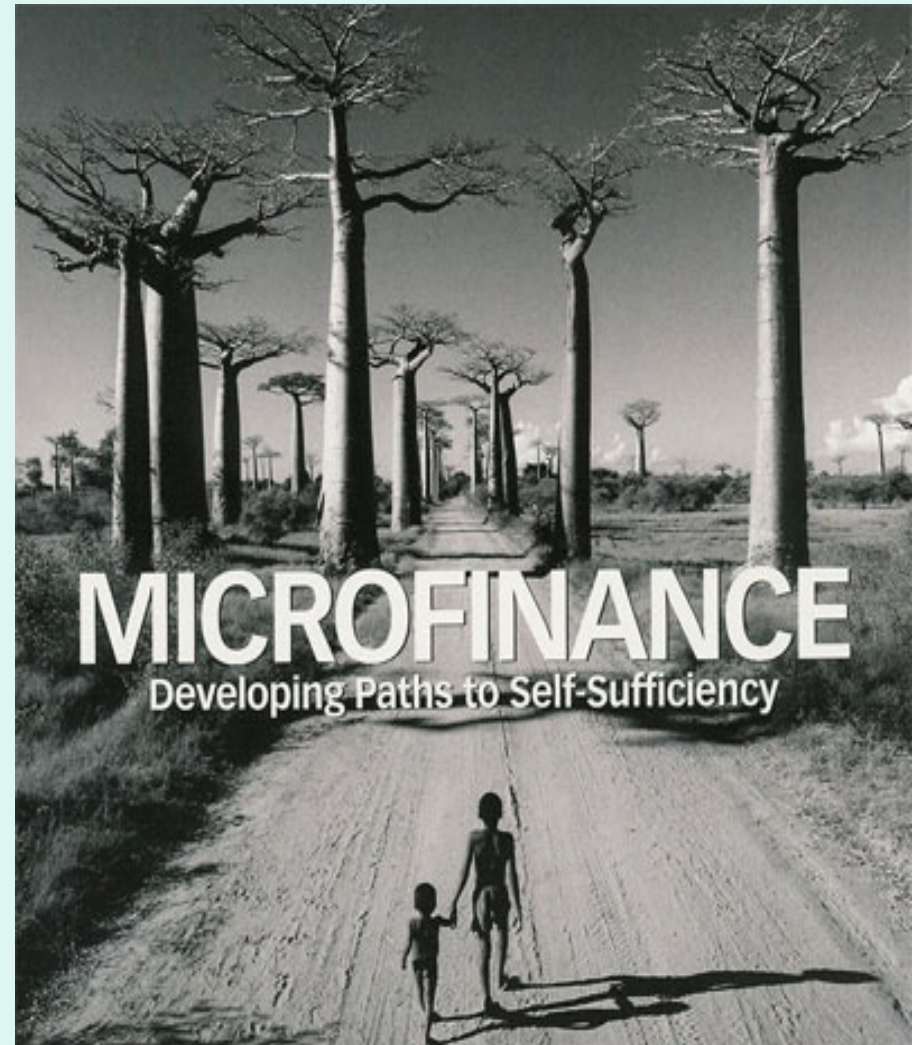
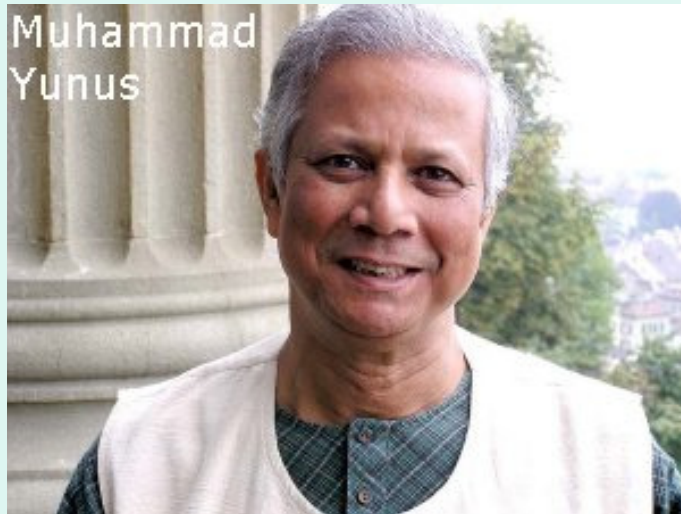
# Social finance is...

*finance with a **social** or  
environmental **mission***

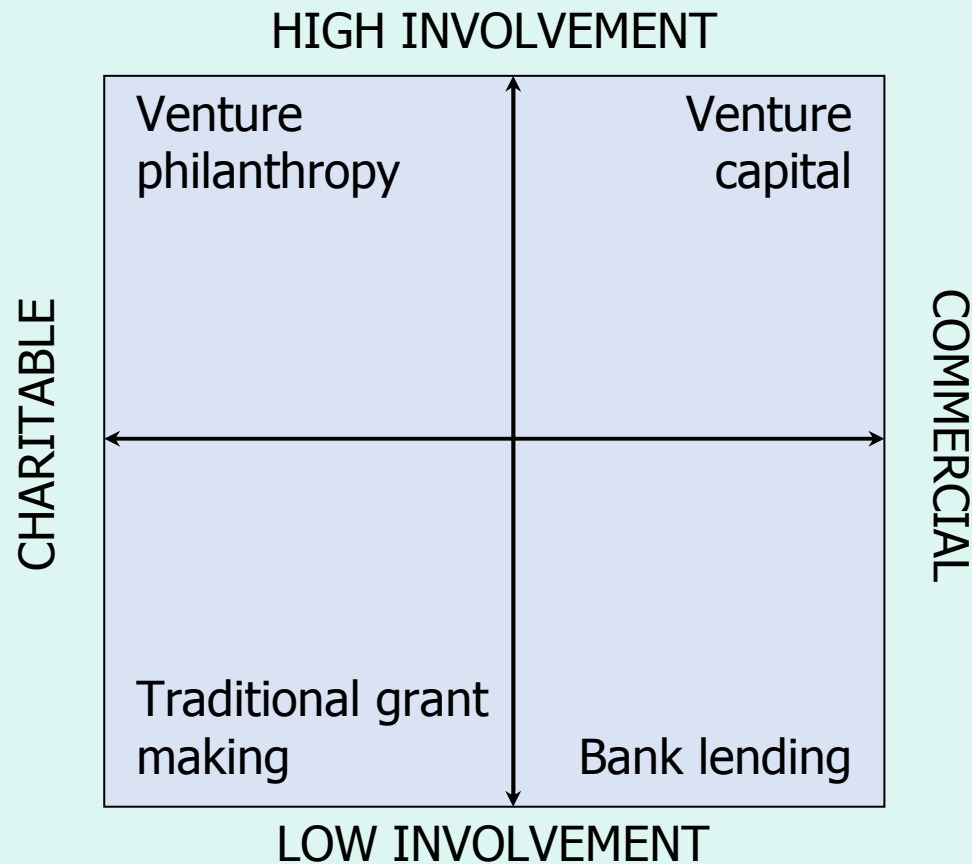
*Or,*

***Social finance** is a **sustainable**  
approach to managing money that  
delivers social, environmental  
dividends **and** economic return  
through social enterprises operating  
in the non-profit or public benefit  
universe.*

# Social finance's most visible example is MICROFINANCE...



# Social Finance Exists Across A Broad Continuum...

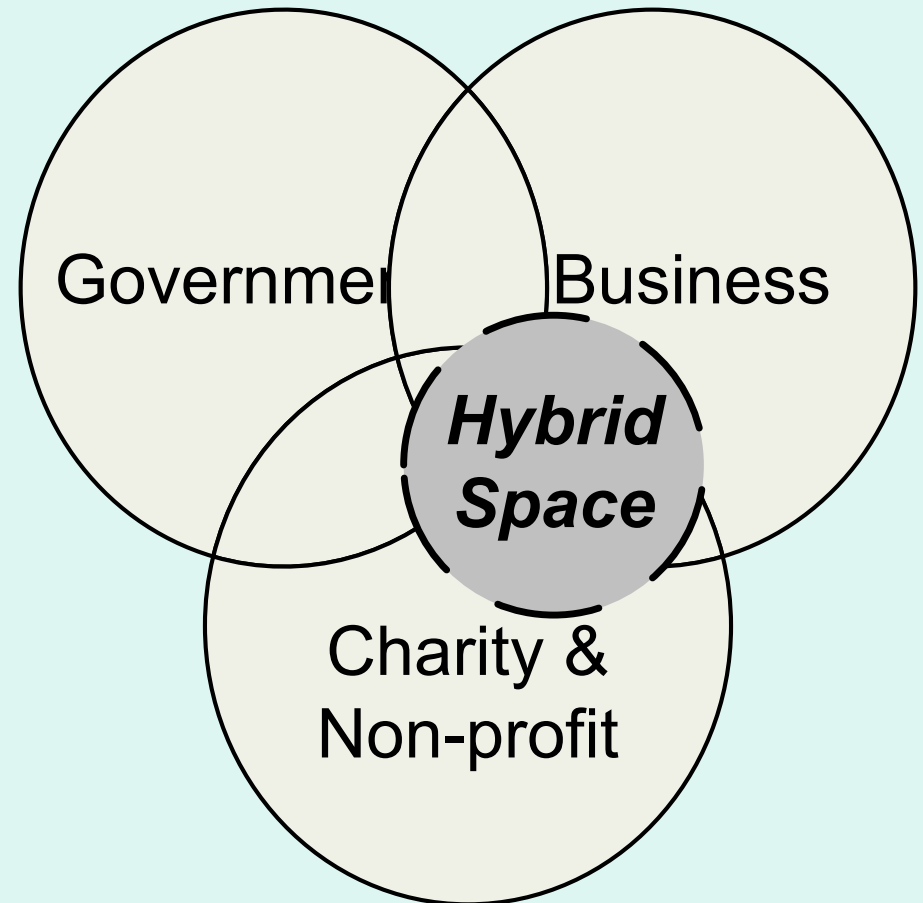
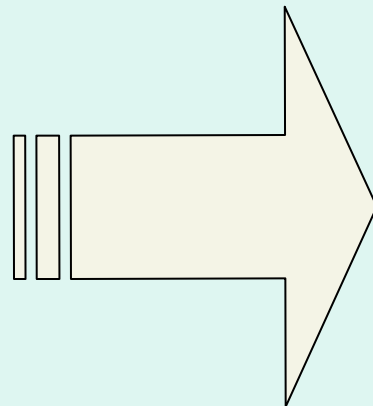


Adapted from Margaret Bolton, 2003

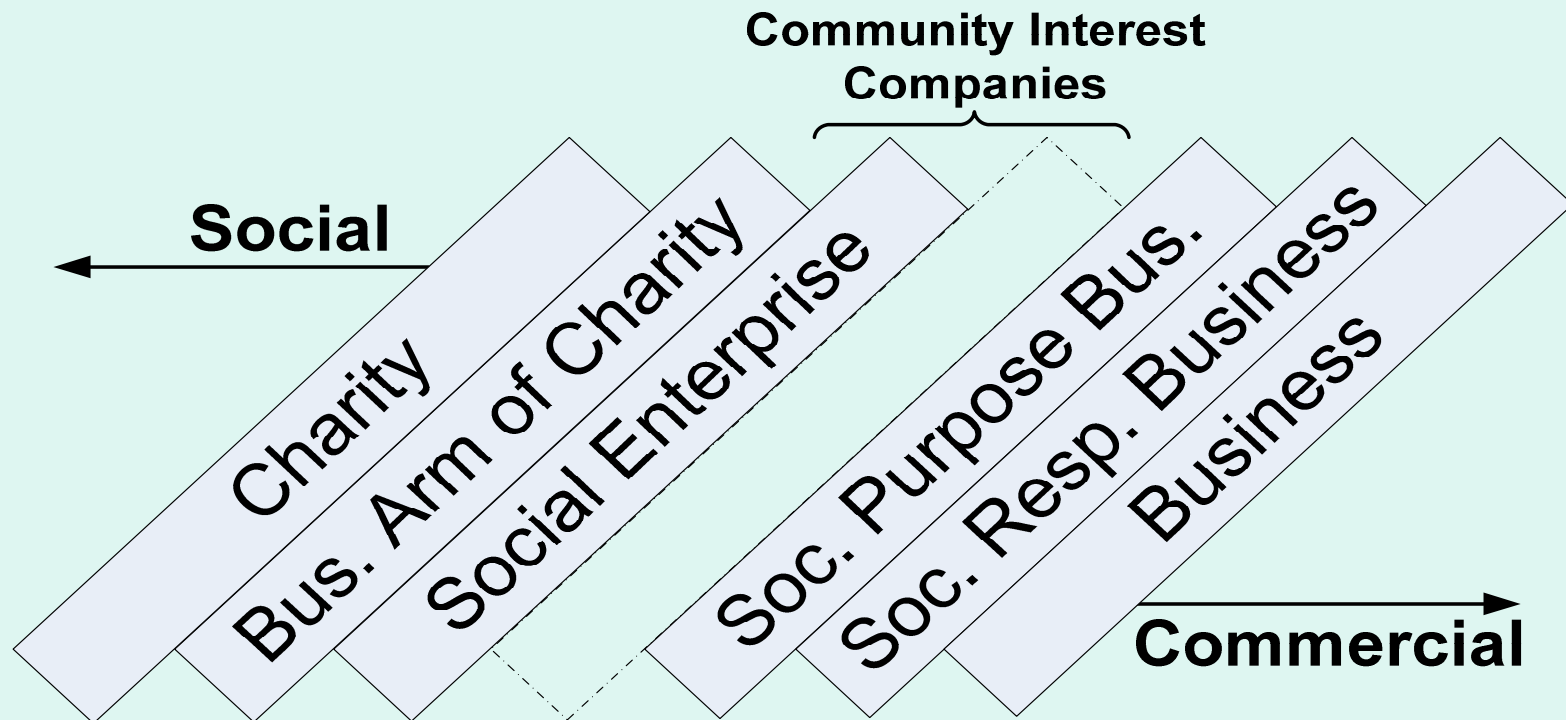
# Collaborative approaches and blended returns

- **Growing social and environmental pressures + government and market failure = the conditions for social innovation**

<b>Projected Income</b>
<b>New</b>
Social Finance
Expanding Earned Income
<b>Existing</b>
Earned Income
Gvrnt Gs & Cs
Charitable Donations



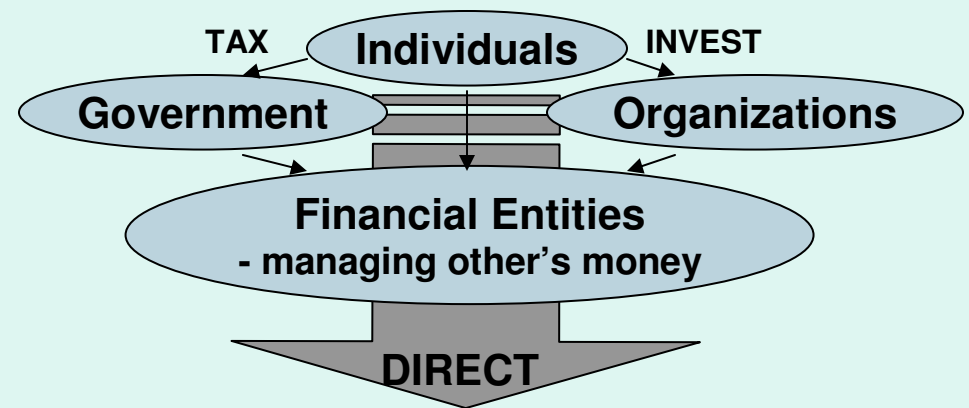
# Social Finance Supports Businesses in the Public Benefit Universe



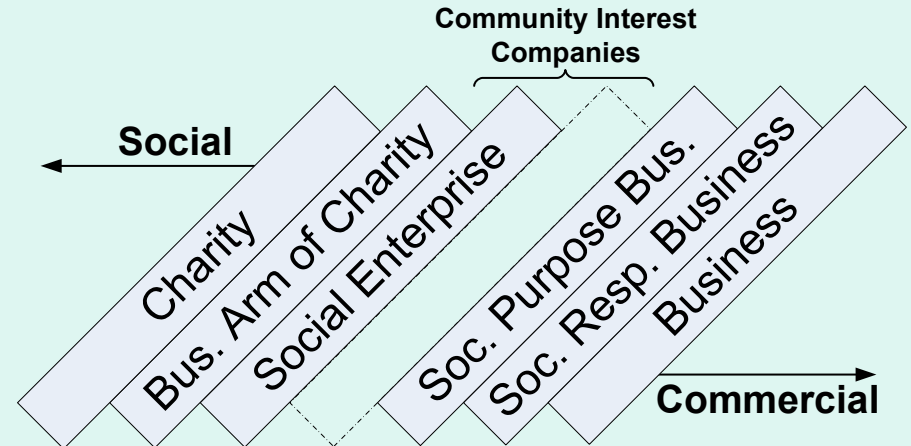
Adapted from: John Kingston, Venturesome

# How does capital flow?

1. From the source

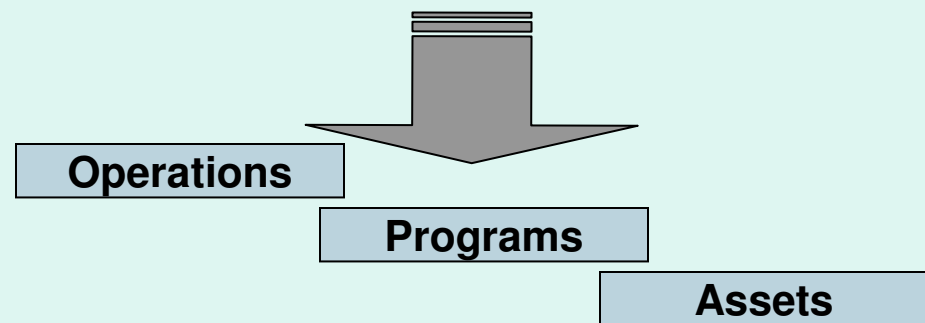


2. Into an organization



Adapted from: John Kingston, Venturesome

3. For use in either



Courtesy: CAUSEWAY

Thanks to Arthur Wood, Ashoka; Michael Hall, Imagine  
Canada; Michael Lewkowitz, Causeway

For more information about CAUSEWAY  
<http://causeway-sff.wikispaces.com/>

and Social Finance visit:

[www.tidescanada.org](http://www.tidescanada.org)

For more information on our charity sector visit:  
[www.imaginecanada.ca](http://www.imaginecanada.ca)



# Causeway

New national collaboration  
accelerating a social finance market  
place for financing social innovation  
serving public benefit



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