Innovation & Social Enterprise: Building Financial Capacity

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CEO, Tides Canada Foundation
Chair, Causeway

AFP Fundraising Day, May 28, 2008
“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

- **Government**: 49%
- **Earned Income**: 35%
- **Donations and Grants**: 13%
- **Other**: 3%

Source: CRA and Imagine Canada
Growing Donations But Declining Donors:
1984 to 2005

Donors as a % of Taxfilers
Average Donation ($)

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”
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…

- **HIGH INVOLVEMENT**
  - Venture philanthropy
  - Venture capital

- **LOW INVOLVEMENT**
  - Traditional grant making
  - Bank lending

Adapted from Margaret Bolton, 2003
Collaborative approaches and blended returns

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

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<th>Projected Income</th>
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Courtesy CAUSEWAY
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

3. For use in either

Adapted from: John Kingston, Venturesome

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

For more information on our charity sector visit:
www.imaginecanada.ca
Causeway
New national collaboration
accelerating a social finance market
place for financing social innovation
serving public benefit

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The J.W. McConnell Family Foundation