community economic development:

understanding the new zealand context

community economic development

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executive summary

This report is the outcome of a comprehensive research process that includes interviews with 97 social enterprise and community economic development (CED) practitioners and five focus groups. The interviewed practitioners operate in cities, small towns and rural areas from around New Zealand and are involved in a diverse range of trading activities. The report integrates these findings with a comprehensive review of New Zealand and international literature about CED and social enterprise.

The report also includes a library of seven case studies that respond to the research hypothesis (proposition) that was developed through the data analysis process. The case studies exemplify best practice in CED and social enterprise in New Zealand at this time. The author has a background in community development, social enterprise and the creative sector, and the research report draws on her knowledge and experience gained from working in these areas within New Zealand and in Scotland.

We live in extremely challenging times. New Zealand, like the rest of the world, is suffering the effects of complex and intractable social problems, growing inequalities in health, wealth and opportunity, resource depletion and environmental degradation. The 2008 Global Financial Crisis has led to widespread uncertainty, social unrest and a reduced funding pool from grant makers and government. The expectation that governments will fix these urgent problems for the rest of us is increasingly unrealistic. We must face the issues together, across sectors and cultures, and find new paradigms to respond to the challenging issues of our time.

A growing localism agenda is emerging that involves devolution of power and resources to communities. Civic participation in traditional political structures and processes is decreasing - but citizen participation at a local level is growing in many communities. There is increasing evidence that there are better health and wellbeing outcomes when people have more control and local access to services. New Zealand is one of the most centralised countries in the OECD, and the concepts of localism and devolution have gained less policy traction here than in many overseas countries, but nevertheless the localism movement is happening on the ground.

Traditional commerce is inherently expansionist and centralist, and has led to unsustainable growth — one of the main drivers of inequity and resource depletion. In response, a "new economics" is emerging — based on shared values of protecting the environment for future generations and reducing the gap between rich and poor. This new economics seeks to empower local people and to support local economies.

ced and social enterprise innovative responses

Social enterprise and community economic development (CED) are major components of this new economics. These innovative solutions are not a panacea for all of society's ills, but there is growing evidence that they are making a difference around the world, particularly in deprived communities.

Social enterprise and CED are growing fast across the globe in both developed and developing countries. There are an estimated 68,000 social enterprises in the UK, contributing £24 billion to the economy and employing 800,000 people (Social Enterprise UK website, undated). Key drivers are disillusionment with the traditional grant dependent charitable model, as well as the expansionist business model – and a desire for interventions that demonstrate results.

Social enterprise operates in markets, but trades for the benefit of people and the planet. The "asset lock" is the defining element of a social enterprise which marks a boundary with private enterprise. An asset lock requires that profits and assets be principally retained for community benefit.

Conversations in New Zealand have increasingly focused on social enterprise, that may or may not be local or community led. CED is rooted in local communities, and embraces social enterprise; community asset ownership; community exchange initiatives (for example, complementary currencies and timebanking); as well as small, local, social value-led businesses. Within a local community context, social enterprise is often referred to as community enterprise. Throughout this research report all three terms, social enterprise; community enterprise and CED are used dependent on the context.

Historically, the New Zealand community sector has been largely dependent on grants, and there has been a resistance to social enterprise ideas from many in the community sector who fear that making money through enterprise may be inconsistent with community sector core values, and will provide an excuse for funders to reduce or remove financial support. However, as the available funding pool shrinks, our more innovative organisations are increasingly looking to social enterprise development and a significant culture shift is happening, from charity to entrepreneurial mind-sets. Alongside community sector interest in social enterprise, a new generation of talented young social entrepreneurs is emerging – "digital natives" who are using information technology and social media networks to create new products and services for social, cultural, economic and environmental benefits.

slow momentum in new zealand

This research project indicates that there are many fine examples of CED and social enterprise in our communities, as demonstrated by the case studies outlined on page 133, but the foundations and systemic supports are not in place to enable this space to grow and thrive as it potentially could. Awareness in the wider community is low, there is a lack of a policy framework and resource allocation from central and local government, and there has been minimal research carried out in the New Zealand context, compared to overseas. The sector "has a big heart", but is disconnected and fragmented, from itself, and other stakeholders.

Visiting Fulbright scholar, MJ Kaplan, says in her 2013 report, Social Enterprise in New Zealand, the social enterprise field is immature

and somewhat stalled in stark contrast to momentum taking place internationally, and lacks a clear identity, recognition and credibility."

definitions and language

CED and social enterprise operate in a complex, diverse and emergent space. Shared language and common understandings are at an early stage of development. CED and social enterprise related concepts are best understood as continuums of activity rather than in overly definitive terms. Concern with definition can distract from more important issues. However, it is important to be clear about key distinctions between social enterprise and private sector enterprise when talking to stakeholders beyond the CED space. Within the research sample of 97 organisations, substantially more organisations self-identified as being a "social enterprise" than any other term.

There is an important distinction to be made between "enterprising third sector organisations" and organisations that have been operating as social enterprises from start up. The former tend to find the shift from charity, grant dependent mind-sets to enterprising ones challenging in the early stages. Organisations that are social enterprises from the outset are better able to integrate a "blended value"[1].

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[1] Blended value combines a generation of social, environmental and/or cultural value with a revenue-generating business. The term is usually attributed to Jed Emerson. See www.blendedvalue.org

vision governance and leadership

Developing and maintaining a shared vision that is understood and owned by key stakeholders emerged as a significant strength through the research. A shared vision that is based on shared values, usually leads to efficient and effective governance. Taking a skills based approach to governance is important for CED initiatives that need a mix of both community and business skills on their boards. CED and social enterprise organisations tend to have more inclusive, flatter, democratic and non-hierarchical governance and management structures than traditional not for profits and commercial businesses.

CED organisations utilise existing legal entity structures in a wide range of different combinations. A charitable trust is the most common vehicle. Deciding the right legal structure is a complex matter and practitioners do not have ready access to the information they need to decide the right structure for their purpose and context. Development of a specific legal structure for social enterprise is not a priority at this time, but it may be in the future.

finance and investment

The term social investment is increasingly being used to replace grant dependent funding language. In New Zealand, a lack of suitable investment is impeding the development and growth of many organisations. It is important for organisations to have access to the right kind of finance at the right time, to suit the phase of development. The biggest gap is in access to investment for seed investment – for research and development, feasibility studies and business plans to get to start-up. When seed investment is accessed it can help to

leverage further matching funds. Large and/or more mature organisations find it easier to access investment than small and/or start-up operations. Currently most investment is being sourced from philanthropic organisations and individual donors. There is a need for investment that is demand driven (i.e. responds to the needs of social enterprises) and is a mix of non-returnable funds and social loans.

Attitudes to taking loans are variable. Some practitioners view access to affordable loans as being very important, but some view loans as too risky. Some respondents are philosophically opposed to taking a loan from a commercial lender, because they see paying interest as leaking wealth from the community. Practitioners seek social loans that are available at softer interest rates than commercial banks offer, and include mentoring and capacity building support as part of the arrangement. The social lending sector in New Zealand is fledgling and just a few organisations have access to "social loans". Some organisations are not, as yet, investment ready for social lending purposes. Access to non-returnable start-up funds would help early stage enterprises to become investment ready over time. "In kind" investment from the Core Economy is important in a CED context[1].

community owned assets

Asset-based development that involves community ownership of land and buildings can achieve long term social, economic, and environmental improvements in communities. Accessing investment for physical assets is a little easier than for other purposes. Some practitioners are helped by councils through access to long term leases for council owned buildings. Not all participants needed significant physical assets to carry out their businesses, for example ICT enterprises.

Participants said that asset transfer would help with asset based development[2]. Asset transfer is a practice that can lead to mutual benefits for councils and communities. It is increasingly practised in the UK, but is minimally understood or practised in New Zealand. It could be particularly beneficial for social housing providers. Iwi are becoming holders of significant assets due to the transfer of government assets to iwi as part of the Treaty Settlement process. This is providing iwi with a vehicle for social enterprise development. Collective ownership, that is a cultural norm for Māori, and a growing phenomenon in the CED space, constitutes challenges for access to capital.

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[1] Edgar Cahn introduces the notion of the core economy - the premise that looks beyond traditional economics to the development of a new set of values based on families, communities and civil society; that every person can be an asset and that productivity must be redefined to include social as well as economic contributions. See coreeconomy.com/

[2] Asset transfer involves transferring the ownership of land or buildings from a statutory body to a community organisation at 'less than best consideration' – that is at less than its full market value – in order to further local social, economic and/or environmental objectives. (Local Government Association UK, 2012). See the UK Asset Transfer Unit.

operating practices

Research results indicate that CED and social enterprise organisations are relatively mature and of a significant scale in terms of both turnover and assets. From our sample, the average age of organisations is 17 years, average gross revenue is $2.98 million, the average value of capital assets is $256,000, and organisations employ an average of 30 people (including both paid employees and volunteers).

Trading is through a very diverse spread of activities. Average revenue proportions are 71% from trading and 21% from grants and donations, so these organisations are relatively financially sustainable. 93% of organisations utilise surpluses for community benefit. There is minimal appetite for distributing profits to individual shareholders.

CED and social enterprise require an understanding of risk taking, risk management and mitigation – combined with an acceptance that there will be some failures, and that these are opportunities for learning. Governance tends to be more risk averse than management, (understandably so, as they are ultimately responsible for the finances). Most practitioners are confident that they have rigorous processes to manage and mitigate for risk.

[1] For many organisations governance is more inclusive and less hierarchical than traditional governance practice in not for profits and businesses.

[2] Some practitioners identified culture as a fourth impact, so throughout the report references are also made to quadruple bottom line impacts.

the research propositions

The propositions that emerged from the interview phase of the research project indicated that there are five key attributes successful CED initiatives demonstrate. They are:

1. Creating strong and effective governance.[1]

2. Building close linkages to other complementary CED initiatives.

3. Delivering core services in partnership with service users and purchasing organisations, rather than at arm's length.

4. Establishing a future-oriented internal culture.

5. Establishing a consistent system of triple bottom line impact assessment[2].

The above propositions were tested and mainly confirmed through the seven case studies. Establishing a consistent system of quadruple bottom line impact assessment was found to be the most challenging attribute to manifest.

capability building

Research findings indicate that there is considerable capability at an operational level, though this is often present-day focused and lacking a strategic or longer term perspective. Operations that are directly within organisational control are generally well managed, although relations with external partners (e.g. public sector bodies and financiers) could be better utilised. This could be assisted by better governance and more effective use of high level mentoring support, where it is available. Most organisations do generate surpluses, and this is generally

re-invested for community benefit – in line with CED and social enterprise principles. Organisations are open to seeking external assistance with management techniques, but are generally poor at measuring the effectiveness of what they do. This limits the extent to which they are able to influence the external supporters they need to fully achieve their ambitions.

Needs for capability building support are diverse. Practitioners seek support that combines business acumen with social, environmental and cultural orientations. The available support is largely informal, and accessed through local networks. Rural enterprises are less likely to have access than those in urban situations. To respond to the diverse range of needs, support ecosystems need to cover a geographical spread and include a combination of formal training opportunities, mentoring and peer exchange. Peer exchange is especially valued by practitioners. Mature, large scale organisations generally have a lesser need for support and investment than small/emergent ones, with the exception of not-for-profits that are developing trading activity to create some financial sustainability for the services that they offer. The highest need is for support to carry out feasibility studies and business plans prior to start up, for marketing, legal and tax issues, and measurement of impact.

employment

The average number of people employed by participating organisations is 30. Employment is generally regarded as the fastest route out of poverty. CED and social enterprise play a significant role in the employment of people with physical and /or mental disabilities, youth at risk and people who encounter discrimination in mainstream labour markets. A social enterprise that is specifically established for the employment of marginalised people is known as a "social firm". Social firms offer cost-benefits to society, social added value to investors and merge employment and health improvements for disadvantaged people. Social enterprise is an innovative response to the challenges related to New Zealand's high youth unemployment rates. Social firms can also operate as labour brokers to provide experience and training opportunities that can prepare marginalised people for the mainstream labour market and connect them with potential employers.

CED and social enterprise emphasise local employment practices that are aligned with the Transition Towns Movement that is preparing communities for a time when fossil fuels are less accessible - and so local employment will become increasingly pivotal.

International research shows that workers are increasingly choosing to work in the social enterprise sector due to the opportunity that it provides to make a difference, despite the fact that salaries are not as high as the private sector[1]. In New Zealand, it can be challenging to find staff with the right mix of business acumen and social conscience. CED and social enterprise often attract unpaid volunteers, due to the social environmental or cultural mission.

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[1] SEUK Report, 2011.

maori pacific and ethnic communities

CED and social enterprise are a positive response to the needs of Māori Pacific and Ethnic Communities. Pacific and Ethnic communities are particularly good at self-help and self-organisation, but integration into the mainstream labour market is problematic due to discrimination, language abilities and skill deficiencies. Social enterprise offers potential to these communities, especially in terms of the potential for employment generation.

Māori enterprise plays an important part in the mainstream New Zealand economy. There is a distinction between iwi organisations that are bound by Treaty of Waitangi legislation and smaller non-iwi Māori-led, community based organisations. Iwi organisations are the recipients of significant assets from the Crown to compensate for historical injustices through Treaty Settlements. As a result, many iwi have developed large enterprises, with significant cash flows. Some Māori enterprises may be asset rich, but like other social enterprises, they can struggle to access capital for further development.

Like CED enterprises, many Māori enterprises operate from a set of values that sets them apart from "for profit" businesses. Māori values or "tikanga" underpin Māori-centred business and this means that Māori retain the ownership and control of their cultural identity and property rights in enterprise and industry. Some Māori enterprises are formed to provide an avenue for cultural expression and/or to foster pride and maintain Māori culture, language, and arts.

Concerns prevail in communities that large iwi organisations can be overly bureaucratic and benefits from iwi enterprise are not reaching whanau as yet. Iwi say that they are juggling short versus long term gains. Treaty settlements are still in process and it is too early to determine the impact.

Māori enterprise and CED enterprises have similar challenges. They are both concerned with the challenge of balancing social, environmental and cultural mission with trading activities. Collective, caring values underpin both Māori and CED cultures. In both worlds it is easier for large enterprises to access both finance and support than small enterprises. The challenge for large social enterprises, both iwi and mainstream, is to balance running a successful enterprise with staying connected to local people in communities. Participants would like better links to be established between CED practitioners and Māori enterprise.

demonstrating impact

Triple Bottom Line accounting is regarded as extremely important, but is a challenging area that is not widely understood or practised. Culture and context are important elements of impact, so a quadruple bottom line (QBL) framework is preferred by some, especially Māori.

Demonstration of social impact is particularly challenging and effective practice in this area is patchy, with little agreement about the most effective methodologies. Yet demonstration of social impact is important to potential investors in this space. Social impact assessment helps organisations to plan better; implement more effectively; successfully bring initiatives to scale, facilitate accountability, support stakeholder communication, and help guide the allocation of scarce resources.

A few organisations have experimented with consistent methods that have emerged in recent times to measure social impact, such as Social Return on Investment and Social

Auditing[1]. Most practitioners prefer methods that are tailored to fit their specific purpose and context. However, a degree of consistency in measurement methods of social impact is important to investors. Concerns were raised about a funder driven "audit culture" that has little relevance for practitioners. Joint approaches between practitioners and financiers are needed to improve performance in QBL measurement, and in particular measurement of social impact.

Australian researcher, Burkett, says "Social Enterprises need to be able to provide feedback on their impact, but they need to do this in ways that make sense for them both pragmatically and strategically. Enforcing particular impact measures will not grow the social impact reporting/evaluation culture, it will stifle and restrict it. We need to have much more open and rigorous debate and discussion about the value of social impact measurement and realistic ways in which we should expect social enterprises to report."[2]

Where CED and social enterprise are thriving in New Zealand, it is mainly despite the presence of an enabling support ecosystem[3]. All New Zealanders ultimately benefit from the impacts of CED and social enterprise, and all sectors and citizens have a role to play in growing and enhancing this exciting work. Different sectors have different roles to play in building the ecosystem to help CED and social enterprise to thrive.

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[1] Refer to page 97 for definitions.
[2] Direct feedback provided by Burkett to researcher
[3] The term ecosystem, originally an environmental term to describe a complex system of relationships is increasingly being used to describe the environment for CED and social enterprise.
[4] Refer to page 106 for further information
[5] Refer to page 106 for further information

how local government can help

Local government interest and support is very important, due to the geographic reach councils have into our communities. Understanding and awareness of CED and social enterprise in local governments around New Zealand is very varied. In some councils, individual officers are creating short term opportunities, but there is generally a lack of any cohesive policy framework and/or staff allocation to CED and social enterprise, with the possible exception of Auckland and Wellington councils that have created social innovation positions. Silos of operation and lack of communication between departments is usually an impediment to progress. Priority areas for local government identified by research participants are:

1. A supportive and effective policy framework

2. Social procurement policy that values localism, social and environmental impact

3. Long term leases for organisations in council owned buildings and/or asset transfer of land and buildings to community organisations

It is useful to look to countries that are more developed than New Zealand for inspiration and practice examples. The Young Foundation in the UK has carried out useful research re the role of local government to support CED[4], as has Parramatta Council in Australia[5] that could inform a direction for New Zealand councils. In particular social procurement development is identified as an area that could substantially grow markets for social enterprise, with little or no added cost involved for councils.

how central government can help

Visiting Fullbright scholar from the United States, MJ Kaplan says "My greatest surprise during my fellowship was central government's disinterest in social enterprise. This reticence was not shared by local leaders. Why isn't central government analysing opportunities to catalyse social entrepreneurship and innovation in New Zealand? I continue to be perplexed by the lack of openness to promising opportunities."[1]

Governments around the world are actively supporting CED and social enterprise. In Australia, the federal government, together with social finance providers, recently invested $40 million to stimulate the sector. In Scotland and the UK, government support for national social enterprise intermediaries has been integral to progress. Scotland is a country with a similar population, culture and urban-rural spread to New Zealand. It is a useful place to seek inspiration and practice in terms of how a government can effectively support CED and social enterprise, in a way that is broader than mere public sector reform, especially as they implement initiatives like the Community Empowerment and Renewal Bill which will provide legislative foundations for CED processes.[2]

Central government in New Zealand is largely unaware of CED and social enterprise as a way of addressing social and environmental challenges and building capacity in communities. Potentially, central government has an important role to support CED and social enterprise. Priority areas for government are identified by practitioners as:

1. Ministerial responsibility for CED (distinct from the Minister for Communities portfolio) and positioning of CED and social enterprise within a lead agency.

2. Development of an enabling, supportive and effective policy framework, preferably looking to the UK for examples.[3]

3. Development of social procurement policy and practice.[4]

4. Establishment of a social enterprise investment fund.[5]

5. Inclusion of Education in CED and social enterprise in the school and tertiary curriculum.

[1] Comment made by MJ Kaplan in an email dated 1 November 2013 to New Zealand stakeholders.
[2] The proposed Community Empowerment and Renewal Bill aims to support communities to achieve their own goals and aspirations through taking independent action and by having their voices heard in the decisions that affect their area.
[3] A relevant UK policy framework is included on page 20

[4] Australia has developed some useful frameworks that are useful, see page 107
[5] Possibly utilising moneys held in unclaimed bank accounts, along the lines of the Big Society Bank in the UK. Refer to page 63

Practitioners pointed to a number of areas where unrealistic compliance demands from government agencies are impeding development. These include Charities Services[6] requirements, finance related legislation for credit unions and co-operatives, IRD restrictions and earthquake legislation. The message to government is "first, get out of the way – then develop policies and frameworks that enable."

how the private sector philanthropics and academic institutions can help

CED practitioners are interested in developing values-based collaborations and joint ventures with private sector businesses. This is a paradigm shift from the traditional "begging bowl" relationship between community organisations and businesses to one that is based on mutual understandings and benefits. Practitioners would like private businesses to develop social procurement policies that lead them to purchase from social enterprises, in acknowledgement of the social and environmental impact they deliver.

Research participants would like closer connections with the private sector and many businesses would like to be involved in the social enterprise space, but don't know how. A nation-wide brokering role is needed to link and create opportunities between businesses and CED organisations.

Most of the investment accessed by practitioners to date is from the philanthropic sector. There is growing interest from philanthropic organisations in supporting the growth of CED and social enterprise. Philanthropic organisations can offer non-returnable seed investment to help new enterprises get to start-up. There is also potential for philanthropic organisations to

help with capability building and mentoring. Philanthropics can also help the development of our fledgling social lending sector with the contribution of funds for social loans, preferably through partnering with a social finance intermediary that has the in-house skills required for social lending, skills that are different from those associated with grant making. On the demand side, our social enterprises need to keep growing their capacity to become investment ready.

Academic institutions can help support CED through offering CED and social enterprise courses and training programmes; providing talented students with incubation, support and mentoring to initiate new social ventures; and providing access to cross disciplinary teams and supporting research and academic papers in the area.

the ecosystem and a role for a national intermediary

The ecosystem is fragmented with little cohesion. A degree of chaos and fragmentation is an integral part of this fast changing and innovative movement - nothing remains constant and organisations will inevitably come and go. However, overseas experience indicates that an effective national intermediary can have a very significant impact on growing thriving social enterprises. New Zealand practitioners would like to see a greater degree of coherence in the support environment and many are keen to see a national intermediary established. Practitioners say that it will be

[6] Charities Services in the Department of Internal Affairs carries out registration, education and monitoring of charities. These functions were previously carried out by the Charities Commission.

important that a national intermediary draws on existing CED and social enterprise leadership, and is developed in a way that is led by practitioners; is linked to regional and local hubs, and has access to sustainable resources in the long term.

Lepage, Ramirez and Smith (cited in Kaplan, 2013) identify main roles for a national intermediary as:

1. Build an Engaged Community
2. Increase Business Acumen
3. Enhance Market Opportunities
4. Provide Access to Capital
5. Demonstrate Impact

Research results and the UK experience indicate that advocacy is also a very important role.

A number of agencies from a range of sectors and geographic areas have recently started to provide support for CED and social enterprise. For example Enspiral a hub of social entrepreneurs mainly working in information technology, have had a significant impact on the Wellington scene. The Hikurangi Foundation provides incubation support for environmental initiatives. The Social Enterprise Institute provides a training programme for not for profits that are developing social enterprises. There are also various existing national networks for the community sector that are dabbling in the space, alongside their core purpose.

Relating the identified roles of a social enterprise intermediary to the roles that are currently being carried out by existing New Zealand organisations, it becomes apparent that there are very significant gaps in provision at this time. It is possible that a number of existing organisations could deliver on these gaps, but it is unlikely that all the roles required would be covered in this manner, and the ecosystem would continue to be overly fragmented.

current gaps in provision

1. **Build an Engaged Community**	Various organisations are building engaged communities in their geographic area or sector, but a national community is yet to be established.
2. **Increase Business Acumen**	Wellington based Enspiral are providing business acumen support; the Hikurangi Foundation provide incubation support to environmental enterprises and the Social Enterprise Institute is providing practical training for not-for-profits that are moving to social enterprise mode. The research indicates that more comprehensive training and support to increase business acumen is needed at all stages of an organisation's development, accessed by all social enterprises, from rural as well as urban areas.

3. **Provide Access to Capital**	Access to capital is challenging in New Zealand. Some councils and philanthropic organisations provide grants and/or loans, but this is very limited in scope. The Hikurangi Foundation helps around 15 environmental organisations to access capital. Prometheus is New Zealand's most well-known social lender. The social lending space is sparsely populated and is fragmented.
4. **Enhance Market Opportunities**	In terms of enhancing market opportunities, an immediate opportunity in New Zealand is to progress a social procurement agenda. No one is leading this agenda at this time.
5. **Demonstrate Impact**	Some philanthropic organisations have shown an interest in demonstration of impact, but there is a notable absence of any organisation leading this important work, with the possible exception of Philanthropy New Zealand.
6. **Provide Advocacy**	Research results indicate there is a high need for collective advocacy to grow awareness and promote the needs of CED practitioners. For collective advocacy to be possible, an engaged community will first need to be established on a national basis. An important role for a national intermediary will be to make connections with Māori enterprise.

Recent attempts to establish a national intermediary have been stymied by lack of investment. Most overseas intermediaries are resourced from a range of sources including self-funding investment from government, philanthropic organisations and donors. Many are membership organisations, but income from membership fees is relatively minimal. Some intermediaries develop a contracting arm over time as an internal "social enterprise" to fund some of the work that they do to grow the movement.

It is likely that a national intermediary in New Zealand will be resourced through a mix of investment sources, with a view to developing self-funding mechanisms over time. Research results and overseas evidence suggest that there is a priority role for government to invest in a national intermediary. There is a strong possibility that government investment could be matched through investment from businesses and/or philanthropic donors. It is important that the intermediary is sufficiently independent to be able to carry out an effective advocacy role.

The number of voices calling for an effective and well-resourced national intermediary for CED and social enterprise is growing. The time is ripe for a national intermediary to be established. Until this happens, CED and social enterprise will continue to operate under the radar of the wider community, and the potential to unlock much of the latent talent in our communities will not be realised.

recommendations

A thriving CED and social enterprise eco-system requires a cross-sectoral response, so recommendations are made for social enterprise practitioners, central and local government; private, philanthropic and academic sectors.

recommendations for ced and social enterprise practitioners

The priority is to establish a national intermediary, that is practitioner-led, and as capacity develops, connects with regional and local hubs/networks, and adopts the roles identified above, namely:

1. Builds an Engaged Community

2. Increases Business Acumen

3. Enhances Market Opportunities

4. Provides Access to Capital

5. Demonstrates Impact

6. Provides Collective Advocacy

7. Makes connections to Māori Enterprise

It is suggested that in the first instance social enterprises of sufficient scale and resources are asked to collectively contribute funds of up to $10,000 each to enable the employment of a suitable person whose initial work will be to make strategic relationships, with a view to accessing long term investment for the national intermediary. Until such a time as the national intermediary develops capacity, the above position could sit within one of the existing support organisations that has capability in CED and social enterprise, preferably one that has a national remit.

A priority will be to build an engaged community of social enterprises and to bring social enterprise to the forefront of all major political parties' policies with a view to featuring in all manifestos for the 2014 election, including policy commitments across a wide range of government departments.[1]

As the national intermediary develops it is recommended that it provides:

- Support to assist the formation of vertical and horizontal clusters of social enterprises to achieve economies of scale for public procurement tendering, exporting and bulk buying

- Assistance to social enterprises to protect their intellectual property, develop branding strategies and franchise or licence opportunities

- Development of techniques by which successful social enterprises can be replicated in other communities (whether they are a geographic or interest based group)

- Creation of an annual awards programme to recognise achievement

recommendations for local government

It is recommended that local councils position overall responsibility for CED and social enterprise in one area, i.e. the place that holds the most staff expertise, and has a collaborative culture that will enable cross

[1] See Social Enterprise UK 2012 manifesto No more business as usual that outlines policy recommendations on subjects including social enterprise models for public service delivery, supporting a green economy, new approaches to tackling unemployment, and stronger support for community enterprise.

departmental working to relevant parts of council. Priorities for the lead department in local government at this time are:

1. Development of a supportive and effective policy framework.[2]

2. Development of social procurement policy and practice that values localism, social and environmental impact.[3]

3. Provision of long term leases (a minimum of 10 years) for community organisations and enterprises that are tenants in council owned buildings

4. Exploration of asset transfer of land and buildings to community organisations.[4]

Auckland and Wellington councils are currently growing staff expertise in CED and social enterprise. It is recommended that these councils link with other New Zealand councils to share information about growing CED and social enterprise in their regions. It is also recommended that Local Government New Zealand promote a CED and social enterprise policy agenda. The Mayor's Taskforce for Jobs could also play a role in promoting this agenda across councils, and to central government.

recommendations for central government

It is recommended that central government:

1. Establishes Ministerial Responsibility for CED and Social Enterprise.

Establishes the Department of Internal Affairs (DIA) as the lead agency for CED and social enterprise, as this is the department where staff expertise in CED and social enterprise currently exists[5]. A priority will be to develop a close relationship with the Ministry of Business Innovation and Employment (MBIE), as this is where business development knowledge skills and relationships are held. It will also be important to develop close relationships with sector leaders and relevant staff at other agencies such as the Ministry of Social Development, Ministry of Health, Ministry of Justice, Ministry for the Environment, Ministry of Pacific Island Affairs, Office of Ethnic Affairs and Te Puni Kokiri. An initial priority will be to grow staff capacity in the lead agency, through developing relationships with sector leaders.

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[2] For information as to what a supportive and enabling policy framework includes go to Grow Your Own: How local authorities can support social enterprise from the Young Foundation in the UK

[3] For information about social procurement policy and practice refer to the Social procurement Australia website and the Social Procurement in New South Wales Guidelines

[4] For information about asset transfer see UK Asset Transfer Unit.

[5] The author consulted with a number of social enterprise leaders and government stakeholders as to where the lead role in government should be positioned. The general consensus is to start in DIA, where the energy and expertise is – and get the business and economic development areas on board as a way of progressing real change in the longer term. This is consistent with the UK approach where original social enterprise related reports came from the Office for Third Sector

2. Develops a Supportive and Effective Policy Framework.

It is recommended that the lead agency develop enabling, supportive and effective policy, based on the following pillars that have been adopted by the UK government:

- **Foster a "culture" of social enterprise that includes:**

  o Helping the sector to market itself better

  o Expansion of enterprise training in schools and tertiary institutions to include specific social enterprise training

  o Carrying out research to identify where social enterprise can help meet policy objectives in health and mental health, employment (especially for youth and marginalised people), community engagement, enterprise support in deprived areas and working with offenders

  o Enabling the sector to articulate social value, possibly through joint ventures with philanthropics and universities to explore methodologies to measure the impact of social enterprises in the national and local economy

- **Improve advice and information for start-up and growth**

  o Work with current providers, such as the Hikurangi Foundation, Enspiral and the Social Enterprise Institute to grow their capacity to deliver

  o Work with national business networks to enable a nationwide brokering service to connect social enterprises and businesses

- **Improve access to finance and new types of investors:**

  o Establish a social investment fund that is a mix of non-returnable funds for seed funding of new enterprises, and loan funding that will be recycled into the future. It is recommended that these funds would be managed externally by an experienced social finance intermediary

  o Explore the utilisation of unclaimed bank deposits as a source for the social investment fund in the longer term. These accounts currently sit with the Inland Revenue Department. If need be, follow Ireland's example and change legislation to allow these monies to be used for social investment

  o Ensure that the DIA Lotteries Grants Board supports social enterprises as well as charities

  o Expand the lending criteria of credit unions, building societies and ethical financial institutions to permit lending to social enterprises

  o Review the Securities Act to minimise compliance demands for the establishment of small community led cooperatives and community shares initiatives

  o Review the Non-Bank Deposit Taker section of the Reserve Bank Act that limits how much related parties can borrow (e.g. directors and senior managers of credit unions)

o Review the Financial Markets Authority (FMA) and the Reserve Bank of New Zealand to create low-income credit union designation that enables different tiers of compliance requirements for different sizes of organisation, and acknowledges the use of profits for community development purposes

- **Enable social enterprises to work with government:**

  o Develop a strategic partnerships programme

  o Provide financial support for the establishment of a national intermediary

  o Fund a one year placement for an experienced practitioner from the UK to come to New Zealand to help sector leaders to build the national intermediary

  o Review government procurement and contracting policies to eliminate barriers and to add incentives for contracting to social value led organisations

  o Review conditions and terms of government contracts to permit a profit margin and the retention of surpluses

  o Review Charities Services legislation and eliminate barriers to social enterprises. The research identified that there are particular issues in the social housing area, to enable shared home ownership programmes for people who cannot afford to own a home on their own to be viewed as "charitable activity"

  o Make amendments to trustee liability that currently restricts borrowing by social enterprises

o Inland Revenue Department to acknowledge the social value of TimeBanking and enable TimeBank participants to trade in the area that is their main income earner, without incurring income tax and explore the use of tax credits to encourage private investment in social enterprise in low income communities. For example, the UK Community Investment Tax Relief programme

o Housing New Zealand to work with Community Housing Aotearoa (CHA) to explore asset transfer of government owned housing to capable and experienced community housing providers

recommendations for philanthropic organisations and financial institutions

The creation of specialist financial institutions, banks and instruments that provide a mix of start-up funds and affordable loans specifically to social enterprises is required for the future. These institutions must develop an understanding of the blended value nature of social enterprises that means normal lending criteria must be adapted. Burkett says "the point of differentiation between social finance intermediaries and mainstream financial institutions is centred on a demand-led, focused product that will deliver on both financial and social impact terms. It's about having a spectrum of options for different purposes, but not discounting the need for 'real' investment and lending – otherwise the possibilities are limited. Let's grow things like crowdfunding, patient capital and interest-free loans, but this shouldn't be to the exclusion of a real lending market, which

would go to support other kinds of growth and development. There will never be enough money in the 'free loans' area to build a sustainable and impactful social enterprise sector – and in the impact investment /social finance space investors are looking for both social and financial returns, not either/or."[1]

Much of the investment for social enterprises in New Zealand is currently sourced from philanthropic organisations, so Philanthropy New Zealand have an important role to play. It would be helpful if they:

o Continue to grow the leading role they have established in promoting CED and social enterprise to philanthropic organisations throughout New Zealand

o Encourage philanthropic organisations and community trusts to develop an investment culture which encourages trading and making surpluses, and does not penalise organisations

o Encourage philanthropic organisations to provide non-returnable seed funds for early development and community loans or loan guarantee schemes for growth

o Encourage philanthropic organisations to provide a support and capability building role alongside finance

o Work with the social enterprise sector to develop specialist accountability tools that can measure the blended-value mission of social enterprises

recommendations for the private sector

It is recommended that a leading business network adopt a role to connect businesses social enterprises throughout New Zealand along the lines of Business in the Community that fulfils this brokering role in the UK[2].

It is recommended that private sector businesses and corporates:

o Develop values-based collaborations and joint ventures with social enterprises, that are based on mutual understandings and benefits

o Develop social procurement policies and where possible, purchase from social enterprises, in acknowledgement of the social and environmental impact they deliver to communities

o Consider sub-contracting to social enterprises

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[1] Response from Burkett as part of her mentoring role for this research
[2] In New Zealand this could be a possible role for:
• Business Mentors New Zealand that provide mentoring support to SMEs
• The Sustainable Business Network that provides advice and support to help businesses succeed through becoming more sustainable
• The Sustainable Business Council that is a CEO led group of companies that catalyses the New Zealand business community to have a leading role in creating a sustainable future for business, society and the environment.
• Business Network International (New Zealand) that has a nationwide network of SMEs throughout New Zealand

recommendations for academic institutions

It is recommended that academic Institutions support CED and social enterprise through:

- Offering CED and social enterprise related courses and training programmes

- Providing support and mentoring to talented students to help them to initiate new social ventures

- Providing access to cross disciplinary teams

- Supporting research and academic papers in the area

- Pursuing relationships with sector leaders to determine priorities for research and support

It feels appropriate that the final word comes from long time social enterprise practitioner and advocate, Lindsay Jeffs who says… "Without an integration of community development and social enterprises into mainstream economic, social, environmental and cultural policy and strategy development New Zealand will turn its back on a tried and proven approach to development and the engagement of citizens in entrepreneurial activities which help to build an inclusive civil society" (Jeffs, 2006).

research methodology and overview

Research Overview

There is significant CED and social enterprise related research coming out of Europe, Canada and Australia around CED and social enterprise, but little work has been done in a New Zealand context; and what has been undertaken has usually focused on a particular geographic area or on a particular community of interest. The need for research in this area was a specific outcome from the CED Conferences that were held in Auckland in 2011 and 2012. National research that is specifically oriented to the New Zealand experience is needed to provide a valid and reliable evidence base from which to grow CED and social enterprise practice, in a way that is informed by practitioners working at the grass roots.

The outcomes of this research will identify the range of CED activities, in both rural, small town and urban situations; identify both success factors and barriers; and point to the kind of policy environment and infrastructure that is needed to help CED and social enterprise to grow and thrive.

This research complements a recent survey, carried out by the Department of Internal Affairs, that has revealed a social enterprise sector in New Zealand which is relatively mature and diverse. Diana Suggate says the DIA report "provides a basis for on-going investigation into social enterprises and will inform policy development about this important sector." Go here for the DIA report.

This research is funded by the Lotteries Community Research Fund, and is being carried out by the New Zealand Community Economic Development Trust, with support from Unitec.

The research aims to answer the following questions:

1. What are the key success factors that community groups need to address in the design and delivery of community/social enterprises that are economically, socially, and environmentally sustainable?

2. To what extent are these key success factor requirements currently being met in respect of contemporary community/social enterprises?

3. How can the answers to questions 1 and 2 be evaluated and interpreted to determine best practice for future social enterprise developments?

4. What social investment opportunities, challenges and barriers exist to growing social enterprise in this country?

5. What community based infrastructure and capacity building is needed to support CED, from a national, regional and local perspective?

6. Are there policy barriers to growing CED at central and local government levels, and what are useful policy frameworks?

Research Methodology

The research methodology can be summarised into a concise, cohesive and conventional five step process, as indicated below:

1. A literature review to determine the scope and scale of existing knowledge, and to avoid researching topics that have already been adequately researched.

2. A series of focus group discussions with acknowledged opinion leaders, to establish an agreed approach to data collection and to ensure that all necessary questions are asked. Five such discussions were conducted, each consisting of 7-10 participants, in order to ensure that the opinion captured by those discussions was reflective of the full range of CED sector activities across a spread of geographical regions.

3. Design and implementation of a face-to-face in depth interview process, using the agreed data collection approach to solicit contributions from a sample of sector opinion nationwide. The sample was drawn from a database of approximately 700 organisations currently held by the applicant. In similar fashion to the distribution of focus group participation, a representative sample of opinion from the entire spectrum of CED activity was targeted and opinions gathered through approximately 100 face-to-face interviews.

4. Analysis and interpretation of the data collected to determine optimum practices for community enterprise development in New Zealand at this time.

5. Development of a library of seven case studies that exemplify best practice in CED and social enterprise from around New Zealand.

The Literature Review

The research process started with a literature review that describes the proposed research and its anticipated contribution to the development of knowledge in New Zealand. The literature review combined a practitioner perspective with an exploration of academic literature. Sources include a selection of international and New Zealand based literature canvassed through access to the Unitec library and a general web search. This is a relatively emergent area, and the language is often confusing with little agreement in the literature on definitions of key concepts. For this reason, the review took a broad church approach to the subject and explored the following related concepts:

1. Community Economic Development

2. Community Ownership of Assets

3. Social Economy

4. Social Enterprise

5. Social Entrepreneurship

6. Social Innovation

7. Social Finance and Investment

8. Social Value and Impact assessment

The literature review explores the history, definitions, key concepts, theoretical frameworks and critiques relating to each of the eight terms above. These terms are all at a relatively early stage of theoretical development and tend to cross ideological boundaries. The literature review provides a broad overview and context for the emergence of these terms both internationally and within New Zealand.

The literature review also includes specific content on the New Zealand history and policy context relating to CED and social enterprise, including reference to the Māori context, Common themes that emerged through the literature review are outlined in appendix 1. A summary version of the literature review is available online here.

Focus Groups

The aim of the focus groups was to identify key subject areas to inform the interview questionnaire, and also to access information about possible interview participants. Invited participants were stakeholders who are regarded as opinion leaders in the emergent areas of community economic development and social enterprise.

Two focus groups were held in Auckland, one in Rotorua, one in Wellington and one in Christchurch. An information sheet (see appendix 2) was sent to all participants prior to the focus groups. Participants included practitioners of community economic development, social enterprise, social housing, Māori enterprise, faith based and disability sector social enterprise, plus opinion leaders from local councils, central government, academia, philanthropic organisations, social investment agencies and community sector peak bodies. See appendix 3 for focus group questions.

Ken Simpson, Research Supervisor from Unitec, facilitated the first focus group while the Project Manager and Research Assistant observed. From thereon, Di Jennings, Research Project Manager facilitated the focus groups, and Research Assistant, Dorte Wray, captured the content of the conversations.

Discussions were both lively and insightful. Participants said how much they appreciated the opportunity to explore these areas in depth with colleagues from differing perspectives. Upon completion of each focus group, key themes were extracted and collated.

The Survey Questionnaire

Outcomes from the literature review and five focus groups were organised into themes (see appendix 4) to inform the development of a questionnaire that was the basis for 97 interviews that were carried out across New Zealand.

The questionnaire was pilot tested with a convenience sample of six respondents. The final version of the questionnaire (see appendix 5) contains both quantitative and qualitative sections, with a significant emphasis on Importance-Performance Analysis (IPA). IPA is a technique that asks respondents to evaluate a number of criteria that have been assessed as potentially useful in contributing to the concept being researched, using two separate bases for that evaluation. For example, it may be suggested that "access to relevant and timely mentoring and support in the skills required to establish your enterprise" is potentially useful to new community economic development initiatives, and that this is a criterion that should be discussed at interview. As such, a pair of questions in the interview schedule would be included that sought (0-5) scale responses to that issue: one question seeking a rating re the importance of access to professional business management expertise and a second question seeking a rating re performance as shown below.

Relevant and timely mentoring and support in the skills required to establish your enterprise

1. Importance: How important is this resource in deciding the future of your organisation (rate on a scale of 1 to 5)

2. Performance: To what extent is this happening? (rate on a scale of 1 to 5)

Participant Interview List

A list of possible participants was compiled through consultation with CED and social enterprise leaders and networks from around the country. Research Project Manager, Di Jennings, had ready access to this information from her involvement in convening CED Conferences and a CED Network in recent years. Research Assistant, Dorte Wray was also well networked through her role as Convenor of the Community Recycling Network. A draft list was developed and analysed by sector, region, ethnicity and activity to ensure a relevant spread of organisations. An invitation to participate was sent to selected organisations that included an overview of the CED research. (see appendix 6)

The intention was to interview 100 CED and social enterprise practitioners. Due to time and budget restrictions, 97 interviews were completed. Interviewees were given an assurance of complete confidentiality, and will not therefore be identified by name, with the exception of those who agreed to be included as case studies.

A consent form was signed by all participants (see appendix 7). The interviews were carried out by Di Jennings, Research Project Manager and Dorte Wray, Research Assistant.

Throughout the report quotes from the interviews are included where relevant these are presented in yellow shaded text boxes. It should be noted that every effort has been made to present quotes that are representative of the diversity of enterprises, and to ensure that a diversity of positions and perspectives is presented. Therefore, no enterprise is quoted more than once in relation to a particular topic.

All identifying information from the quotes has been removed, principally because judgements are not being made on the position of any single enterprise, but rather, trying to make sense of the sector as a whole.

Data Analysis

Quantitative data was analysed using basic descriptive statistics and Important Performance Analysis. Qualitative data was collected at interviews using a Livescribe Smart Pen[1]. Qualitative data was organised into themes and provided depth, detail and context to support the quantitative data. Assistance with data analysis was provided by Ken Simpson, Research Supervisor from Unitec.

The following hypotheses emerged from the data analysis:

Organisations will significantly improve their operational effectiveness by…

1. Creating a strong and effective governance body

2. Building close linkages to other complementary CED initiatives

3. Delivering goods and services in partnership with customers, service users and purchasing organisations, rather than at arm's length

4. Establishing a future-oriented internal culture

5. Establishing a consistent system of quadruple bottom line impact assessment

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[1] A pen that converts handwritten text to printed text using coded paper, as well as audio recording.

The hypotheses were tested through the development of case studies.

Case Studies

Interview scripts were scanned for organisations that would demonstrate the key points in the hypotheses. A shortlist of 12 organisations was analysed, with consideration given to a geographical spread, range of activity, age and scale of organisation, proportion of income from trading and legal structure. This analysis was shared with Advisory Group members and a decision was made by consensus. It was decided to include seven case studies (two more than originally envisaged) to create as full a picture as possible through the case study demonstrations. Participants were invited through an initial phone call followed up by a more formal email invitation. All of the seven organisations invited to be case studies agreed to participate. A framework was then developed to ensure a consistent approach to case study development.

To minimise the time input involved for busy practitioners, the researcher drew on the initial interview and carried out desk based research about each organisation to develop an initial draft. She subsequently worked with the selected practitioners to complete the case study. Organisations were informed that as they would be mentioned by name in the final report, that they would be asked to review a draft version of the case study material prior to publication, and provide written sign-off for its inclusion in the report, in order to achieve the level of confidentiality they needed to be assured of.

The Report Structure

This report is divided into the following parts:

Executive Summary, including Conclusions and Recommendations

Research Methodology and Overview

Part One: Building the Foundations

Part Two: Examining Operating Practices

Part Three: Exploring Finance and Investment

Part Four: Building Capability:

Part Five: Exploring Māori, Pacific and Ethnic Enterprise:

Part Six: Identifying Employment Issues

Part Seven: Demonstrating Impact

Part Eight: Bridging the Gaps: Towards an Ecosystem of Support and Infrastructure

Part Nine: Seven Case Studies:

1. Awhi Credit Union (Rotorua)

2. Community Business Enterprise Centre (Kaitaia)

3. McLaren Park Henderson South Community Initiative (Waitakere, Auckland)

4. Oamaru Whitestone Civic Trust

5. Project Lyttelton

6. Taranaki Arts Festival Trust

7. Trees for Canterbury

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part one

building the foundations

Part One examines the different political perspectives that underpin CED and can lead to differing approaches and emphases in practice. This section also explores understandings of what could be included under the umbrella of Community Economic Development (CED) and Social Enterprise.

Attitudes to shared vision, governance and leadership are explored, and a shift from charity mind-sets to entrepreneurial approaches, innovation and risk taking are discussed.

1.1 Looking at the CED space through different lenses

Through exploring the substantial literature underlying CED and Social Enterprise, it becomes apparent that the field can be interpreted from a number of different political perspectives. Different perspectives lead to very different rationales, and this leads to the incorporation of different methodologies and use of language. There are certainly overlaps between the perspectives, but there are also readily identifiable goals that each pursues, and this can help make some sense of the diversity within the social economy literature. Some of the key perspectives identified are:

1. Communitarianism

Communitarianism is a political philosophy that the social economy is essentially about building social capital, strengthening civil society and building democratic community-based systems of governance (Infed internet website, undated)

2. Neoliberalism

Neoliberalism is an economically driven political ideology that emphasises the primacy of the free market and private enterprise and promotes individualism and competition (Burkett 2011). Many of the principles and practices of social enterprise, in particular self-reliance and entrepreneurship, actually align with neo-liberal perspectives, and there is the potential for the social economy to be seen as a way for government to transfer responsibilities to individuals (albeit with a community overlay). There is, particularly in the social enterprise, enterprising non-profits and entrepreneurship literature, a perspective that it is about people and communities 'pulling themselves up by the bootstraps'.

3. Localism

Though not a specific political philosophy, "localists" advocate for priority to be given to the local. Localism emphasises the importance of local communities, local economies and local government. Localists can be communitarian, but they can also

be from libertarian persuasions - and they advocate for local practice and process above all else. For example in North America, the [Business Alliance for Local Living Economies](#) (BALLE) is a fast growing network of socially responsible businesses, comprised of over 80 community networks in 30 U.S. States and Canadian Provinces representing over 22,000 independent business members. In Scotland the [Scottish Community Alliance](#) combines localism with a communitarian underpinning - it is an informal alliance of community networks that promotes and advocates a localism agenda with an emphasis on community led enterprise and community ownership of assets. Localism is aligned with the Transition Towns movement that advocates for re-localisation in response to resource depletion and the dual impact of climate change and peak oil.

Burkett (2011) says "This is a time of possibilities – an opportunity for the community sector to move beyond positioning merely as 'the third sector' caught between the two dominant players...we cannot allow neoliberalism to atrophy or polarise our thinking into pure opposition or the reverse view of TINA (that there are no alternatives to unbridled neoliberalism). The future for community organisations is more open and interesting than this and the possible responses are greater than we have yet dared to imagine".

1.2 Three Approaches to CED: cEd, ceD and Ced

Boothroyd and Davis (1993) argue that the general objective of CED is "to take some measure of control of the local economy back from the market and the state" – but they also suggest that there are different approaches to CED – defined by whether 'community', 'economics' or 'development' is emphasised:

cEd centres on the objectives of an economic growth paradigm, emphasising the production of goods and services. This approach emphasises self-empowerment whereby individual self-interest is interpreted as the prime motivating factor for increasing local economic initiatives. Strategies include encouragement of individual entrepreneurs, removal of barriers to entrepreneurial activities, and assistance to individuals to develop products and services unique to the particular community or locality. So cEd tends to align with neoliberal perpectives.

ceD focuses on the development aspect of CED which reduces the dependency of the community on external structures, emphasising structural changes. This approach focuses on collective consciousness-raising and empowerment of people such that they are able to overcome oppressive societal structures and thereby enhance their economic situation. This approach draws on both communitarianism and localism perspectives.

Ced focuses on building community and the development of interconnections between individuals within a community and so is aligned with a communitarianism perspective. (Boothroyd and Davis, 1993)

1.3 Understanding the Language, Principles, and Concepts Relating to CED

The research findings indicate that a widely shared understanding of language, key principles and concepts are of significant importance, but that performance in this area is often poor.

The results are consistent with international literature review findings that language is at a relatively early stage of theoretical development and that it is characterised by crossing ideological boundaries and analytical pluralism.

Participants said that commonly held understandings of key terms and concepts are part of the foundations that need to be in place to effectively grow this sector and that lack of a shared language is holding back the development of the CED movement, both in terms of communication between practitioners, and developing awareness raising in the wider community.

"We cross talk because we don't have shared language. It is patchy. Lots of people are getting educated, but there are glaring gaps. The wider New Zealand community doesn't know what CED really is. There are no local NZ examples to help people understand. We don't have the fertile ground to plant the seeds. It is barren land."

"There is ignorance as to what social enterprise actually means - organisations are afraid of talking about trading because they may miss out on government money due to a lack of understanding and awareness from central government. So we don't get the traction. And we don't get to get together."

This research indicates that there are many examples of CED and social enterprise in New Zealand communities – but they mainly fly under the radar of mainstream society. There is much work to be done to raise awareness. It is anticipated that the seven case studies that have been developed as part of this research will help to grow this awareness.

The literature review found that the language is generally confusing and there is limited consensus in terms of definitions of key concepts; that social enterprise sits on a continuum of activity between charities and business; and that attempts to define it in absolute terms are not always useful. Through the literature review a table was developed that outlines a summary of the key characteristics of each of the concepts explored for the purposes of an initial overview and comparison.

1. Community Economic Development

2. Social Enterprise

3. Social Economy

4. Social Entrepreneurship

5. Social Innovation

6. Community Ownership of Assets

7. Social Finance and Investment

8. Social Value and Impact Assessment

1.4 Characteristics of Key Concepts

Concept	Key Characteristics
Community Economic Development	• Usually place based (can also apply to communities of interest) • Responds to community defined priorities • Profits are principally re-invested for community benefit, with the exception of local SMEs • Encourages local ownership of assets and community control of resources • Increases community self-reliance • Usually accountable to the local community • Can involve support from external stakeholders • Includes social enterprises, social housing, cooperatives, community shares, community owned assets, exchange schemes, small local business etc
Social Economy	• There are two schools of thought: 1) that the social economy includes the voluntary, community and social enterprise sectors[1], or 2) that it includes all organisations that trade to achieve social and environmental outcomes (i.e. social enterprises and not charities) • Includes both large scale social enterprises and small place based CED initiatives (global, national and local) • Profits are principally re-invested for community benefit • Based on principles of cooperation, mutuality, participation and community empowerment

[1] For the purposes of the research, this definition, with an emphasis on trading is preferred.

Social Enterprise	• An organisation that is led by an economic, social, cultural, or environmental mission, consistent with a public or community benefit
	• Autonomous/independent organisation (not public sector)
	• Trades to fulfil the social/environmental mission
	• Derives a substantial portion of income from trade
	• Reinvests the majority of profit/surplus in the fulfilment of their mission and for community benefit
	• Retains any assets for fulfilment of social/environmental mission and for community benefit
	• Is driven by values
	• Often employs marginalised people
Social Entrepreneurship	• A process, not an organisational entity
	• Focuses on the individual entrepreneur
	• Involves a high degree of collaboration
	• Involves a continuous process of innovation, adaptation and learning
	• Occurs across diverse areas and sectors
	• Where trading is involved, profits are principally re-invested for community benefit
	• Seeks to create wide spread systemic change
	• Emphasis on accountability and creating new value
	• Tending towards an emphasis on market based approaches to social change

Social Innovation	• Very broad concept that involves creation of new knowledge and skills across spectrum of social change • Social innovation can be an outcome of social entrepreneurship • Can be individual or collective or systemic • Occurs in, and across, very diverse fields and sectors • Opens up a broad spectrum of possibility within and across many different approaches
Community Ownership of Assets	• Ownership of land or buildings by independent community organisations • Helps to build financial independence and self-determination for communities • Benefits communities in perpetuity • May involve acquisition of assets by commercial means – or asset transfer from statutory bodies to community organisations for mutual outcomes
Social Finance and Investment	• Investment for social, environmental and cultural, as well as financial returns • Tailored to meet specific needs of the organisation • Financial terms are generally softer than in the commercial market place • Usually provides non financial support towards building organisational capacity • Includes finance for social return as well as investment for financial return - and sometimes a mix of both • Emphasis on accountability and measurement of value (including social value)

Social Value and Impact Assessment	• Measurement of social value - including outputs, outcomes and impact
	• Underpinned by concept of "blended value", i.e. value that incorporates social, environmental economic and cultural elements
	• Includes both bespoke (tailored to fit) approaches and standardised methods e.g. Social Return on Investment
	• Relatively emergent and confusing terrain with limited agreement as to best practice

The terms above are largely based on an exploration of global literature that has much relevance for the New Zealand context. A significant difference in New Zealand is the extent to which social enterprise is thriving in the Māori world. Terms such as the Māori Economy and Iwi Enterprise are in increasingly common usage here, and it will be important that a shared understanding of an indigenous CED lexicon emerges as the social economy space develops.

Pilot interviews revealed that some participants needed working definitions to help them with the question about self-definition. Researchers were concerned not to lead participants, and developed a table of working definitions that was only made available upon request from the participant. (Refer to Appendix 8)

The working definition used to refer to CED for the purposes of this research is…

CED is "action by people locally to create economic opportunities and better social conditions, particularly for those who are most disadvantaged. CED is an approach that recognises that economic, environmental and social challenges are interdependent, complex and ever-changing. To be effective, solutions must be rooted in local knowledge and led by community members. CED promotes holistic approaches, addressing individual, community and regional levels, recognising that these levels are interconnected." (Canadian CED Network, undated)

The working definition adopted for social enterprise for the purposes of this research is…

Social enterprises are organisations that:

1. Have social and/or environmental objectives.

2. Are trading businesses aspiring to financial independence.

3. Are not the subsidiary of a public sector body.

4. Are driven by values – both in their mission and business practices

5. Have an 'asset lock' on both trading surplus and residual assets.

(Senscot, undated)

An "asset lock" is a mechanism that means that any profits and/or assets are retained for community benefit. With an asset lock in place, the tangible assets of the organisation remain in community ownership in perpetuity. So there is no question of the assets being sold to the private sector for individual wealth accumulation.

1.5. A Continuum of Activity

There was a widely held view that key concepts are best understood as a continuum or spectrum of activity - as demonstrated by Alter's continuum of social enterprise activity shown below.

"We need to understand the continuum of activity - and see where we sit to help with conversations -so that we can locate ourselves. And understand the values that underpin our place on the continuum."

Spectrum of Private and Social Enterprise. (Alter 2004)

Traditional Nonprofit	Nonprofit with Income-Generating Activities	Social Enterprise	Socially Responsible Business	Corporation Practicing Social Responsibility	Traditional For-Profit
• Mission Motive • Stakeholder Accountability • Income reinvested in social programmes or operational costs			• Profit-making Motive • Shareholder Accountability • Profit redistributed to shareholders		

The above diagram is underpinned by a distinction between a public good motive and a private good motive. These markedly differing motivations demonstrate a core distinction between the CED/Social Enterprise space - and private sector business activities.

Participants said that defining the language needs effective leadership for the movement and that a shared language will need to be developed before an effective legislative framework can be established.

"We need a group of people who are clear and get on with it. A national body would help us build language and understanding."

"A supportive legislative framework should be developed on the basis of a widely shared understanding of the language, principles, and concepts of CED being achieved."

Some participants though that an obsession with definition can be a distraction. There can be a "comfort zone" factor in definitional debate – as long as we persist in a cosy argument about who has the best definition, we can manage to evade having to think about the far more important issues that flow out of definition.

"We have spent too much time trying to label and define. We have been too obsessed with labels. But it is important to be definitive when talking to people outside the sector. Then it is critical."

1.6 How Research Participants Self-Identify

Participants were asked which of the following terms best describes their operation:

How Organisations Self-Identify

- Social Enterprise (46%)
- Community Economic Development (19%)
- Social Innovation (13%)
- Māori Enterprise (8%)
- Social Entrepreneurship (7%)
- Social Business (2%)
- Other (5%)

From our sample, the term social enterprise is much preferred (46% of respondents). CED is the next preferred term, at 19%. A term that is in relatively frequent use in a local community context, but was not offered as an option to research participants, is "community enterprise".

There is often confusion between use of the terms social enterprise and social business. In New Zealand, a social business usually refers to a small to medium size enterprise that includes a social mission alongside the profit motive, but unlike a social enterprise, profits are principally distributed to owners or directors.

1.7 Shared Vision and Values

Participants said that a clearly stated, values-based vision, being shared and owned by all is of <u>high importance</u> - and that this is <u>happening most of the time.</u>

This result is encouraging, as it is not a simple matter for multiple stakeholders to commit to a shared vision.

> *"It was important having a shared and fundamental foundation of shared vision and common philosophy, and a clear understanding of what we were trying to achieve."*
>
> *"We had access to a network of talented people with strong values alignment and a shared purpose."*

Some participants said that it is not always easy to get the vision owned right across the organisation, especially in larger organisations.

> *"We haven't had the authority we would like - other people in the organisations haven't all bought into our vision"*
>
> *"A focus on projects can undermine the wider vision of the Trust."*
>
> *"Business and social aspects are separated out in our iwi organisation. This can be a conflict."[1]*

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[1] Refer to section on Māori enterprise on page 81
[2] See enterprising third sector organisation definition in changing mindsets section below section 1.6 on page 49

Participants also indicated that the vision needed to be revisited at regular intervals and updated. Core values tended to be more enduring than vision statements.

> *"Significant change has meant this has been difficult, so we have come back to our core values."*

Participants indicated that a shared vision, based on shared values, usually leads to efficient and effective governance.

> *"Trustees consider the values of the organisation before approaching new trustees. We interview for trustee positions, to ensure that their values already align."*

1.8 Governance and Leadership

Participants reported that:

An efficient and effective governance body providing competent and experienced long term guidance is of extreme importance - and that this is happening to a significant extent.

Governance that does not include both social and business skills is a moderate barrier – but participants are reasonably satisfied that they can overcome the barrier.

1.8.1 Challenges to Effective Governance

A mix of business and community skills on the governance board was perceived as being very important. For not for profits that are embracing enterprise, known as enterprising third sector organisations, enterprise skills can be lacking at the start of this journey.[2]

> *"Good governance with a blended skill set of business and community development has been crucial. We sought out an entrepreneurial trustee deliberately to bring business skills to the table."*

Participants said that governance for CED organisations is generally improving.

> *"In the past this was more concerning. Back then they (governance boards) were skilled in the social, without any business knowledge."*

Some participants were not satisfied that they were able to access the mix of skills required for good governance.

> *"They are a well-meaning group of people, but we have some skills gaps to be filled. It is really hard to find people that get this space."*

Another challenge to effective governance mentioned is the voluntary nature of trustees.

> *"Performance is affected by the voluntary nature of trustees- unlike a company board of directors."*

A counter point of view was also expressed.

> *"Trustees should be voluntary – if you have to pay trustees, they are not worth having."*

Our research indicates that unpaid trustees are the current norm for CED organisations.

Waiting for decisions and discordant relationships were also seen as being challenges by some participants.

> *"We have to wait for decisions - and this stymies our growth. There is a threat of discord due to strong personalities."*

1.8.2 Importance of the Individual Social Entrepreneur

Some participants said an individual leader is necessary to drive the organisation.

> *"A significant barrier is the lack of a driver - a passionate person who is an entrepreneur. Ashoka invest in the people, the ones who will do what it takes."*

Ashoka is a global organisation that identifies and invests in leading social entrepreneurs - individuals with innovative and practical ideas for solving social problems.

New Zealand social entrepreneur and author, Vivian Hutchinson agrees with the importance of the individual social entrepreneur, who he describes as "Entrepreneurs in service to the common good. They are our most important agents for delivering new ideas into welfare and healthcare, education and employment, housing, the environment, and in many other areas of community and economic development. Social entrepreneurs are catalysts for social change." (Hutchinson, 2011)

Recent literature suggests that the era in which the individual social entrepreneur was particularly prominent was an early phase of social entrepreneurship development – and that increasingly social entrepreneurship is inclusive of the potential of all people. Bornstein and Davis identify three stages in the social entrepreneurship journey.

1. Social Entrepreneurship 1.0 identified people with innovative ideas and practical models for creating social impact, described their function, shone a light on their work and developed support systems to help.

2. Social Entrepreneurship 2.0 shifted into the terrain of organisational excellence. It was mainly concerned with helping social entrepreneurs build sustainable high impact organisations and enterprises.

3. Social Entrepreneurship 3.0 looks beyond founders and institutions to the change making potential of all people and their interactions. It recognises that social entrepreneurship is contagious. (Bornstein and Davis, 2010)

This analysis projects a shift over time - from the individual social entrepreneur being of paramount importance, to the inclusion of all citizens in the change making process. Both the literature review and the research results indicated that CED organisations tend towards an inclusive kind of governance and leadership, and flatter organisational structures.

1.8.3 Inclusive Governance and Leadership

Results indicate that many CED organisations reject traditional hierarchical governance and management structures and a movement towards flatter structures in which management, staff and employees all play a part in defining and ensuring the strategic direction as well as creating entrepreneurial opportunities. This approach tends to be pragmatic - about what works, rather than adhering to traditional models in which governance and management are quite separate. This is viewed as inflexible by some practitioners.

"There is no distinction between governance, management and employees - because employees need to make decisions quickly in a social enterprise."

"An effective governance body, for community enterprise needs to be different from traditional governance arrangements for either the private or the community sector. In our organisation the vision and the entrepreneurial elements often come from senior management, who are on an equal footing with trustees, developing and managing the strategic direction of the organisation together. Most governance training teaches that strategic direction comes solely from the Board of Directors or Trustees, but this is not the case for us. It is about what works, rather than adhering to the usual models.'

This concurs with literature in the field that indicates that CED initiatives are underpinned by democratic principles, attempt to take a consensus based approach, and are run openly and democratically, with broad accountability to the community (Trotman and Courtney, 2008).

Moving towards community centred governance involves re-positioning the concept of governance away from external control and towards governance for innovation and accountability in ways that align with social mission, are creative, engaging and culturally appropriate, and ensure maximising of social and community impact (Burkett and Drew, 2008).

"The goal is often, but not always, to erode distinctions between 'governors' and 'governed' ('directors' and 'employees' / 'trustees' and 'staff') in order to increase responsiveness and democratic accountability both internally and externally. Many social enterprises are formally owned by stakeholders who wish to serve the community, rather than investors. They also have formal and informal accountability to their defined constituencies

and often involve them in the governance of the organisation". (Pearce, 2003).

> "Governance bodies are as good as the people they employ, the staff - the relationship between the two is really important. It's the people on the ground that provide the information to the governance body to make the decisions."

1.9 Shifting from Charity Mind-sets to Enterprise Approaches

A significant challenge for leadership of CED has been a shift from a charity mind set to an entrepreneurial one.

Back in 1998, Boschee commented that much of the activity of the social sector is founded on what he sees as a dominant "non-profit mentality", the belief that capitalism and profit are twin social evils. According to Boschee, "This attitude is the biggest single blockage to the implementation of social entrepreneurship, and one that must be overcome before successful social ventures can be established."

Eight years later, Nicholls (2006) perceived that this shift is happening. He says that "There is a renewed emphasis on trading strength in order to build resources and impact positively on the lives of parties affected by the enterprise. In this guise, social enterprise moves beyond charity in which wealthy philanthropists or concerned individuals use their wealth, time, commitment and business experience to solve social problems."

Research results indicate that in New Zealand at this time, difficulty re a culture change from being a fully grant funded not for profit organisation to taking a social enterprise approach is a moderately significant barrier –

but participants are reasonably confident that they can overcome the barrier.

> "Our success was dominated by grant funding. To be sustainable we needed to diversify. It is hard to balance not for profit and for profit elements. The culture shift is about balancing them."

Some organisations in our sample were established as social enterprises from the outset, so changing existing charity based mind-sets was not an issue for them.

> "We started from scratch as a social enterprise. I had been working in not for profits, so get the grant dependent thing – but it is just not relevant to our organisation, we are making a creative response to the old charity model".

This distinction between "not for profits" moving to a social enterprise model and start up social enterprises is discussed at length in the literature. Some researchers see social enterprise as emanating from the charity model, while others see them as primarily commercial organisations. Advocates for each of these groups may, or may not, recognise the other parties as legitimate social enterprises.

According to McBrearty (2007), not-for-profits that raise funds for services through trading remain voluntary organisations, and only those who solely trade as a means to meet their mission are called social enterprises. Other sources consider that not-for-profits that internalise the dual business and social approach can be said to operate a social enterprise, or trading arm, within the not-for-profit organisation. These organisations are sometimes referred to as "enterprising third sector organisations".

Burkett, (2010) says that in the UK, there is no clear distinction made between social enterprises and enterprising third sector organisations – they are all referred to as social enterprises, but in Australia, the distinction has been necessary. In New Zealand, this space is more emergent, and there is no agreement on this issue as yet.

Participants from enterprising third sector organisations said that shifting from a charity mind set to an entrepreneurial one can be a major challenge.

"We are working through a culture shift now - and have made some legal changes to do this. We are getting some support, especially from professionals and the younger generation.   There has been some resistance from the older generation because they don't understand. It will take 12-24 months to see a real shift, but it has started."

"This is a major mind shift, a paradigm shift,   to go from being charity to a business. Charity is a tax status not a business model."

The UK Social Enterprise Coalition (2011) maintains that social enterprises are significant businesses with values that can help diversify and rebuild our economy and that they mustn't be conflated with charities. Nic Francis (2008) agrees and is keen to distance social enterprise from notions of charity. He refers to "values centred market economics" as a way of creating large scale social change that has never been possible within a charities or welfare framework. The diagram below outlines where the "social economy" sits relative to the "welfare economy" and the "private economy".

SOCIAL ECONOMY MAP

Welfare Economy
Charitable Approaches
for Public Benefit

Social Economy
Market Approaches for
Social and Community
Benefit

Private Economy
Market-driven
Approaches
for Private Benefit

Why the Social Economy?

Wealth creation for an Independent Civil Society

Generation of Social and Environmental Value

Addressing Inequality

How?

Community Economic Development

Ced

CED

cEd

ceD

Through?

Enterprising Third Sector Organisations

Social Enterprises

Socially Responsible Local SMEs

Using?

Social Finance and Investment

Asset Development and Transfer

Who?

Social Entrepreneur (Traders in Market)

Social Innovators (Changemakers)

Jennings and Burkett 2012

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1.9.1 Innovation and Risk Taking

Research results indicate that:

The existence of an innovative and entrepreneurial attitude towards the development of new ideas, new initiatives, and new ways of doing things is of <u>high importance</u> - and this is <u>happening most of the time</u>.

The tolerance of significant risk in the pursuit of organisational ambitions is of <u>significant importance</u> - and this is happening to a <u>significant extent</u>.

These results show that CED practitioners are generally comfortable with the degree of innovation and the attitude to risk taking within their organisations. This is not surprising as CED organisations are creating a hybrid model that is inherently innovative, and our sample would include some of the most innovative hybrid organisations in New Zealand.

Nevertheless, in the supporting comments, a number of participants identified a lack of innovation as a barrier. Where barriers to innovation existed, participants identified pessimism, caution and competition as the main challenges.

"We struggle with pessimistic attitudes and a reluctance to embrace new ideas. We are too absorbed with the status quo and don't take the time to hear new ideas."

"Being over cautious has been a significant concern – it caused a successful business to be sold."

"There is lack of entrepreneurial and creative, blue sky thinking - an inability to identify and generate opportunities and ideas. We need to move beyond survival mode to opportunity mode.

There was a perceived relationship between taking risks and the development of trust between governance and management.

"As the relationship has improved, governance is more prepared to take risks. It is about trust. I am pretty autonomous. They trust me. I report regularly and we don't get bogged down in detail - this enables me to be entrepreneurial."

Both volunteers and funders were identified as hindering innovation at times.

"Volunteer attitudes need changing from a charity focus to a business focus."

"Innovation is punished by some funders. It was hard to get them to buy into innovative things. Their criteria were restrictive."

Participants said that it s easier to be innovative if the finances are in good shape.

"When you've got a good balance sheet you can afford to be innovative."

A participant related the degree of innovation to the stage of development.

"Small early stage organisations are often innovative doers, then comes the straight jacket of highly specified contracts - then some innovation becomes possible again as the organisation gets larger and has a few slack resources to experiment with."

Participants identified a competitive contracting environment as a barrier to innovation.

"Competition in the community sector is a barrier. Competitive funding undermines trust and collaborative opportunities."

1.9.2 Competitive Tendering

A competitive tendering environment developed in New Zealand largely as a result of the free market reforms that were carried out during the 1980s. The move to minimising government and outsourcing services through competitive tendering was driven by a free market orientation that has led to suffering and hardship for many. This was largely seen as an abnegation of government responsibility by the community sector.

There is a counter point of view, that community organisations are better positioned to deliver services than government agencies as they better understand the needs of their communities. An important distinction is that a free market approach can lead to communities being given responsibilities without resources, whereas a CED approach would bring government resources to the table, alongside resources from the community and other partners, because there are mutual outcomes from CED that all benefit from.

As social enterprises have developed, one of their defining characteristics is that they competitively tender for contracts. It is seen as part of the development of a more enterprising culture. The challenge, at the time of report writing, is how to build a collaborative culture in which CED practitioners support one another to grow and develop – at the same time as competing with one another for contracts.

A participant suggested that developing alliances and joint ventures is a positive response to competitive contracting challenges.

"Community enterprises need to respond to opportunities for forming alliances and joint ventures, and buying and selling groups to respond to issues of competition especially related to competitive tendering for contracts."

1.9.3 Risk Planning and Mitigation

Research results indicate that a lack of understanding of risk planning and mitigation is a moderate barrier – but that participants are reasonably satisfied that they can overcome the barrier.

"Evaluation of risk is extremely important. We are trying to place design at the centre of everything we do and not be in reactive mode. So we don't just jump in. We take it to the drawing board and really work it through at the beginning."

"A significant challenge for us has been the management of risk. There is a tension between responding to opportunities without overstretching the capacity of the organisation. Our board and senior management have learned that risk taking is part of enterprise development and that to mitigate risk we have needed to build a culture of productivity, efficiency and effectiveness around the vision and purpose."

Some participants said that governance boards are often more risk averse than management, as they carry the financial responsibility.

"There is a difference between staff and governance - governance is more conservative. There is a lack of imagination-deep thinking about what could be done. A trustee is leaving because they need everything to be bullet-proof."

Some participants related risk management practices to their stage of development.

"We are a new organisation so we don't have entrenched attitudes around risk."

"In the early days risks were large. It could not happen now due to our risk management processes. There is a concern that this stifles our ability to take risks. There is a danger of a lazy balance sheet."

Some practitioners were feeling cautious after a perceived failure.

"Currently risk aversion feels like a good thing, after the failure of a recent enterprise programme"

"We had recent losses from a new venture - so we are feeling more careful around risk."

There was a perception that times of economic recession require greater innovation, but less risk.

"Being innovative is more important in this restrained financial climate. Innovation needs to be generating business."

"We are in tight times - so we can't afford to have such a broad risk base. The recession has made us more moderate around taking risks."

1.10 Whose Wealth does CED Grow?

A fundamental question that is raised by Burkett and Drew (2008) is "whose wealth are we growing? CED aims to redistribute 'wealth' to and in the community by:

- Building local assets

- Building local employment

- Spending money locally

- Developing and supporting an enterprising culture in the local community

- Building local skills and capacities

- Celebrating local culture and environment

CED involves developing capacities needed for local people to own resources, create independence, and enable long-term planning, intergenerational security and stability, ownership of food production including seeds, soil, land, housing, water supplies, local businesses and livelihood (Burkett and Drew, 2008). New Zealand researchers, Trotman and Courtney (2008) agree that CED involves a redistribution of wealth through community ownership of assets, with assets and wealth being held in trust for community benefit.

part two

operating practices

Part Two includes mainly quantitative content relating to the nature of trading activities, the age and scale of participating organisations, the types of legal structures adopted and the way in which surpluses are distributed.

2.1 Trading Activities

Research participants carry out a diverse spectrum of trading activities including education, arts and culture, health and disability services, social housing, social finance, information technology, tourism, local food, and a wide range of environmental products and services. The research sample is also ethnically diverse, and includes iwi and non-iwi Māori enterprise, as well as Pacific and Ethnic Minority led organisations. A number of organisations had a specific focus on the employment of people who are marginalised from the labour market such as at-risk youth, people with mental and physical disabilities, and migrants.

Participants were asked whether they engaged in the following trading activities. Results indicate that:

| 84% provide services paid for by end user | 74% provide services paid for under contract | 67% rent or lease out space or equipment | 60% sell goods direct or wholesale | 51% competitively tender for those contracts | 43% produce or manufactured goods | 35% provide support for members to trade |
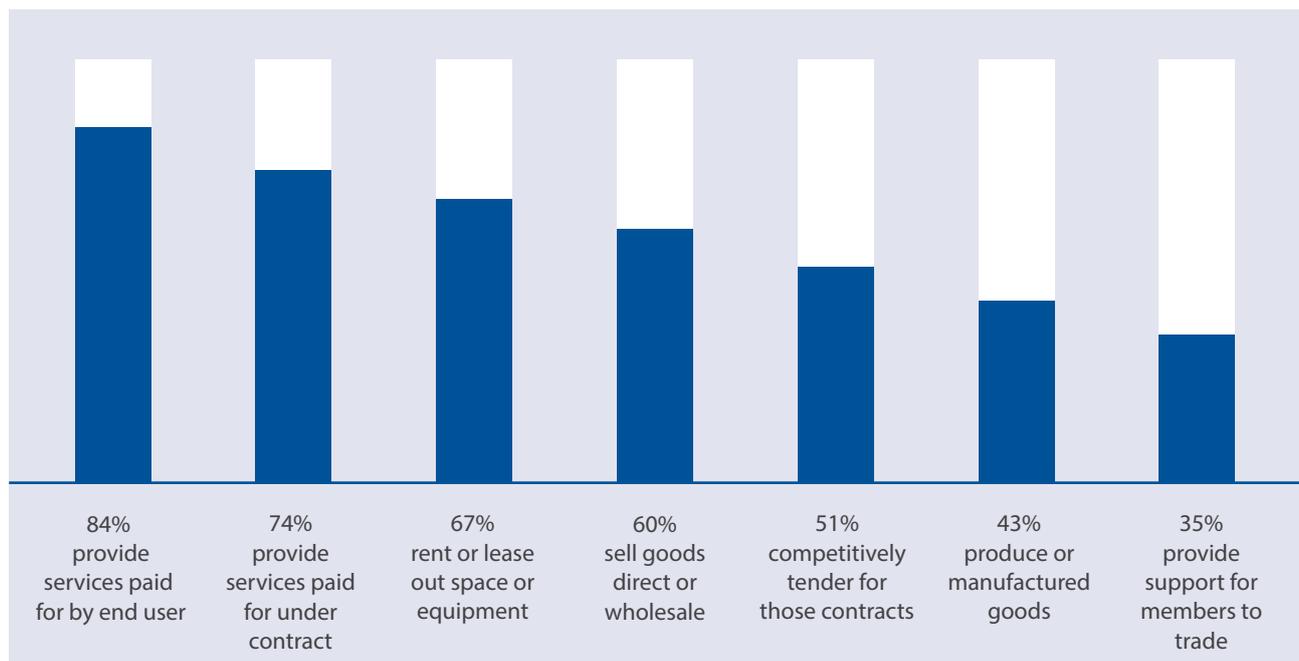
These results indicate a diverse spread of trading activity, and that organisations interviewed do not have all their eggs in one basket.

2.2 Average Age of Organisations

From our sample, the average number of years that organisations have existed in their current form is seventeen years. This number is qualified by the fact that some organisations that were interviewed are enterprising third sector organisations, and operated as a "not for profit" prior to moving to their current more enterprising phase of development.[1]

The relatively mature status of participating organisations is a significant strength, as an organisation that has been around for 17 years has developed both capacity and resilience. However, for enterprising third sector organisations, this strength is related to how successful they have been in making the paradigm shift from a charity mind-set to an enterprising one.

2.3 Scale and Maturity of Participating Organisations

2.3.1 Gross Revenue

From our sample of organisations, the average annual gross revenue was $4.16 million.

A range of size from very small to very large organisations was included. A few very large organisations (notably iwi) have skewed this result. Using a median number for annual gross revenue, the result is 2.75 million. Using a "trimmed mean" (ignoring the three smallest and the three biggest organisations) the average gross revenue is $2.98 million. For the purposes of this research a trimmed mean is regarded as providing the most meaningful result.

However the numbers are viewed, the results contradict a widely held perception that most CED organisations in New Zealand are small and fledgling. The result also indicates that collectively CED activities make a significant contribution to New Zealand in terms of the purely monetary contribution made to the financial economy, not to mention the social and/or environmental value being contributed (that is harder to measure, but very significant nevertheless). There were also some organisations included in our sample that are involved in community exchange initiatives such as TimeBanking in which contributions are calculated in hours, not dollars. So their value does not show up as a financial number.[2]

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[1] Refer to definition of enterprising third sector organisations in Section 1.6 on page 38
[2] See TimeBanking content in Financial Investment section page 68

2.3.2 Revenue Proportions

Participants provided percentage proportions for their annual revenue, based on their most recent financial records. The results showed that on average, organisations received revenue in the following proportions:

- ● Service provision paid for by end user: 30%
- ● Service provision paid under contract: 29%
- ● Grants and donations: 21%
- ● Product sales (direct or wholesale): 18%
- ● Other: 2%
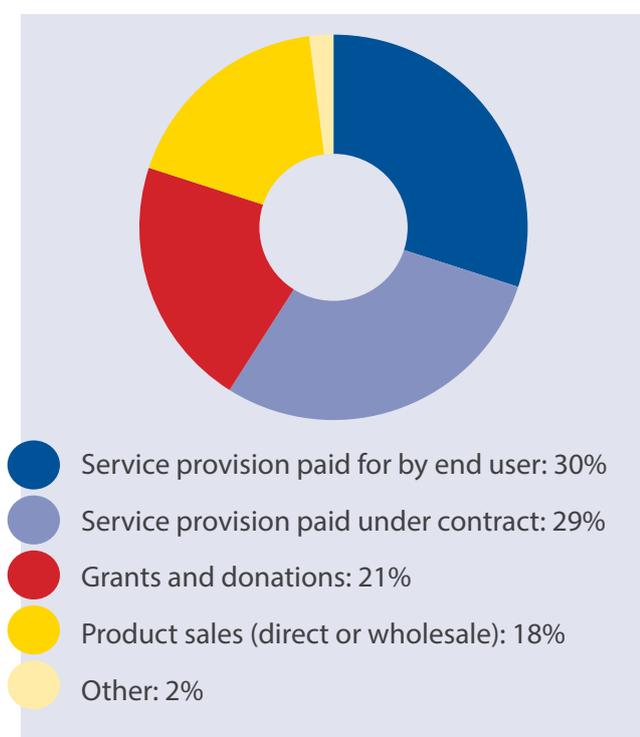
These results indicate that organisations are generating revenue in diverse ways. Contracts represent a significant portion of trading income. Most contracts are with local and central government so this revenue is less "independent" than sales and services that are paid for by the end user. Less than a quarter of revenue comes from grants and that is encouraging in terms of financial independence. Some respondents aspired to being 100% self-funded from trading activities, others said that it is perfectly valid for their organisation to receive grants and/or donations, alongside surpluses from trading activity, due to the social and environmental outcomes that they deliver in return.

2.3.3 Value of Capital Assets

Participating organisations owned an average of 13.25 million dollars' worth of assets, but this is not a meaningful result. Using a trimmed mean, the average value of assets is $256,000, a more realistic figure. The assets of one iwi interviewed are worth the impressive sum of $809 million. There was a marked difference between the amount of assets held by iwi, and assets held by other participating organisations.[1] Some organisations were very light on physical assets, due to the nature of their business not needing much in the way of physical infrastructure, for example, online enterprises.

2.3.4 Employee and Volunteer Numbers

From our sample, organisations employed an average of 51 full time equivalent staff (including both paid and voluntary labour). Using a "trimmed mean" the average number of full time equivalent staff (including both paid and voluntary labour) is 29.9. This is the most meaningful result. This points to CED organisations being of a significant scale.

[1] Refer to Māori enterprise assets content on page 81

2.3.5 Phase of Development

Organisations were asked what phase of development describes their current phase. Results indicate the following proportions:

● Growth: 42%

● Maturity: 24%

● Start-up: 17%

● Establishment 16%

● Other: 1%
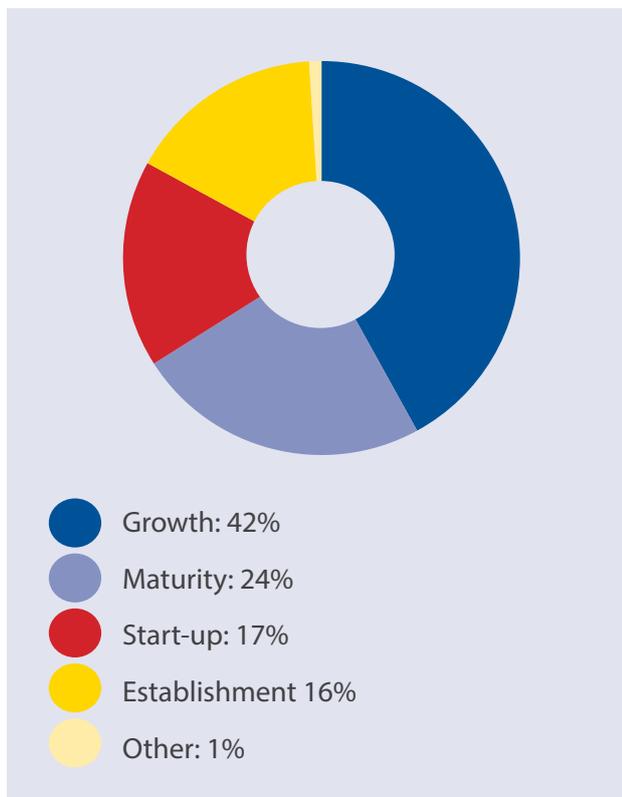
A number of respondents chose more than one of the four stages offered or were in transition from one to the next. Some were operating in different stages of development in different parts of their operations. One organisation was no longer operating, but had learned a lot from the experience. Growth is the most common phase of development.

2.4 Legal Structures

From our sample of participating organisations:

● 45% are Charitable Trusts

● 19% are Limited Liability companies

● 16% are Incorporated Societies

● 2% are Cooperatives or Unions
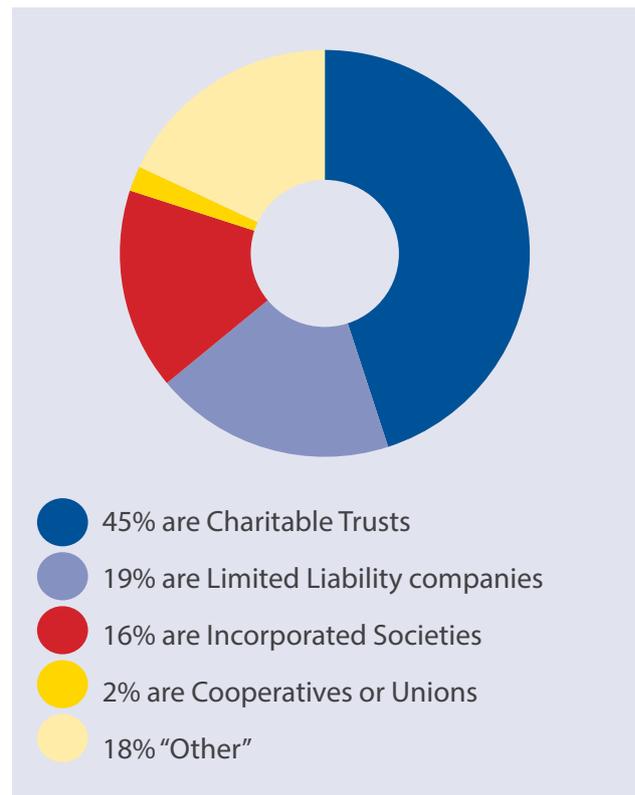
● 18% "Other"

The 18% "other" legal structures shown above included organisations that had complex legal structures combining the structures above in a variety of different formations including:

- A Charitable Trust or an Incorporated Society linked to one or more companies

- A company with a Charitable Trust as the shareholder

- One or more linked Charitable Trusts

- A Charitable Trust linked to an Incorporated Society

- An informal collective

The survey tool did not ask participants why they chose their preferred structure, but some opinions were offered freely and demonstrated differing opinions. For example:

> "We had no problems trading as a Charitable Trust." And conversely, "Trading as a Charitable Trust prevents access to trading support and business seminars that not for profits cannot attend. There is a sense that we don't pay tax so shouldn't be able to access trading support."

There were also diverse views expressed about the reasons for being structured as an Incorporated Society.

> "An Incorporated Society is the most democratic model, and broadened our access to volunteers."
>
> "We are moving from being an Incorporated Society to a Trust because we are concerned about take over issues."

Where two or more entities were formed as part of a more complex structure, reasons offered included:

> "Forming a company alongside the Trust enables us to move more quickly."
>
> "Creating a company alongside the Trust was for separation of trading and asset ownership from our charitable activity, to remove risk from the Charitable Trust."

Most organisations that were registered as limited liability companies either had, or were seeking, charitable status - with the exception of one organisation who said that that they had chosen to be a company without charitable status as they perceived charitable status as being too "limiting".

Visiting Fulbright Scholar, MJ Kaplan says that "At an early stage of development, social enterprises are generally more suitable for philanthropic or government funds than private investment. As they mature, charitable status can limit options for infusions of risk capital required for expansion." (Kaplan, 2013)

Compliance issues relating to charitable status were cited as barriers by some participants.[1]

A 2013 Department of Internal Affairs (DIA) Report, "Legal Structures for Social Enterprises" noted that "Several overseas jurisdictions have enacted new legal structures to specifically serve and encourage the growth of social enterprises. While New Zealand social enterprises bend themselves to fit the existing array of legal structures such as Charitable Trust Boards, Incorporated Societies and limited liability companies, these structures are not tailor-made to serve social enterprises' needs."

The DIA Report found that interest in a social enterprise specific form was limited at this time.

"There was a sense that motivated people could make the current legal structures fit their purposes. The dominant message was that development of a stronger social enterprise market did not hinge on legal structure and this is not the over-riding concern. The greatest challenges were around meeting capital needs and early stage capability building".

The report concluded that "A specific legal structure could be considered once a more flourishing social enterprise market is underway."

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[1] Refer to role of government section in Bridging the Gaps on page 103

A participant said…

> *"A specific legal structure is for government purposes to some extent – as a means to clarify taxation rules for social enterprise".*

It is possible that discussion around legal structures can be a diversion from a more important conversation - is the business model workable? However participants did say they need quality information about the pros and cons of existing structures and multiple structures to enable them to make an informed decision.

> *"We needed assistance to get the structure right - if you get it wrong, you suffer for ever."*

2.5 How Surpluses are Distributed

Participants were asked how they distribute their profits. Practitioners generally preferred to use the word "surplus" to "profit". There is a sense that the notion of "profits", is not quite acceptable, especially for enterprising third sector enterprises that started in life as "not-for-profits. Surplus is a less business orientated term – but amounts to the same thing!

Results indicate that surpluses are distributed as follows:

| 74% reinvest surpluses in the capacity of the organisation to deliver social outcomes | 71% reinvest surpluses in growing the trading enterprise | 61% cross subsidise surpluses to other social or environmental enterprises or projects | 31% have had no surplus to date. (They were trading, but not into profit as yet) | 11% return surpluses to community stakeholders | 11% return surpluses to a charitable parent organisation | 3% return surpluses to individual shareholders |

Most respondents said that they are not interested in a commercial shares arrangement that distributes profits to individual shareholders, as their intention is to create community wealth rather than individual wealth.

Many organisations cross subsidise surpluses to other social or environmental enterprises or projects, mainly within their organisation, or sometimes to an aligned organisation.

> *"51% of profits are held by the Trust. Future profits will go there and will be reinvested into educational initiatives, not necessarily within our organisation"*

A few participants said that they cross subsidised surpluses to international projects in developing countries. For example, a Māori organisation supported language nests and housing for American Indians in Canada. Some participants said that they distributed their surpluses in non-monetary ways. Examples included provision of scholarships, school uniforms, and leadership training.

Participants said that surpluses went to building up sufficient reserves as a buffer – and point to the importance of reserves policies that would enable surpluses, beyond a reasonable buffer, to be used to seed fund new initiatives.

> *"Our surpluses mainly go to reserves. We are currently developing a reserves policy. To build up reserves, we have targeted amounts based on paying for overheads for six months. Then we could use surpluses for other purposes."*
>
> *"We are building up reserves – with a view to use, beyond a buffer, as a deposit on an enterprise."*

Distribution of profits has emerged as an important distinguishing feature for CED and social enterprises, and is the source of much debate. DeMarco, (2010) says that in Scotland, social entrepreneurs and their enterprises exemplify the new way, continuously inventing new ways to work for social justice, as trading businesses that are not for personal wealth but for the common good.

But DeMarco is concerned that there are influential voices in the social enterprise movement which want to open the doors too wide, in order to accelerate and exaggerate the growth of this sector. He says that the very soul of CED activity is that it is not for personal gain, but the private sector lobbies for a definition of social enterprise broad enough to include private 'for profit' activity, De Marco maintains that it is important to maintain this separation. If the integrity of the social enterprise model becomes properly established, it can offer a new way for society to organise itself as a genuine alternative to the public and private systems. A New Zealand social entrepreneur participating in this research points to the need for standards to be developed to ensure the integrity of the social enterprise model is maintained.

> *"There is a lack of standards or benchmarking in the social enterprise space - for example, New Zealand does not have a Social Enterprise Mark, like the one that is in common usage in the UK. Without some clear guidelines, I am concerned that "for profit" organisations will get on the band wagon and divert energy from true philosophy of social enterprise - that is to serve people empowerment."*

3

part three

exploring finance and investment

Part three includes an exploration of the meaning of investment in a CED context, identifies the sources of investment being accessed by research participants, outlines the importance of accessing the right kind of finance at the right time, and includes an exploration of "unseen" investment from the "Core Economy".

Participants were asked if they were starting up a new CED enterprise today, what would be the most useful resources that would help them to succeed. Financial investment was mentioned more than any other resource. Capacity building support was a close runner up.

3.1 What is Investment in a CED Context?

The concept of "social investment" adds the additional element of social impact to the traditional investment factors of risk and financial return. The terms social finance and social investment tend to be used interchangeably in the literature. In a presentation at the CED Conference in Auckland in 2011, Hugh Rolo, Director of Innovation at Locality UK, said that there is a movement towards using the term "social investment" to distinguish all social finance from project grants, and to indicate that all investment in social enterprise aims to provide either a social or a financial return on investment.

A one off "grant", that is used to develop an enterprise that creates financial sustainability for an organisation in the long term, has a different purpose to a grant for a project that will continue to need grant funding into the future. So it is important to use "investment language" to distinguish investment in CED and social enterprise from grant funding.

Australian social finance researcher, Ingrid Burkett, says that a further distinction is emerging, that distinguishes between social finance (finance for social impact) that is focused on demand - and social investment (capital that is pooled for the purpose of generating both social and financial returns) that is more about the supply side. Not all of the literature makes this distinction, but Burkett says that this will be how social finance and social investment will increasingly be differentiated in the future. (Burkett, 2013).

Burkett says: "Social investors need a deep understanding of the organisations, their purpose and what this means to investing in them. What is needed is a shift from 'grant' to 'investment' mind-sets." (Burkett, 2010)

3.2 Sources of Investment

Participants were asked what sources of investment they have secured for their organisation over the past five years. Results indicate that organisations accessed investment as follows:

61% Philanthropic Organisation	58% Individual Donor	32% Community Foundation	26% Commercial Lender	22% Supplier Credit	20% Hire Purchase or Leasing Company	15% Social Lender	4% Commercial Shares Issue	1% Community Shares Issue
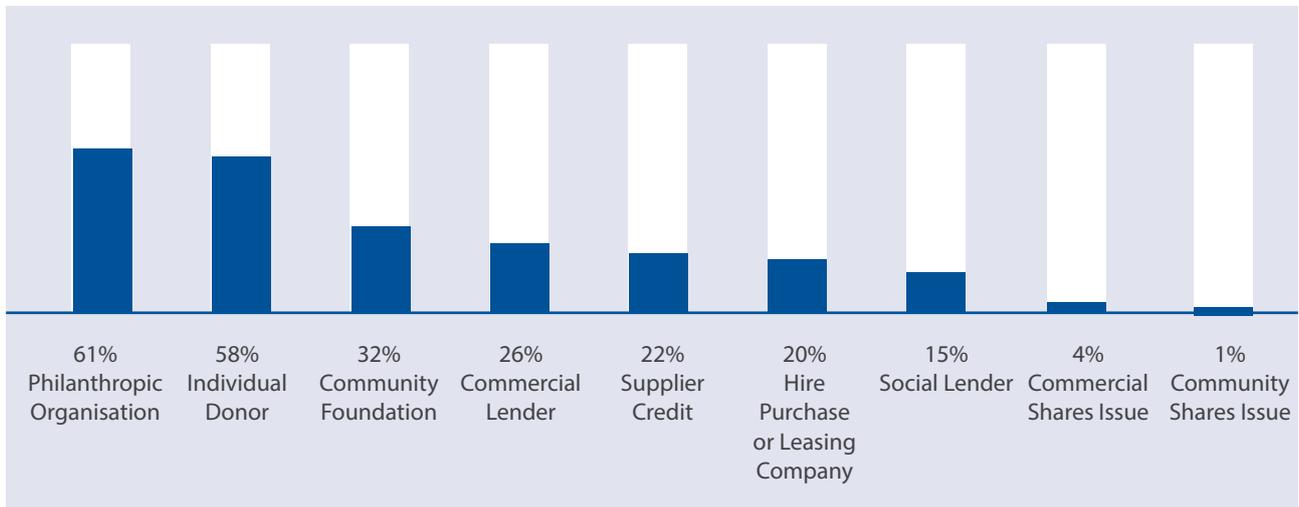
These results indicates that most social investment in New Zealand is being sourced from philanthropic organisations, community foundations and donors, and reflects the relatively small and emergent social finance sector in New Zealand. Participants said that some funders just don't understand social enterprise.

> *"Funders are worried about spending on enterprise. We have concerns that funders won't fund us once we have an enterprise. So grant dependence is encouraged in the system."*

Some participants sourced seed funds internally, or from their own pockets.

> *"We are mindful that grant donors aren't in our space – that they don't understand the space we are working in. So we fund out of personal capital, our own pockets. Then look for match funding."*

> *"When starting up, a number of founders contributed savings to build up our initial pool."*

> *"We started with each of us making a contribution - both financial and in-kind."*

Participants were able to access development finance from external sources, as identified in the following quotes.

> *"We received a grant from the council - the enterprise would probably have happened without it, but we would have been relying on volumes much more."*

> *"We started with shareholder investment and a philanthropic donor. The philanthropic funder was crucial in getting the move happening – it is a longish term relationship."*

> *"We had lots of 'declines' from traditional funding rounds. The initial kick off from a corporate was critical – or we wouldn't be doing what we're doing."*

A participating organisation received investment through bequests.

> *"We were fortunate in receiving $100,000 from a similar trust that was being wound up, and a further bequest of $120,000 is anticipated from a family trust."*

3.3 Is a Lack of Available Finance impeding Development?

Respondents said that the following activities are not being undertaken by their organisation because of a lack of available finance:

60% Can't do research and development	60% Can't grow or expand	53% Can't develop tangible assets	38% Can't get into early stage trading (first two years)	30% Can't do business plan development
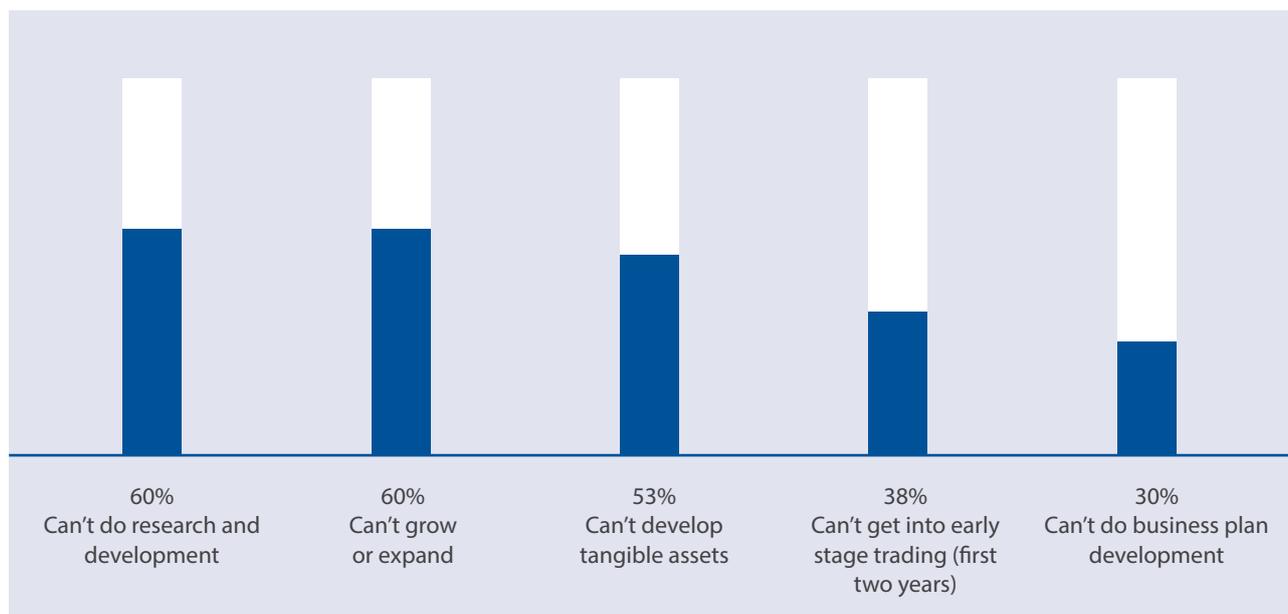
These results indicate that a lack of finance and investment is keeping organisations from developing and growing CED initiatives, even though they would like to. The areas of highest need are research and development and getting to start up.

> *"We were stopped by lack of money. We need access to seed capital for feasibility work to check out the business idea. Lack of seed funding means there is not enough staff resource to make it happen"*
>
> *"Research and development is the problem. We can build and renovate, but the problem is getting finance for research and development of new enterprise."*

Jeffs (2006) says that New Zealand financial institutions are slow to respond to the changing social and economic environment. They have extremely conservative lending policies; demand loan security in the form of property or personal guarantees; and appear to view the third sector with suspicion as its legal structure and modus operandi do not fit the business norm.

Some participants said that if the idea is right, the money will come…

> *"The idea is more important than the resource. If you get the idea right, the money will come.*
>
> *"We couldn't find the money, so we came up with other solutions. This forced us to be creative."*
>
> *"We received $40,000 from council for a salary and running costs followed by a Lotteries grant paid for a youth person for our youth project. Success with these projects enabled leverage for winning future contracts"*

3.4 Right Kind of Finance – at the Right Time

Research results indicate that it is important having access to the right kind of finance – at the right time.

> *"Access to finance is our biggest barrier. We would have grown quicker with more access to the right kind of finance at different stages."*
>
> *"The problem is not having enough of the right kind of finance at the right time. Once you've proved it to scale you need a different kind of investment."*

Rolo (2011) defines social investment in terms of the investment readiness of the organisation and divides it into the following categories:

1. Development Finance – for research and development, new project development and future planning

2. Capital development – for acquiring assets, refurbishment, new build and equipment

3. Working Capital – for early trading/monthly turnover

In the diagram below, Jeffs (2006) points to the different types of finance that a social enterprise requires as it journeys from dependence to independence. He says that "the traditional approach of grants undermines efforts to become self-sustaining and self-sufficient and maintain independence. Different types of funding mechanisms are needed to move social enterprises along the pathway to financial autonomy. Social enterprises primarily need access to pre-commercial grants, social loans and commercial loans.

Grants
(Government, philanthropic bodies, and/ or Community Foundations)

Pre-Commercial Grants
(Govt, Venture Capitalists and/ or philanthropic bodiest)

Social Loan Finance
(Specialist banks, credit unions, CDFI's, Comm.Trusts/ Foundations

Commercial Loans
(Banks, Finance companies)

Equity Finance
(Investors and the organisation's own funds)

Dependence ⟶ **Independence**

In the diagram below, Burkett also demonstrates the different financial needs for different phases of a social enterprise's development:

Start Up Phase

Movement from Idea to Action

Building initial infrastructure or equipment

Initial marketing - attracting first customers, networking

Accessing necessary technical assistance

Developing the initial business plan (in action!)

Learning the ropes of running a business and achieving social objectives / purposes.

Development Phase

Developing key processes and systems...building efficiency and effectiveness across business and social objectives

Attracting and retaining key workers

Stabilizing cashflow

Building financial capacity and understanding

Establishing reputation and track record

Learning to move beyond crisis management and building a level of stability both financially and in terms of the flow of work.

Growth Phase

Expansion of activities - finding the right depth and breadth of work to meet the social objectives

Making key decisions about right scale, required levels of sustainability (and what sustainability means in the context of the enterprise)

Expanding the market - breadth and depth of the market

Growing people not just income...developing the right staff base and governance energy

Maturity Phase

Building from a stable base to addressing key sustainability questions -both financial and social sustainability

Developing a real sense of self within the enterprise

Moving from total internal focus to balance between internal and external focus - ie. eye on how to develop the sector for example

Looking towards long-term planning rather than short-term survival

Overall research results indicate that one of the biggest challenges for new CED initiatives is the lack of access to development finance – or seed funding as it is frequently called. Kaplan (2013) alludes to the "pioneer gap" as the tricky stage when innovators are crafting new models that are not developed enough to be compelling for most investors. Without financial support during this fragile period, many visionaries abandon their pursuits.

This challenge is not specific to social enterprises. All new businesses find it hard to access research and development and start-up funds, as they have no track record to convince potential investors. It is especially tough in the current economic climate.

"We need seed funding to get the idea off the ground. We are confident we have a market, but need funds to get to start up. There is a lack of money – especially for feasibility work."

> *"We are always struggling to find seed funds. There are lots of motivated people – but we don't always have the money to get going."*
>
> *"Money for start-up is the biggest hurdle. We wouldn't have got off the ground without getting $10,000 plus cheap rent from our council – and now we are self-sufficient."*
>
> *"It was particularly hard at the beginning. Later on when we had a solid business idea, it was easier to get finance. Start-up investment is risky – we need angel investment for social enterprises."*

Respondents said that it was easier to access seed funds for CED in the past.

> *"Times have changed. Ten years ago had we had the Community Employment Group helping to access funds and it was easier to find seed funding - and then get it match funded. It was all about leverage."*

3.6 Scale and Maturity Help Access to Investment

Scale and maturity are significant factors when it comes to attracting investment. Larger organisations said having a track record helps to access investment. Mature organisations can often use their own reserves for research and development into new ideas and initiatives. Smaller organisations say they do not have that luxury - and there is limited external finance around for "pioneers".

> *"It helps to have a track record. We can always find the resource in our wonderful community. We have a reputation that we*

> *can leverage from. "*
>
> *"We are mature - so we have our own funds. We use our own equity- we have sufficient cash reserves."*
>
> *"New ventures are easy to find funding for because our Iwi partner has dollars. For other organisations finding finance for new ventures could be challenging."*

A participant from a large Iwi organisation said that they had no problem accessing the money needed for new ventures, but said that whanau and community based initiatives may.[1]

3.7 Social Lending

Research results indicate that access to affordable loans for early trading and/or scaling up is of moderate importance - and that this is happening to a minor extent.

"Social Lending is a tool, a tool to empower communities. Unlike grants, social loans recycle: the funds from repaid loans can be re-lent. It is a hand up not a hand out. Social lending can help borrowers develop business skills and promotes dignity. …social lending already exists here (In New Zealand), but at far lesser levels than in the US, the UK or other parts of Europe." (Benedict, 2010).

To grow and thrive, many social enterprises need access to social loans that are more affordable than commercial loans. For some participants, taking a loan to progress an enterprise was a relatively new possibility. Social lending is a relatively emergent area in New Zealand.

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[1] Refer to section on Māori enterprise on page 81

"Loans are on our radar – but we are not there yet. We are still at the stage of getting investment ready. We are considering this for our next venture. We want to carve out another way of doing things."

Jeffs (2006) says "Whilst not rejecting the role of donations and grants to social enterprises and other trading third sector organisations most social entrepreneurs prefer a loan to grant approach because of the following:

- Credit is dynamic, developing and useful where a project has the potential to become self-sustaining.

- Loans create an autonomy rather than a dependency mentality in an organisation.

- Loans demand a continuously responsible financial performance by recipients so that the money can be repaid and then further circulated to other social enterprises.

- In New Zealand, without CEG, there is now no initial funder for many social, environmental, cultural and economic development projects. If social finance could be obtained this may give other funders the confidence to commit to a project.

- Financial returns help to increase the overall social finance pool.

- Loan capital can build and strengthen social capital at local, community, regional and national levels." Jeffs (2006)

For social lending to develop here, there needs to be a demand from investment ready social enterprises. For social enterprises to become investment ready they need affordable social finance. It is a "chicken and egg" situation.

3.7.1 Are Loans Risky?

Some participants said that they avoided loans because they consider them to be too risky.

"There is too much financial risk involved - so we are not comfortable taking a loan. We don't entertain loans as we have no assets. It is too risky."

"We have been offered a loan, but we want to avoid it. We see loans as a problem due to our overhead costs. Repayment and interest eats into operating sustainability."

"We don't get too indebted - we never borrow more than 15% of our capital. You need to have such a strong balance sheet and carry out due diligence"

3.7.2 Affordable Loans

Participants said that loans for social purposes should be more affordable than commercial loans.

"We need access to affordable loans and capital – not at market rates, but with lenders that are willing to partner with us."

"Social lenders in New Zealand are not that affordable. If we could access social loans like in the UK we would be interested."

3.7.3 Loans with Expertise Attached

Internationally, social finance and investment demonstrate a set of widely accepted, key characteristics. These are high engagement, tailored financing, multi-year support, non-financial support in addition to financial support, organisational capacity-building and performance measurement (Social Innovation Europe, 2011). By sharing their knowledge and expertise with social enterprises, social finance intermediaries may also provide the resources and support often needed by these mission-oriented organisations (UK Government, 2011). International research indicates that default rates can be reduced by the provision of advisory services.

> "We are looking for finance with expertise attached. We would like mentoring as part of the deal to help be accountable - and succeed."
>
> "We want to work in partnership with a funder that wants to be involved in the process - not just fund. To be in a relationship around our shared vision and work together- with some advice and guidance."

The two basic issues associated with undertaking social lending are (i) that sufficient expertise is developed, and (ii) that the costs of doing this are reasonable. In the New Zealand context, given that social lending will be a niche within a small population of projects, the appearance of a number of competing social lenders is unlikely to be practical or cost effective. So an enthusiastic foundation which undertakes such services for itself and then offers them to others will reduce its own costs – and those of other foundations wanting to take up social lending – and concentrate expertise (Saunders, 2009).

In post-earthquake Canterbury, the Canterbury Community Trust has set up a $2.5 million "Social Enterprise" Fund. This fund aims to help support employment opportunities and outcomes, plus encourage innovation, self-sufficiency and community participation. In an acknowledgement of the importance of providing assistance with capacity building, Business Mentors NZ Business Mentors New Zealand has agreed to assist with capability building for successful applicants (Canterbury Community Trust website, undated).

3.7.4 Does Lending Fit with CED Values?

A number of participants said that a loan does not fit with their values and philosophy.

> "We need money access in a way that resonates with our values - it is not a straightforward pathway. Lenders often don't understand social enterprise."
>
> "Loans? No, we don't want to do them. We want to get away from the monetary economy. We are more interested in an exchange of skills. A loan doesn't fit with our ethos."
>
> "A loan with interest is unacceptable to us – it doesn't fit with our philosophy. We disagree with paying interest. We want to build an alternative economy. We want our own lending system within the local community, like community based savings pools."

A contentious debate has emerged about how ethical it is for investors to receive dividends from social investment. Mohammed Yunus is unequivocal that "within social investment, dividends should not be paid to shareholders

and investors get back their investment amount only. No dividend is given beyond investment money." De Marco, (2011) says that he agrees, and that that investors "profiting from the relief of suffering just feels wrong". Greenland, (2011) says that this position is too simplistic, and needs to be challenged. He proposes a "mature debate" on the issue of when it is appropriate to distribute dividends to shareholders, and when it is not.

Burkett says "It's about having a spectrum of options for different purposes…but not discounting the need for 'real' investment and lending – otherwise the possibilities are limited. Let's grow things like crowd funding, patient capital and interest-free loans…but this shouldn't be to the exclusion of a real lending market, which would go to support other kinds of growth and development. There will never be enough money in the 'free loans' area to build a sustainable and impactful social enterprise sector – and in the impact investment /social finance space investors are looking for both social and financial returns, not either/or." [1]

3.8 A Role for Social Finance Intermediaries

International evidence suggests that social enterprises need to be supported by efficient social finance intermediaries.

"Social finance intermediaries can remove barriers to social finance and enhance social enterprises by raising capital for them from individuals, companies and charitable foundations alike." (Foresters Research Report, 2010).

In New Zealand, participants said that some councils have come to the party, providing loans on softer than commercial terms.

"Council has provided a loan facility that is interest free for a period of time."

As helpful as this is, research into social lending in New Zealand indicates that councils are not ideally equipped to provide loans as they generally lack expertise and experience and could have a problem with accountability to ratepayers if the loan was defaulted. Benedict says that a government role to support social lending in New Zealand could be to outsource funds for lending to a social lending intermediary, and to ensure that legislation and regulations assist the market to develop social lending (Benedict, 2010). [2]

Burkett (2013) maintains that social finance intermediaries should be providing finance that is demand led – that "the point of differentiation between social finance intermediaries and mainstream financial institutions is centred on a demand led, focused product that will deliver on both financial and social impact terms."

Benedict (2010) proposes a collaborative social finance intermediary be created in New Zealand - to support existing social lenders, to incubate new ones and to expand lending opportunities for social enterprises.

In the UK, a social investment bank called the Big Society Bank was established in 2010, funded from a combination of £400m of unclaimed assets in dormant bank accounts and £200m of commercial bank finance.

[1] Response from Burkett as part of her mentoring role for this research
[2] Refer to 'Role For Government' section for more about a potential government role to support access to social finance

3.8.1 A Collective Social Investment Fund

Participants suggested utilising collective surpluses to create a collective social investment fund.

"I am thinking about how much money is sitting in reserves across the sector. Some is tagged – we have in reserves for a rainy day. Or there is just no thinking about it. Spending reserves is seen as not prudent. What if we all put reserves into a social finance intermediary - and they manage the risk?

"Social finance could come from organisations working together and pooling reserves to create a fund that could be match funded by government – that would be an incentive."

3.8.2 A Role for Community Trusts

Jeffs (2006) says that there is opportunity for New Zealand Community Trusts to diversify their funding model by encouraging the development of social investment funds based on proven overseas models.   The Trust's involvement could range from directly establishing such funds, co-financing with partner organisations, establishing a joint venture organisation and/or encouraging existing organisations to lend to social enterprises.

Jeffs says that unless Community Trusts develop a deliberate policy strategy to encourage and provide suitable social funding mechanisms for community development and social enterprises, a major opportunity to improve the lot of disadvantaged individuals

and communities and the social, cultural, physical and human environment, will be lost. Since Jeffs' report, a number of trusts in New Zealand have developed policies that enable them to loan to social enterprises.

3.8.3 Community Sector Banking Australia

Community sector banking is an Australian development that provides a no risk social investment strategy that Community Trusts in New Zealand could utilise to assist third sector organisations maximise the benefits of their investments. The concept involves the community sector coming together to create a commercial entity that pools the deposits of not-for-profit organisations which are then deposited into a bank account with a private sector banking partner (for example, the Bendigo Bank).

The creation of a profitable bank by the third sector is viewed not as an end in itself but a means to an end. It means that the capacity of the third sector is being developed by the sector itself. By aggregating supply and demand, and forming partnerships with the private and public sectors, third sector organisations are able to fulfil their social mission by undertaking the activities that assist in the achievement of their mission. (Jeffs, 2006)

As Peter Quamby, CEO Community Sector Banking says "It is from here that we can stop seeking permission to fulfil our mission" and "By gaining greater control over capital we can approach social issues differently – we can be far more creative in the way we approach issues such as social housing, indigenous enterprise, health, aged care and employment." (Quamby, 2004, cited in Jeffs 2006)

3.8.4 Community Development Finance Institutions (CDFIs)

In the UK, CDFIs fill a gap for social enterprises to access loans. CDFIs are social enterprises that support communities by providing affordable finance that would otherwise not be available. By making loans, they are able to recycle this finance again and again into neighbourhoods where it is most needed.

CDFIs lend money to those unable to get finance from high street banks. They fill the gaps in mainstream lending, addressing market failures and offering an affordable alternative to high interest doorstep lenders. There are currently around 60 active CDFIs operating across the UK (Community Development Finance Association website, undated).

3.9 Investment for Community Asset Ownership

Research results indicate that access to investment capital for acquisition of physical assets is of significant importance - and that this is happening to a moderate extent.

Community asset ownership has emerged as an important component in building viable and sustainable social enterprises. Trading helps to build viability in the short term – and asset ownership helps to build sustainability in the longer term.

For the purposes of this research the following definition of community asset ownership is adopted.

 "Community asset ownership is centred on ownership of physical assets by incorporated community groups and associations. Ownership means these organisations can

build financial independence, leverage greater community benefits, and develop capacity to build a stable long-term future reducing overall dependence on external sources of income. Community asset building is premised on these assets providing benefit to local communities in perpetuity." (Burkett and Drew, 2007)

In the UK, community asset ownership has become an increasingly important part of CED. Over the last two decades, the Development Trusts Association has promoted a form of community development in the UK's most deprived communities that is characterised by independent locally controlled organisations taking over underused land and buildings and bringing them into community ownership through asset transfer of land and buildings from the public sector to community organisations (Wyler and Blond, 2010).

In future years, a huge amount of public sector wealth in New Zealand may cease to be public - and there is a real risk that public assets will not only be privatised (as during the 1980s) but privatised in such a way as to reinforce existing inequalities of wealth. In New Zealand, this danger is particularly imminent as the current government's commitment progresses an agenda to sell state assets to the private sector. How much better would it be if public assets could be transferred to community ownership, to enable the benefits to be available to communities in perpetuity?[1]

Iwi organisations have particularly strong collectively owned asset bases. "Assets returned to Iwi through Treaty settlements illustrate the concept of collective/community ownership. The development of Iwi-based social enterprise development has increased

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[1] Refer to 'Asset Transfer' section on page 111

following Treaty of Waitangi claim settlements." (NZ Business Council for Sustainable Development and Westpac NZ, 2005)[1]

> *"We have significant assets. And this helps us to acquire more assets. Right now we have enough to maintain and develop."*

Investment for physical assets was generally seen as being easier to find than investment for other purposes.

> *"Finding money for bricks and mortar is easier than finding money for salaries. It's people that transform - but this is harder to see and measure."*

> *"Investment capital is available from commercial banks, so long as there is a guarantor or the organisation has a strong balance sheet. It is more about security than how well we are trading - especially since the global financial crisis."*

A social lending pioneer in New Zealand, the Community Trust of Southland, combines loans and grants to provide significant funding for facilities.

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[1] Refer to section on Māori enterprise on page 81

3.9.1 Generative, Collective Ownership

Generative, community based asset ownership is an alternative model that serves the common good instead of the interests of small numbers of wealthy elites. The concept of "generative ownership" is emerging in response to the enormous challenges of global resource depletion stemming from individual ownership. "A new model of ownership is arising and spreading in our time – known as generative ownership. Its purpose is serving the common good. Generative ownership models include co-operatives, employee owned firms, community land trusts, community banks, credit unions, and many other models that root control in the hands of people who have a mutual interest in the health of their communities and local ecosystems. These are in contrast to the dominant models of capitalism that are extractive as opposed to being generative." (Kelly, 2012).

But this is not an entirely new concept - cooperative models of ownership have been around since the industrial revolution, and in New Zealand, Māori models of ownership, e.g. Mana Whenua (ownership and control of land) are inherently collective.

Collective ownership is common in CED – and is a deeply rooted cultural norm for Māori. However, collective ownership conflicts with non- Māori approaches to loan making. In response to this, Benedict (2010) suggests the creation of a Māori guarantee programme to help lending institutions overcome the challenges of lending to collectively owned enterprises and collectively owned land. Benedict says that this approach could work for both Māori and non- Māori.

1mm

3.10 "Other" Sources of Investment

3.10.1. The "Core Economy"

Participants said that that some of the investment in their CED initiatives was not financial, but in-kind investment, through donations or exchange of goods or time.

Edgar Cahn makes a distinction between two economies: the monetary economy and what he calls "the core economy". The first is monetised and has two major components:

the private, market economy and the public purpose economy (government and philanthropy). The second is not monetised and includes family, neighbourhood, community and civil society, and is based on the values of coproduction, cooperation and reciprocity. The diagram below shows the many areas of the "Core Economy" that are not included in a capitalist framework.

gift giving

self-employment

informal sector

Capitalism's Excluded Others

household production

socialist production

barter

social entrepreneurs

Commodities

Markets

CAPITALISM

Wage Labour

Private Accumulation

indigenous exchange

voluntary labour

cooperatives

slave labour

surplus sharing

Non-Capitalism
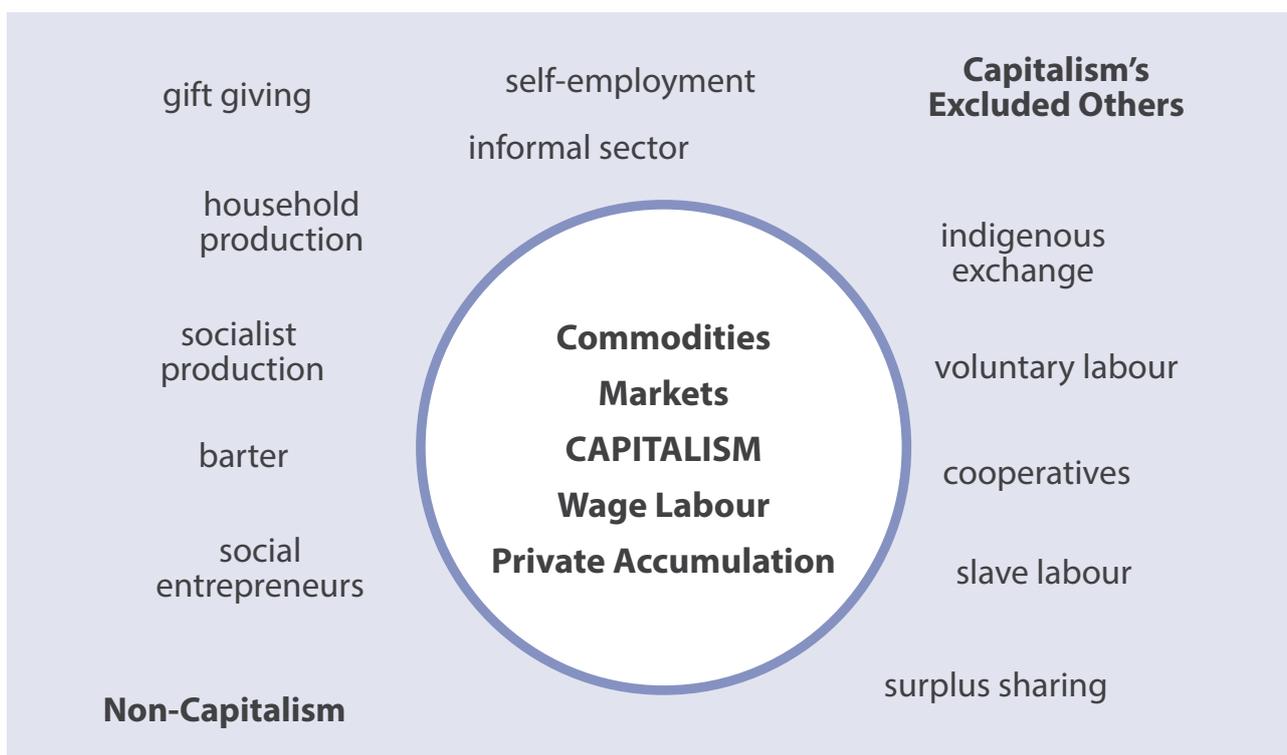
(Gibson and Cameron, community economies website, undated)

"We do a lot on a non-cash basis. We go to our community first and ask. For a men's shed we had $30,000 worth of tools donated plus about $10,000 of building products. The shed was built with volunteer help. Relationship building is the key."

3.10.2 TimeBanking

Cahn promotes the concept of TimeBanking as a means to develop the Core Economy. TimeBanking is based on the tenet that "We have what we need – if we use what we have" and is a way of trading skills in a community. It uses time, rather than money, as the measurement tool. For every hour participants 'deposit' in a TimeBank, by giving practical help and support to others, they are able to 'withdraw' equivalent support in time when they themselves are in need. In each case the participant decides what they can offer. Everyone's time is of equal value, irrespective of what is being exchanged. Because TimeBanks are just systems of exchange, they can be used in an almost endless variety of settings. (TimeBanking UK, undated)

> "Our TimeBank enables existing resources in the community to be shared and utilised."[1]

The TimeBanking movement is growing fast in New Zealand. There are approximately 27 TimeBanks and new ones are emerging rapidly. TimeBank Aotearoa has been established to support and connect these initiatives.[2]

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[1] Refer to role of government section for IRD responses to TimeBanks

[2] Refer to Project Lyttelton case study on page 117 for an example of how a TimeBank helps to build a local community.

3.11 Emerging and Alternative Forms of Investment

3.11.1 Social Impact Bonds

A Social Impact Bond (SIB) is a contract with the public sector in which it commits to pay for improved social outcomes. On the back of this contract, investment is raised from socially-motivated investors. This investment is used to pay for a range of interventions to improve the social outcomes. The financial returns investors receive are dependent on the degree to which outcomes improve. (Eccles, 2011).

SIBs are being utilised in the UK and the US and are currently being piloted by the New Zealand Government. "The New Zealand Government has given the green light to piloting social bonds in New Zealand. Social bonds are an innovative way for private and not-for-profit organisations to partner in delivering better social outcomes – and be rewarded by government. The Ministry of Health is leading cross-government work to pilot social bonds in New Zealand" (Ministry of Health website, undated).

SIBs are currently the source of much debate. Critiques include the transfer of risk from government to the provider and private sector, the difficulties in accurately measuring social impact, the possibility that the most serious problems will not be addressed due to measurement difficulties and that added legal costs will likely be incurred through complex contracts. It is still very early days to determine how successful social impact bonds will be in addressing social needs. There is, however, a fundamental critique…

 "When we turn services for the most vulnerable into profit-making ventures, we are saying it is acceptable to profit from the

suffering of others. That goes completely against the core Canadian values of fairness, empathy and collective responsibility." (McNeill, 2013 cited on Public Services Foundation website of Canada)

3.11.2 Crowd-Funding

Crowd-funding refers to the collective cooperation, attention and trust by people who network and pool their money and other resources together, to support efforts initiated by other people or organizations. The purpose of crowd funding varies, from disaster relief to citizen journalism to artists seeking support from fans, to political campaigns. Crowd-funding is also used for start-up companies. It is sometimes called crowd financing or crowd sourced capital. (US Legal, undated)

Equity-based crowd-funding (as opposed to crowd-funding to raise donations) involves investors receiving company shares or other returns (depending on the success of the business). Crowd-funding was highlighted in the New Zealand Government's Business Growth agenda as an initiative to support companies to access capital.

The USA has introduced a crowd-funding exemption from its Securities Act. Under the New Zealand Financial Markets Conduct Act 2013 crowd-funding platforms will be permitted to operate as a prescribed intermediary service. Those raising funds via a licensed crowd-funding platform will not have to provide a complete product disclosure statement. However, various mechanisms will help investors make informed decisions:

- Crowd-funding platforms will have to gain a license from the Financial Markets Authority (FMA). It is likely that FMA will want to ensure that the platform operates in a fair, efficient and transparent way.

- It is proposed that there will be a cap on the amount issuers can raise, which is likely to be $2m over 12 months

- There may be a cap on the amount investors can invest - to reduce the risk of large scale investor losses

- The detailed rules for crowd-funding will be the subject of further consultation in November.[1]

3.11.3 Community Shares

Community shares are a way of raising money from communities through the sale of shares or bonds in order to finance enterprises serving a community purpose. Unlike charitable fundraising, community investors can get their money back, and may also receive interest or dividends on the money they invest. Locality, the UK's leading network for community-led organisations are currently carrying out research into community shares initiatives through the Community Shares Project.[2]

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[1] Information provided by Diana Suggate, Senior Policy Analyst from DIA
[2] Refer to Project Lyttelton case study for content on community shares in a New Zealand context

3.11.4 Barter Systems, Complementary and Community Currencies

> *"Until we change the way that money works, we change nothing."*

A community currency is an alternative form of money used as a response to a failure in the functioning of conventional money that often has wider objectives than simple economic functions.

3.11.5 Local Exchange Trading Schemes (LETs)

LETs was designed by Michael Linton in the early 1980s on Vancouver Island, Canada, as a response to high unemployment in the community and to give value to people's skills when federal dollars became scarce. Now it exists more for other reasons, such as an antidote to globalisation, enhancing identification with local community, providing a sustainable economic trading system and valuing people's skills that are not frequently honoured in the conventional cash system.

In New Zealand, HANDS (How About Non Dollar System), in Golden Bay, is a version of LETs. Established in 1989, HANDs continues to thrive today. It is a system of barter or trading which uses locally created currency between members to value their trading. The unit of exchange is called the HAND, which equals, more or less, the Kiwi dollar in value. The mission of Golden Bay HANDS is to strengthen the local community through a complementary mutual credit currency. The main feature is that wealth created by trading and using HANDS stays right in the community.

3.11.6 Councils Adopt Local Currencies

In the Great Depression of the 1930s many local authorities created their own currencies to help put people back to work. They were eventually closed down by central banks and central governments. In the face of the current economic climate, a few councils in the UK and around the world are starting to recognise again how local currencies keep money in their areas.

For example, The Bristol Council has initiated the Bristol Pound that helps to stem the haemorrhaging of money out of the community to big finance companies and builds the volume of local business. The Bristol Pound is the UK's first city wide local currency, the first to have electronic accounts managed by a regulated financial institution, and the first that can be used to pay some local taxes.(Bristol Pound website, undated)

Mayor Georg Moosbrugger from the Austrian village of Langenegg, which issues its own "Talente currency", says: "Wherever the money rolls, there it has an effect. Local money doesn't roll very far and so it can get to work in my area."

The council can decide which local taxes may be paid in local currency to subsidise the local economy, keep purchasing power in the region and support cultural and educational organisations as well as solar energy generation. Social enterprises also accept local money in payment for local food, arts and crafts and holiday lets. (Rogers, 2013, from article in Guardian Professional)

A local currency is an economic safety valve. If the dollar and euro economies fall into depression, a local currency can keep a local

economy alive. In this way, it is functionally similar to the resilient local production of energy and food.

The slow motion collapse of the European Union has led the city of Nantes, France to take steps to add resilience to its economy through launching its own currency called the nanto. Nantes is configuring its parking system, transport, leisure and other facilities to accept the nanto, and it is planning on paying city employees some of their salaries with the nanto. To do this it has partnered with the WIR Cooperative Bank in Basel, Switzerland.

3.11.7 The WIR Bank in Switzerland

The WIR bank was established in the 1930s as a means for Swiss businesses to trade with each other. It was launched at a time when the economy was in crisis and was seen as facilitating business in the absence of credit in francs. The WIR functions as a bookkeeping system for clearing local transactions, and doesn't use any paper bills. A wide range of businesses participate including and especially all of the trades. WIR is widely credited with keeping the Swiss economy strong. The WIR bank lets its members make deposits both in Swiss Francs and WIR, and likewise, payments can be designated in both amounts. WIR has historically not involved individual consumers, but rather is a business to business program. However, several years ago the bank opened up deposit accounts to the general public (Witt, S 2008).

In NZ a Business to Business (B2B) system is being planned for the Ashhurst area. Vouchers have been printed (funded by the Palmerston North City Council Community Initiatives Fund), but the system is yet to be launched.[1]

3.11.8 Micro-finance and Credit Unions

Micro-finance is a specific kind of social finance, aimed at individuals living in poverty. The Grameen Bank or "Bank for the Poor", founded by Professor Muhammad Yunus,is the most well-known micro-finance bank internationally. The Grameen Bank provides credit to the poorest of the poor in rural Bangladesh, without any collateral. Credit is a cost effective weapon to fight poverty and it serves as a catalyst in the overall development of socio-economic conditions of the poor who have been kept outside the banking orbit on the grounds that they are poor and hence not bankable. The Grameen Bank lending system is designed in a way that groups have collective responsibility for repayment of loans. This shared responsibility to repay has led to a very low default rate. (Grameen Bank website, updated November, 2011).

In New Zealand, credit unions offer micro-finance to community members.[2] A credit union provides members with the chance to own their own financial institution, eliminate debt, and helps them create opportunities such as starting small businesses, growing farms, building family homes and educating their children. Through micro-financing, individuals and small businesses are empowered and supported to build better lives for themselves, their community and the world.

There are 18 credit unions in New Zealand providing access to micro-finance for their members. In New Zealand, credit union customers make up only 6.4% of the population, compared to 43.4% in the US and 47% in Canada.

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[1] Information received from Helen Dew from Living Economies
[2] Refer to AWHI credit union case study on page 134

part four

building capability

Part Four includes an exploration of sources of advice and support that are sought by practitioners and the sources of advice and support that practitioners can currently access.

4.1 A Lack of Capacity Building Support

In 2006, New Zealand researcher, Sue Lancaster, said the supporting infrastructure for CED in New Zealand is very weak, and that an enterprise culture is lacking in the community and voluntary sectors. Lancaster identified seven key needs for CED related groups and activities in New Zealand: funding, advisory expertise, access to appropriate information, research, advocacy, networking and training.

Seven years later, this research indicates that an enterprise culture in the community and voluntary sector is developing, and there have been minor improvements in terms of accessible capacity building support to encourage this enterprising culture.

Research results indicate that:

Relevant and timely mentoring and support in the skills required to establish their enterprise is of <u>extreme importance</u> - and that this is happening to a <u>moderate extent</u>.

A lack of access to quality advice, business management skills, and peer support that provides exchange of ideas and best practice, are all viewed as moderate barriers.

"We need training in key skills needed to develop - at the time when they are most needed. We are just not connecting to the skills sets needed."

"The barrier for Māori is lack of skills, or there is huge demand on those that do have the skills."

"There is a lack of skill, knowledge and experience of CED amongst our workforce. We need skills to get from idea to reality and support to make that happen. Coming to a CED conference opened up a change in direction."

Some organisations said that it was not so much advice that they needed, but the resource to enable them to employ people, to take their plans forward.

Practitioners from mature organisations said that they had most skill bases covered in-house.

"We are in a mature phase – we needed mentoring support at the beginning, but not now."

"The need is minor now – but it was important in previous phase. Currently we have the skills we need in our management team."

This could present an opportunity for mature practitioners to buddy with start-ups to help them on their way.

4.2 Existing Sources of Advice and Support

Participants were asked what sources of management advice and support they have used over the last twelve months. Results indicate that:

- *88% use internal expertise from board members, 18% pay for the expertise*

- *79% use a networking organisation or peak body, 30% pay for the expertise*

- *77% use an adviser from the commercial sector, 36% pay for the advice*

- *69% use other community enterprises, 9% pay for the expertise*

- *52% use a tertiary education provider, 33% pay for the education*
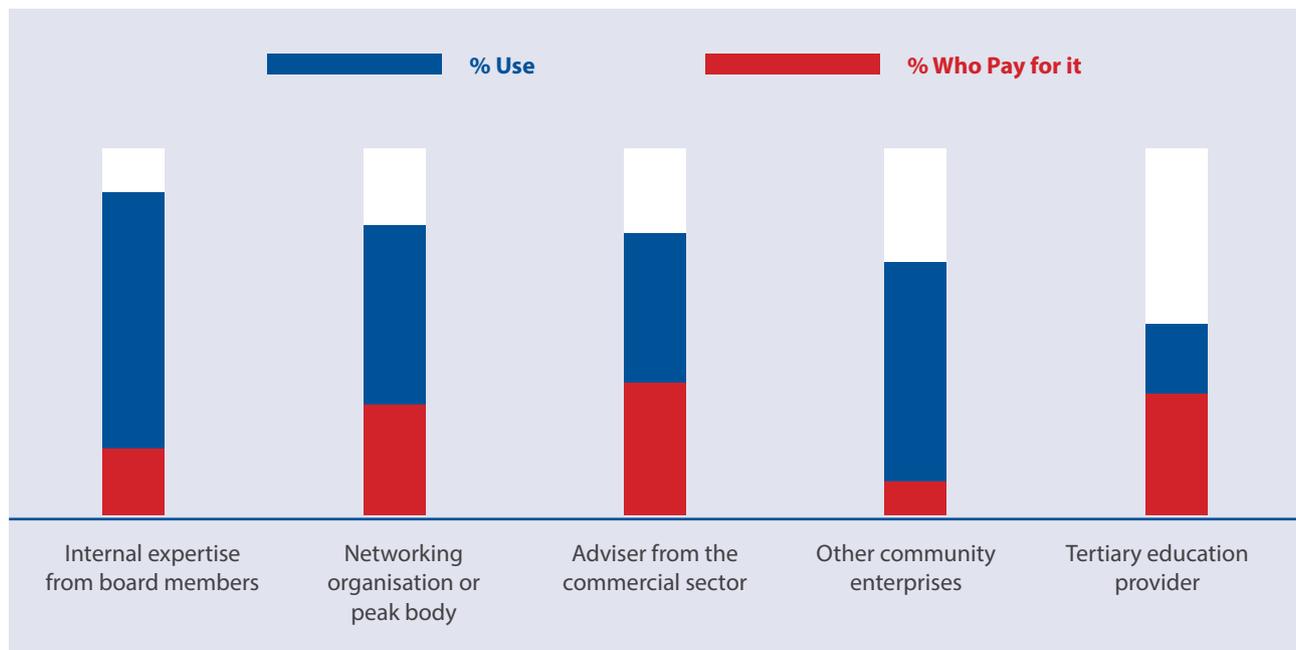
These results indicate a willingness for organisations to seek outside help, and an ability to access some of that help free of charge. Most Boards are seen as a free and valuable source of support and advice. Some participants did not know where to access the business support they need.

"We don't know where to go. We have plenty of good ideas – but lack the business skills to progress them. There is a lack of good business capability and capacity in our organisation."

4.3 Where is More Support Needed?

Participants were asked if they would like more support than they have been able to access to date in certain areas. Responses are shown here;

67% measuring outcomes and impact
63% performing feasibility study
60% gaining the right finance at the right time
60% sales and marketing
58% information technology
57% developing a value proposition
47% writing a business plan
47% managing human resources
44% developing the initial idea
35% financial management

| Measuring outcomes and impact | Performing feasibility study | Gaining the right finance at the right time | Sales and marketing | Information technology | Developing a value proposition | Writing a business plan | Managing human resources | Developing the initial idea | Financial management |
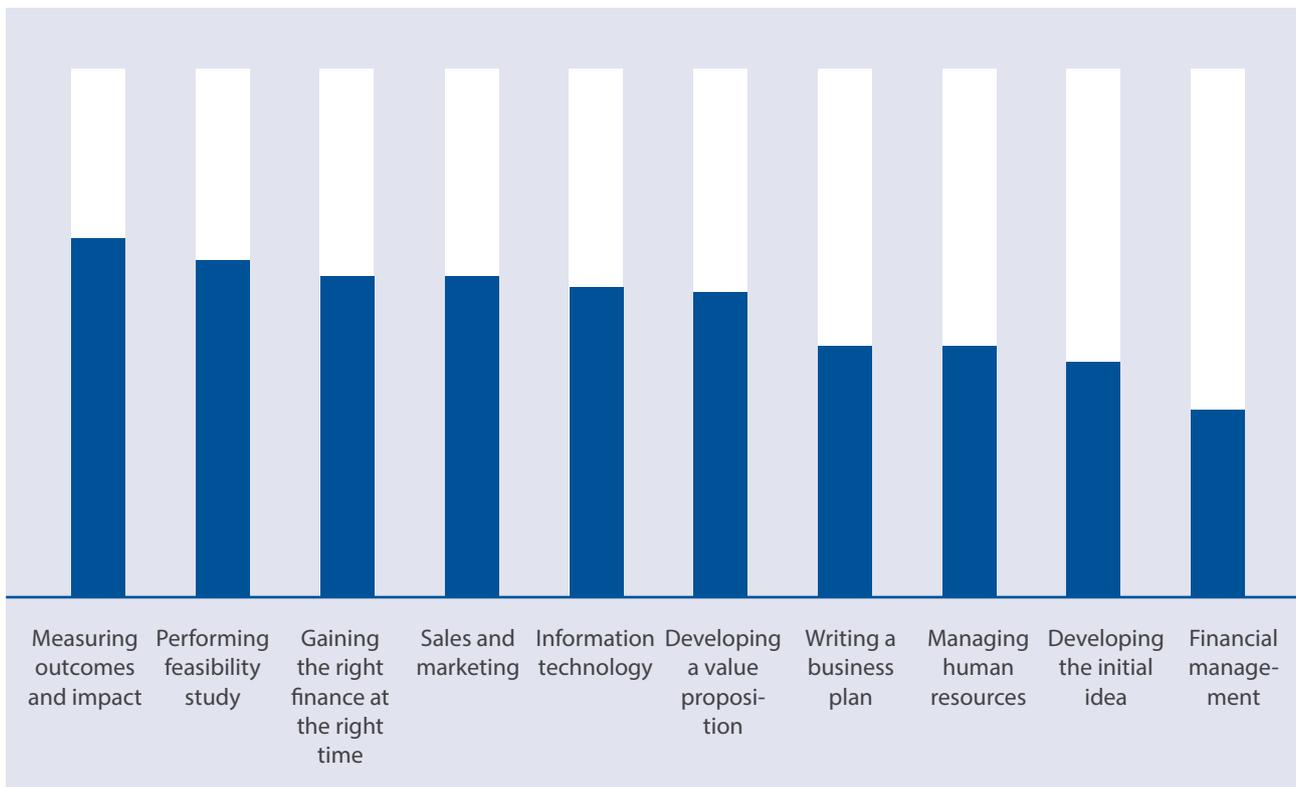
Participants readily acknowledge that they still have much to learn in some areas. It is encouraging that so many organisations are confident in their financial management skills. Support with feasibility studies and measurement of outcomes and impact are identified as areas where the highest need for support exists. A number of participants said that getting the right idea at the beginning and having an understanding of marketing to test the idea is crucial.

"We would like some good entrepreneurial mentoring around making sure the idea is solid. We need marketing skills so we can test the idea and move forward from a solid base."

"We need to be clear about having a product that will sell ~ into the future, not just flash in the pan. It must be a compelling offer, have customers who want what we have to offer."

Access to quality advice about legal structures and related tax issues was viewed as a high priority.

> "We need good information about how to structure legally; it would be good to talk to others who have done the same thing."
>
> "We need key information around relevant legislation – how social enterprise is different from a corporate; what is possible within charitable status, and tax advice."
>
> "It is difficult to get the legal structure right. A worker owned co-operative appeals, but the legislative stuff is difficult."

Measuring outcomes and impact is a challenge for most practitioners.

> "We don't have specific skills to establish enterprises with social value measurement built in from the outset.
>
> "We need skills in so many areas, especially social impact. And access to networks where we can find those skills."

Other areas that participants mentioned they would like more support in are social lending, scaling up, risk management, human resources and indigenous branding.

4.4 Advice and Mentoring from Private Sector

Some practitioners highly value and/or seek advice from the business sector.

> "We want sympathetic and skilful commercial expertise - getting the business model and our positioning right."
>
> "We need more connections to people with the expertise and resources. We need to develop business relationships, and it needs to be a win/win situation."
>
> "We sought widely for support and were successful in finding it from the corporate sector, they have business expertise."

Other participants are distrustful of the business sector and have found that a purely business approach doesn't fit with a CED approach that has a primarily social and/or environmental mission.

> "There is a dis-connect between what businesses want to offer and practical ways to engage with social enterprises. There is a lack of trust and understanding between the community and private sector- a lack of understanding of win / win possibilities."
>
> "Small business is more supportive than big business. Big business has not engaged to the extent they could. They pay lip service to community engagement, but it's more about brand than really helping."
>
> "So called "experts' from businesses know less than us. It is a lonely road – we are carving new ground."

Participants said that connecting and brokering help was needed to make connections between businesses and community organisations.

> *"We need pro bono help, but it isn't easy to find – not like in the UK where "Business in the Community" style brokering helps to access pro bono support from businesses."*

It is possible that Business Mentors New Zealand could provide this support. Business Mentors New Zealand currently provides mentoring services to the SME (small to medium-sized enterprise) sector in New Zealand. Business Mentors New Zealand is currently considering expanding these services to include social enterprises and community organisations.[1]

4.5 Formal Training

Participants found formal training to be valuable, where it is available...

> *"Things changed for us recently when staff attended the Social Enterprise Institute training course – that is a positive development."*

Mainly participants said there is a lack of formal education for CED.

> *"There is a lack of social enterprise education in primary, secondary and tertiary education."*

> *"More social entrepreneur training is needed. Like the UK enterprising schools programme."*

> *"We need some level of significant education in this field. It needs a paradigm shift. This can take place in a revolutionary sense, but can leave behind a lack of understanding- and education can create a bridge."*

Practitioners in small towns and rural areas felt particularly remote from support and training opportunities.

> *"We are geographically isolated in a small community.   There are no means to resource what is out there."*
>
> *"Access to social enterprise training is just not available in Hawkes Bay."*

Some participants look overseas for training, indicating that the training they are seeking is not available in New Zealand.

> *"We look a lot overseas, for example, to Social Traders in Melbourne."*

The Social Enterprise Institute offers a formal training programme to not for profits that are developing social enterprises. Courses have been held in Auckland and Christchurch in 2012 and 2013.

4.6 Online Tools

Some participants wanted better access to online tools.

> *"We need practical stuff available online, good exemplars and models of how to do this."*

Others said that they are too "time poor" to find the help they need online, and for this reason prefer mentoring, to looking for "how to" templates on the internet - that often don't fit their context.

"We are time precious - so many templates, we need direction and mentoring. We want business planning tools - not just a website, but face to face mentoring, in the NZ context, much of what is available internationally is not transferable."

4.7 Peer Exchange

Results indicate that the most preferred support is through peer exchange, in which practitioners exchange information, learn skills and best practice from one another.

"We have really valued peer support in the last year. You don't know what you don't know."

"We value connections and relationships - who we can call on for skills and support that are not our skill base. We generally find what is needed through our networks."

Some respondents could not access the peer exchange they would like to.

"Peer exchange is a gap - we would love to meet with peers who have been doing this for a long time. What we don't do well is share our stories – we don't have the time to pass learning on to others."

"This work can be isolating, hard work - having people to provide perspective is important. We need people to help with

culture change to the social enterprise space - thoughtful people to challenge our thinking"

"We would like more advice from likeminded practitioners. We would like more peer support to reduce making the same mistakes others have"

"It would be great to have a network of professionals and mentors – to help at different stages of social enterprise development. We don't want a manual, much prefer peer exchange."

Some practitioners looked overseas for peers, to organisations with longer track records.

"Our peers are international, for example, Mondragon. They have longer histories, so we look at them aspirationally."

The Mondragon Corporation in Spain is the embodiment of the co-operative movement. The Corporation's mission combines the core goals of a business organisation competing on international markets with the use of democratic methods in its business organisation, the creation of jobs, the human and professional development of its workers and a pledge to development with its social environment. (Mondragon website, undated)

4.8 Social Enterprise Hubs and Networks

"We need a Social Enterprise Centre to test ideas out - against what other peoples experience is."

Social Enterprise Hubs are co-working spaces where social entrepreneurs readily

exchange information, skills and ideas. A Social Enterprise Hub is a global concept that is spreading fast around the world. For example Hub Westminster in London.

However, it is a model that is not always easy to sustain. For example, "The Kitchen" in Auckland, provided a rich environment for social entrepreneurs in recent times, but has unfortunately closed for financial reasons. The challenge, it seems, is to run a Social Enterprise Hub as a social enterprise.

Enspiral, based in Wellington is a three year old hub and network that appears to be thriving and is based on a sustainable business model. Enspiral is a virtual and physical network where like-minded people connect and conversations spark ideas which become projects that can grow into world changing ventures. Enspiral has developed a structure that includes the Enspiral Foundation, service companies that offer a comprehensive spectrum of business services — from web design to communications to accounting and legal, as well as support for start-up ventures.[1]

Some participants would like to be a member of an established social enterprise specific national network, that would provide support and infrastructure for social enterprises.

"We are flying blind without a national body. It would bring co-ordination and integrity to enhance our work. It would need local chapters and needs to be bottom up - participatory and collaborative. Not dictated from on high."

International evidence suggests that CED practitioners have an advantage in terms of accessing peer exchange where a national network exists.

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[1] Refer to section about a role for a social enterprise national intermediary in Bridging the Gaps section on page 103

5

part five

exploring māori, pacific and ethnic enterprise

Part Five includes an examination of the relevance of CED and social enterprise to Pacific, Ethnic and Māori communities; explores the importance of Māori enterprise to the mainstream economy; the importance of Māori cultural values in a Māori enterprise context; examines access to capital and markets for Māori enterprise; explores the significance of Treaty Settlements to iwi-led enterprise, and considers common themes between Māori enterprise and non- Māori CED and Social Enterprise.

By 2026, it is predicted that the New Zealand population will have significantly changed. Māori will make up 17% of the New Zealand population, Pacific peoples will make up 10% and Ethnic communities will comprise 18% (compared with 2013 figures of Māori making up 7.4% of total population and Pacific and Ethnic communities comprising 13.7%)[1]. This will have widespread social, economic and cultural implications. It is possible that CED and social enterprise will play a growing role in meeting the needs of these fast growing communities.

Research results indicate that:

CED development being supportive of the interests of Māori, Pacific and Migrant communities is of <u>extreme importance</u> and that performance is <u>generally acceptable</u>

5.1 A Marginalised Analysis

Some participants preferred a marginalised analysis to one based on ethnicity.

"I prefer a marginalised analysis rather than just ethnic. CED is not just important for Māori, but for all New Zealanders - including all cultures."

"It shouldn't matter about what ethnicity the 'community' is – people who are passionate about their 'community' will go out and do the work."

"It is not about ethnicity – more about marginalised people. It is important that marginalised communities are included. Our sector is probably better than most. We want quantum leaps for everyone!"

5.2 CED is a Default Model for Māori, Pacific and Ethnic Communities

Responses indicated that CED tends to be a default model for Māori, Pacific and Ethnic people.

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[1] Statistics from National Ethnic Population Projections, 2006.

> *"Social Enterprise is a default model for Māori and Pacific people. Most Māori and migrants build their business model around family. They are very family based."*
>
> *"Māori and Pacific enterprise tends to inherently be social enterprise due to the collective cultural context."*

5.3 Pacific Island Communities

There is a potential fit between the needs of Pacific Island communities, associated with poverty and social exclusion, and a social enterprise business model. It is challenging that for most Pacific people living in New Zealand, employment and consumption are the main priorities, and there is a tendency to distrust business and entrepreneurship. A general lack of business capability is a barrier. However, Pacific leaders have demonstrated significant social innovation in the areas of education, health and community building. Pacific peoples are also well organised socially, usually around the church, so community mandate is relatively possible (McKernon and Bennet, 2011).

Pacific peoples have considerable assets in cultural areas, such as arts, crafts and music that can be marketed through social enterprise. It will be important for Pacific practitioners of CED and social enterprise to understand that in a social enterprise context, customers and beneficiaries need not be the same, that products can be sold to the wider community and profits cross subsidised to meet the needs of Pacific peoples. In particular, meeting social housing needs through a social enterprise approach could be a valuable development. See the [Ministry of Pacific Island Affairs Pacific Island Communities and Social Enterprise Discussion Paper (2011)](#) for further information.

5.4 Ethnic Communities

"Participation of Ethnic communities in social enterprise is not only growing, but they are more likely to be engaged in social enterprise activities than white populations." (The Office of Ethnic Affairs cites UK Third Sector Research Sector Report. 2010)

Like Pacific peoples, Ethnic communities are particularly good at self-help and self-organisation, but integration into the mainstream labour market is problematic due to discrimination, language abilities and skill deficiencies. Social enterprise could be particularly important for Ethnic communities in terms of the potential for employment generation. Social enterprise offers a means for meeting Ethnic people's needs across a range of services and products, can become a basis for self-help and entrepreneurial activity and can contribute to economic inclusion, improvement of the local environment – and of course, employment generation. (Sepulveda, Syrett and Calvos, 2010).

Evidence suggests that many young people are motivated to pursue enterprise if they are exposed to it, regardless of their background. Ethnic minorities seize product or service ideas that connect them to their native culture and transform them into viable businesses (Kaplan, 2013).

The Office of Ethnic Affairs has become interested in social enterprise in recent times as a means to meet the needs of the fast growing ethnic population in New Zealand. They aim to support the development of a strong Ethnic sector by raising awareness of social enterprise and building the capacity of emerging social entrepreneurs and have launched a project aimed at promoting social enterprise within

Ethnic communities that includes introductory training workshops.

The challenges for Pacific peoples and Ethnic communities to develop social enterprises are similar to those of the wider community – the need for better access to both financial resources and capacity strengthening are required.

5.5 Māori Enterprise

In New Zealand, Māori co-operative structures and cultural traditions were precursors to social enterprise. The purpose of Māori enterprise was to provide for the needs of the community. Today, many Māori businesses can be considered social enterprises even though this term is rarely used to describe them. In particular, iwi that have negotiated settlements with the Crown are well positioned to build Māori enterprise capacity. Business and Economic Research Ltd estimates the Māori economy at $36.9 billion in 2010. (Kaplan, 2013)

5.5.1 A Complex Environment

Māori enterprises exist in a complex and dynamic operating environment."Many Māori organisations have multiple purposes. This means that they are not set up just to make a profit. Many have to balance being financially viable with the social and cultural aspirations of the owners as their core purposes. Although the organisations may trade commercially and measure themselves against economic indicators, wealth creation is not seen as an end in itself" (Te Puni Kōkiri website, undated).

Associate Professor Mānuka Hēnare, Director of the AUT Business School's Mira Szászy Research Centre for Māori and Pacific

Economic Development says that "Māori enterprise has a collective rather than individual focus and is motivated by people and environmental outcomes" (Rush, 2011).

There are expectations on Māori enterprises to support social, cultural and community activities as a priority. In mainstream commercial settings, such support activities are discretionary. Such businesses can encounter legal, cultural, and business complexities that are not experienced by mainstream businesses. (Te Puni Kōkiri Report, 2010)

Research results indicate that CED developments that are led by iwi and other Māori organisations are enhancing the wealth and wellbeing of whanau, is of extreme importance and performance is generally acceptable.

Comments quoted throughout this report are from all participants, both Māori and non- Māori, so include a broad range of perspectives and perceptions. Māori participants were keen to make the distinction between iwi organisations and non-iwi Māori-led, community based organisations. Iwi organisations are bound by Treaty of Waitangi Legislation, tend to be large scale, and their distribution arm is usually separated from their enterprise arm. Māori -led community based organisations are smaller, more inclined to be community led, and not as well-resourced as iwi organisations. Non- Māori respondents pointed to inherent racism in attitudes to Māori and were sometimes reluctant to answer the questions about Māori enterprise.

"Only Māori can answer that. It is very anecdotal and political – I am not able to answer in general."

5.5.2 Importance of Māori Enterprise to the New Zealand Economy

"Māori enterprises are significant contributors to economic performance and important players in export-orientated primary industries. Māori enterprises figure in tourism, property development and energy production, as well as social services provisions. The role of Māori enterprises is changing away from the traditional reliance on land-using commercial activities into a broad range of commercial situations. They are a vital conduit between the private sector and government. Māori enterprises are an important source of development capital for Māori entrepreneurs and social enterprises." (Te Puni Kōkiri Report, 2010)

Eru Lyndon, Northern Regional Commissioner for the Ministry of Social Development, says the economic future for Māori is intrinsically linked to the future for non- Māori. (Rush, 2011)

Ngai Tahu Chairman, Mark Solomon, relishes telling a tale to illustrate how New Zealand business needs to wake up to the reality of the Māori economy. At a meeting of four Māori leaders and mainstream New Zealand business leaders in 2011, there was a big banner asking "Are iwi ready to invest?" Solomon responded "Your question's back to front. The question isn't 'Are iwi ready to invest?' The question is 'Are you ready to invest with iwi?' We have stood in front of you for 150 years and been absolutely invisible. If you do wish to work with us, then you need to change the way you wish to do business. We're kaupapapa based. We are more relationship based than you are and if your kaupapapa doesn't match ours then to be blunt we don't want to work with you." The Māori leaders then broke down their asset base. Solomon said that "The point was the four of us standing in front of these people were worth $2.3 billion." (NZ Herald, 11 May, 2011)

5.5.3   Māori are Inherently Enterprising

An international survey of indigenous entrepreneurship found that Māori are the world's third most entrepreneurial people out of all 30 OECD countries, which should position Māori well into the future.(Global Economic Monitor Report, 2002). Research participants said that historically, Māori have always been inherently enterprising people.

"Māori have an incredible history of trading. Māori and Pacific peoples are leading the way. Māori will be the main drivers of economic activity in New Zealand soon."

"Māori are a pretty enterprising bunch. There may not be a consistent framework, but there is a great entrepreneurial spirit, that is not well supported or widely known. There is more recognition of social enterprise in the Māori space."

5.5.4 Māori Cultural Values (Tikanga)

Māori historical values, traditions and structures link enterprise and social good. In pre-European times, Māori business was aimed at providing for the physical, social, and spiritual well-being of whānau, hapū and iwi groups as well as protecting and building the resource base. (Kaplan, 2013)

In a presentation to the CED Conference in 2011, Ella Henry referred to Wairua Auaha (Emancipatory Māori), as it relates to entrepreneurship. Henry maintains that Māori enterprise is inherently social enterprise, because it is underpinned by traditional Māori values. She cites O'Neil and Ucbasaran (2010) who say that "entrepreneurship offers a means not only to enact desired entrepreneurial identities but also to express one's authenticity and inwardly derived values."

In contrast to the growing trend of individualism in western culture, whanaungatanga (kinship) is very important to Māori people. Māori economic objectives tend to be underpinned by social objectives (Reheina et al., 2007). Heritage and tribal associations introduce notions of cultural expectation and obligation that are not recognised in western conceptions of not for profit and community organisations (Tennant et al., 2006). Tikanga refers to values, rules, priorities, and ways of doing business. Like social enterprises, many Māori businesses operate by a set of values that sets them apart from other businesses that operate solely to produce a profit for the owners/shareholders.

These values, sourced from a 2010 Te Puni Kokiri report, "Māori Enterprise and the New Zealand Capital Markets" include:

Ngāmatatini Māori: Māori diversity that acknowledges the wide range of ways in which Māori may or may not express their identity as Māori in connection with business.

Kotahitanga: Māori unity, shared sense of belonging refers to decisions made by Māori to identify and work as Māori in association with Māori for the benefit of Māori development.

Tinorangatiratanga: Relates to Self-determination, ownership, whether personal or by whānau, hapū, iwi, or collective.

Whanaungatanga: An ethic of belonging, kinship acknowledges the importance of networks and relationships and therefore, of developing, managing, and sustaining relationships.

Kaitiakitanga: Guardianship of natural resources is about responsible environmental management and sustainable enterprise. It includes the taking care of assets for future generations, as opposed to ownership and the right to divest assets.

Wairuatanga: Spirituality relates to attention and resources being committed to ensure that spiritual protocols are observed, for example, in the construction and openings of new buildings, in everyday functioning within the organisation, and in relationships with others.

Manaakitanga: Hospitality, generosity, care and giving requires that a group or organisation should be able to host and provide for people appropriately and resources must be allocated for this purpose.

Tuhono: Cross-sectoral alignment of Māori aspirations on all dimensions supports the holistic or 'multiple bottom line' approach: profit-related and socially-oriented goals can be intertwined.

Puawaitanga: The best possible return is sought on integrated goals supports the measurement of success against multiple outcomes, including, but not only, financial outcomes.

Purotu: Multiple responsibilities and levels of accountability emphasises the responsibilities and accountabilities that Māori organisations often hold to current and future generations, wider whānau, hapū, or iwi groups –to represent Māori well. It relates also to the particular laws and requirements of Māori

organisations, particularly those managing collectively-owned assets.

These common values characterise Māori self-determined development or the necessities of Māori-centred business. Identifying cultural values important to Māori business development means that Māori retain the ownership and control of their cultural identity and property rights in enterprise and industry. (Te Puni Kōkiri Report, 2010)

5.5.5 Importance of "Cultural Capital"

Some Māori enterprises are formed to provide an avenue for cultural expression and/or to foster pride and maintain Māori culture, language, and arts. Such enterprises may relate, for example, to tourism, Māori arts and crafts, design, clothing, or kaupapa Māori/Māori-focused education, music, or performing arts.

Dr Pita Sharples, past Co-leader of the Māori Party, says that New Zealand needs to embrace and make the most out of its cultural capital. Leisa Nathan, Director of Ochre Business Solutions, agrees - and says that in order to capitalise on the Māori edge we need to be much more accepting of Māori culture and to realise how valuable it is. For example, the haka as a brand, and the renaissance of Ta Moko, which has been embraced by celebrities not just as a tattoo but as a spiritual connection traditionally found within Māori culture. Research from Te Puni Kokiri indicates that the Māori 'brand' is also advantageous in the global marketplace (Rush, 2011). It is important to note that controversy can arise when non-Māori use the 'Māori brand', especially when it is used as a mere marketing device.

5.5.6 Legal Structures for Māori Enterprise (Tūranga)

A Māori business may initially be formed to hold, manage, develop, and/or grow profit from Māori resources such as people (for example, youth or older people or whānau, hapū, or iwi groups), land, water (lakes, rivers), farms, forestry, or other collectively owned resources. Tūranga refers to the positioning/anchor or structure of the business. Like social enterprises, some Māori businesses make use of structures that are available to all businesses (for example, limited liability company, partnership, sole trader, trust or charitable trust) but businesses formed around collectively owned assets may be subject to specific laws that govern their operations.

"In setting up and selecting the type of legal structure for an organisation, it is important to clearly know the intended purpose of that structure. For example, if Māori land is the core asset, because this land will never be sold, for either legal or tikanga reasons, the organisation will not be able to make trading decisions following usual commercial models. This can make running a Māori organisation particularly challenging." (Te Puni Kōkiri website, undated)

5.5.7 Access to Capital and Markets

A 2010 Te Puni Kokiri Report says that Māori enterprises need access to capital markets to fulfil the potential represented by their collective asset holdings and market position. With a few exceptions, however, Māori enterprises do not have the financial flexibility to make the most of the opportunities facing them. The capital market perception is that the largest Māori enterprises have obtained the necessary management capability through

their ability to attract talent. In contrast, smaller Māori enterprises are perceived by the market to struggle in this area. Traditionally the issues relating to pledging Māori land as loan security have been seen as the barrier to accessing capital for development. The report recommends developing a knowledge resource and shared understanding on a Māori enterprise commercial model.

In her 2010 report, "Social Lending: A Tool for Grant makers, an Opportunity for Communities" visiting US social lending expert, Laura Benedict, suggests the creation of a Māori guarantee programme to help lending institutions overcome the challenges of lending to collectively owned enterprises and in contexts of collectively owned land. She says that the United States Department of the Interior, Office of Indian Energy and Economic Development, Division of Capital Investment has successfully used a federal guarantee to stimulate and support small business development in Native American communities. This instrument would likely best fit the financing needs of smaller iwi- or hapu-level enterprises. Benedict says that this might serve as a model for New Zealand. Exploring how to solve these larger capital needs is a primary focus of the Māori Economic Taskforce.

In the meantime, capacity is growing outside of government. For example, Fomana Capital is a boutique business based in Wellington that focuses on raising capital for parties that seek investment, and fosters international relationships with distributors and international markets. Fomana Capital assists Māori businesses to build media channels that foster business growth and the Māori point of difference, and is developing research and development programmes that assist Māori companies and clusters to grow their position in domestic and international markets.

Fomana also publishes the KOHA Business Magazine that is a quarterly indigenous business magazine that focuses on the issues and concerns of indigenous peoples worldwide. KOHA is set up as a forum where the world's indigenous leaders can come together for cross collaborations to discuss business and explore a global approach to indigenous development. It is an independently published magazine funded by Māori and Pacific businesses, organisations and tribal authorities. The focus is to foster Native Trade, a philosophy and business practice that values a green economy and intergenerational focused enterprises. (Fomana Capital website, undated)

5.6 Iwi Led Enterprise

Research participants said that responsibility for Māori wellbeing is largely an iwi responsibility.

"For us (Māori), responsibility for Māori is an iwi responsibility. Te Puni Kokiri dont have the competencies needed to be effective – there is no decent research to inform practice and no systemic measures of outcomes."

"Tribes and trusts do more for communities than government do. Treaty settlements are misunderstood – they are not a welfare transfer, but our own businesses and assets. If community groups don't own assets who does? If not, we are back to grant mentality."

5.6.1 Impact of Treaty Settlements

"Now that we have settlement money, there is hope"

The Treaty of Waitangi is the founding document of modern New Zealand. Māori and English language versions were signed in 1840 by representatives from a number of iwi (tribes) and the British Crown, although neither version was an exact translation of the other (Tennant et al., 2006).

The British understood the treaty provided a mandate for the Crown to govern New Zealand, although Māori signatories believed the document ensured that Māori would retain control of their assets, culture, political and economic development. Debate continues today over inconsistencies and variations of intent between the Māori and English translations signed. However, successive governments have recognised the importance of the document to the development of New Zealand as a nation, so that obligations under the treaty are now a recognised part of most formal processes. (Grant, 2008)

Historical events of injustice such as the seizure of Māori land and accompanied loss of access to cultural and natural resources have gradually been recognised to be contrary to the principles of the Treaty of Waitangi and now form the basis of grievances between Māori and the Crown. The Treaty of Waitangi Act (1975) established the Waitangi Tribunal as a means of inquiring into Māori claims relating to breaches of the treaty principles.

The 1970s saw a resurgence of Māori language and culture, a refocus on tribal structures within a relationship with the Crown referencing the Treaty of Waitangi. The establishment of the Waitangi Tribunal in 1975 to consider grievances under the Treaty signalled a fundamental institutional response by the Crown that set a course for the Crown - Māori relationship for the next four decades. (Te Puni Kōkiri, 2010)

Resolution processes have been lengthy, emotional, historic and complex, with settlement incorporating several components: an historical account; acknowledgement and apology by the Crown; cultural redress (such as safeguarding claimant's access to traditional food sources, control of sacred sites) and commercial and financial redress. (NZ Business Council for Sustainable Development, 2005)

From the late 1980s, many Māori or iwi-based organisations started social enterprises as a means of fulfilling both social and economic missions such as education, health, employment prospects and wealth creation. Government funding for these early initiatives was small or non-existent although field work support was made available from the Department of Internal Affairs, and later the Community Employment Group and Te Puni Kokiri. (Jeffs, 2007)

As a result of the commercial and financial redress provisions through treaty settlements, many Māori iwi (tribe) and hapu (sub-tribe) have accrued substantial asset bases which they are able to draw on to develop enterprises to protect their heritage while also investing in the development of their people and culture. Guided by these belief systems and resourced by assets received from settlement processes, some iwi are now establishing Māori service providers across a range of sectors including health, education, environmental, tourism and social services. These organisations range in size and scope from small localised health providers in Northland to internationally renowned whale watching ventures at Kaikoura. (Grant, 2008).

Probert (2007) identifies how the benefits of these ventures extend across society as a whole, providing opportunity for the whole community to benefit through employment and recreational opportunities and enhancement of historical and cultural assets. As such, Grant (2008) proposes these ventures are unique exemplars of social enterprise in New Zealand.

Comments about iwi- led enterprise from research participants, from both Māori and non- Māori, were many and varied. Non- Māori respondents said…

"Māori are generally doing better than Pacific and Migrant communities - partly due to Treaty Settlements. Iwi have access to large resources, plus the government support for Māori."

"Iwi are doing a good job. There is contention around Māori enterprise – inherent racism still exists that thinks it is OK for pakeha, but Māori will rip us off. There are layers of it. Māori and Pacific people need equal opportunities – not be the labourers of Pakeha. Māori can get a hard time because what they are doing doesn't fit "the mould"."

"Over the next five years there will be a big transfer of wealth to Māori. How do we get that to the people that need it? Māori people are poor and struggling. We are not seeing a trickle down from Iwi wealth. It has become centralised. Profits may be held by Iwi, but benefits in our area are not being felt in local communities."

"Some Iwi, large ones, don't get that they can use settlement money to benefit local communities. Don't get that they can provide jobs, and wellbeing through CED. It's all about maximising profits and not

seeing the connector between profits and healthier, happier whanau."

Māori respondents said…

"Wealth needs to be built at a whanau level - bottom up rather than top down. Iwi are looking at business models to generate income - it would be better to develop community led initiatives."

"We need to use business as a tool to build whanau. Like through community gardens - make social gains more important than making money."

"I haven't seen major CED as a part of Māori development, where hundreds are employed. It is still rats and mice. Community should be the union."

Some participants said that it is early days in terms of benefits from Treaty settlement transfers having an impact in communities.

"There are some very canny Iwi organisations. When conditions are right it is successful. It is early days. When very poor people become rich, sensible behaviour may take a generation to kick in. It is not for me to judge."

"It is variable around the country. It is early days. It depends on getting the right people - and sustaining the development. Pilots don't get to be sustained. Things that are doing well should be sustained."

Some participants are concerned that urban Māori are missing out on the benefits of Treaty Settlements.

"It is mixed, in a traditional Iwi area it is strong, mixed in other areas and poor in large urban areas. Many Māori don't have a relationship with Iwi, hapu and marae. What's in it for urban Māori? Not much."

5.6.2 Getting to a Tipping Point

Some respondents could feel a tipping point coming. They said Treaty Settlements are a very recent phenomenon and that it will take time for the effects of Iwi-led enterprise to be felt by hapu and whanau.

"There are glimmers of hope. We have eight Iwi in our area. Four have settled and three of them have looked at social outcomes in regard to education, and are partnering with community organisations. We are getting close to a tipping point when effects actually start and people will notice the difference."

"We (Iwi) are juggling short versus long term gain. Sometimes it looks like there's not enough trickle through to whanau, but Iwi might be holding on to it for the longer term pay-offs."

"We are getting there in our local community. People weren't taking much notice of our local Iwi. Now, they are starting to."

"Iwi are looking at business models to generate income – it would be better to develop community led initiatives. Embedding the concepts of CED is the trick; it needs the right people at the top to lead it."

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[1] Refer to content on community banks in social finance section
[2] Refer to Awhi Credit Union Case Study on page 134
[3] Whanaungatanga is explained in Tikanga section above on page 83

5.7 Community Banks, Credit Unions and Social Lenders

In their Election Policy, the Māori Party say that they aim to "Streamline the funding distributed by the Ministry of Economic Development to create a Community Development Bank. The bank will make small loans to whanau and family businesses to incubate and rollout new products and Services" (Māori Party website, undated).

Jeffs is also an advocate of establishing a community bank in New Zealand. In his paper to the New 2006 New Zealand Community Trusts Conference, he cited Australian Peter Quamby, a leader in establishing community banking in Australia. "It is from here that we can stop seeking permission to fulfil our mission…By gaining greater control over capital we can approach social issues differently – we can be far more creative in the way we approach issues such as social housing, indigenous enterprise, health, aged care and employment" (Quamby, 2004 cited in Jeffs, 2006).[1]

The credit union collective, cooperative, self-help structure is consistent with Māori cultural values. Canadian and Australian indigenous communities use credit unions effectively. The Awhi Credit Union (that is included as a case study in this report) is a good example of a Māori led credit union.[2] The Māori led Aotearoa Credit Union is also an inspiration, with 15,000 members and over $15 million in assets. Benedict also suggests that Iwi leadership consider credit unions as a community development tool for their members.

Benedict (2010) suggests that iwi invest a portion of its settlement dollars into a social lender that can recycle and leverage those dollars on behalf of its community – Iwi, hapu (sub-tribe) and whanau (families). Benedict says that incorporating technical assistance and support into the lending process is crucial. "As Ngai Tahu and Manukau Urban Māori Authority (MUMA) experiences show, the right people with the right guidelines can make for an effective programme. Social lending should be done by skilled, experienced professionals".

5.8 Making Connections between Māori Enterprise and CED

Ngaire Molyneux, lecturer in Māori Business at Unitec's department of Marketing and Management relates Māori enterprise to notions of CED and social enterprise and says that the combination of whanaungatanga[3] and business and entrepreneurial skills is compatible with the possibilities of community economic developments and social enterprise." (Rush, 2011)

Striking similarities exist between the issues relating to Māori enterprise and those relating to CED and social enterprise that have been explored through this research. Both Māori enterprise and CED operate in complex environments, balancing profit making with social, environmental and cultural values. Both Māori enterprise and CED have accountabilities to community stakeholders and an underpinning of both is that profits and assets are held for community benefit in perpetuity. Māori enterprise and CED organisations are also both impacted by issues of scale – larger and more mature organisations have better access to capital and capacity building support and advice than small and emergent organisations.

Participants would like to see more connections between non-Māori CED and iwi and Māori led enterprise.

"Māori enterprise and non-Māori community enterprises are working in parallel, there is not much cross fertilisation. We need links made between Māori and non-Māori to share learnings and what is working."

For one practitioner, this is already happening….

"We are learning a lot from Māori Enterprise. The ideas have successfully crossed."

part six

identifying employment issues

Part Six includes an exploration of employment issues that are related to CED and social enterprise. A Social Firm is a specific kind of social enterprise that is set up to create good quality jobs for people disadvantaged in the labour market. The benefits of Social Firms and Intermediary Labour Market programmes to disadvantaged people and to the larger community are identified. The advantages of working in social enterprise are also examined and concerns are raised around accessing staff with the required skills for CED and social enterprise.

6.1 CED Creates Meaningful Employment

Research results indicate that CED activities making a positive contribution to creating meaningful employment in the community concerned are of extreme importance and performance is generally acceptable.

"We recognise that getting a job is the fastest route out of poverty. Creating sustainable local employment is a main driver. We create "real jobs in real businesses" - in an area with 48% unemployment for young people aged 19 to 23. We are continually working towards improving terms and conditions for our 80 full time staff. "

"We have four key themes: culture, health education and environment. None of these happen without a job – so employment is a key issue and focus".

Many participants said that meaningful employment included the employment of unpaid but valuable volunteers.

6.2 Employee and Volunteer Numbers

From our sample, organisations employed an average of 51 full time equivalent staff. However, a few very large organisations have skewed this result. Using a "trimmed mean" (i.e. ignoring the three smallest and the three biggest organisations), the average number of full time equivalent staff (including both paid and voluntary labour) is 29.9. This is suggested to be the most meaningful result.

This result indicates that most social enterprises are of a size comparable with a SME (small and medium sized enterprise). The above figures include both paid staff and volunteers. Participants said that the value of volunteering was not widely understood. Social enterprises are often able to attract volunteer staff because of their social and environmental mission. It can be a challenge to manage a combination of paid staff and volunteers – it can create a tension, but it is one that many organisations manage well.

"Volunteerism is often not seen as employment – but I think it offers a meaningful use of time, but some volunteers will never get a paid job. Working here is good for people socially."

6.3 Social Firms

A Social Firm is a market-led enterprise set up specifically to create good quality jobs for people who are disadvantaged in the labour market. Social Firms are focused on improving employment prospects of people severely disadvantaged in the labour market though a range of work-based opportunities. Its commercial and production activities are undertaken in the context of a social mission, with profits going back into the company to further its goals. A significant number of the employees of Social Firms are people with a disability or disadvantage, including psychiatric disabilities. The Firms grew out of disillusionment with mainstream businesses, and the failure to recognise or enable everyone's potential. All employees are intended to have the same employment opportunities, rights and obligations. In a Social Firm, all workers are paid a market-rate wage or salary that is appropriate to the work.

In New Zealand, there are many social enterprises that focus on employing people who are marginalised in the mainstream job market, although the term "Social Firm" is not in common use.

"Much of the work is undertaken by people who are long-term unemployed, marginalised or disabled. Through providing a supportive workplace, we give a sense of belonging to people with social, physical, and intellectual disadvantages."

6.3.1 Benefits of Social Firms

Social Firms offer many benefits. They tackle stigma against severely disadvantaged people, create jobs for those that are furthest away from the labour market, offer cost-benefits to society and social added value to investors, and merge employment and health improvements for disadvantaged people. Social Firms create jobs for those that would otherwise struggle to get one. In doing so they not only help the government in terms of benefits saved, they also provide health benefits to employees, which in turn leads to reduced use of health services.

One of the major challenges facing the Social Firm sector is communicating the social benefits they deliver. In the UK, various small research projects have been carried out and it is estimated that the Social Firm sector accounts for savings of at least £40 million in welfare benefits, £8 million in health care and £1 million in social services provision. On their website, Social Firms UK say "A definitive social accounting tool to prove social return on investment is needed for the whole sector to use. This is becoming increasingly important, not only to persuade government to support the sector, but also to help Social Firms working with private or public sector organisations or seeking funding, to articulate the non-monetary value they bring". (Social Firms UK website, undated). Research has not been carried out in New Zealand to determine the cost benefit value of social firms.[1]

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[1] Refer to 'How to Demonstate Impact' section for more information about social accounting

6.3.2 A Supportive Work Environment

Social firms provide a supportive work environment for people who may find it hard to adapt to being in employment, after long periods of unemployment.

> *"We re-employed one young man six or seven times before he became a good reliable employee, because his home environment is so tough. We're passionate about helping people to see their lives differently, and real jobs help do this. And we could do a lot more to change the lives of the people who work for us if we could get resources to do so."*

> *"Many of our employees are long time unemployed people, so we have developed a supportive work environment for people to help them to develop new work habits and make positive changes in their lives. There is often a need to mentor, encourage and provide many more chances than businesses do with regular employees."*

6.3.3 Employing People with Significant Disabilities

Social Firms aim to pay a liveable wage to employees. A tension can exist where employees are significantly disabled, and so have relatively low productivity rates. In this case, it can be argued that it is acceptable for significantly disabled workers to receive a benefit or part benefit while working in a social firm, where there is a supportive working environment that significantly improves their quality of life.

> *"We give a sense of belonging to people with social, physical, and intellectual disadvantages. These workers have a lower productivity than mainstream workers. Our volunteers work for a small travel allowance, but no salary. Most of these volunteers are receiving invalid and disability benefits from Work and Income. If they were not working here they would probably be sitting at home, or be in a sheltered workshop situation. We provide them with the opportunity to work alongside a range of different people and have a working life that empowers them."*

In this situation, savings to government are not being achieved in terms of a reduction in welfare benefits, but it is probable that savings are made in terms of use of health care and social services. And supportive employment makes a significant difference to the quality of life of the people concerned.

Elevator in Auckland offers a wide choice of supported employment options for people with disabilities. Elevator maintains that "productive employment is essential for everyone; it can make an incredible difference to an individual's skills, ability and confidence. With the right career, disabled people have the opportunity to attain their highest goals and aspirations. Just like everyone else." (Elevator website, undated).Elevator also assists disabled people to access employment in mainstream labour markets.

6.4 Intermediary Labour Market Programmes

Intermediary Labour Market Programmes provide temporary waged work of community benefit to marginalised and long term unemployed alongside support to move these

people into the mainstream labour market (Marshall and Macfarlane, 2000). For example, the Wise Group in Scotland helps people gain new skills to move from benefits into work. In 2010, the Wise Group helped 5,500 people get a job, improved 150,000 houses to reduce their household's carbon footprint and developed significant regeneration projects in 16 different communities across central Scotland. The Wise Group works in partnership with social enterprises, public, private and third sector organisations to meet shared goals and make a positive impact on society. The Wise Group is a social enterprise. "We are a business that provides solutions to social problems. We've got a commercial focus but we re-invest any profits for the benefit of the people and communities we work with." (Wise Group website,undated)

The Scottish Wise Group is not to be confused with the New Zealand Wise Group, a New Zealand-based group of charitable community-based organisations operating in the mental health and addiction sector. Hamilton based Wild Bamboo is a social enterprise that is a member of the New Zealand based Wise Group. Wild Bamboo is a software company created by and for the mental health sector, providing information technology solutions to community based organisations.

A number of research participants provide an intermediary labour market function for unemployed workers.

"We now provide on-going placement for offenders on community work sentences. Some offenders really respond to the opportunity and a few have even gone on to become team leaders, motivating others to do a good job. Community work can be a meaningful way to ensure offenders make up for their offending while learning new skills that can help them to access future employment."

6.5 Social Enterprise a Response to Youth Unemployment

A UN report by the International Labour Organisation puts the global youth unemployment rate at 12.6 per cent. A 2013 Labour Force Survey shows the rate of unemployed 15 to 24 year olds in New Zealand is 16.1 per cent. Youth unemployment leads to a wide range of associated social ills and dysfunction and is a significant concern for both communities and the government. Social enterprise is one way to respond to this challenge.

"New Zealand unemployment statistics for young people are high. We need to put enterprises in place for young people to get training and work opportunities. Lack of a job leads to inequality and poverty. Supportive employment helps youth."

"We see our social enterprise as an answer to support dysfunctional youth - help them into meaningful employment. They develop life skills and work skills that can transition them to mainstream employment."

"Everyone is seeking solutions to the "youth problem". Youth unemployment is a structural problem – so we looked for the development of enterprises to respond."

"If government provided a grunty framework, local communities could get on with providing jobs through social enterprise development."

Boosting skills and employment is one of the New Zealand government's three Better Public Services goals. There is growing evidence that social enterprise is an effective intervention to successfully support people who are

marginalised to develop skills and confidence to move out of state dependency and into meaningful employment (Kaplan, 2013).

6.6 Local Employment

A 2012 mapping of social enterprises in New Zealand, that was carried out by the Department of Internal Affairs, showed that 55% of social enterprises are situated locally, as opposed to regionally, nationally or internationally. CED is creating jobs, particularly in rural and isolated areas where unemployment rates are high.

"I get alarmed when I see so many people travelling to work, what about local employment?"

"There is no employment here - so creating local employment was crucial."

Practitioners said that they prefer to employ people as locally as possible.

"We are a small team – we know our community, so look within our community to identify someone with suitable skills. We haven't had to look beyond the local community."

"We employ local people first but we need people who are suitable too, so we will go out further to find people if necessary."

"It is an open process, but we look to Iwi first. Our preference is to recruit from Iwi - then we look for best person for the job. If we can't find someone from the Iwi, then that identifies a training opportunity."

6.7 Why Work in Social Enterprise?

Currently social enterprises have to recruit talent on a par with business, but without the same level of compensation. Bornstein and Davis (2010) say that the lure of corporate success and high salaries does remain strong, but that the evaporation of high paying jobs due to the market crash is making it easier for students to choose work that they care about. Today's students are increasingly seeking work life balance and meaning, and as a result applications to social change organisations are growing fast.

People working in social enterprise say their jobs are rewarding because of the attached social or environmental purpose, and for many work is a vocation rather than an occupation. Lots of people in social enterprise like using their business and professional skills to make a positive difference. Social enterprises, perhaps because of the work they do, are often welcoming, inclusive and equal workplaces.

A 2011 report, "Enjoy What you Do; Work in Social Enterprise", commissioned by Social Enterprise UK, (the UK national body for social enterprise), finds that workers are increasingly choosing to work in the social enterprise sector due to the opportunity that it provides to make a difference, despite the fact that salaries are not as high as the private sector.

The same report found that one quarter of social enterprises in the UK are led by women, almost double the number of those running small private businesses, and social enterprises have more women on their boards than private companies.

6.8 Where to Access the "Right" Staff?

Participants said that is not always easy to find the "right" staff.

> *"Staff can be a problem. There is a narrow view of the "do gooder" social worker versus the money values of business sector. Where to find good staff that have experience in and understand both worlds?"*

Participants were asked whether they would prefer to select staff from the business sector or the community sector. Most participants said it depends on the role.

> *"It depends what for. If it is a marketing role, we would recruit from the business sector. The person would need to understand the community sector too."*

Some participants said that they would prefer to recruit from the business sector.

> *"We recruit from the business sector- we are strong on performance management. There is no room for hangers on. We have a strong performance culture."*
>
> *"We want staff with a strong business head, they must also have integrity and get the values of the organisation."*
>
> *"Employing business sector people who want to contribute works best for us. The other way, often community sector people don't have the commercial acumen required."*

Respondents who preferred to employ from the community sector mainly said this is because they want staff to understand and align with their values.

> *"Community sector people come with our values- understanding the community and not for profit world. They are bottom up rather than top down."*
>
> *"The values base was most important. We mainly employ Māori people with Māori skills and kaupapa -on the waka, paddling in the right direction."*

Some respondents wanted to employ people with a balance of skills from both sectors, and preferably people with social enterprise specific skills and experience, but said that these people are hard to find. This is a significant gap for the sector in New Zealand at the time of report writing.

> *"It depends on the position. The business sector has skills we need and there is uniqueness from the community sector- we need a mix".*
>
> *"We would need to be able to balance business and community ways of thinking. People from the business sector don't always know how to value social impact; ideally we want someone from a social enterprise background and they are hard to find."*

7

part seven

demonstrating impact

Part Seven includes an exploration of demonstrating impact from a quadruple bottom line perspective.[1] The emphasis is on the measurement of social value which is the most challenging area.

Methods of demonstrating social value are identified and explored. Concerns are raised about a top down "audit culture" being imposed and joint approaches with funders and financiers are suggested.

7.1 Evaluating Success through Triple Bottom Line Measures

Results indicate that:

a) As a foundation principle, a triple bottom line (TBL) evaluation that is clear, concise and universally accepted and accessible is of <u>extreme importance</u> and performance is often poor.[1]

b) The evaluation of success through a range of triple bottom line measurement tools is of <u>extreme importance</u> - and that this is happening to a <u>moderate extent</u>.

Result (a) represents one of the most significant gaps between importance and performance in the research findings. Result (b) indicates that there is a perception from participants that their own practice in terms of triple bottom line evaluation is better than the general practice.

There is a general sense that it is early days for the development of TBL evaluation. Just 27% of participants said that they used a form of triple bottom line accounting. For many organisations, it is in the "just too hard" basket. Most organisations have well developed systems to demonstrate financial outcomes,

but social and environmental impacts are much more challenging. Most of the literature on the subject focusses on the challenge of measuring social impact.

> *"The need is not understood for TBL evaluation. It will become more important the bigger the sector gets. We are still in a building phase"*

Many respondents saw evaluation as a challenging and difficult area requiring time and resources that are thin on the ground.

> *"People struggle to understand triple bottom line evaluation. It is becoming more important – we are doing more each year. It takes resource and there is no funding available. It is time consuming."*

> *"We are understanding TBL more now than we used to. And it is also important to understand the limitations. It would be good to have some kind of guide."*

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[1] The research questions initially referred to triple bottom line accounting that includes social environmental and economic factors. The research process revealed that it is important to include a cultural dimension, so some of the references have been changed to quadruple bottom line accounting (QBL).

7.2 Culture - the Fourth Dimension

Many participants would like evaluation to include culture as a fourth dimension. This is particularly important for Māori organisations.

> *"Context is always important. It should be quadruple bottom line, not triple. Adding the cultural dimension."*

New Zealand's Local Government Act of 2002 included culture as a fourth dimension because it encompassed government obligations under the Treaty of Waitangi. However the Local Government Act has was amended in 2013. Under the new amendments references to the "four wellbeings" have been removed and replaced with a greater emphasis on the provision of core services.

One respondent said that they prefer a "Gross National Happiness" approach to evaluation that includes wellbeing.

> *"We think a better model than triple bottom line should be adopted. Like the Gross National Happiness Index. We add a fourth dimension- personal wellbeing and happiness for the team."*

Gross National Happiness (GNH) implies that sustainable development should take a holistic approach towards notions of progress and give equal importance to non-economic aspects of wellbeing. The concept of GNH has is explained by its four pillars: good governance, sustainable socio-economic development, cultural preservation, and environmental conservation. (Gross National Happiness website, undated)

7.3 Impact Demonstration Methods Being Used

Participants said they used a wide range of methods for their impact demonstration including measurement of finances, keeping statistics of service users, membership numbers, jobs created, newsletter subscriptions, community contacts and counting new initiatives. Surveys of participants are commonly used including user feedback and testimonials. Other ways of demonstrating impact are through reporting on strategic plan initiatives in annual reports, reporting to funders, and evaluation carried out as part of the performance review process. Web based methods are being used by some organisations, for example, google analytics. A number of respondents said that their evaluation was mainly project based.

External evaluation has been possible for some organisations, and that is particularly useful due to the objectivity of the evaluator. The opportunity to work with a skilled external evaluator can also help to build internal capacity in this area. Larger organisations may have the internal capacity to resource external evaluation. However, this is a luxury that smaller organisations usually cannot afford, unless they are able to access external funds for the evaluation.

> *"We source social impact measurement source from outside. Every event has a report that looks at social and economic effects. Annually this means we have a horizontal comparison from year-to year. Lots of established organisations probably need a bunch of this stuff, but they don't realise it until they hit a crisis point. And they struggle to access it."*

7.4 Demonstrating Social Value

Participants were asked what methods they use to demonstrate or measure the social value their organisation creates. The results are as follows.

97% tell their stories (case studies, films, speaking engagements)
65% have specific KPIs relating to social value
47% benchmark against other organisations
27% use Triple Bottom Line Accounting
18% use Social Auditing
14% use Balanced Scorecard Evaluation
11% use Social Return on Investment (SROI)

| 97% Tell their stories (case studies, films, speaking engagements) | 65% Have specific KPIs relating to social value | 47% Benchmark against other organisations | 27% Use Triple Bottom Line Accounting | 18% Use Social Auditing | 14% Use Balanced Scorecard Evaluation | 11% Use Social Return on Investment (SROI) |
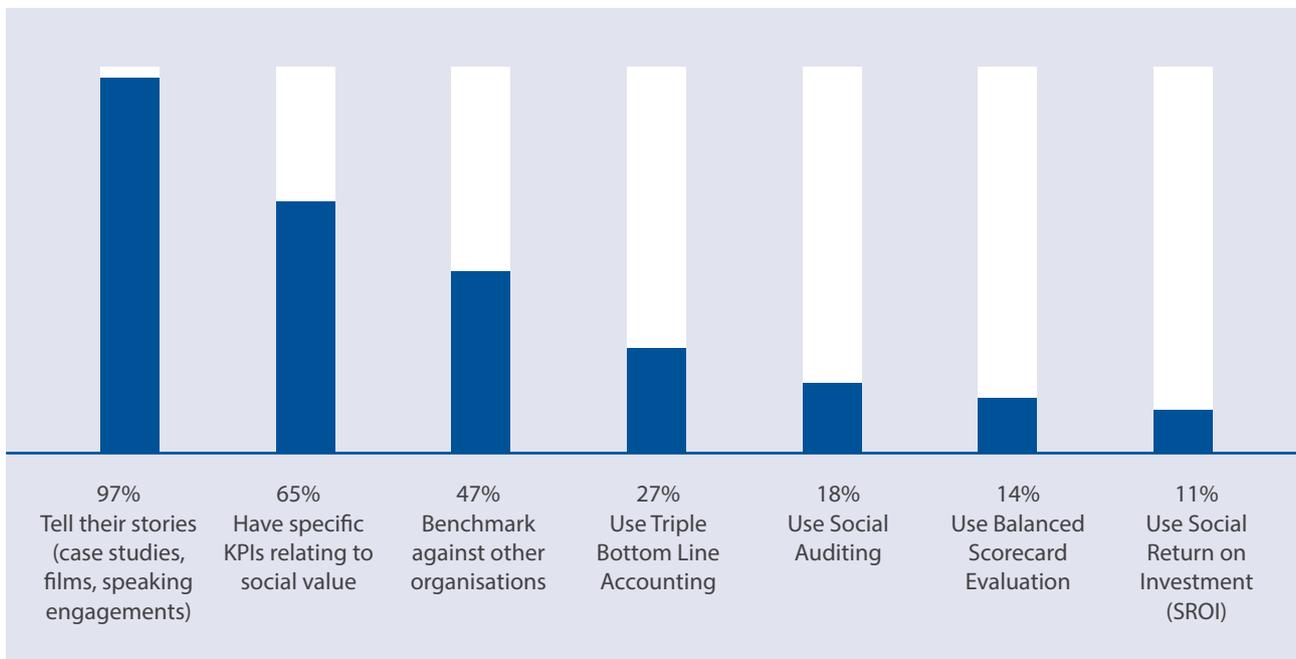
"We recognise that something may create social value before it makes a financial surplus. This is the approach we have taken with our café."

The above results indicate that most practitioners demonstrate their social impact through "telling their stories" and through key performance indicators (KPIs) but practice of other methodologies are relatively limited.

"Key for us is telling our stories. We will be creating videos - for funders, but also for ourselves. Our long term plan is to write case studies."

"Social value not is recognised or understood. A modern economy needs to recognise social capitol."

"How do you measure social cohesion? What we're producing is not easily measured. It's a challenge – how do you measure behaviour change?

Social impact assessment can help organisations to plan better, implement more effectively, and successfully bring initiatives to scale. Assessment also facilitates accountability, supports stakeholder communication, and helps guide the allocation of scarce resources. There is a growing debate as to how to measure social impact, due in large part to the difficult nature of assessing social change. "The work is fledgling and any developments have been highly critiqued. It is confusing terrain, resource intensive, requires data collection and system modifications; is often a big culture change. There is no universal approach – with no consensus as to whether taking a bespoke or a standardised approach is best. Social value measurement does however provide opportunities to drive a focus on impact and organisational learning. (McNeill. 2010)

7.4.1 Consistent Methods to Measure Social Value

The biggest problem that is faced in measuring social value, impact, returns - whatever language you prefer – is the lack of consistency. Whilst Social Return on Investment (SROI) and to some extent Social Accounting offer a consistent approach to measuring social value, other views suggest that 'we can't support one approach' or 'organisations should be able to choose methods that are most appropriate to them' or 'small and start up organisations should be able to do something simple'. (SROI Network, 2011)

7.4.2 Social Return on Investment (SROI)

SROI indicates the value of social impact in financial terms and enables a ratio of benefits to costs to be calculated. For example, a ratio of 3:1 indicates that an investment of $1 delivers $3 of social value. Although SROI monetises social return, SROI advocates insist that it is about value, rather than money. They say that money is simply a common unit and as such is a useful and widely accepted way of conveying value. In the same way that a business plan contains much more information than the financial projections, SROI is much more than just a number. It is a story about change, on which to base decisions, that includes case studies and qualitative, quantitative and financial information. (SROI Guide, 2009)

7.4.3 Social Accounting and Audit (SAA)

SAA helps to prove, improve and account for the social impact being made. The methodology helps to plan and manage an organisation, as well as demonstrate what is being achieved. Unlike SROI, SAA does not involve monetising social impact. SAA is a logical and flexible framework which enables an organisation to build on existing documentation and reporting systems and develop a "Prove, Improve and Account" process as follows:

- Prove: account fully for and report on an organisation's social, environmental and economic performance and impact:

- Improve: provide the information essential for planning future actions and improving performance

- Account: be accountable to all those the organisation works with and for

Some participants (mainly from larger organisations with relatively ready access to resources), have experimented with the above consistent methods. Feedback is mixed, with some respondents saying they have been useful and other saying that the processes are cumbersome and long winded. It seems that the jury is out.

"We are particularly interested in putting a monetary value on what we are saving others. We use elements of SROI – including the value of volunteer hours using a sustainable management fund framework."

"It is very difficult to get a frame of reference. We tend to build complicated systems - but formal methods have their problems. Some methods seems long winded and drawn out. But we can readily show impacts in each area."

"We tried social auditing, it nearly killed us! It was incredibly cumbersome, resource intensive."

7.5 Tailored to Fit Methods to Measure Social Value

A counter point of view maintains that we will never achieve consistency as the context of each organisation is so different and social impact measurement requires a bespoke, tailored to suit approach to social impact evaluation. Overall, participants preferred a tailored to purpose approach to evaluation to more formal consistent approaches.

"Having a tool to do this is really about understanding what is of value in a particular context is what is needed. As long as it's adaptable to local contexts."

"Universal evaluation methods are unrealistic, but accessible and holistic would be great. We start with simple guidelines and grow from there."

"There is no perfect tool. We need to decide which tool for which project/ organisation. It is important to look for how to get the result. Not templating, but really understanding."

A number of respondents said that they measured social outcomes in informal ways.

"We do this informally - examining how what we do complies with our values. Informal discussions led to recognition of social value being created"

"Our practice is relationship based - partners and stakeholders are a thermometer for how we are delivering."

"We rely on community feedback - being who we are – giving constantly. Customers will support a community business that is seen to support the community."

7.6 Vancity Demonstrate Value Framework

A participant pointed to a Canadian framework from Vancity and the Vancity Community Foundation, Demonstrating Value that was particularly useful…

> *"Vancity offers the most exciting recent development that pioneers new methods of demonstrating value for social enterprises. They have developed templates and reports that are freely available and easily understood."*

Demonstrating Value is a performance management and reporting tool that combines business performance monitoring with social impact evaluation in a compact and powerful communication tool. It offers simple management solutions that enable organisations to use information and data more effectively to run their organization, plan for the future and show value to the community. (Demonstrating Impact website, undated)

7.7 Social Impact: Moving Forward

There is still much to learn to create a coherent and accurate evaluation of social impact. Two leading impact investment firms, Acumen Fund and Root Cause, use three measurement variables that they compare and track over time: type of impact; scale of impact; depth of impact (Kaplan, 2013).

Tuan (2008) says that in moving forward, it is essential for the social sector to be very clear about the purpose and benefit of creating and implementing an integrated cost approach to measuring social value; and the implications of pursuing any such approach. In particular, it is important to be mindful of the lure of false

precision, the desire for a silver bullet, and the risk of cherry-picking based on cost-benefit metrics as sometimes the problems that are the most cost-effective to solve do not end up focusing on the neediest or hardest to serve populations.

Burkett agrees with Tuan …"Social Enterprises need to be able to provide feedback on their impact, but they need to do this in ways that make sense for them both pragmatically and strategically. Enforcing particular impact measures will not grow the social impact reporting / evaluation culture, it will stifle and restrict it. We need to have much more open and rigorous debate and discussion about the value of social impact measurement and realistic ways in which should expect social enterprises to report."[1]

7.8 Measuring Environmental Value

The main environmental indicators measured by participating organisations are transport, purchasing, waste and energy use. Community recycling organisations usually report on amount of waste diverted and amounts of waste that are recycled. A participating organisation that plants trees as part of its enterprise measures carbon capture. Other participants show how they manage their car fleets in a sustainable way. One organisation uses biofuel for transport.

Demonstrating green purchasing is important, using products that are as sustainable as possible in terms of their production and end use. For example, using recycled paper in office printers. The Sustainable Business Network has useful information on measuring and demonstrating environmental impact.

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[1] Direct feedback provided by Burkett to researcher

Landcare Research is a Crown Research Institute (CRI), an independent company that is owned by, and accountable to, the New Zealand Government. Landcare Research provides research into sustainability, in partnership with key stakeholders, including industry, government and Māori.

In Canada, Vancity's sustainability framework has received international recognition. In 2011 Vancity received the Globe Award in the category of Best Sustainability Reporting. Vancity's report was chosen as the one that best fulfilled the criteria of providing stakeholders with a clear understanding of the significance of sustainability impacts to key business activities, and the strategic actions taken in response to these impacts.

7.9 Concerns about an "Audit Culture"

For investors and funders, realistic ways of demonstrating outcomes are a priority. However, some respondents were concerned about a top down audit culture being imposed, in which they are required to jump through hoops identified by funders and purchasing organisations that have little relevance for their organisation.

"Pressure for attracting investment is what's driving the use of inappropriate auditing."

"I am nervous – contracts can force people into measuring the easy stuff, not the valuable stuff.

"We use outcomes rather than KPIs - outcomes are flavour of the month. And results based accountability. We are being pushed by MSD, but there is no resource to train any organisations how to do this."

7.10 Joint Approaches to Impact Measurement

Westall (2009) sees SROI metrics as being influenced by a narrow economic conception of value and with a focus primarily on outcomes. She says that this bias is understandable since it fits with the needs and agendas of particular stakeholders, particularly government or finance and funding providers. The former have a concern with ensuring the best use of public money to achieve public interest goals. For finance providers and funders – whether of grants, loans or forms of equity – value created in relation to money provided is a core concern.

It is important for CED initiatives to find ways of measuring and demonstrating outcomes for their own learning – and to report to their many stakeholders. The literature suggests that a joint approach between practitioners and financiers is needed to improve practice in TBL evaluation. "Both researchers and practitioners suggest that joint approaches with financiers are needed". (McNeill, 2010)

"We would like a consistent measurement tool – community organisations and funders should be working together on this."

8

part eight

bridging the gaps towards an ecology of support for social enterprise

Part Eight includes an exploration of whose role it is to lead the CED and social enterprise movement, and discusses how other sectors and stakeholders (including local and central government, the private sector, philanthropic organisations and academic institutions) can help this emergent space to thrive. A possible role is explored for a practitioner driven national intermediary that is affiliated to regional hubs to lead the movement.

In 2006, New Zealand Social Entrepreneur, Lindsay Jeffs, said "As a result of the current emphasis on private business development and state sponsored initiatives, CED in New Zealand is marginalised from mainstream economic and social development thinking, policy development, funding and support services".

Seven years later, in her 2013 report, "Growing the Next Generation of Social Entrepreneurs and Start Ups in New Zealand", MJ Kaplan says … "Ecosystem supports are negligible. Social enterprises tend to be small and severely under-resourced. Social enterprise is barely on the government radar today." (Kaplan, 2013)

Research results indicate that in 2013, many CED organisations continue to lack access to much of the finance and support they need, and that the CED space continues to be disorganised and fragmented, and lacks a cohesive voice to advocate for the needs of the CED and social enterprise sector.

8.1 Whose Role is it to Lead CED?

New Zealand has one of the most centralised systems of government in the OECD. Functions such as health, social services and education are delivered by central government, whereas in the UK, for example, they are devolved to local government. This creates a challenge for the development of a CED movement that is fundamentally devolutionist in nature. "Double devolution" describes a two stage process that takes power and resources from central government and gives it to local government... and from local government down to local people, providing a critical role for individuals and neighbourhoods. (Local Government Chronicle UK, 2006). Devolved government is aligned with the concept of civil renewal, that is, the renewal of civil society through the development of strong, active and empowered communities, in which people are able to do things for themselves, define the problems they face, and tackle them in partnership with public bodies. Civil renewal involves three essential elements: active citizenship, strengthened communities and partnership in meeting public needs. (UK Home Office paper, undated)

Results indicate that communities taking responsibility for the design and delivery of relevant CED activities is of <u>extreme importance</u> and that performance is <u>generally acceptable</u>.

Participants said that this is an important principle, but it is critical that communities do not take all the responsibility – without having access to resources to enable them to be successful. Respondents said that it is important that CED is led from the community, but that there is an important role for government to develop a policy and legislative framework to encourage and enable CED and social enterprise development to grow and thrive. The outcomes of CED and social enterprise are for the benefit of all society, so ideally, all sectors will have a role to play in developing this space. There was a sense that this work is embryonic in New Zealand at this time, but that the potential for economic, social, environmental and cultural transformation is very significant. The case studies[1] demonstrate where this is already happening, in a wide range of contexts.

"Where it actually happens it's amazing. We see it happening here and around other communities. It will happen through communities, not government. We need mechanisms whereby communities can be self-determining."

"There is lots of good will and desire to make a difference, but lack of resources is a problem. There needs to be more awareness raising about the potential."

"There are no resources, but we are doing it anyway. It could be so much better if we had more support. It is early days. We are on a journey - we are babies of Scotland and the UK"

Results indicate that CED activities increasing self-sufficiency for the communities involved is of extreme importance and performance is generally acceptable.

Participants said that self-sufficiency is happening to some extent, and that where it is happening, it is generally undervalued and usually under the radar.

"This is fundamental – this is why we do this work, to make our community more resilient and self-sufficient. CED activities are doing well but the wider community doesn't understand or value it- both need to happen together."

"To the degree that it is happening, it is very successful in increasing self-sufficiency. Lots of stuff is probably under the radar – like residents associations, community gardens, informal trading etc."

"In New Zealand, there is a silver spoon fed "hand out rather than hand up" way of thinking. We don't expect government to give handouts, we would prefer resources for advice and support – and the community does it."

For social enterprise to fully develop, an enabling environment is required. This means that their particular needs must be recognised and provided for by national and local government, government departments, the private sector and philanthropic organisations including community trusts (Jeffs, 2006).

8.2 How can Local Government Help?

New Zealand's Local Government Act of 2002 gave councils a mandate to support the four "well-beings": social, economic, environmental and cultural. However the Local Government Act was amended in 2013 and under the new amendments references to the "four well-beings" have been removed and replaced with a greater emphasis on the provision of core services. Participants were concerned that these changes - that indicate a narrower role for councils - may impede local government in developing support for CED and social enterprise. Despite these changes imposed from central government, interest is growing in a number of councils around the country.

Wellington City Council has created a Head of Innovation position and Auckland Council has recently hired a dedicated social entrepreneurship staff member. In 2012, Mayor Brown commissioned a report to explore CED Opportunities for the Auckland Council. If Auckland Council moved ahead with this agenda, they could provide an example for smaller councils around the country.

Most councils employ staff that carry out a community development role. Participants said that community development workers would be more effective if they were positioned within community organisations and social enterprises, instead of within councils - where they tend to get caught up in government bureaucracy. Positioning of council funded development workers in relevant organisations in the community is a common practice within UK councils.

Research participants were given a list of nine possible actions that councils could do to support CED, and asked to choose which would be a) most helpful and b) most likely in the near future.

Results indicate that the most helpful actions for local government are:

1. *Adoption of a supportive and effective policy framework*

2. *Procurement policies that value localism, social and environmental outcomes*

3. *Asset transfer of land/buildings to community groups*

Results indicate that the most likely actions for local government are:

1. *Procurement policies that value localism, social and environmental outcomes*

2. *Long term leases to community groups (15 years plus)*

3. *Asset transfer of land/buildings to community groups*

8.2.1 Adoption of a Supportive and Effective Policy framework

"CED needs endorsement from councils enshrined in a way to survive politicians three year tenures."

Practitioners said that they would like to see local government develop policy that supports CED and the responsibility for CED and social enterprise sitting in one part of council – with a view to that area collaborating with other areas of council to ensure integration. (For example, linking community development, economic development and social procurement departments).

The Young Foundation's work in 2011 with ten local authorities in the UK, Grow Your Own: How local authorities can support social enterprise demonstrates the need for a broad based approach to supporting and nurturing social enterprises. This broad approach encompasses the following seven themes.

- Leadership of the social enterprise agenda within local authorities

- Commissioning and procurement procedures to allow social enterprises a greater chance at successfully contracting with local authorities.

- Innovative finance models

- Delivering public services through social enterprises

- Collaboration between the public, private and social enterprise sectors

- Business support for social enterprises

- Local innovation

The report found that "these seven themes are interdependent. In isolation, actions under each of these themes are valuable, but when combined they signal the intent of local authorities to support the growth and significance of social enterprises in their localities."

Closer to home in Australia, Parramatta Council established a social enterprise programme in 2007, that was the first of its kind in Australia. The key learnings from a review that was carried out in 2011 are:

- Much useful activity can be embedded in existing staff positions and internal processes – at no added cost

- Seed funding is hard to access for social enterprises- it can be incorporated in council's existing grant programme

- Money is not enough - social enterprises need tailored capacity building support

- Find and foster social entrepreneurs with a "fire in the belly"

- The early stage of social enterprise development can be a long process, 3-5 years

- Cross departmental relationships are crucial – procurement, asset management, development and planning, and economic development

- Buying from social enterprises is one of the most practical ways that council can support social enterprises (social procurement)

8.2.2 Procurement Policies that Value Social and Environmental Outcomes

What is Social Procurement?

Social procurement involves purchasing organisations, (including local and central government and private enterprises), using their purchasing power to generate positive social outcomes. For example, in a local government context, a council looking to procure a new property maintenance contractor may decide to integrate this purchasing decision with a broader strategy to address youth unemployment. The social value generated by the procurement (new job creation for unemployed young people) may therefore become an integral component of the broader assessment of potential provider 'value'.

As a social procurer of goods and services, the purchasing organisation asks the question: "if $1 is spent on the delivery of services, can that same $1 be used, to also produce a wider benefit to the community? Social procurement is an opportunity to maximise the value (social, environmental and economic) generated through contracted services. It is a paradigm shift in thinking" (Burkett, 2010). The upside for purchasing organisations is that they can use social procurement to achieve social and/ or environmental outcomes - with little or no additional investment. Potentially it is a win/win situation. Again, it would be beneficial to look to Scotland for inspiration. Scotland's Community Benefit Clause gives a preference in tendering to locally owned or social value led enterprises.

The Yarra City Council in Australia awarded a street cleaning contract to the Brotherhood of St Laurence – a social enterprise that runs skills training and employment services and also contracts with enterprises who employ beneficiaries from public housing areas. As well as employing previously unemployed people, a further impact noted was a reduction in graffiti due to engaging local 'street people' with local connections.

For councils, there are three key interconnected benefits associated with social procurement:

- Delivering best value across all three value dimensions (social, environmental and economic).

- Addressing complex social issues: Social procurement can be used as a tool to help address complex social issues such as unemployment, poverty and social exclusion.

- Fostering innovation and building markets: social procurement can be used to help shape and support the development of new markets and foster local innovation and sustainable practices. Integrating social and economic value into the decision making process for procuring goods, services and products helps procurers recognise the value of social enterprise and supports the development of the social economy.

Research results indicate that:

Effective and supportive procurement policies that include local/social and /or environmental impact are of extreme importance - and that this is happening to a minor extent.

A lack of procurement policies that include social/environmental and local value amongst major purchasers is a significant barrier – and participants are moderately confident that they can overcome the barrier.

"We are constantly campaigning on social procurement. To try and overcome the barrier."

The social procurement question generated an enthusiastic response and many participants saw opportunities that social procurement could offer their enterprise.

"Council purchasing is all about the cheapest price. We could have gained contracts had social value been considered. It would be good if the local board would buy from us."

"Key people in the council do not see the importance of social and environmental outcomes. They see financial outcomes

as being paramount. Procurement is applied on a case by case basis - and there is no public transparency, or accountability."

"Continuity of contracts is challenging. There are big waste management companies who would like to take over our contracts - and can afford to undercut us financially to do so. The social value of what we do is difficult to demonstrate and council does not include this when they evaluate contracts. Last year, to stay competitive, we had to take a $50,000 cut in our waste management contract."

Some practitioners say that their councils are starting to incorporate social and environmental value as part of their contracting processes.

"In rural areas, community owned waste transfer stations are common — and our council has played ball to support community operators. Social procurement is extremely important for provincial New Zealand."

"Social procurement is a recent focus of our council. They have given local businesses preference."

Participants indicated that this practice is very varied around the country. Prior to amalgamation of the legacy councils in Auckland, North Shore City Council had a policy that incorporated social and environmental goals into its procurement practices. Their sustainable procurement toolkit measured a potential tenderer's environmental impact, as well as its social and economic activities, including engagement with staff, local communities and not for profits. The Auckland Council has a new procurement policy that keeps the door open for social/local procurement opportunities, but outcomes will depend on building staff expertise in social

procurement. Some particularly innovative work is happening at Auckland Council relating to waste minimisation contracts for community recyclers.

"We would love to see local government getting into social procurement. Auckland Council could potentially become a leader."

"I think the transformational shift is for government and local council's to start identifying themselves as a customer of social innovation. Who can we buy the results we want to see from, rather than thinking of the community as the customer of our services. This is the new middle option between privatisation of services and welfare. It is contracting out – but it is contracting to community."

8.2.3 What does "Local" mean in a Procurement Context?

"CED is about locality and place. The big players are not part of CED - they can undermine local enterprises due to their scale."

A number of participants commented about the importance of weighting for local, as well as the challenge in defining "local", for procurement purposes.

"Our council has procurement that does have a weighting to social value and local purchasing. How you define local is the big question."

In 2010, Hamilton Council integrated local impact criteria into their procurement policy. Their tender documentation includes a requirement for a minimum of 5% weighting within any tender evaluation process. Local

impact criteria take into account factors such as apprenticeships and training opportunities provided within the local region and the percentage of revenue from the contract going to the local region.

The New Economics Foundation has developed a Local Money Multiplier as a simple and understandable way of measuring local economic impact. It is designed to help people to think about local money flows and how their organisation can practically improve its local economic impact, as well as influence the public sector to consider the impact of its procurement decisions.

8.2.4 Supply and Demand

Participants recognised that supply and demand are an important part of effective

social procurement. While purchasing organisations can create demand for social value led organisations through their procurement policies, community enterprises must have the capacity to deliver.

> *"Community organisations have to show that we can deliver. If we get it wrong, we stuff it up for other social enterprises."*

Councils can develop the expertise to support community enterprises to build their capacity to bid for and successfully deliver on contracts, encourage joint ventures between community enterprises – and between the private sector and the social sector.

> *"We need a dedicated council employee to facilitate discussions with stakeholders."*

The diagram below outlines how councils can achieve successful social procurement.

Early integration: Embed social value into every stage of the procurement process.

Context & Catalyst: Focus on a specific social issue, place or community.

Communication & Collaboration: Good communication within the procurer organisation & with purchasers/ suppliers.

Culture & Champions: Use social procurement as a tool to break down teams working in silo.

Align Supply & Demand: Ensure procurer organisations have the expertise required & support suppliers.

Measure & Monitor Social Value: Focus on a 'case by case basis' approach to measurement, not 'one size fits all'.

Procurement Cycle: Develop a process that includes planning, implementation, reflection & learning.

Engage procurement professionals: Procurement is complex- engage procurement professionals at an early stage.

Generating social value through procurement

The diagram above is adapted from an unpublished report by Jennings and Siddall commissioned by Auckland Council in 2012

In the UK, after a period of determined advocacy from the national social enterprise body, Social Enterprise UK, the 'Public Services Social Value Act' became law in March 2012. The act places a duty on all public bodies to consider social value ahead of procurement of a product or service. It is anticipated that this act will open up markets for social enterprises and social value led businesses throughout the UK.[1]

In Australia, an organisation Procurement Australia has been established in 2013 that aims to become the home for all social procurement resources and advocacy, and has the potential to include New Zealand resources.

8.3 Long Term Leases and Asset Transfer

8.3.1 Long Term Leases

Participants that are tenants in council owned buildings said that long term leases were important to enable a stable base for community enterprise development.

> *"We have a lease of the land for 35 years at a rental of $1 per year. This gives us a strategic advantage."*

Participants said that an advantage of a leasehold arrangement is the council owner continuing to be responsible for maintenance costs.

> *"Our premises are rent free from council on a five year lease. Council have invested in the development of our building – we would like to retain this arrangement"*

> *"We see no advantage in owning the asset. The Council pays for repairs and owns on behalf of the community - they have bigger pockets."*

In a number of cases, the council owns the land and the organisation owns the building, requiring a partnering approach to be taken.

> *"We own the building and have a multi-year lease with council on the land. When the legacy councils in Auckland were dissolved, ownership of the building was transferred to us."*
>
> *"Council owns the land and we own the building. It costs us $80,000 a year in operating and maintenance costs. There is a tension to afford this as prices must be affordable for local people. We would like a partnership, with council contributing to operational costs, in acknowledgement of the benefits to the community"*
>
> *"Our neighbourhood park has been a centre of violence and fear from gangs, even murder. We want to develop it as a "commons" space, so the park is now being developed, in partnership with Council. It is possible that asset transfer could happen in the future."*

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[1] Refer to section on a role for a national intermediary on page 126

8.3.2 Asset Transfer of Land/ Buildings to Community Organisations

Asset Transfer involves transferring the ownership of land or buildings from a statutory body to a community organisation at 'less than best consideration' – that is at less than its full market value – in order to further local social, economic and/or environmental objectives (Local Government Association UK, 2012).

New Zealand councils could potentially utilise public assets to empower communities. "In recent times, many local bodies in the UK have transferred assets to community groups and there is a growing body of research and literature emerging as a result. Work is currently underway in over 150 local authorities in England to progress community asset transfer plans. There are presently £590 million of assets held in community ownership, representing a two-fold increase over the past five years. Rural Scotland has seen spectacular gains - 60 per cent of the Western Isles is now in community ownership. This is not a case of developing one size fits all "blueprints". Instead councils need "recipes" with ingredients and guidelines that they can follow themselves and which will enable them to discover which particular mix makes most sense in their unique circumstances" (Wyler and Blond, 2010).

"Asset transfer represents an unprecedented opportunity to lay the foundations for a truly popular and meaningful "Big Society"[1]. "The Big Society has been much criticised as an excuse for government to abnegate responsibility for social challenges. Asset transfer represents a genuine opportunity to achieve a bottom-up prosperity that builds resilient and independent communities capable of providing individuals with sustainable exits from poverty and entrances into wealth and wellbeing." (Aiken, Cairns and Thake, 2008).

The UK government has funded an external Asset Transfer Unit that is managed by Locality, Britain's leading nationwide network for community-led organisations. Key findings that have emerged from the UK experience are that assets must not be a liability at the time of transfer and that a long term partnering approach works best, with councils working with community organisations over time, to ensure successful transfers and mutual outcomes to be achieved.

The "Community Right to Buy"[2] and "Community Right to Bid"[3] are related pieces of local body legislation in Scotland and the UK that support community ownership of assets. For further information see the Scottish Community Empowerment Act and the Localism Act 2011

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[1] The Big Society is part of UK government policy. The most concise definition comes from Dame Helen Ghosh, Home Office permanent secretary. "We in [central] government need to focus on doing the things that only government can do," she told MPs. Then "what we need to facilitate is that – at the most local, most individual level – people both identify and solve problems in the way that they wish to solve them by simultaneously capitalising civil society and spreading ownership.

[3] Scottish legislation that allows communities (with a population of less than 10,000) to apply to register an interest in land and the opportunity to buy that land when it comes up for sale.

[3] The UK Localism Act 2011 introduced a new regime giving local community groups the right to make a bid to buy a property that has a community use when it comes up for sale.

Research results found that public bodies engaging in asset transfer activity with community organisations is of significant importance, and that this is happening to a minor extent.

Many participants were unaware of the possibilities that asset transfer could bring to community organisations and the people they serve. A number of buildings and/or land are owned by councils, but are mainly occupied on a leasehold basis – sometimes for long periods for a nominal rent.

In New Zealand, asset transfer has mainly occurred between the Crown and iwi through Treaty of Waitangi claim settlements, as compensation for the negative impacts of colonisation. As a result, iwi are accumulating significant assets that are held in collective ownership.[1]

In the years to come, a huge amount of public sector wealth may cease to be public - and there is a real risk that public assets will not only be privatised (as during the 1980s) but privatised in such a way as to reinforce existing inequalities of wealth. In New Zealand, this danger is more imminent as the current government's commitment progresses to sell state assets to the private sector.

New Zealand does not have the numbers of disused publicly owned buildings as the UK, but research indicates that there are opportunities to achieve mutual community/council outcomes here through the transfer of assets from public agencies to the community. For example, council owned community centres, swimming pools and land that can be utilised for community gardens could be transferred to community ownership, where the desire and capacity can be demonstrated.

"If there was an opportunity to own the building, we would certainly take it. If we had the freedom to manage the space we would be able to do more."

"The District Council owns the sports ground, and we manage it on a long term basis, but we don't own it, so it is difficult to invest and improve the facility with the threat of the end of contract looming."

Any organisation that owns buildings is likely to be affected by the new earthquake strengthening regulations that are currently under consideration. This legislation is likely to turn existing assets into liabilities. It is possible that growing concern with earthquake proofing of public buildings may make local governments more amenable to asset transfer. It will be important that community organisations do not take on liabilities that they are unable to reinforce and maintain.

"The high cost of earthquake strengthening has us rethinking our approach to owning buildings and land. The new legislation is changing our buildings from being assets to liabilities."

8.4 How can Central Government Help?

A 2008 report, Supporting CED in the Auckland Region, commissioned by the ASB Community Trust, maintained that, "In recent times, community economic development has largely been absent from national and regional economic policy planning or programmes. Government is seen as being risk averse, and focused on job and business growth, attracting

[1] Refer to Māori enterprise section on page 81

investment and other traditional economic growth outcomes. The government focus is mainly on jobs and business growth, not on how to minimise income gaps and lift up those who are struggling" (Trotman and Courtney, 2008).

A 2013 report from Fulbright Scholar, MJ Kaplan, indicates that very little has changed since 2008. She says "Social enterprise is likely to remain stalled without government leadership. In the absence of large reserves of private wealth and a tradition of charitable giving, the state has become New Zealand's largest philanthropist and social enterprise is not likely to gain traction without commitment from the state" (Kaplan, 2013).

> *"The problem with CED in New Zealand is there has been no commitment from government. The big gap at the moment is government engagement."*
>
> *"The government needs to make paradigm shift from delivering services in a centralised way, to enabling communities, promoting community cohesion and self-management".*
>
> *"The public sector needs a culture change – one that encourages creativity and innovation – and accepts that failures will happen. "Government haven't got their head around it yet. That will be part of maturing."*

There have been some minor developments in recent times. For example, the Ministry of Pacific Island Affairs developed a report Pacific Island Communities and Social Enterprise Discussion Paper in 2011 that explores the potential for Pacific communities to become more involved in social enterprise. In 2012, the Ministry of Ethnic Affairs joined other agencies in bringing Peter Holbrook, dynamic CEO from Social Enterprise UK, to New Zealand.

In 2013, the Department of Internal Affairs (DIA) carried out a mapping exercise of social enterprises in New Zealand Mapping Social Enterprises in New Zealand, followed by a report Legal Entities for Social Enterprises and the Ministry of Health is leading cross-government work Piloting Social Bonds in New Zealand.[1]

Participants were given a list of nine possible actions that central government could do to support CED, and asked to choose which would be a) most helpful and b) most likely in the near future.

Results indicate that the most helpful actions by central government are:

1. *Adoption of an enabling, supportive and effective policy framework*

2. *Adoption of procurement policies that include social and environmental impact*

3. *Development of a Social Enterprise Investment Fund*

Results indicate that the most likely actions by central government are:

1. *Ministerial responsibility for CED*

2. *Adoption of an enabling, supportive and effectivepolicy framework*

3. *Adoption of procurement policies that include social and environmental impact*

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[1] Refer to SIBs content in Finance and Investment section on page 68

8.4.1 Ministerial Responsibility for CED

In the UK, support from government has been forthcoming through the appointment of Ministers with specific responsibility for social enterprises, alongside the creation of government departments with a focus on social enterprises. In New Zealand, it is a very different story and practitioners are confused about where the responsibility for CED and social enterprise sits in government.

"We don't know who to talk to in government – The Department of Internal Affairs, the Ministry of Social Development or the Ministry of Business, Innovation an Employment. I hear that the Ministry of Health is promoting Social Impact Bonds. Government wants integration at a community level, but government is operating in silos. It is confusing."

Benedict (2010) says "Not surprisingly, social entrepreneurs are not clear where to look for central government support and guidance. Some have recommended the establishment of a Minister or Cabinet member who has specific responsibility for social enterprises. A current agency might be asked to broaden its coverage". (Benedict 2010)

Kaplan (2013) says "The time is right for collaborative cross-sector leadership to stimulate social enterprise in New Zealand. OECD member countries and many others actively enable social enterprise growth with mounting evidence of improved social outcomes, innovation and efficiencies. New Zealand will benefit from a multi-year pilot, based at Ministry of Business Innovation and Employment, to test the potential of lean, impactful, sustainable social businesses".

Regardless of which minister assumes responsibility for social enterprise and which agency becomes its home, the staff would need expertise and background in social enterprise and to develop relationships with leaders of the movement and other relevant government agencies.[1]

8.4.2 An Enabling, Supportive and Effective Policy Framework

Results indicate that:

The establishment of an effective and supportive policy and legislative framework is of <u>extreme importance</u> and that this is happening to a <u>minor extent</u>.

A lack of effective and supportive legislative support is a <u>significant barrier</u>. And participants <u>do not know</u> if it can be overcome.

Research participants said that supportive policy and legislation was missing in New Zealand, especially compared with what is happening in some overseas countries, notably the UK. Mendell, (2010), points to the need for public policy and legislation that recognises the need for investment, asset locks, and community accountability as a significant challenge for social enterprises.

"We don't know what we don't know. I have seen glimpses of what is happening in the UK. Structural change could lead the way. Unless sanctioned by government, CED will only ever be a poor relative. Government are not proactively leading us in the right direction."

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[1] Refer to 'Recommendations' section for more information about where responsibility for social enterprise in government could sit.

> *"There is under valuing of CED strategies to prevent social ills – especially by central government. Lots of money gets spent on enforcement, but not enough on support. Supportive policy and legislation would make such a difference to the whole sector."*

CED and social enterprise inherently cut across portfolios - non-profit and business, social and environmental, so it needs a joined up cross-agency approach. This is a strong feature of the New Zealand government's Better Public Services.

Research results indicate that in New Zealand there is a disconnect between policy makers and community leaders. Connections can bring new resources and ways of working. A broad policy framework that is co-created with leaders of the social enterprise movement is required.

> *"A government framework needs to be broad to capture a continuum of CED activity.   There needs to be representatives of community leaders as part of decision-making and shared delivery."*
>
> *"It is extremely difficult for people in policy positions to be able to deliver well. When it happens and it delivers resources, it will be essential that there is strategic visionary leadership."*

The following policy examples respond to the above concerns.

8.4.3 Policy Examples from the UK and Scotland

The following social enterprise policy example is from the Cabinet Office, Office of the Third Sector in the UK. A dedicated Minister for Social Enterprise is situated in the Cabinet Office.

The UK Government is interested in social enterprise to:

- Tackle social and environmental challenges

- Increase levels of enterprise

- Develop ethical markets

- Reform the public service

Challenges for the sector are identified as:

- Awareness and understanding of social enterprise

- Building the evidence base

- Accessing the right information and advice

- Access to appropriate finance

- Working with government

In response, policy includes the following four areas:

1. Fostering a culture of social enterprise

- Including social enterprise in the school curriculum
- Helping the sector to market itself better
- Carrying out research through the Third Sector Research Centre (Action research to identify where social enterprise can help meet policy objectives in health, community engagement, enterprise support in deprived areas and working with offenders)
- Enabling the sector to articulate social value

2. Improving advice and information for start-up and growth

3. Improving access to finance and new types of investors

4. Enabling social enterprise to work with government - through the development of a strategic partnership programme (Katharine Purser, 2009).

8.4.5 Critiques of Social Enterprise as Mere Public Sector Reform

Concerns were raised by participants that a social enterprise model can let the government off the hook in terms of their social responsibilities, provide an excuse for government cutbacks, and lead to a narrow agenda that is more about public sector reform than it is about empowering communities.

"Government doesn't have money for social services so that is why they are interested in a business model for community enterprises."

In Britain, social enterprise has been partly promoted as a government-led policy construct to deliver government services externally. In this context it leads to a narrow arena of possibilities. Social enterprise can be seen as a less politically and ideologically controversial alternative to the move towards market-led provision and the privatisation of public services which has dominated both British and New Zealand policy agenda since the 1980s. In the UK today, social enterprise is often placed at the heart of welfare and public service reform and depicted as the "future of public services". The idea of "social enterprised", as opposed to "privatised", public services is more appealing for many on the centre-left, as social-enterprised services are in theory placed in the hands of communities and add social value and economic sustainability (Sepulveda and Syrett, 2010).

This approach has been widely critiqued and the UK "Big Society" agenda[1] viewed by some as window dressing for widespread government cutbacks. However, the literature review findings indicate that when social enterprise is carried out within a community-led framework, the following benefits can accrue:

- Stronger community organisations, with enhanced business skills, cash flows, assets, net worth and resilience

- Job creation - in particular employment of at risk and marginalised people. (Social enterprises in the UK employ more people relative to turnover than mainstream small businesses)

- More resilient local economies that are less susceptible to the impact of global recession

- Social enterprise makes a positive difference in deprived communities. (39% of all social enterprises are based and working in the most deprived communities in the UK, compared to 13% of all SMEs) (SEUK Report, 2011)

- Social enterprises are also more likely to be led by women, young people, and those from minority ethnic groups (Fightback Britain, 2011)

8.4.6 Scotland and Community Empowerment

Scotland is particularly relevant to New Zealand as it is a country with a similar culture, population size and mix of urban and rural communities - and is a useful place to look to for inspiration. The Scottish experience indicates that social enterprise can be part of an agenda that is much wider than public sector reform and aligns with the principles of community empowerment.

Alongside social enterprise support, the Scottish government has developed an action plan that helps support for social enterprise to be underpinned by principles of community empowerment. The Scottish Community Action Plan (2009) was co-created with the Convention of Scottish Local Authorities (COSLA) and colleagues in the third sector. The action plan provides clarity on what community empowerment is, why it is important and how communities can get involved.

The Scottish Government and COSLA have agreed the following definition:

"Community empowerment is a process where people work together to make change happen in their communities by having more power and influence over what matters to them".

The Community Empowerment Action Plan includes:

- Highlighting existing examples of community empowerment

- Development and implementation of a model scheme of establishment for community councils and a code of conduct for community councillors

- Support for communities to own assets

- Training to support community engagement and empowerment

- Investment to improve community capacity building

- Participatory budgeting pilot

- Community empowerment programme - direct investment accessible by community groups

Scotland's programme of support for social enterprise includes:

The Just Enterprise programme that supports the development of social enterprise through tailored business support.

The Developing Markets programme that works to open public sector markets to social enterprises and the wider third sector.

[1] See previous footnote (Page 111) that explains Big Society agenda

The Scottish government provides direct funding to social enterprises through [funding programmes](#) including the Scottish Investment Fund, Enterprise Growth Fund and Social Entrepreneurs Fund. Scotland is a world leader and has a role in developing social enterprise around the world.

The Scottish government also provides specific support for social enterprise intermediaries e.g. [Social Enterprise Scotland](#) , [Social Firms Scotland](#) and [Senscot](#) to help social enterprises to network, develop, collaborate and grow, raise the profile of social enterprise and to enable sector leaders to have input into the development of policy.

John Swinney, Cabinet Secretary for Finance, Employment and Sustainable Growth also has responsibility for Community Business and Co-operative Development, Third Sector and the Social Economy. He says "The Scottish Government recognises the valuable contribution social enterprises make to supporting economic recovery, and the important role they play in delivering some of Scotland's key services."

8.4.7 Education in Schools

Participants say that it is important to educate and inspire young people early on about the possibilities of social enterprise as a career path and would like to see the Ministry of Education include content about CED and social enterprise in the syllabus. This would open up this space as a future career path for young people.

"We would like to see education in social enterprise included in the school syllabus, alongside content on traditional business."

"We are developing a schools programme that aims to educate young people about microfinance, financial management and building genuine wealth. We would like the course to become NZQA accredited, to provide credibility and help with engagement of school boards and teachers. Future solutions to poverty involve engaging and educating the children now."

8.5 Policy and Legislative Barriers

The research indicates that existing government policy, legislation and practice in New Zealand can be a barrier to CED and social enterprise development. Practitioners identified a number of barriers related to compliance issues in the following areas.

8.5.1 Charitable Status

Most participants experienced no problems trading as a charitable trust, although one participant said

"Trading as a charitable trust prevents access to trading support and business seminars that not for profits cannot attend. There is a sense that we don't pay tax so shouldn't be able to access trading support."

Kaplan (2013) says that as part of her recent research, she spoke with several social entrepreneurs who were denied charitable status and felt that this decision created a substantial hurdle for their start-up. She says "the DIA currently interprets charity very narrowly and its refusal to register social

enterprises is unhelpful. A negative indication by the DIA as to eligibility for charitable registration is then often used by IRD as determinative that an entity is not eligible for donee status either. All of this can sound a death knell for good social enterprises responding to identified social needs in an innovative way."

Benedict (2010) says "The legislation regulating charitable status in Aotearoa New Zealand is relatively new and under rapid growth. A systematic look at charities' laws, or the absence of them, culminated in the Charities Act of 2005 and the establishment of the Charities Commission. The law is largely based on UK models where the definition of charities accepted for most purposes goes back to Elizabethan times. The charitability of economic development activities has proven challenging for the Charities Commission" (Benedict, 2010).

In 2010, the Charities Commission developed an information sheet on social enterprise from a legislative and regulatory perspective that says "Social enterprises can be eligible for registration as charitable entities if they have purposes that are exclusively charitable in accordance with New Zealand law and are not established for private profit".

This definition would include most of the organisations in our sample – but it would exclude social businesses, that have a social and/or environmental mission, but distribute profits, or a proportion of profits to individuals.

Research findings indicate that the main area where the Charities Act is an impediment to progress is in the area of social housing. Participants said that shared home ownership programmes for people who cannot afford to own a home on their own is an important aspect of their work, but the Charities Commission don't view this as a "charitable activity".

"Our Housing Trust was de-registered by the Charities Commission. In court, the judge said the decision to de-register was due to a failure of the Charities Act, in that householders who benefit from shared home ownership schemes are seen as individuals, not community. Provisions around the relief of poverty are too narrowly defined and the act needs revising. To make things worse, IRD are now taxing grants made prior to the legal decision to deregister the trust. The UK and Australia have made changes to their legislation to accommodate the work of Social Housing Associations."

Participants from the social housing sector viewed asset transfer of state housing to community housing organisations as being crucial.[1]

"As part of the social housing reform programme, the government wants community housing organisations to do more. Government will need to use a range of tools to help organisations to scale up and asset transfer is a key one. There has been lots of talk, but none have happened to date."

"If social housing organisations could work to potential, we could make big inroads into social problems. This could be part of a government social reform programme. Housing New Zealand could transfer housing stock. Imagine if we had community housing organisations to run those developments how different it would be – it is a real missed opportunity"

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[1] Refer to section on asset transfer on page 111

8.5.2 Taxation Related Issues

Participants said that the Inland Revenue Department (IRD) is limiting the growth of TimeBanks.

> "It is important that TimeBanks are seen as part of the social economy not the financial economy. TimeBanking must be recognised in legislation- or members will be penalised."

> "The TimeBank is limited by IRD, as people cannot trade in the area that is their main income earner, and that is an impediment to growth of the TimeBank."

8.5.3 Community Shares Issues

Another identified barrier is legislation that has the same rigorous compliance demands for small scale community shares and cooperatives as for large cooperatives (for example, Fonterra).

> "We are looking at community shares, but the problem in New Zealand is that our business law requires the same process for little projects as for the big ones."

> "We have found that legislation around establishing a cooperative is geared to large scale cooperatives - and it is very time consuming and costly to establish a cooperative on a local community basis."

> "What we need is a small enterprise exception rule under the Securities Act."

[1] Refer to Awhi Credit Union case study on page 134

8.5.4 Credit Union Issues

Community-based credit unions are suffering from significantly increased compliance costs.

> "Compliance holds us back through increased costs. Our credit union is now regulated by the Reserve Bank and new legislation has led to the Non-Bank Deposit Takers Act being established. This new act limits how much directors and senior managers can loan from the credit union. In 2012 additional levies were introduced for financial service providers to fund the Financial Markets Authority (FMA). It now costs $2,000 just to file a report with the FMA. These changes are top heavy, and a knee jerk reaction to global and national financial failures. In the last financial year we spent $70,000 on compliance costs. This is money that is not available to help the community, and is placing a severe strain on the organisation's finances. There should be different tiers of compliance requirements for different sizes of balance sheet".

Benedict (2010) says "Note that the Reserve Banks FAQ on Non-Bank Deposit Takers includes an ability for them to exempt entities or classes of entity from some or all of the Non-Bank Deposit Takers requirements in circumstances where it would be unduly onerous or burdensome to apply the requirements. Exemptions may be granted on the basis of any terms and conditions that the Reserve Bank thinks fit." She says that it would be helpful for regulators to understand and recognise the differences between small, community-led credit unions and other deposit takers.[1]

Benedict also suggests that the Reserve Bank create a low-income credit union designation that would recognise the marginal revenue earning potential and public benefit from serving a predominately low-income customer base. Such a designation might reduce fees for required expenses and/or allow low-income credit unions to access funds otherwise not available to traditional credit unions. In the US, only low-income credit unions can accept non-member deposits and secondary capital. Low-income designation is an official action by a governmental supervisory authority. A US-based credit union qualifies if over 50 per cent of its members are "low income"."

8.5.5 Impact of Earthquakes Legislation

Participants accepted the need for earthquake strengthening, but said it is having an impact on their financial situation. They would like realistic timeframes to comply with new legislation.

"A further challenge is occurring through the introduction of new requirements for earthquake strengthening of buildings. The high cost of this has us rethinking our approach to community owned asset ownership. The new legislation is changing the buildings from being assets to liabilities".

"It would help if the Canterbury Earthquake Recovery Authority would respond to our submission to be granted a longer time frame to carry out the required strengthening of buildings".

Māori participants were mainly concerned about Whanau Ora compliance issues and Treaty of Waitangi legislation.

"Whanau Ora Education regulation and criteria keep changing. It is challenging to keep up with the changes. Frequent monitoring eats up staff time".

"There have been some challenges through the Treaty Settlement process. Settlement legislation is now in place, but there are still some minor concerns. We want to see iwi being able to release finance, within the limits of legislation and multiple ownership". [2]

8.6 Adoption of Social Procurement Policies

"Thoughtful procurement policies and practices can undergird the social enterprise movement, especially in New Zealand where upwards of 40 per cent of the economy is government spending ….the government could multiply the impact of its dollars by working with social enterprises. First, it gets whatever service or product it is procuring, secondly, by procuring from a social enterprise, the government is supporting a mission-driven organisation, and thirdly, social enterprises are generally local, thus creating value in their communities due to their more localised spending patterns – especially on local wages and local services" (Benedict, 2010).

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[2] Further information about social finance in a collective ownership context can be found in section on Māori Enterprise on page 81

Social procurement represents a significant opportunity for growing the CED and social enterprise space and is an area that may be attractive to both central and local government in these cost cutting and frugal times – improved social outcomes for little or no added cost! [1]

8.7 A Social Enterprise Investment Fund

Research participants said that the establishment of a social enterprise investment fund is a priority for government.

A Social Investment Taskforce was established by the UK Treasury in 2000. Over the last ten years the taskforce has enabled significant and widespread investment to a number of intermediaries to grow the social enterprise space.

In 2012, the British government helped to initiate a social investment bank called Big Society Bank, that is funded from a combination of £400m of unclaimed assets from dormant accounts in banks and building societies, and £200m of commercial bank finance. Ireland enacted legislation in 2001 and 2005 to use these funds for social purposes. In New Zealand, currently, the IRD receives the unclaimed money.

In Scotland, the government has contributed over £35 million pounds to a social enterprise fund that is externally managed through an independent agency, Social Investment Scotland. The aim of the fund is to help social enterprises improve their capability, capacity and sustainability. This £35m portfolio of live investments in social enterprises includes around £25m in the form of repayable loans.

This ensures that a significant proportion of the money is recycled and reinvested for future benefit.

"In New Zealand, investment into a high level ecosystem development is missing"

8.8 How can the Private Sector Help?

The private sector is slowly gaining interest in the CED and social enterprise space. Many New Zealand businesses, especially large corporates, have established social responsibility programmes, and are adding social and/or environmental aims to their primary economic mission. In Australia, the Westpac Foundation is an example of how a major bank can support social enterprise. The Westpac Foundation has a focus to invest in sustainable social enterprises in disadvantaged communities.

Participants were given a list of nine possible actions that the private sector could do to support CED, and asked to choose which would be a) most helpful and b) most likely in the near future.

Results indicate that the most helpful actions by the private sector are:

1. *Procurement policies that value localism, social and environmental outcomes[1]*

2. *Business mentoring and coaching*

3. *Values based collaboration*

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[1] Social procurement is explored in further depth in the section about local government on page 106

Results indicate that the most <u>likely</u> actions by the private sector are:

1. *Direct assistance with capacity building*

2. *Business mentoring and coaching*

3. *Values based collaboration*

8.8.1 Direct Assistance with Capacity Building, Mentoring and Coaching

Some practitioners highly value advice from the business sector, but others are distrustful of business mentors, and say that a purely business perspective doesn't always fit with a CED approach.[2] Participants said that they found small businesses more helpful than big business.

> *"Small business is more supportive than big business. Big business has not engaged to the extent they could. They pay lip service to community engagement, but it's more about brand than really helping".*

8.8.2 Values Based Collaboration

Joint ventures with businesses have been important to the success of some participating organisations.

> *"We have a twenty year partnership with a global company. They provide business advice, help to develop promotional material, and paid for some recycling equipment. In return we help them to*

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[2] This is further explored in the section on capacity building support on page 72

> *recycle their products. This has been a beneficial relationship, the company has a strong environmental ethic and they do walk the talk".*

This partnership is valuable to both parties. The corporate benefits from the social enterprise strengths – which are social and environmental knowledge and expertise, and the social enterprise benefits from the corporates core strength - business expertise. This authentic kind of partnership is the preferred model for most social enterprises, a situation that creates a win-win situation, rather than a donor to donee situation, in which the donee feels like a poor cousin with a begging bowl.

Shared values and motivations are important for meaningful collaborations. If businesses genuinely want to support social and environmental impact, there is a real opportunity for co-creation and co-operation.

Some participants said that they found participating in private sector networks useful.

> *"I attend business conferences and am a member of the local business association."*

Participant said that more help was needed to make connections between businesses and community organisations.

> *"Many small businesses would like to be more involved but don't know how. There is a role needed to facilitate that - help link business and community organisations."*

> *"We need pro bono help, but it isn't easy to find – not like in the UK where "Business in the Community" style brokering helps social enterprises to access pro bono support from businesses, right around the country."*

In the UK the Business in the Community organisation has long provided a wide range of mentoring programs across businesses, NGOs, schools and social enterprises. In New Zealand, Business Mentors New Zealand has focused on 'business to business' mentoring to date, but is looking to extend their services more into the community and social enterprise area. [1]

The system for incubating ideas and early stage start-ups is well known in the business development sector. There are eight nationally funded business incubators through New Zealand Trade and Enterprise. Research results indicate that for many social enterprises, a purely business approach does not fit and that specific CED and social enterprise incubation support is needed.

A practical way in which commercial landlords can support social enterprise is through meanwhile use. That is, is the temporary use of vacant buildings or land for a socially beneficial purpose until such a time that they can be brought back into commercial use again. Where shops are empty due to economic downturn, meanwhile use can help to revitalise main streets. (Locality UK website)

8.9 How Can Philanthropic Organisations Help?

Some philanthropic organisations are developing a growing interest in the CED and social enterprise space and starting to offer

start up investment as well as social loans. In a 2012 report for the Todd Foundation (link), Kate Frykberg says "Grants to social enterprises are becoming more common. Particularly fruitful areas for supporting social enterprise are supporting start-up and capital costs and helping to ensure that social enterprises have appropriate business support and connections with each other."

"Funders have been making grants to organisations with business ventures for a long time, often investing in innovation rather than specific social businesses. The philanthropic sector is gaining interest in social enterprise, though cautiously. It was a prominent topic at the Philanthropy New Zealand conference that 350 people attended in April 2013." (Kaplan, 2013).

Research participants look to philanthropic organisations for seed funding to enable them to carry out research and development and establish enterprises. As they develop, they are likely to become "investment ready" (that is the business model is sufficiently established for the organisation to take a loan).

Some philanthropic organisations are also getting involved in social lending. In a 2010 report, visiting US social lender, Laura Benedict, says that capabilities to make social loans are very different from those associated with grant giving and that philanthropists would ideally be working with a social lending intermediary. The social lending space is relatively emergent in New Zealand. Examples of social lenders, also known as providers of ethical finance, are Prometheus, the Employment Generation Fund some community trusts including the Tindall Foundation, the Community Trust of Southland and the Canterbury Community Trust.[2]

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[1] Information provided by Roger Tweedy, Principal, Enterprising People.
[2] Further information about social finance can be found in the section on Finance and Investment on page 62

8.10 How can Academic Institutions Help?

"Tertiary education is the optimal stage to engage students to learn about and pursue social enterprise. These transitional years are ripe for inquiry, collaboration and risk. New Zealand will benefit enormously by attracting top talent to social enterprise during tertiary education. University students in the US, UK and elsewhere are launching dynamic start-ups. Fellowships abound with incubation supports and mentoring. The academic environment provides easy access to develop cross-disciplinary teams. Campus culture is becoming a start-up lab. Around the globe, there are over 3000 students in approximately 103 social enterprise MBA programmes. It is also important for New Zealand to investigate issues that are context specific. For instance social enterprise in Māoridom is a particularly rich topic for inquiry." (Kaplan, 2013)

There is growing interest in the social enterprise space across New Zealand universities. Massey University have established the Social Innovation and Entrepreneurship Research Centre and run annual conferences. Academic institutions can include CED and Social Enterprise specific courses and training programmes in their curriculum. These courses could be included as part of the Social Sciences Department or in the Business Studies area, with a view to cross fertilisation. It would also be helpful to connect students with social enterprises as part of their study programme, to assist with feasibility studies, business planning, and impact measurement - the areas where practitioners say that the need the most help. Academic institutions can also help by supporting research and academic papers in the CED space. For example, Unitec are supporting this research by providing a support and mentoring role for the Research Project Manager.

8.11 A National and Regional Support System

CED organisations and social enterprises have been slow to form sustainable networks in New Zealand and with the demise of CEG no public funds are available to encourage such developments. The few organisations that existed, such as Small Business Enterprise Centres of New Zealand, COMMACT Aotearoa, and the South Island CEO Network, have either been disbanded or gone into recess. This situation is in stark contrast to that existing in the UK and Canada where national, regional and local networks either exist or are being encouraged to form with financial support from central and local government, the philanthropic community and sometimes the business sector (Jeffs, 2006).

Research results indicate that lack of a national intermediary to facilitate information sharing, skills based learning and development and advocacy is a significant barrier and that participants are moderately satisfied that they can overcome the barrier.

"We need a national body that helps us build language and opportunities to explore meanings, grow awareness and shift thinking. Naysayers can get in the way, and a lack of stories of hope. Having a national body would raise awareness and seed possibility – it becomes contagious"

"I know its coming. It will be very valuable. I believe it will be in place in the future when we really need it."

8.11.1 Structure and Leadership of a National Intermediary

"For social enterprise to prosper in New Zealand there is a need to invest long-term in a national support organisation and a network of community hubs." (Kaplan, 2013)

Some participants had reservations about the role of national bodies - and said that existing national bodies for the community sector tend to operate within an overly centralised model. Participants said that any intermediary must be driven from the membership and be connected to regional and local networks.

"There are too many national bodies already. I am concerned that it would be a top down organisation….but a national hub would bring co -ordination and integrity. We also need local chapters to make local work happen. It needs to be bottom up, participatory and collaborative. Not dictated from on high and not one size fits all - it could have a spin off for local democracy."

"A peak body needs right leadership and guidance to hold the space. We would want a forum to create opportunities for people to come together."

"We prefer informal processes to structured ones. A lot of energy goes into centralised structures – and I have not seen very positive outcomes. The challenge is how to meet the needs of the network members."

"We are flying blind without a national body. It would bring co-ordination and integrity to enhance our work. It would need local chapters and needs to be bottom up - participatory and collaborative. Not dictated from on high."

8.11.2 Local Hubs and Peer Exchange

Participants said that local and regional networks or hubs could connect to a national body.

"A local regional network focused on CED would be great so that I can meet regularly with peers, share our successes and challenges."

Enabling peer support was seen as an important part of the work of a peak body.

"We need a support network — to tap into like-minded people. There is a support network in New Zealand, but it is fragmented. But there are lots of passionate people."

"We want to be able to bounce new ideas with others. It's the logical way we will get to achieve outcomes."

Participants said that there needed to be a social enterprise equivalent of regional business networks.

"There is a recognised need for a social enterprise equivalent of the Chamber of Commerce. But current business networks are working for corporates rather than the community. Regional councils always pull same business leaders from the old boy's network - all from the private sector."

A national intermediary could help organisations to use their collective buying power to advantage.

"With better networking we could use our collective buying power much more effectively. There could be huge potential for group buying power."

Some participants were already involved in developing regional or local networks in response to a sense of fragmentation and disconnection.

For example, Enspiral in Wellington have a large network of social entrepreneurs and regularly hold events. Social Enterprise Auckland is in the process of being established, and peer groups have been initiated in both Christchurch and Auckland by participants who have completed Social Enterprise Institute courses.

8.11.3 A Collective Advocacy Role

Some national intermediaries also engage in policy development, advocacy, research and mobilisation. Locality, a national network for CED in the UK spends 50% of its time on serving the membership and 50% on growing the movement. Members know this when they sign up and are committed to be part of growing the movement at the same time as receiving specific support through the network.

Research results indicate that lack of a national body to advocate to national and local government on relevant CED related issues is a significant barrier, although participants are moderately satisfied that they can overcome the barrier.

"It is important having a collective voice that can react quickly to an issue. The CED conference was a kick-start of a movement. The momentum needs to continue."

"I am confident that it will come. There are bright people in space with a track record of success and commitment for the right reasons."

Some respondents raised concerns about the diversity of the CED space in terms of advocacy.

"CED is a very diverse space. Advocacy may impact very differently on different sectors. One body acting on behalf will tend to leave out interests of some organisations. Representation is challenging."

In particular, Māori practitioners were concerned that a generic national body would not be a cultural fit for Māori enterprise.

"Cultural matching would be an issue re contextual differences and generic themes."

A national intermediary for CED and social enterprise would not "represent" Māori enterprises – but could help to make connections to Māori enterprises, to enable a reciprocal exchange of ideas and practice.

8.11.4 How to Resource a National Intermediary?

Practitioners were concerned how a national intermediary would be resourced.

"Who would fund it?   Would it be a membership based organisation? Would it be run as a business? It can be a strain on sector resources to fund a peak body."

"A networking organisation's constant challenge is how to fund.   It is often through contracts. A peak body has to mirror blended value – it can't be a not for profit or grant funded."

International evidence suggests that a peak body will need some investment from government, at least in the initial years of operation.

8.11.5 Roles for a Social Enterprise Intermediary

The following diagram identifies the roles that a social enterprise intermediary carries out.

Build an Engaged Community
Connect with policy-makers, trainers, investors, purchasers, entrepreneurs.
•Conversations
•Meetings, Conferences
•On-line engagement
•Business relationships
•Policy initiatives

Demonstrate Impact
Mapping, networking, research on social and financial impact Aggregated, sector-wide evidence to influence policy and practices

Social Enterprise

Increase Business Acumen
System of learning and skills development for blended value businesses across the social enterprise sector:
•Idea exploration
•Business planning
•Incubation
•Technical assistance

Enhance Market Opportunities
Marketing and sales to match quality products and services
Make social component part of the purchase decision

Provide Access To Capital
Development of social finance:
•Grants
•Loans
•Investment
•Patient capital and equity
To meet unique needs of blended value businesses:
•Feasibility
•Planning
•Launch
•Growth

(Lepage, Ramirez and Smith 2013, cited in Kaplan, 2013)

The components may seem to be separate pieces, but they have to be understood as part of a system, a living, integrated ecosystem. This is not a model based on the individual parts, but it is a system, it is a series of relationships. Based on research findings, advocacy and mobilisation are further roles that are important in progressing the CED and social enterprise agenda.

8.11.6 Examples of Overseas National Intermediaries

Social Enterprise UK is the UK national body for social enterprise in the UK. They represent members to support and help grow the social enterprise movement, run effective campaigns for and lobby on the sector's behalf, carry out robust and respected research to help paint a picture of the UK's social enterprise movement, build networks between social enterprises and raise the profile of people and social enterprises in the sector. Social Enterprise UK has strategic partnerships with six government departments:

- Department for Business Innovation and Skills

- Department for Education

- Cabinet Office – Office for Civil Society

- Department of Health

- Department for Communities and Local Government

- Department for Environment, Food and Rural Affairs

SEUK representatives also sit on a number of Government Boards and Committees

Locality UK is a national network of over 700 community-led organisations and 200 associate partners help people to set up locally owned and led organisations, and exchange ideas and best practice on community asset ownership, community enterprise and social action. They also work to influence government and others at national and local level to build support and investment for the movement.

The Social Entrepreneurs Network for Scotland (Senscot) is a membership based community-led national network established to promote and grow social enterprise. Ten years on Senscot has had an impressive impact. Senscot has made a significant contribution to increasing awareness of social enterprise in Scotland, and have developed a pipeline of support for social enterprises at their different stages of development, that includes support for start-up social enterprises (Firstport) neighbourhood enterprise and asset ownership (Development Trusts Association Scotland), legal services for social enterprise (Senscot Legal) and a network of community enterprise networks for advocacy purposes (Scottish Community Alliance).

The Canadian CED Network is a member-led organisation committed to strengthening communities by creating economic opportunities that improve environmental and social conditions. They bring people and organisations together to share knowledge and build a collective voice for CED action.

Social Traders is a small non-profit organisation established in 2008 to support and encourage the establishment of commercially viable social enterprises throughout Australia. Working with government, community, business and research partners, they raise awareness about social enterprise and demonstrate its benefits, open up markets for social enterprise products and services, increase finance available to start and develop social enterprises, build capacity of social enterprises to trade successfully and support the coordination of social enterprise development in Australia.

 If established, a New Zealand intermediary could explore partnership opportunities with overseas intermediaries.

8.11.7 Scoping the New Zealand Landscape

Existing intermediary organisations in New Zealand, shown below in alphabetical order, are carrying out some of the roles identified in the above diagram.

The **Community Economic Development NZ Network (CEDNZ)** was established in 2010 to run conferences about community economic development that include social enterprise, social finance and community owned assets. CEDNZ disseminates regular bulletins about the CED space to a network of practitioners and supporters and is responsible for the CED Research Project.

The **Community Energy Network (CEN)** supports and brings together community enterprises around New Zealand that are involved in delivering programmes to improve the environmental performance of NZ homes.

Community Housing Aotearoa (CHA) is the representative body for the community housing sector. It builds sector capability and advocates on the community housing sector's behalf to government.

The Community Recycling Network (CRN) is the representative organisation of existing and emerging community groups involved in recycling, reuse, composting, waste reduction and waste education. CRN provide support, advice, guidance and mentoring, co-ordinated community action and establish working relationships with key stakeholders and government agencies.

Enspiral in Wellington is a co-working space for social entrepreneurs and young professionals, who are mainly working in information technology-oriented areas. Formed three years ago, Enspiral has incubated thirteen enterprises and is playing an increasingly active role as an ecosystem builder in the Wellington area.

The Hikurangi Foundation incubates early-stage environmentally oriented social enterprises. They are involved in more than 15 ventures throughout New Zealand.

Inspiring Communities aims to connect positive communities with healthy economies and create change through effective community-led development (CLD).

Living Economies (LE) is an educational network that promotes systems of exchange that foster community wellbeing in regional economies by promoting interest-free means of exchange, for example, TimeBanks, complementary currencies and community based savings pools.

The **New Zealand Social Entrepreneur Fellowship (NZSEF)** is a peer learning community of New Zealand change-makers. The Fellowship has published a resource that profiles the work of the Social Entrepreneur Fellowship, "How Communities Heal".

The **Social Enterprise Institute (SEI)** provides training that is aimed at helping not for profits to develop social enterprises.

The **Sustainable Business Network (SBN)** provides support and connections for sustainable social businesses (businesses with an environmental mission, usually privately owned).

Timebank Aotearoa (TA) is an off shoot of Living Economies. It has been established to bring together the rapidly growing number of TimeBanks in New Zealand for ideas exchange and peer support.[1]

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[1] Refer to to page 68 for information on TimeBanking

There are also a number of community sector "peak bodies" that have shown some interest in supporting the social enterprise space in recent times. They include Social Development Partners, Association of Non Governmental Associations of Aotearoa (ANGOA), the New Zealand Council of Social Services and the New Zealand Christian Council of Social Services.

8.11.8 Current Gaps in Provision

Relating the main roles of a social enterprise intermediary identified above to the roles that are currently being carried out by the above organisations, it becomes apparent that there are very significant gaps in provision at this time:

1. **Building an Engaged Community**
   Building an engaged community is happening to some extent. For example, community recyclers are an engaged community due to the work of CRN. Community housing providers are engaged due to the work of CHA. CEDNZ helped to engage the wide CED community through conferences in 2010 and 2011, but momentum has slowed due to lack of resource. Various organisations are building engaged communities in their area or sector, but a national community is yet to be established.

2. **Increasing Business Acumen**
   Research results indicate that organisations need support with business acumen at all stages of development, but it is in the early development phase that social enterprises need the most support. So the provision of incubation support is vital. The organisations currently offering incubation support to social enterprises are Enspiral, the Hikurangi Foundation and the Social Enterprise Institute. Enspiral is Wellington based. The Hikurangi Foundation operates nationally, but has an environmental focus. The Social Enterprise Institute has run courses in Christchurch and Auckland. Incubation support and training to increase business acumen, at all stages of an organisation's development, needs to be made available to all social enterprises, from rural as well as urban areas.

3. **Enhance Market Opportunities**
   An immediate opportunity in New Zealand would be to progress the Social Procurement agenda with local and central government, and the private sector. No one is leading this agenda at the time of writing this report. There is also potential for trading opportunities between social enterprises, and between social enterprises and public and private sector organisations. Social Ventures Australia enables many of these connections to be made in Australia.

4. **Provide Access to Capital**
   Access to capital is challenging in New Zealand. Some councils and philanthropic organisations provide grants and/or loans, but it is limited. The Hikurangi Foundation also helps organisations to access capital, but there scope is limited to relatively few environmental enterprises.   Prometheus is New Zealand's most well-known social lender. The space is sparsely populated and is fragmented.

5. **Demonstrate Impact**
   Research results indicate there is a high need to support practitioners in developing meaningful and affordable methods of demonstrating impact, in particular social impact. There is a notable absence of any organisation carrying out this work. Some

philanthropic organisations have shown an interest in this area, but there is a notable absence of any organisation leading the important work of impact demonstration.

6. **Collective Advocacy**
Research results indicate there is a high need for collective advocacy to grow awareness and promote the needs of CED practitioners. For collective advocacy to be possible, an engaged community will first need to be established on a national basis.

8.11.9 Bringing Cohesion to a Fragmented Environment

It is a confusing and fragmented space, both for CED social enterprises practitioners, and for people and agencies in other sectors that are interested in providing support. So many times throughout this research, the question has arisen, where do I go and - who do I talk to?

The ecosystem will always be fragmented to some extent, nothing remains constant and organisations inevitably come and go. It is possible that a number of organisations could deliver the various roles identified above, but it is unlikely that all the roles required would be included in this manner.

Most overseas intermediaries are resourced from a range of sources including investment from government, philanthropic organisations, donors and self-funding from membership. Many are membership based organisations, but income from membership fees is relatively minimal. Some intermediaries develop a contracting arm over time as an internal "social enterprise" to fund some of the work that they do to grow the movement. It is likely that a national intermediary in New Zealand will be resourced through a mix of investment

sources, with a view to developing self-funding mechanisms over time.

Research results and overseas evidence suggest that there is an important role for government to come to the party. There is a possibility that government investment could be matched through investment from businesses or philanthropic donors. It is important that the intermediary is sufficiently independent to be able to carry out a collective advocacy role.

A group of social enterprise practitioners and supporters has been meeting in Auckland in recent times with a view to developing a national support intermediary for social enterprise to deliver on the roles described above. The proposed framework for Social Enterprise New Zealand (SENZ replicates the model developed by Social Enterprise UK, that is a membership based organisation with a democratic structure). To date, investment has not been secured, but potential investors are being actively pursued to launch the plan.

The time is now ripe for a national intermediary to be established, that will bring some cohesion to this fast emerging space. It will be important that this intermediary draws on the collective leadership from the organisations mentioned above, and is developed in a way that concurs with the research results. That is, is led by practitioners, is linked to regional and local hubs, and has access to sustainable resources in the long term.

9

part nine

case studies

1. **Awhi Credit Union** (Rotorua)

2. **Community Business Enterprise Centre** (Kaitaia)

3. **McLaren Park Henderson South Community Initiative** (Waitakere, Auckland)

4. **Oamaru Whitestone Civic Trust**

5. **Project Lyttelton**

6. **Taranaki Arts Festival Trust**

7. **Trees for Canterbury**

awhi credit union

a snapshot of awhi credit union

Full name	AWHI Credit Union Incorporated Society
Social Entrepreneurship	Strengthening communities through microfinance and strategic partnerships. AWHI aims to help its members, (who are mainly Māori low income earners), to have greater financial independence, both individually and collectively.
How this is achieved	AWHI offers financial services to members at more affordable rates than mainstream banks. AWHI also provides financial management and education services to members, and works in partnership with relevant organisations on various community development initiatives.
Legal entity and Structure	AWHI is an incorporated society and is registered as a credit union under the 1982 Friendly Societies and Credit Union Act.
Scale of operations	AWHI has 1600 members. They employ paid staff across all three branches. AWHI has an annual turnover of around $1 million and assets of $3.5 million.
Profits?	Any surplus is used to benefit the members, either by improving interest rates, reducing/eliminating fees, or resourcing community development initiatives.
Who benefits?	AWHI members are the main beneficiaries. AWHI has a wider reach through their financial education work in the community, contribution to social housing, and various community development projects. AWHI services are particularly targeted to local Māori.
Website	www.awhicu.co.nz

who are they and what do they do?

The AWHI Credit Union is one of New Zealand's longest serving membership-based financial cooperatives. AWHI is a Māori word, which translated into English, means "embrace or nurture". AWHI is spelt in capital letters because it is also an acronym for Altogether We Have Independence. AWHI aims to help its members to have greater financial independence, both individually and collectively.

AWHI operates three branches - Rotorua, Opotiki and Gisborne, in the North Island of New Zealand. A credit union is a financial cooperative institution that is owned and controlled by its members. Credit unions offer members superior rates for financial services. The loan services that they offer to community members are often referred to as "micro finance".

Micro financing is emerging as a powerful tool to promote social change. A credit union provides members with the chance to own their own financial institution and help them create opportunities such as starting small businesses, growing farms, building family homes and educating their children.

Through micro financing, individuals and small businesses are empowered and supported to build better lives for themselves, their community and the world. AWHI is involved in strategic partnerships and various community development initiatives and joint ventures that benefit their members and the wider community. In New Zealand, credit union customers make up only 6.4% of the population, compared to 43.4% in the US and 47% in Canada.

Legal Entity and Governance

AWHI Credit Union is an Incorporated Society with 1,600 members and a board that is made up of six directors. Members are owners and they elect the Board of Trustees. Regardless of account size in the credit union, each member may run for the volunteer board of directors and cast a vote in elections. Credit union members often encounter their first taste of democratic decision making through their credit union.

AWHI's assets are legally owned by the trustees who hold and use them for the benefit of the members. There is also a role for a "prudential supervisor", that is, an independent party who acts in the interests of the members of the credit union, by monitoring around compliance issues. The current Prudential Supervisor is the Covenant Trustee Company. The AWHI Credit Union is registered as a credit union under the Friendly Societies and Credit Union Act 1982. They have a credit rate exemption, because their liabilities are under $20 million. This means that AWHI is exempt from the legal requirement to have a credit rating, (that is an indicator of the organisation's financial strength), from an approved rating agency.

Premises

The AWHI Credit Union has premises in Rotorua, Opotiki and Gisborne. The registered office is in Church Street Opotiki. AWHI Credit Union owns both the building and the land at the Opotiki and Rotorua offices, and rents the premises in Gisborne. There is also a mobile branch that provides a service for the Rotorua communities to access their financial services.

where have they come from?

In 1991, 21 founders, from Torere in the Bay of Plenty, contributed their individual savings to build up a central loan pool. Torere is the home of Ngaitai Iwi, descendants of Torerenuiarua, daughter of the Tainui Chief Hoturoa, and Manaakiao, a first resident of Aotearoa, prior to the "Great Migration". In 1993, the original Torere loan pool was registered as the Te Teko and Districts Families Credit Union, the forerunner to the AWHI Credit Union. In 2001, the Torere & Districts Families Credit Union amalgamated with the Eastwide Credit Union, and in 2002, the name was changed to the AWHI Credit Union. Since that time AWHI has helped members towards increased financial independence through affordable financial services, budgeting services, and financial literacy education - and has contributed to the wellbeing of the wider community through a variety of joint ventures and partnerships.

why do they do it?

The AWHI credit union is founded on a philosophy of cooperation and democracy, of people helping people, and people before profit. The AWHI mission statement is "Promoting Financial and Social Well-Being in our Communities". The credit union model is a great tool for community development. Access to financial advocacy, education in financial literacy and affordable finance helps families in dire financial straits, and this has wider implications, such as the lessening of domestic violence and improving general health and wellbeing.

AWHI Credit Union Visionary Board

how do they do it?

The diagram below shows how the credit union works. Shares to members are issued at a cost of $1 per share and cannot exceed $250,000 per member.

Financial Services

AWHI provides a range of savings services including savings accounts, cash accounts, bill pay accounts, targeted savings accounts, junior savings accounts, club savings accounts, trust savings accounts and funeral savings accounts.

Interest paid on AWHI loans is put back into the credit union to provide better services, cheaper interest rates and to help other members. Loans include personal loans, car loans, debt consolidation loans, tangihanga loans (for funerals), mortgages, Xmas loans, Easter loans and back to school loans.

AWHI also offers a range of insurance services including free accidental death life insurance, loan minder insurance, car insurance and death, disability, trauma, bankruptcy, redundancy insurance.

Education and support

AWHI helps members with wealth planning, financial management and budgeting services. They also promote financial literacy education in local schools. AWHI offers creditor advocacy and whanau (extended family) support to people in need. AWHI supports local people who find themselves in dire financial straits to access support from Work and Income, Housing New Zealand, health and disability services and other agencies. Once the immediate crisis has been resolved, AWHI staff help the whanau to manage their income in a way that helps to stabilise the household into the future. AWHI has also helped members with lessons in sewing, craft making and shopping to a budget.

Employment and Small Business Support

AWHI employs 15 people over their three branches. Most AWHI staff work a significant number of volunteer hours, in addition to paid hours, bringing their expertise to various community initiatives that need their skills. AWHI initiated budget advisory services in Rotorua, Opotiki and Gisborne. These services have now become independent enterprises and employ around five staff each. These new services make a contribution to the financial stability of local Māori and have also created new employment opportunities. Once a family has become financially stable, AWHI often works with the family to develop a business plan towards the development of a small family run business, thus contributing to further local employment.

AWHI Volunteers at SPCA Working Bee

Community Development Projects

AWHI is so much more than a bank!

Housing

In 2000 the AWHI Credit Union entered into partnership with the Ngatai Iwi, Housing New Zealand and Habitat for Humanity to provide local families in Torere with loans on 21 houses, interest free for three years, with repayments that include insurance cover. Not one loan has been defaulted to date. AWHI has also saved families from losing their homes through mortgagee sales. In one case, AWHI worked with a family who had been refused any help from their own bank, to reclaim their home back from a threatened mortgagee sale. They also helped to renovate the house, and installed the family back in residence as members of the credit union and with a financial plan for the future.

Community Garden

AWHI is working with the Opotiki community to develop an environmentally-friendly community garden in Opotiki. AWHI was inspired to develop this initiative after attending a national CED Conference. Subsequently, a 250 square metre area of land was gifted by the Opotiki District Council. The community garden has been fenced with involvement from the Opotiki Civil Trade Course. It is intended that the garden will feature raised garden beds built out of recycled and donated goods, with vegetables grown in the garden in accordance with Matariki and seasonal plantings. The garden has been planned to provide a picnic area for the community and a place for people to get to know one another.

Members will be given the option of choosing to work on a shared allotment or a personal allotment. AWHI has consulted with all neighbours surrounding the large park. All were supportive with the exception of one family, who unfortunately have stopped progress. Not to be thwarted, AWHI is currently helping the park neighbours to grow vegetables in their individual gardens, and are looking at alternative locations for a community space for a shared garden.

Community Support

AWHI has also worked with community based organisations on a number of developmental projects including; helping the Ngatai Iwi Authority to buy back 530 acres of its own whenua (land); assisting the local marae with upgrades and purchases; helping the local primary school to build a swimming pool; sponsorship of various youth, sports, art and culture initiatives; and supporting the response to the Christchurch earthquakes. AWHI has also supported the Opotiki Hospital, the Cancer Society and the SPCA in various developmental projects. AWHI is working to help other communities in New Zealand to develop similar financial models that help to build community.

AWHI Staff Member presents cheque to Cancer Society

AWHI Director with Fijian villagers on the Fiji Build Project

International Support

AWHI has supported international development projects with indigenous peoples in Cambodia, Thailand, Canada, and Fiji. They are part of a global network of credit unions and have attended a couple of World Council of Credit Unions Conferences. AWHI hosted the Oceania Credit Union League's AGM June 2009. They have also assisted the Fiji Credit Union League to audit 50 credit unions in Suva.

Sources of income

AWHI receives around 40% of income from interest paid on loans, 1% from bank fees and dividends from investments, and 52% from membership fees. If the loan pool has a surplus, AWHI invests this money externally and receives dividends in return. However, Credit Union legislation limits where AWHI can invest. They are limited to either investing in mainstream banks on low interest rates (with a maximum 90 day term) or they can invest in the NZ Association of Credit Unions. Unlike mainstream banks, credit unions do not borrow to fund their loan programme, but use members' savings to fund the loan pool. This makes a credit union more stable than a traditional bank. Credit Unions in New Zealand currently have tax exempt status.

Assets

AWHI has total assets of around $3.5 million. This includes financial assets, plus two buildings (including the land) and a motor vehicle. Recent changes in earthquake regulation will require AWHI to carry out earthquake strengthening over the next 15 years that will cost $1million plus.

Distribution of surpluses

Credit unions are not obliged to make a profit for shareholders. Any surplus is used to benefit the members, either by improving interest rates or reducing/eliminating fees. Historically no financial returns have been made to AWHI members. AWHI cross subsidises any surplus to various community projects. These decisions are made at the AGM by members.

Marketing

Marketing of AWHI's financial services is mainly through word of mouth. AWHI do not advertise, as they have found that word of mouth works well in their local communities, and they do not have the budget available for paid advertising,

who is helping?

Community Linkages

AWHI has developed positive relationships with local schools, local businesses, local groups, marae, councils, hospitals, academic institutions, budget advisory services, WINZ, and the Ngatai Iwi Authority.

External Linkages

AWHI has also developed ties with a number of national and international organisations including Habitat for Humanity, Housing New Zealand, the SPCA, the New Zealand

Association of Credit Unions, Credit Union Foundation Australia, Fiji Credit Union League and indigenous people's initiatives in Canada.

Sources of Investment

All investment to AWHI is contributed through members' savings to create the loan pool.

how are they doing?

Overall performance

Since they were established, AWHI has achieved many successful outcomes, especially relative to its small size. AWHI has maintained and grown their loan pool to assist local Māori into better lifestyles by reducing debt, encouraging saving, establishing budget advisory services and providing financial education and advocacy services for members. AWHI has also acquired significant assets in this time – including buildings and land in Opotiki and Rotorua, and this has helped them to have a solid foundation. AWHI is an unusual financial organisation, in that it exists for the benefit of the community, especially disadvantaged people, and not to create profits for wealthy shareholders. AWHI operates very democratically, with the membership being involved in much of the decision making.

The impact of AWHI is felt beyond the membership through various joint ventures and support for community development initiatives, locally, nationally and internationally. AWHI won the 2006 NZ Credit Union "People Helping People" Award. Tariana Turia, Minister for Communities said that "the AWHI Credit Union is a wonderful example of supporting communities to support themselves." Unlike many microfinance providers that focus on credit, credit unions mobilise member

savings as the primary source of financing. This savings-based approach instils a level of financial discipline that ensures long-term sustainability.

Currently, new legislation and associated increased compliance costs are having a negative impact on the financial performance of this community based credit union. For example, the new Non-Bank Deposit Takers Act limits how much directors and senior managers can loan from AWHI. There is also a new requirement to register with the Financial Markets Authority and it costs $2,000 just to file a report.

How is Success Measured?

AWHI reports to members on performance in an annual report, relative to its strategic plan. AWHI has a simple way of checking in on progress. They regularly revisit their vision to see if what they are doing, or planning to do, aligns with the vision.

performance against hypothesised attributes

The propositions that emerged from the interview phase of the research project indicated that there may be five key attributes that successful CED initiatives would be expected to demonstrate. They are:

1. *Creating strong and effective governance.* AWHI cited this as being of significant importance and said that it is happening to a moderate extent. Directors are Credit Union members who volunteer their time. They meet on a monthly basis to review the Credit Union performance. AWHI CEO, Rachell Mio says that upskilling everyday people to govern a financial organisation

has its challenges. Compliance issues, for example, the new Non-Bank Deposit Takers Act, make it increasingly hard to attract directors with the relevant skills and qualifications. Director training is provided by the NZACU via correspondence courses and this is helpful. A further challenge is the "Related Parties Act" that limits how much directors, staff and their families can borrow. When this legislation was introduced, AWHI lost $200,000 from their lending book. This legislation has made it harder to attract directors.

2. *Building close linkages to other complementary CED initiatives.* AWHI is well linked to the national association of credit unions and the global movement and works collaboratively with many community organisations.

3. *Delivering core services in partnership with service users and purchasing organisations, rather than at arm's length.* AWHI service users are the members who effectively own the credit union, so the AWHI model is inherently driven by service users. AWHI members self- fund the operation, so relationships with funders is not an issue.

4. *Establishing a future-oriented internal culture.* AWHI is focused on the long term financial future of the communities they serve. Intergenerational debt is a major challenge – many families just don't know how to live without debt. The Credit Unions in Schools programme that is being developed by AWHI responds to this challenge. It is the young people who are most likely to learn new financial habits and help to create a debt free future for themselves and their families.

5. *Establishing a consistent system of quadruple bottom line impact assessment.* As a small community based credit union, AWHI does not have the resources to carry out time consuming quadruple bottom line assessment processes. They do however have a strong shared vision that provides a basis for their work, and they regularly reflect on progress, to ensure that they are staying true to that vision.

where to from here?

Main Challenges and Lessons Learned

The CEO says that the last year has been the hardest period financially since AWHI was established. This has been partly due to the economic recession, plus higher compliance costs. Credit unions are now regulated by the Reserve Bank and new legislation has led to the Non-Bank Deposit Takers Act being established. This new Act limits how much directors and senior managers can borrow from AWHI. In 2012 additional levies were introduced for financial service providers to fund the Financial Markets Authority (FMA). The AWHI CEO says that it now costs $2,000 just to file a report with the FMA. AWHI views these changes as being top heavy, and a knee jerk reaction to global and national financial failures. In the last financial year AWHI spent $70,000 on compliance costs. This is money that is not available to help the community, and is placing a severe strain on AWHI finances.

As a relatively small financial cooperative, compliance costs represent a greater proportion of organisational expenses than for the big banks. AWHI says that there should be different tiers of compliance requirements for different sizes of balance sheet. There is also no acknowledgement in the legislation of

the use of profits for community development purposes that the big financial institutions do not carry out. Due to the new legislation, it would be nearly impossible to start a new credit union now. In response, AWHI is offering to umbrella emerging credit unions.

A further challenge is occurring through the introduction of new requirements for earthquake strengthening of buildings. The high cost of this has AWHI rethinking its approach to community owned asset ownership. The new legislation is changing the buildings from being assets to liabilities.

AWHI has always preferred to stay away from government funding, preferring a hand up to a hand out. The CEO says that start-up funding would have helped them to grow faster, but on the other hand, self-funding has made them very careful in managing the finances of the organisation. This independent approach reflects the message that AWHI makes to its community, that increased financial independence is empowering and supports health and wellbeing. They are walking the talk.

Future Plans

Inter-generational debt is an issue for many low income people. AWHI wants to change their community's attitudes around wealth, including the notion that wealth is not just about money, but includes social and environmental wellbeing. So AWHI is developing a "Credit Unions in Schools" programme that aims to educate young people about microfinance, financial management and building genuine wealth. This model has been very successful in Ireland and America.   AWHI would like the course they are developing to become NZQA accredited, to provide credibility and help with engagement of school boards and teachers. CEO, Rachell Mio, says that future solutions to poverty involve engaging and educating the children now.

In recent times, tough new legislation and associated high compliance costs are creating hardship for AWHI and its members, and as a result, they are currently operating in survival mode. In the future, they would like to see the legislation amended to reflect two tiers of financial institutions, with less expensive compliance costs for the small community led organisations, so that they can move back into growth mode to better serve their community.

ced research case study 2

community business and environment centre cbec kaitaia

a snapshot of cbec

Full name	Community Business and Environment Centre Cooperative Society Ltd
Social Entrepreneurship	To create jobs and support environmental sustainability in a high deprivation, low employment area (the Far North) and maintain local ownership of businesses and services.
How this is achieved?	Through creating environmentally sustainable businesses and community services that provide training and employment for local people with the profits going back into the community.
Legal entity and Structure	CBEC operates as a Cooperative Society, with limited purpose. They have charitable status, registered with the Charities Commission. CBEC has community "shareholders" who have voting rights, but no dividends are paid.
Scale of operations	Approximately 80 paid permanent staff over 9 different enterprise arms. Gross annual turnover of approximately $7.5 million and assets worth $2.7 million for buildings, land and equipment. (CBEC owns 2½ acres of land and buildings, Council own the land and the buildings of the Kaitaia Recycle Centre)
Surplus	CBEC usually makes a small profit across all of its enterprises. Some business arms are profitable and these cross-subsidise surpluses to those which are not - either because they are in start-up phase, or are services that do not make a profit. It is critical that an enterprise of CBEC's size achieves a reasonable level of surplus annually to avoid risk, create capacity within the organisation, and enable rapid growth and development of new projects and services without reliance on local or central government.
Who benefits?	The whole community benefits in a variety of ways. Income from the various enterprises has gone back into the Far North economy through local business and employment creation, wages, and by purchasing goods and services from local businesses. Additionally the area is becoming more environmentally sustainable.
Website	www.cbec.co.nz

who are they and what do they do?

CBEC is a community enterprise which operates a range of businesses and environmental programmes which address employment and environmental sustainability as part of an overall effort to build a sustainable local economy. CBEC is located in Kaitaia, New Zealand's northern most town. Kataia has a population of approximately 20,000 including the rural and coastal communities. The main industries are forestry, farming, fishing, tourism, horticulture and market gardening. The area suffered from high unemployment as a result of the free market policies of the 1980s. Relative geographic isolation in the past has led to a resilient, do-it-yourself attitude in the community.

CBEC's group of enterprises and community services include a waste management and recycling facility, a home insulation service, a bus company, a garden centre, swimming pool management, labour hire, and environmental education activities. Some of these enterprises are joint ventures with the local runanga (the governing council or administrative group of Māori tribes or sub tribes) and other agencies.

Legal Entity and Governance

CBEC is a cooperative society - with a limited purpose. For CBEC, this means that community "shareholders" contribute a small "investment" for social and environmental return, but do not receive financial dividends or returns. They are entitled to vote at the CBEC AGM and are eligible for election to the CBEC Board of Directors. The CBEC Board represents a cross section of the Kaitaia Community- from the business and education sectors, self-employed people, Māori and the public sector. There is a philosophy established that CBEC avoid competition with local businesses. The CBEC Board also runs scholarship programmes to assist local young people into higher education. There was much debate about the best structure for community enterprise at the time when CBEC was established. Overseas models suggested a company limited by guarantee or a community company. CBEC's lawyer advised that these structures were not common in NZ at the time, and advised CBEC to structure as a Co-operative Society as it is very flexible. This has worked well for CBEC.

Premises

The CBEC Recycle Centre is located at the transfer station that is owned by the Far North District Council. CBEC helped design the building and owns all plant equipment, fixtures and fittings and vehicles. The "All Sorts" second hand shop has always been part of the overall recycling operation.

where have they come from?

CBEC was formed in 1989 in response to the dramatic rise in unemployment and social problems arising from New Zealand's mid 1980s economic reforms. The founders wanted to create environmentally sustainable businesses and services that would provide training and employment for local people. The organisation also planned to bid for contracts that would otherwise be run by companies from outside the district. Profits would be ploughed back into the community to create more employment and other community benefits.

One of the first projects CBEC initiated was to use the opportunity of the closure of the town dump to create a new recycling centre. CBEC convinced the council to award them a three year recycling contract based on projected landfill savings. As part of that contract, CBEC established New Zealand's first rural kerbside recycling scheme, and a network of outlying recycling drop off points. CBEC also produced a school recycling education kit which was sold into schools and education centres throughout the country.

Today, CBEC employs approximately 80 full time staff in a number of businesses and joint ventures, including waste management, recycling, labour hire, transport, home insulation, nursery and environmental education. CBEC says that the need for local employment and the on-going development of a resilient local economy is greater than ever at this present time of global economic turmoil and resource depletion.

why do they do it?

CBEC's vision is

"Working in our community for jobs and our environment"

CBEC aims to:

- Create jobs

- Build a community that is socially, environmentally and economically sustainable

- Enhance community awareness of social and environmental issues and provide opportunities to participate in improving community wellbeing

- Retain local ownership of businesses

- Model what is possible nationally

- Be a good employer

The key drivers for CBEC are job creation, local economic development, environmental protection and ownership of local businesses.

how do they do it?

The Kaitaia Recycle Centre

The Kataia Recycling Centre is a state of the art waste management and recycling facility, and the hub of CBEC's recycling and waste minimisation activities. CBEC Recycling was established in 1989 to develop kerbside recycling along with a network of drop off centres around the Far North. The Recycle Centre also provides commercial recycling and refuse collections for local businesses.

The district wide scheme has been recognised as a model of community led waste reduction and resource recovery. The success of recycling in the Far North would not have been possible without the support and commitment of the local community and the Far North District Council. CBEC supports the council's zero waste targets, and delivers services through council contracts to operate the Kaitaia site and a network of community refuse and recycling facilities.

Clean Stream Northland

Clean Stream Northland (CSN) is a joint venture between CBEC and Te Runanga O Te Rarawa. CSN operates 14 refuse transfer stations and recycling centres in the Far North for the Far North District Council. CSN works

in partnership with the Far North District Council and Far North communities to work towards the council's target of zero waste to landfill. CSN provides quality cost effective waste reduction services alongside community education about reducing the waste that goes to landfill. The Far North District has achieved one of the lowest levels of waste to landfill in NZ.

Busabout Kaitaia

Busabout Kaitaia provides public transport services in the Far North. Daily workers' buses and at least one shopper's bus are run each week between Kaitaia and Pukenui, East Coast and Ahipara. The buses run on 50% bio diesel which is made in a CBEC refinery from used cooking oil donated by local businesses. The establishment of a trial bus service was made possible with funding from the Ministry for the Environment's Sustainable Management Fund. Currently, additional running costs after ticket sales and Northland Regional Council transport subsidies (these subsidies are utilised by all public transport services) are subsidised by CBEC. Busabout Kaitaia also provides an around the town shoppers runs. It is the lowest cost per kilometre travelled public bus service in NZ. Busabout Kaitaia has proved that public transport is both needed - and affordable - in rural communities in NZ.

Home Insulation Service

Healthy Homes Tai Tokerau is a joint venture partnership between CBEC and He Iwi Kotahi Tatou Trust, a community enterprise organisation based in Moerewa. The partnership was established in early 2008 as part of the Warm Up New Zealand Program, and to date, 5,000 Northland homes have been retrofitted with insulation measures. Healthy Homes Tai Tokerau provides insulation and energy savings systems for households from Auckland to Cape Reinga.

CBEC Garden Centre

The CBEC Garden Centre sells plants, trees and garden supplies direct to the public. Through linking with their associate enterprise, CBEC Labour Hire, the garden centre also provides gardening and landscaping services to home gardeners and for large scale landscaping and/or subdivision development.

CBEC Labour Hire

The CBEC Labour Hire team provides labour, equipment and materials for both commercial and residential jobs - including house maintenance and improvements, garden care and farm and lifestyle work.

Swimming Pool Management

CBEC operates swimming pools in Kaitaia, Kerikeri and Kawakawa for the Far North District Council.

All pools are Pool Safe Accredited, are open to bookings for Northland schools for education programmes, and host several local and district wide swimming carnivals. The pools are also available for private functions.

North Hire Marquees

North Hire Marquees is a joint venture between CBEC and a Kaitaia owned party hire company. CBEC set up the joint venture to ensure that the Marquee Hire was not sold off and moved out of Kaitaia.

CBEC Eco Solutions

CBEC Eco Solutions provides education, consultancy and practical environmental solutions to the Far North and Whangarei districts. Eco Solutions' goal is to reduce waste to landfill and create more sustainable practices. They specialise in waste minimisation, and also energy and water conservation projects. Projects include:

- **Agricultural plastics collection and recycling** offering on-farm pickup of silage wrap, drums, seed, fertiliser and polypropylene bags. The programme is a user-pays collection and recycling service. Eco Solutions has worked with the Northland Regional Council Ag-Pak, and Fonterra to fund and set up this project.

- **Reducing waste in the community** provides information and support to the local community including seminars, information, displays and support to organisers of events in the Northland region.

- **Sustainability consultancy** provides various services to businesses in the Northland region to help them develop best practices to achieve sustainability. The business programme offers information and support that businesses need to motivate their staff to make changes that will reduce their environmental footprint. These are tailored to the individual needs of each business.

- **Sustainability audits** provide help to assess and reduce business waste. Each audit comes with a report for staff and management that details the current situation and where improvements can be made.

- **Waste minimisation systems set up** provides advice to businesses to help them set up recycling systems in their workplace.

- **Sustainable purchasing** assesses current purchasing practices and finds alternative solutions that are sustainable, practical and economically viable.

- **Promotional tools** provides businesses with promotional items that help them to promote their progress and commitment to sustainability

- **Zero Waste in Schools** is a local council funded education programme run in the Whangarei and Far North areas. The programme is delivered in approximately 80 schools and around 500 lessons are delivered each year. Zero Waste in Schools provides schools with an education programme to support existing recycling systems and/or assistance to set up a new system.

Sources of Income

CBEC receives their income from a range of services.

- Clean Stream Northland contract with FNDC (Approximately 20%)

- Commercial Services (Approximately 15%)

- Healthy Homes EECA Contract (Approximately 34%)

- All other enterprises providing goods and services and small council contracts (Approximately 30%)

Over the past 12 months, CBEC has been developing strategies to expand the commercial / non contractual side of the organisation, to ensure they increase their independence of government and council contracts.

They are doing this through the development of alternative energy products and solutions for Northland to address the growing fuel poverty. CBEC is continually working towards increasing financial independence and always has one eye open for the next opportunity that will increase the proportion of income from independent trading. See "Future Plans" section at end of case study for details of new products and enterprises,

Contracts and Service Agreements

Income from council and government contracts represents about 65% of CBEC's income. One contract with the Far North District Council to run the Clean Stream Northland contract represents about 20% of CBEC's turnover. Associated commercial waste and recycling services owned by Clean Stream Northland represents a further 15% of turnover. CBEC

have another significant contract for home insulation with the Energy Efficiency and Conservation Authority (EECA), approx. 35% of turnover. Some social enterprises report that an attitude exists in New Zealand that they should not make profits on government contracts, while it is accepted that private businesses can. CBEC says that this is not a problem for them, and that it has been acceptable for them to make profit on their government and council contracts, as it is understood that they spend surpluses wisely on new services to the community. CBEC's CEO says that community enterprises need to respond to opportunities for forming alliances and joint ventures and establishing buying and selling groups to respond to issues of competition, especially working collectively to competitively tender for council and government tenders for contracts.

Joint Ventures and Partnerships

CBEC has been involved in a number of joint ventures over the years. These joint ventures have been an important part of CBEC's development.

- When the district was amalgamated, CBEC had the first contract with the Far North District Council, and is currently the longest serving council contractor.

- Waiheke Waste Resource Trust (WWRT) joint ventured with CBEC to operate all Waiheke's waste and recycle services for Auckland City.

- Clean Stream Northland is a joint venture between CBEC and Te Runanga O Te Rarawa.

- Remarkable Recycles was a joint venture with Wanaka Waste Busters, to operate Wanaka's recycle services for Queenstown Lakes District Council.

- Healthy Homes Tai Tokerau is a joint venture partnership between CBEC and He Iwi Kotahi Tatou Trust, a community enterprise organisation based in Moerewa.

- Eco Solutions has worked with the Northland Regional Council Ag-Pak, and Fonterra to fund and set up agricultural plastics collection and recycling.

- North Hire Marquees is a joint venture between CBEC and a Kaitaia owned party hire company.

CBEC are also active in joint ventures on a national basis. They helped with the establishment of the Community Recycling Network (CRN) and the Community Energy Network (CEN), Currently CEN has extended their organisation into a joint purchasing and negotiating network. The purpose is to collectively purchase millions of dollars' worth of product annually. This process started about 12 months ago, and all organisations are now receiving substantial rebates and a significant reduction in purchasing costs.

CBEC also helped to found the national E-cycle programme (RCN e-Cycle) a joint venture between RCN & CRN that provides a nationwide network of sites where computer and home electronic waste can be dropped off for recycling on a user pays basis in partnership with a private sector company RCN and the Ministry for the Environment.

Sources of Investment

The majority of investments in CBEC's new projects and asset purchases have come from borrowing. CBEC's first large loan was to purchase the CBEC building. The second loan, of approximately $400,000, was to start the Waiheke Waste Busters contract for Auckland City Council. Borrowing has had a major

impact on CBEC's growth. It has enabled the organisation to take on large contracts and has driven them to develop quality financial management and analysis systems. This is significant, as some social enterprises are not comfortable with borrowing because the lender makes a profit. The CBEC stance seems pragmatic and sensible. They utilise ethical investment organisations where possible. Prometheus Ethical Finance has been a key player in providing access to funding for community enterprise in New Zealand. One of CBEC's strengths is project costing and financial management. Shareholder funds are minimal as a one off payment of $20 per share does not represent much income, but is more like a club membership subscription. CBEC business units do not utilise much volunteer support - but Eco Solutions attracts significant volunteer support for its various projects.

Distribution of Surpluses

For CBEC it is crucial they create surpluses from their enterprises. Some of the services that they provide are not, and will never be, profit making. So having a group of nine enterprises enables cross subsidisation of surpluses from profitable enterprises to the areas that are not profitable. Not putting all their eggs in one basket also helps to reduce risk. CBEC uses surpluses to reinvest in the growth of the various enterprises and their capacity to deliver social and environmental outcomes. Surpluses can be used to start new initiatives and enterprises. CBEC's CEO says that successful social enterprises in the UK have a similar drive to making surpluses. While CBEC focuses on "employment first, profit second," the enterprises are run prudently and efficiently. CEO, Cliff Colquhon, says "Every day I go to work and think "what do I need to do to ensure these businesses stay viable? Because cutting jobs would mean cutting the kaupapa of the organisation".

Marketing

The recycling/waste reduction message is promoted through Eco Solutions. Flyers are sent out to the community to encourage participation. School visits are also very helpful in getting the message across to households. Community buy-in and support for CBEC's waste minimisation activities is extremely high. Local Iwi, Police, Watch Dog groups and the Community Board are all highly supportive. Extensive marketing and PR is done through local media. CBEC's CEO says that they could do more in PR and marketing and utilise social media better.

Research and Development

CBEC's Senior Management and Board of Directors regularly investigate new initiatives that will bring sustainable economic development to the North. These include research and development into alternative energy, strengthening town centres and ways to re-build the local economy so that the communities of the North are better prepared for future economic shocks.

Employment

CBEC recognises that getting a job is the fastest route out of poverty. Creating sustainable local employment is a main driver. CBEC creates "real jobs in real businesses" - in an area with over 40% unemployment of Māori young people aged 19 to 23. CBEC is continually working towards improving terms and conditions for their 80 full time staff.

Many CBEC employees have been long term unemployed. CBEC has developed a supportive work environment for people to help them to develop new work habits and make positive changes in their lives. There is often a need to mentor, encourage and provide many

more chances than businesses do with regular employees. The CEO says, "For example, we re-employed one young man six or seven times before he became a good reliable employee, because his home environment is so tough. We're passionate about helping people to see their lives differently, and real jobs help do this. And we could do a lot more to change the lives of the people who work for us if we could get resources to do so."

CBEC is about to start running employment projects targeting youth unemployment in the Northland area. This project is going to be supported by the Todd Foundation to develop employment projects in the Far North. The projects will be outside main stream private sector employment and are job creation projects e.g. Town & District beautification and river margin planting projects. The projects will bring together existing resources to fund the projects. CBEC's role will be to design, cost, facilitate and sponsor organisations - and then manage and administer these projects.

who is helping?

Community Linkages

Founder and CEO, Cliff Colquhoun, has worked closely with other local businesses in the area from the outset. CBEC has a high profile in Kataia and the surrounding areas and has good relationships with schools and community organisations in the area including the police, local iwi and the community board.

External Linkages

CBEC has had a close relationship with the Far North District Council from the outset, providing various services on a contract basis and developing joint ventures. CBEC is very well connected and influential, both regionally

and nationally. CBEC helped found both the national Community Recycling Network and the Community Energy Network and have worked closely with the Ministry for the Environment since the Government Department was established. CBEC works well with all political parties.

how are they doing?

CBEC has a national reputation as a successful community enterprise with an impressive track record. Building up to the development of nine enterprises and 80 local jobs in an area of high unemployment is a major achievement. Community buy-in and support for CBEC's waste minimisation activities is high. Local iwi, police, watch dog groups and the community board are all supportive. The police in particular have praised CBEC's activities as being exemplary in helping divert youth offenders from crime.

CBEC puts down its success to a number of factors:

- the vision and determination of the founders

- stable and consistent leadership- CBEC Board of Directors are all volunteers and have been committed to CBEC's purpose for 23 years – Cliff has been at the helm from the beginning

- staff dedication and community support - good reporting back to the community on progress has been essential for this

- access to contract work and the willingness of the local council to devolve service provision to a community organisation

- successful joint ventures with councils, community organisations and private businesses.

Over time, a track record and recognition of CBEC's achievements have helped. This has put CBEC in a position where they have been able to advocate to central government about environmental issues and community enterprise development. CBEC CEO says that they have also been lucky – the team call it the "CBEC Factor"! Whenever they have felt stuck, a new opportunity has usually emerged, often with the necessary support to move things along. He also says that there is no avoiding risk in either community or private enterprises, when you work in an area of new development; it is difficult to write a business plan for a new direction. Many projects CBEC have initiated have struggled financially initially, but are now the core of CBEC's financial viability.

How is Success Measured?

CBEC views success as the ability to positively influence the development of the Far North. Creating positive social and environmental impact is CBEC's driver. Financial success is important, but social and environmental outcomes are the priority. CBEC is not just there to run profitable enterprises, but to change the negative impact humanity has on the planet, and to enhance the social wellbeing of all that live in the community. CBEC wants to ensure that youth feel they have a place and a future in the Far North. CBEC cited evaluation of success through a range of complementary triple bottom line tools as being of moderate importance. The CBEC CEO acknowledges that impact measurement is not an area that CBEC has spent much time on as yet.

performance against hypothesised attributes

The propositions that emerged from the interview phase of the research project indicated that there may be five key attributes that successful CED initiatives would be expected to demonstrate. They are:

1. *Creating strong and effective governance.* For CBEC, effective governance for community enterprise is different from traditional governance arrangements - for either the private or the community sector. At CBEC, the vision and the entrepreneurial elements often come from senior management, who are on an equal footing with Directors, developing and managing the strategic direction of the organisation together. Most governance training teaches that strategic direction comes solely from the Board of Directors or trustees, and then is presented to Management, but this is not the case for community enterprise. The Board of Directors and Senior Management share the strategic development of the organisation, then Managers report back to the Board of Directors on performance against the strategy. It is about what works, rather than adhering to the usual models.

2. *Building close linkages to other complementary CED initiatives.* CBEC is well connected to other community enterprises, particularly community recycling enterprises that they work with through the Community Recycling Network. The CEO is a leader on the national community enterprise scene and has strong relationships with other leaders in this space.

3. *Delivering core services in partnership with service users and purchasing organisations, rather than at arm's length.* CBEC does this very well. As a local provider they have day to day encounters with service users. They also have good relationships and work in partnership with other community enterprises, local councils, government and businesses.

4. *Establishing a future-oriented internal culture.* CBEC has its eye on the big picture, the impact of climate change and the depletion of fossil fuelled energy sources – and so is developing alternatives for their community to become more resilient, now and into the future. CBEC's aim is that all senior managers drive a future oriented culture, so they have established a new internal body that has specific responsibility to enhance the culture of CBEC and maintain perpetual improvement programmes for the organisation.

5. *Establishing an effective system of quadruple bottom line impact assessment.* Like most community enterprises interviewed, CBEC is at the beginning of a journey to finding assessment tools and methods that work for their purposes. They recognise the value of having social and environmental performance measurement tools but don't have the resource to establish them for the organisation. The CEO says "it's critical for community enterprise to be able to quantify outcomes rather than just talk about them in feel good terms. Emotional support will not get us past the treasury door. We have a lot to offer and we are high achievers, we just need to be able to measure the achievement to be taken seriously. CBEC has always aimed to

present economic achievement first with social and environmental outcomes being the icing on the cake. I don't know of one community enterprise that has been set up with a primary aim to be financially viable. They are mostly established to address social and environmental needs in their community, so being unable to measure these outcomes put us at a serious disadvantage." These tools are becoming available, but are not being used widely in New Zealand at this stage. It would be advantageous for CBEC to further explore impact measurement tools that work for them, to better demonstrate to potential investors and community stakeholders the nature and extent of the significant impacts they are making

where to from here?

Main Challenges and Lessons Learned

A significant challenge for CBEC has been the management of risk. There is a tension between responding to opportunities and overstretching the capacity of the organisation. At one time, CBEC adopted two businesses in one week. For some organisations this would have been very risky, but both businesses are working well, because CBEC had the necessary internal capacity.

Finding funds for set up costs of a new enterprise can be a challenge. For example, where to go to find funds to purchase a mulcher that could create two more jobs? The CBEC CEO says that most funders prefer to resource projects than operational costs, but it's the considerable lead time and organisational costs to develop a new enterprise or initiative that tend to be unseen and are never covered. For example, Kaitaia

businesses would take unemployed people on three month work experience, but only if someone makes it easy for them to do so by providing the necessary logistics and support.

CBEC says that the current business environment is tough for everyone, but tougher for social enterprises because the last thing they want to do is let someone go who has been long time unemployed and finally has a job.

Continuity of contracts is also challenging. There are big waste management companies who would like to take over CBEC contracts - and can afford to undercut them to do so. The social value of what CBEC does is difficult to demonstrate and most council's do not include this when they evaluate contracts. Last year, to stay competitive CBEC had to take a $50,000 cut in their waste management contract.

CBEC CEO says that there is a general lack of understanding of what community enterprise is and what it does. "We are seen as a business by charities and a charity by businesses. There needs to be a clear separation of community enterprises from the voluntary sector – we are running businesses and many community organisations are not. That distinction is important."

CBEC has learned the importance of accessing investment for infrastructure, especially in the first five years, and the associated danger of under-capitalisation that can result in piece-meal, sometimes messy establishment. They have also learned that the acquisition of assets is important for the long term.

CBEC has learned about the importance of winning and maintaining contracts and joint ventures and balancing the compromises that can be involved, without compromising to the extent of undermining the CBEC vision.

The Board and Senior Management have learned that risk taking is part of enterprise development and that to mitigate risk they have needed to build a culture of productivity, efficiency and effectiveness around the vision and purpose. CBEC says that community enterprise needs management staff that are practical visionaries. CBEC has learned that it is important to set up systems and criteria, including production targets, weekly monitoring, and production systems, and to ensure that there is a balanced mix of skills and experience including motivational aspects in each workplace.

CBEC carefully watches that the organisation does not become "bureaucratic" as there is a natural tendency in most organisations for this to happen as they grow in scale. They have learned the importance of taking their community with them on the journey – and that this can be a slow process. And CBEC has learned that no matter how successful they are, they will be judged on their public relations, so they have learned to avoid negative PR.

Future Plans

In the future, CBEC would like to develop more joint ventures with like-minded organisations. CBEC aims to become increasingly financially independent through the development of more independent trading enterprises. These include

- Energy Audits for residential and commercial situations

- Provision and installation of home and commercial ventilation and heat transfer systems in Northland

- Solar Thermal CBEC is currently selling and installing a new product "SolaPod". CBEC has just imported two container loads of SolaPods out of Turkey and has the agency for Northland

- Photovoltaic (PV) Panels supply and installation. CBEC is now selling and installing the first systems. They have trained six staff and two electricians to carry out installations. Marketing of SolaPods and PV is now being carried out by our two full time sales staff on a commission basis

- CBEC is currently negotiating the manufacture and installation of a new downdraft fuel burner for residential and commercial use. They aim to build and install these systems throughout New Zealand

In the future, CBEC would like Kaitaia and the Far North District to become a model of sustainability through the on-going adoption of innovative waste, water and energy solutions. CBEC CEO says that the drive for change now needs to come from the community, and strong networks of associates and supporters with relevant skills and influence are needed. It is about mutual dependence. To be successful CBEC also needs community enterprise as a movement to be successful nationally, CBEC's aim from its early beginning was to influence nationally and this commitment to growing the movement of community enterprise has paid dividends. Each time they have entered into a joint venture, CBEC has experienced considerable growth in their capacity to positively influence their own community.

mclaren park henderson south community initiative

PEOPLE · PRIDE · PLACE
MCLAREN PARK & HENDERSON SOUTH
COMMUNITY INITIATIVE INC

snapshot of mclaren park henderson south community initiative

Full name	McLaren Park Henderson South Community Initiative(known locally as MPHS)
Purpose	MPHS is a community development organisation offering initiatives and programmes for the residents of the McLaren Park Henderson South Community - for the community, by the community
How this is achieved	Through a community enterprise approach, trading goods and services to strengthen their capacity to deliver positive social, environmental and economic outcomes for the local community.
Legal entity and Structure	The MPHS legal structure is currently in transition. MPHS is an incorporated society that is the sole shareholder of a limited liability company. It is intended that the incorporated society will be closed and replaced by a charitable trust.
Scale of operations	MPHS employ the equivalent of 17 full time employees, plus 220 hours a week are contributed by volunteers. They have an annual turnover of just over $1million and hold $1.5 million in assets. This includes buildings and equipment, but not the land which is owned by council.
Profits?	Any profits from trading activity (mainly from contracts) are reinvested back into the organisation's projects and programmes for on-going community benefit.
Who benefits?	The whole local community of McLaren Park and Henderson South.
Website	www.mphs.org.nz.

who are they and what do they do?

MPHS Community Initiative is located in Henderson South, Waitakere, Auckland. Henderson South is an area that is characterised by cultural diversity, low wages, high unemployment and low qualification rates. 57% of the population are Māori, Pacific or from an ethnic minority and 10% of all housing is rented from Housing New Zealand.

MPHS runs diverse projects and programmes including community education, environmental restoration, youth empowerment, food rescue, community fitness and neighbourhood development to help local residents and the community reach their full potential. All community improvement initiatives have been undertaken at the request of the residents directly or in response to a need that has been identified and worked through with members of the community. MPHS is increasingly taking a social enterprise approach to fund their community development work in order to increase financial sustainability for the organisation.

Legal Entity and Governance

MPHS is structured as an incorporated society, with a democratically elected governing committee. Currently there are seven committee members. MPHS chose to be structured as an incorporated society at the outset, because it is the most democratic legal entity. This was the right structure at the time, but MPHS has grown significantly and are currently reviewing their governance structure with a view to making changes to suit their current stage of development. They have decided to change the incorporated society to a charitable trust, with the provision that at least 75% of trustees live in the local area. The reasons for this change are;

- MPHS is for the benefit of everyone in the local community, so the membership model is less relevant today. There are no benefits to taking out membership, as people will receive the same benefits whether they are a member or not

- 97% of MPHS staff live in the local area. In an incorporated society model, they are also members and vote for the governing committee members at the AGM. This creates a blurring of the usual separation between operations and governance

- MPHS has received legal advice that a charitable trust is in a better position to have a limited company attached to it than an incorporated society

- MPHS has recently become the owner of its first building. In an incorporated society, the possibility exists for groups of people to join as members, take over and change the core direction of the organisation – even to the extent of selling off the organisations assets

As MPHS has grown, it has become increasingly attractive to serve on the committee. MPHS currently nominates the desired skill set for the committee at the AGM. The same skill sets will apply to trustees selected under the new charitable trust model.

Premises

MPHS is located in Hub West,Corbans Avenue, Henderson South. HubWest is a large purpose-built community and conference facility that has been developed by MPHS. In 2005,consultation was carried out that identified building a community facility as the best way to respond to the needs of local people, especially the youth who needed a place to engage in sports, education, cultural

and social activities. In 2008, the Waitakere City Council committed $1.9 million towards the building project. MPHS secured a further $1.5 million of investment for an additional building that now houses Waitakere's first Intel computer clubhouse (The High Tech youth Studio).

where have they come from?

Origins and History

MPHS was established in May 2002 after a report was presented to the Waitakere City Council Development Committee outlining significant unmet community needs in the McLaren Park and Henderson South area. At that time it was called the McLaren Park Community Project, The Council funded a coordinator, and a group of local people started to meet regularly to see how they could support their local community. In 2004 an incorporated society was formed, and a management committee was established made up of local residents. In the same year, the first community consultation took place and activities for young people were of foremost concern.

Subsequently the Young Believers were initiated - a volunteer youth group led by local Māori youth. In 2007, McLaren Park Community Project changed its name to the McLaren Park and Henderson South Community Initiative, to better reflect the geographical area it serves. Under the banner of "People; Pride; Place", MPHS continued its role of developing, supporting and adding value to the local community.

MPHS Manager, Rochana Sheward, has been in the role since 2005. Rochana came to New Zealand from the UK, where she was involved in income generation through social enterprise and organisational development. She brings this understanding and related skills to her work at MPHS, working towards the long term financial sustainability of the community initiative. Today, MPHS considers itself to be a community enterprise, trading goods and services to strengthen its capacity to deliver positive social and environmental outcomes for the local community.

why do they do it?

MPHS is a values based organisation. MPHS values all local people in the community from the young to the elderly. MPHS values the local neighbourhood and taking care of the environment.

The MPHS vision is "People; Pride; Place"

MPHS aims to be the local community organisation that develops and supports the local community through research, facilitation, advocating and community provision. The mission is to develop, support and provide programmes that bring long-term benefit to the whole community.

how do they do it?

MPHS provide a meeting place and a range of services and activities for their local community. As MPHS is located in a low income area, most services to the community are offered free of charge. Some community services are provided through contracts with local and central government, and MPHS also runs community enterprises that are intended to make surpluses that can be cross subsidised to non-profit making areas of work.

Hub West

HubWest is a purpose-built community and conference facility that provides a meeting place for the community, houses MPHS offices, and is also available for hire to external groups and businesses. HubWest has a diverse range of spaces, and can accommodate all kinds of events from playgroups and art classes to conferences, seminars and meetings, private functions and celebrations, expos and galas.

Event Services

The establishment of Hub West has led to the development of an event management service that is marketed to people and groups seeking team and confidence building activities. For example, the "Top Town" team building programme is aimed at both community groups and corporate businesses. A new catering service is currently being established.

Young Believers

The original youth group named themselves "Young Believers" because they believed that given the right opportunities, they could do anything. The Young Believers' kaupapa is about respecting diverse cultures, backgrounds, abilities, experiences, leaders and each other. Young Believers has given young people opportunities to meet new people and have new experiences. Members are assisted to attend training days, camps, and day trips. In recent times, Young Believers has been integrated as part of the High Tech Youth Studio project. MPHS also run a youth holiday programme.

High Tech Youth Studio

The **MPHS High Tech Youth Studio**, based in the new buildings at Hub West, is an after-school programme for young people aged 10-18, to help them design their future by providing access to state of the art creative technologies. Young people work with mentors to explore their own ideas, develop skills and build confidence through the use of technology.

Amplify Action Research

The Amplify Action inquiry is a research project involving 70 children between the ages of 9 and 13 years who are participating as members of an action research team. It is research with people, not done to people. MPHS is currently working alongside professional research company, Point Research, to carry out the project. The objective is to ensure that new youth initiatives are effective, innovative, collaborative and sustainable - whilst building the capacity of the community.

Fair Food

Fair Food is a food rescue initiative designed to improve access to food for people in need, and reduce food waste from local businesses. Since it started in Feb 2012, Fair Food has collected 54,865 kilograms of fresh produce

that was destined for landfill. Food is accessed from local and regional businesses that have surpluses currently going to waste. Vegetables, fruit, bread, and dry goods are collected and redistributed to many different community groups and agencies working with families in need across Auckland.

Fair Food started as a collaborative initiative between MPHS, Lifewise, the Auckland Council and VisionWest Community Trust. Fair Food has now formed an independent trust, with trustee representatives from MPHS, Lifewise and VisionWest, as well as two independents. The worker is being employed through MPHS, while the new trust develops its capacity.

Community Garden

Local people said that they wanted a community garden in the original consultation. When "Green Jon" arrived at MPHS, he worked with the community to design and built an edible garden that reflects the local area and local needs. The garden has been developed so that residents and community groups can adopt a plot and grow their own fruit and vegetables. At present the garden has 20 plots, and a wide range of groups, including tenants in a local flat, have adopted sections. Green Jon says, "The aim is to teach and share the art of growing our own food. There are also plans to have an outdoor kitchen and regular feasts with food that has been grown, and prepared

by residents and enjoyed by everyone. The community garden project is based on sharing. Waitakere City Council has shared the land; the gardeners and elders will share knowledge - and Mother Nature shares her resources."

A new garden is now being established at Hub West. A number of residents said that they would like to establish a garden in the grounds around the new building. MPHS is supporting their work and has also linked up with the West Fono Health Trust to work together on gardening initiatives to support the local Pacifika communities.

HIPPY (Home Interaction Programme for Parents and Youngsters)

HIPPY is a two year home-based programme which supports parents in becoming actively involved in their 3 ½ to 5 year old children's learning, to help them to have a successful start at school. MPHS asks for a small donation from local families, and they receive weekly workbooks and story books. Children can participate in HIPPY as well as attend kindergarten or preschool.

MPHS Playgroup

The MPHS Playgroup provides an opportunity for mothers to get together with their pre-school children, share their mothering experiences and provides an opportunity for the children to play and develop social skills.

Family Advocacy

MPHS has a family advocate on staff who advocates with, and on behalf of local people on issues relating to housing and tenancy, Work and Income support, Budgeting, School Issues, Parenting Concerns and Employment Law.

MPHS Enviro Services

The MPHS Enviro Services are an environmental restoration crew which focuses on creating sustainable outcomes for nature and local people. Its primary work is through Project Twin Streams, working on the restoration of the Opanuku and Oratia streams that flow through the area. Enviro Services also operates as a community enterprise and provides environmental services on a contract basis for businesses and residents.

Project Twin Streams

Project Twin Streams is a collaborative Waitakere wide project that supports community groups and residents to restore and reclaim the city's streams in the heart of their neighbourhoods. The project aims to improve the wellbeing of the local area through restoring natural systems, managing storm water and by replanting stream banks. The MPHS Enviro Services carries out ecological restoration on the local streams, involving weed control and planting of the stream banks and nearby areas. They also support community groups to work on the stream banks, by providing technical instruction, tools and equipment to help carry out the restoration work.

The Men's Shed

The Men's Shed was initiated by MPHS to encourage companionship, skills development, and wellbeing for men. The Men's Shed enables the passing on of knowledge and skills between the male participants, forging of lasting friendships, inspiring and building of confidence and creating an opportunity for men to work together on various community building projects. The Men's Shed started in a garage under Man Alive in Henderson, but is now located at Bruce McLaren Intermediate School, in their former Technology Centre woodworking rooms. The Men's Shed now operates relatively independently of MPHS, structured in its own legal entity.

Neighbourhood-led Development Manual

MPHS has developed a resource called "In the Neighbourhood" that aims to help people to develop their ideas to create and initiate neighbourhood initiatives. The manual is free to local residents and is especially designed for people from the McLaren Park and Henderson South Community.

MPHS Newsletter

The MPHS newsletter contains regular updates on the many and varied MPHS activities and projects. The newsletter also celebrates "Community Angels" – people in the community who are doing positive things towards building a stronger, more connected community. The newsletter is distributed to all MPHS residents three times a year.

Sources of Income

In the last financial year MPHS received 87% revenue from contracts and13 % from grants and donations. Independent trading activity, beyond contracts with government, is being developed through community enterprises, but has not achieved a surplus to date. The recently established building Hub West is an asset that MPHS has developed to create independent income from room hireage, events and catering. The MPHS Manager says that moving into a community enterprise model will help MPHS to be less reliant on grant funding. It also means that in the future, they will be able to provide more sustainable employment for local residents. The majority of income for MPHS is currently from contracts with both local and central government to deliver a range of services to local people.

Below is a diagram that shows how the various MPHS stakeholders, areas of work and activities relate to one another.
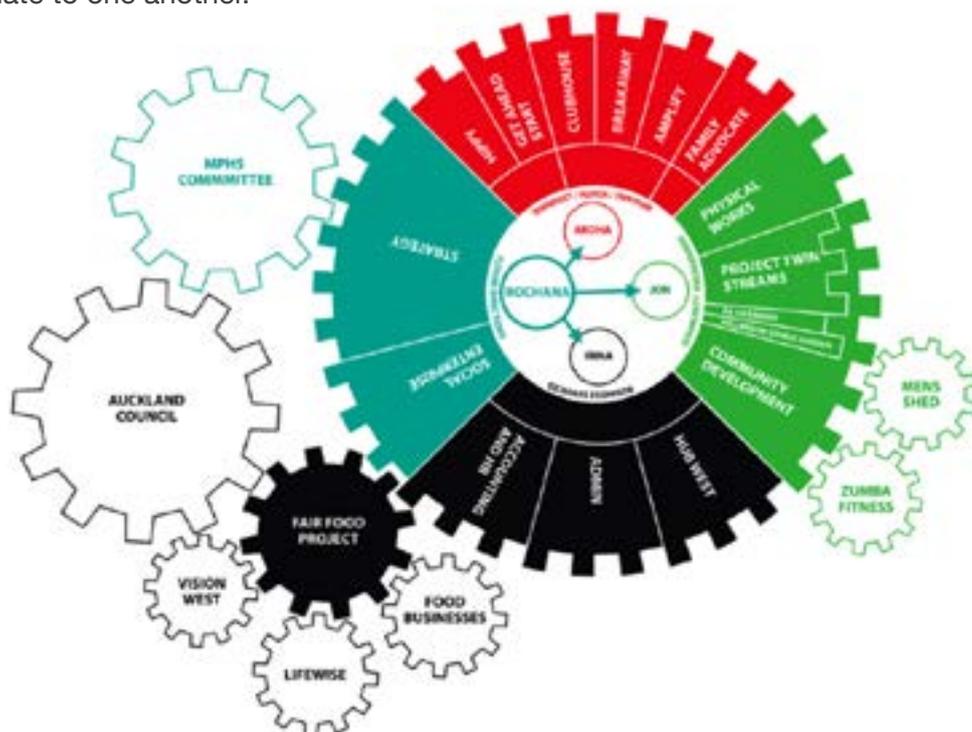
Assets

With tangible assets worth over $1.5 million, MPHS is a community based organisation with a significant asset base. MPHS owns one of the buildings - and the council owns two of the buildings and the land where Hub West is sited. MPHS contributed to the fixture and fittings, and the costs of the integrated art works.

Contracts and Service Agreements

MPHS has contracts with local and central government, as well as local businesses. These contracts constitute a large proportion of MPHS income. Because of the community led value base and quadruple bottom line practices of MPHS, these contracting arrangements deliver added social and environmental value for the purchasing organisation, beyond mere service delivery. Many years of experience in contracting has given MPHS considerable expertise in this area. They are now able to clearly state why purchasing organisations and the wider community would benefit from community enterprises being preferred providers and why they need to profit from those contracts. The reasons they provide to potential purchasers are:

- To empower local people. In working with MPHS, every dollar earned is reinvested back into the local community, supporting people of low socio-economic status to help their community and take pride and purpose in their achievements

- Your business / organisation is recognised for its support to the community

- MPHS work to train and up-skill local people for transition into the mainstream workforce.   We can also work with your employees to strengthen teams and build community connections and a sense of purpose

- MPHS is ideally situated to broker and facilitate relationships between council, business and our local people

MPHS also advocates to purchasing organisations to develop local and social procurement policies that support community enterprise. MPHS suggests that purchasing organisations:

- Ensure that added social and environmental value is taken into account in decision-making for business contracting and organisational procurement policies

- Understand and promote the value of investing in an enterprise that reaches into the heart of a community – putting community needs ahead of profit and therefore ensuring maximum benefit for our local communities

Distribution of Surpluses

Any profits are either reinvested back into the organisation to cover operational costs or are cross subsidised to resource projects and programmes for on-going community benefit - such as essential community social services, education and training programmes, environmental restoration community park development, edible gardens and orchards. Members decide where surpluses will be allocated.

who is helping?

Community Linkages

MPHS works closely with local schools and community groups in the McLaren Park and Henderson South area. They have a particularly close relationship with Bruce McLaren Intermediate School, where the MPHS office was sited in the beginning years. MPHS has developed collaborative relationships with many organisations in the Waitakere area including Community Waitakere, Henderson and Waitakere Budgeting Service, VisionWest Community Trust, Lifewise, WestFono and the Trusts Community Foundation.

External Linkages

Prior to amalgamation of the legacy councils in the Auckland area, MPHS worked closely with the Waitakere City Council and their local Community Board on the development of Hub West. Since the amalgamation of the councils, MPHS has been developing a relationship with the Auckland Council and the local board. MPHS has also forged positive relationships with the Auckland Communities Foundation, City of Manukau Education Trust (COMET), The Department of Internal Affairs, the Ministry of Social Development and the High Tech Youth Network Aotearoa.

Sources of Investment

At the outset, MPHS received initial seed funding of $40,000 from the Waitakere City Council for salary and running costs to employ a part time coordinator and administrator to get the ball rolling. Subsequently a Lotteries grant paid for a youth worker. MPHS were then successful in tendering to the Ministry of Social Development, and five year funds were acquired to further develop the community project.

The Waitakere Council contributed significant funds towards building Hub West. Further investment capital for the building was accessed as a result of building a relationship with the Network of Aotearoa Computer Clubhouses. This led to access to the government's digital strategy funds that paid for the bricks and mortar of the building. MPHS then leveraged ASB Community Trust funds to complete the building.

The MPHS Manager says that it is important to have access to seed funding to start new initiatives, but it is harder to access seed funding in New Zealand than it was in the UK, where government and philanthropic organisations have created specific social investment funds.

how are they doing?

Overall Performance

Over the last eight years, MPHS has grown from a small group of local people meeting informally, to a neighbourhood organisation of significant scale and influence. At the same time, MPHS has stayed true to its community development roots and kaupapa, and has developed according to the needs and wishes of the local community. Hub West, the purpose built community facility, was built and designed using a thorough community consultation process ensuring the involvement of many local people.

An interesting aspect of MPHS is how successful it has been at tendering for and delivering contracts for central and local government. It has been a challenge to maintain a community development ethos commitment to quadruple bottom line outcomes, whilst developing a trading arm.

Taking on the challenge of building Hub West was a huge commitment, and annual maintenance costs are an on-going challenge for MPHS. Continuing to develop the enterprise arm of MPHS will be important to meet this challenge.

In 2011 MPHS was runner up in the community section of the Westpac Business Awards and received a Distinction Award.

How is Success Measured?

MPHS cites evaluation of success through a range of triple bottom line measurement tools as being of moderate importance. The MPHS Manager says that the first five years were relatively experimental, and it felt too early to introduce impact measurement systems. Currently the organisation is in a more reflective mode and has engaged an external party to develop stories of significant change in the community. MPHS is considering setting up a social auditing framework in the future.

performance against hypothesised attributes

1. *Creating strong and effective governance.* Committee members are mainly local residents. It has been important for the committee to know their limits and ask for help and training when necessary. For example, when the committee did not feel confident about developing human resources policies and procedures, they made a decision to buy in external expertise while they came up to speed. This has been a significant strength for MPHS. Investing in skills development of committee members has been very important.

2. *Building close linkages to other complementary CED initiatives.* MPHS is well linked to community organisations in the Waitakere area, some of whom are also developing community enterprises. For example, the Fair Food initiative involved a joint venture with two other community organisations. Three staff members recently attended a social enterprise development course, and have subsequently continued to meet with other participants. This has enabled on-going links with CED practitioners across Auckland.

3. *Delivering core services in partnership with service users, and purchasing organisations, rather than at arm's length.* MPHS is a community led organisation and constantly in touch with service users in their community. MPHS is increasingly looking to develop equal partnering relationships with purchasing organisations to achieve mutual outcomes. MPHS knows its community well, so knows how to provide a service that benefits the community. The purchasing organisation can help with training and skills development.

4. *Establishing a future-oriented internal culture.* MPHS is particularly concerned about the financial sustainability of the organisation in the future, and is developing independent enterprise activity in response. They also consistently invest in skills development of both governance and staff with a view to the future. For example, sending staff to a social enterprise course.

5. *Establishing a consistent system of quadruple bottom line impact assessment.* MPHS is continually involved in a process of reflecting on its performance with a

view to continual improvement, and has engaged an external party to develop stories of change in the community. They are now at the stage where it is possible to invest in more structures and are putting in place frameworks for professional development and performance measurement of staff.

where to from here?

Main Challenges and Lessons Learned

MPHS identifies capacity issues as a challenge. MPHS has often needed capacity building support, and that has not always been available. Staff and volunteers are often stretched to maintain existing projects and enterprises, not to mention the on-going need for new development. The MPHS Manager says that it is important to have someone consistently working on new innovations. That role is difficult to resource from traditional sources; thus the need for independent income through trading enterprises. Three members of MPHS staff attended the Social Enterprise Institute course in 2012 and that has been helpful in terms of a developing a better understanding through the organisation of the social enterprise approach.

Maintenance costs of running a large building are a significant challenge for the organisation. This costs MPHS $80,000 a year and it is a tension to find this money each year, especially as prices must be affordable for local people. Generating income in the long term is challenging. One of the difficulties is that there is often no acknowledgement of the social value MPHS delivers by purchasing organisations.

The MPHS Manager says that community development in Auckland often tends to be top down and driven from the Auckland Council, despite the role of local boards, whose effectiveness depends on the calibre of the members. MPHS Manager says that the community would be better served if council-funded community development roles were positioned in community development organisations instead of within the council, where they tend to get caught up in the bureaucracy. This would enable more resource to be available for community economic development, financial sustainability of the community organisation and local employment.

The MPHS Manager, Rochana Sheward, is frustrated by inconsistency in the use of language in the community space. She says that the word "partnership" is frequently used – when there is no genuine partnership, because one party holds the power and resource. And there is often no understanding about the distinction between grants and contracts - or social enterprise and social business. She says that there is a lack of standards or benchmarking in the social enterprise space – for example, New Zealand does not have a Social Enterprise Mark, such as the one that is in common usage in the UK. Without some clear guidelines, Rochana is concerned that "for profit" organisations will get on the band wagon and divert energy from true philosophy of social enterprise -that is to serve people empowerment.

The main lesson MPHS has learned over the last eight years is the importance of investing in people. Without a solid team, little progress is made. It is not just about the dollars, but involves building people's confidence through encouragement and recognition of achievements. If the team is right, they are in a stronger position to be entrepreneurial and take calculated risks.

MPHS has learned to manage and calculate risk. Each year the board has agreed to risk 5% of any surplus, to invest in a new venture that will potentially bring a return on investment. Of course this is only possible if there is a surplus.

MPHS has learned to be very clear about its purpose and not to tender for contracts where the fit with MPHS values and purpose is not right. In the early days they bid for a contract that did not end up benefitting the community as was anticipated – and made a decision not to continue with this service.

Future Plans

The immediate priority for MPHS is to transition from an incorporated society to a charitable trust and to ensure that the new governance structure is working well to support the organisation's purpose.

Three staff members attending the Social Enterprise Institute course has led to an increased enterprise lens developing through the organisation. This does not mean that there is a vision drift from the social and environmental purpose, but there is an increasing sense of the need to create profits to pay for the activities that enable the core purpose to be achieved. Staff are learning to see opportunities through more of a business lens, as well as a social lens They are learning how to develop a business case, use new "investment" language, and to have a greater emphasis on returns, both social and financial. HubWest is an asset that provides many opportunities for the development of community enterprises.

MPHS is also developing links with local businesses to explore the possibility of joint ventures. Another idea for the future is the acquisition of an existing business. There would need to be a values fit with MPHS and the business would need to be generating profits, but this could be an alternative to developing new enterprises from scratch.

MPHS could be helped to achieve its ambitions if it was able to increase income from contracts and from independent trading. It would be helpful if Auckland Council developed social procurement policies that placed a value on social and local outcomes. MPHS would also benefit from regional and national support for CED and social enterprise – that would bring opportunities to work with peers to develop skills and knowledge. Access to social enterprise development funds to develop new business ideas, and access to affordable social loans to help them to grow and develop their trading enterprises would be a significant advantage. The MPHS Manager says that it is an exciting time to be doing this work.

the oamaru whitestone civic trust

snapshot of oamaru whitestone civic trust

Full name	Oamaru Whitestone Civic Trust (OWCT)
Purpose	To preserve and develop New Zealand's most unique collection of historic buildings into a living "Victorian Town at Work" in a way that is underpinned by community development principles.
How this is achieved	Through restoration of Oamaru's historic Victorian buildings into spaces that attract quality, traditional tenant businesses (galleries, museums, tea rooms etc.) that follow the Victorian theme and running annual events that attract visitors and tourists to Oamaru.
Legal entity and Structure	A Charitable Trust with a membership that supports, and a team of volunteers that organise and promote events.
Scale of operations	OWCT have a small staff made up of one full time and two part timers, and around 20 hours of volunteer time is contributed each week. Annual turnover is $320,000 and the asset base is worth $3 million.
Profits?	This varies from year to year. Rental income usually covers operational costs for the organisation. Grants pay for some of the renovation work. Any surpluses from trading activities are cross subsidised to build the capacity of the organisation or to develop new projects. There are also many non- financial "profits" and ways in which the community benefits.
Who benefits?	The whole town benefits. Through the work of the trust, Oamaru has been rebranded and revitalised. Recognising that the old buildings had historic value has given the town a unique reputation. It has also enabled numerous small local businesses to be established, that create employment and service the many tourists that now visit. External parties also benefit as they use the historic town as a backdrop for films and television commercials
Website	www.victorianoamaru.co.nz

who are they and what do they do?

The Oamaru Whitestone Civic Trust (OWCT) is located in historic Oamaru, in North Otago, South Island of New Zealand. Oamaru is the largest town in North Otago and has a population of around 12,000. During the latter part of the 19th century Oamaru had a prosperous agricultural sector, with many businesses being located in grand neo-classical buildings. However, the boom times for the town gave way to a depression that dragged on through the late 1880's and early 1900's. But fortunately the buildings remained - and since 1987, OWCT has been preserving and developing Oamaru's unique inheritance of historic buildings, made from local limestone, into a living 'Victorian Town at Work' – with a contemporary edge. This has been the basis for the development of Oamaru as a unique tourist destination and the emergence of many new businesses in the Victorian theme which attract significant numbers of visitors to boost the Oamaru economy each year.

Legal Entity and Governance

OWCT is a charitable trust that is governed by a hands on board of eight people who possess a good mix of both community and business skills. Four trustees are elected by members at the annual AGM on a rotational basis, with two trustees standing down each year.
One trustee is appointed by the New Zealand Historic Places Trust and three are appointed by the Waitaki District Council. The Trust has a supportive membership who make financial contributions, and in return receive entry to the Victorian Fete and the Trust's quarterly newsletter - The Victorian Times. A committed team of volunteers helps promote Victorian Oamaru both within the Waitaki District and in neighbouring towns.

Premises

The OWCT Office and Board Room are located in the former Harbour Board offices, A New Zealand Historic Places Trust Category One historic building that is owned by the Trust and is located in the Victorian Precinct.

where have they come from?

In 1987, a small group of people worked with the former Oamaru Borough Council to obtain funding for a feasibility study into the possible redevelopment of the original commercial and business district of Oamaru's Harbour and Tyne Streets. The buildings mainly consisted of large grain warehouses which served the prosperous agricultural sector of the district during the latter part of the 19th century.

Following the recommendations of the feasibility study, the Oamaru Whitestone Civic Trust was established as a charitable trust. This feasibility study remains the cornerstone of the Trust's long term strategic vision for the Historic Precinct.   In 1989, the Trust acquired eight buildings with a grant from the Alexander McMillan Trust, and has today increased the number of buildings it owns to sixteen. Fifteen are located in the Victorian Precinct,and one in the Oamaru Railway Station in Humber Street. The Trust also has an interest in the former

Meldrum's Bakery in Usk Street. Restoration, structural strengthening and the installation of sprinkler systems have enabled the buildings to be tenanted with a variety of traditional businesses which follow the Victorian theme.

The Trust's 2009-2014 Strategic Plan further developed the early ideas from the feasibility study. Initially the work of the Trust was mainly about the development of the historic buildings. Over time the impact of the establishment of a "Victorian Town at Work" has had much wider implications for Oamaru and its people. OWCT now views its purpose from a community development context that involves supporting the development of the heritage estate for the social, cultural and economic well-being of the community. Today, the historic town of Oamaru is a growing tourism hub.

why do they do it?

The OWCT vision is to develop New Zealand's most remarkable historic buildings into a must-see visitor experience that drives economic value and community pride.

OWCT values are to support development of the heritage estate for the social, cultural and economic well-being of the community; to uphold the highest standards of heritage planning, preservation and restoration; to effect change in the community's appreciation of and support for heritage and to support activities which recreate experiences of the life and times of a Victorian town at work and play.

OWCT Strategic Goals are:

- to develop or support development of visitor attractions; to support development of scale infrastructure in the historic area

- to develop or support development

of a range of Victorian themed visitor experiences that make Oamaru a truly distinctive and remarkable destination

- to optimise Stakeholder relations through a communications strategy that consistently raises the profile of the Trust's work

- to work with key Stakeholders to ensure plans for development and management of Oamaru's heritage assets are optimised.

how do they do it?

Redevelopment of the Historic Buildings

Most of the sixteen OWCT owned buildings were built during the period 1865 – 1885 and are today New Zealand's most complete streetscape of Victorian commercial buildings. The buildings are constructed of locally quarried limestone. The easily carved stone lent itself perfectly to the creation of the elaborate neo classical style that was favoured by the clients of Thomas Forrester, Oamaru's busiest architect at the time,

The Trust is fortunate that there are stone masons in Oamaru today who have the skills to restore the buildings to their former grandeur. Victorian themed businesses that have been attracted as tenants to the restored buildings include art and design galleries featuring the work of local artists and craftspeople, shops selling antiques, collectables and books, museums and historic displays as well as tea shops and eateries. Steampunk, a quirky and fun genre of science fiction that features steam-powered technology with creations often set in an alternate version of 19th century Victorian England, is a particularly fascinating attraction, housed on the edge of Oamaru's Victorian Precinct . The Board aims to attract quality tenants that will ensure financial viability in the long term.

Not all buildings in the Victorian precinct are owned by the Trust. However the businesses in these buildings tend to be traditional - so a working foundry, a jam factory, soap manufacturing and a brewery co-exist beautifully with Trust tenants.

Most recently, a report by the Royal Commission of Inquiry into the Canterbury Earthquakes has recommended changes in building standards which are being considered by the government. It is possible that some of the renovated buildings will measure up to the new standards after previous strengthening work, but further restoration work will be needed to bring some of the buildings up to a higher standard of earthquake resilience, and this will have significant cost implications for OWCT.

The Victorian Fete

Volunteers organise annual events which attract thousands of visitors to Oamaru each year. The Victorian Fete is a family day held in November that recreates an authentic Victorian Fete with market stalls, traditional craft demonstrations, Victorian costume displays, street performers, penny farthings and various competitions. The outcomes of the fete are both financial (it is a Trust fund raiser) and social, in that it brings the community together to celebrate, as well as attracting tourists to the area.

The Oamaru Victorian Heritage Celebrations are a week in November when Oamaru celebrates its heritage and has much fun doing so. During this time local people and visitors get to experience the sights, sounds, tastes, and activities of a bygone era. Each year the celebration has a theme - for example, in 2012, the theme was Charles Dickens; the 2013 theme is Explorers and Adventurers. The Victorian Fete, the grand finale to the Heritage celebrations, is organised by the OWCT. The week long heritage celebrations emerged as an outcome of the Victorian Fete, but are now run independently of OWCT.

The Victorian Wardrobe

The Victorian Wardrobe is a collection of replica Victorian costumes that are for hire for Victorian themed events and festivals, locally and elsewhere in New Zealand. From

modest beginnings, the wardrobe grew rapidly and possibly contains the largest and finest collection of Victorian styled replica clothing anywhere in New Zealand. The collection includes garments in all sizes and for all occasions, as well as all the necessary accessories to complete the 'look'. Volunteers dress in Victorian costumes to greet and entertain tourists, and this helps to create an authentic Victorian experience. The Victorian Wardrobe is very important for OWCT, both as a revenue stream and for the overall visual impact Victorian costumes make on an occasion.

The Victorian Town at Work theme for Victorian Oamaru has seen the recreation of many traditional crafts and pastimes of the 1880s, so it isn't unusual to see a penny farthing on the street, or a coracle being paddled in the harbour or a Victorian gentleman doffing his hat as a lady passes by.

The Victorian Times

The Victorian Times is a quarterly newsletter that is written and distributed to OWCT members. The newsletter keeps members informed about the work of the Trust including upcoming events and new restoration projects.

Victorian Precinct as a Film Location

As arguably New Zealand's best-preserved historic town, with an intact Victorian streetscape in its historic precinct, Oamaru frequently serves as a filming location for local and overseas production crews. In the last year, a Smirnoff commercial and a Holden commercial have been filmed there. The precinct also provided the film location for Victorian London scenes shot for the upcoming film, Mr Pip.

Filming in the Victorian Precinct does create a tension as the area is also a working street with real businesses that need to earn real income, so the relationships with tenant businesses and the timing of filming need to be carefully managed.

Tourist Bus Tours

OWCT has a contract with Grand Pacific Coach Tours to bring visitors to Oamaru between the months of October and April each year. In the last year 100 tourist buses visited Oamaru. The tourists are greeted by volunteer ambassadors, dressed in Victorian costume, and are taken on a tour of the highlights in the Victorian Precinct. The income from the bus tours contributes towards volunteer expenses.

Sources of Income

In the last financial year, OWCT derived 85% of income from rents, 10% from grants and donations and 5% from membership. OWCT is currently reconfiguring some of the larger spaces in the buildings to make them more fit for purpose and to create more income from rents. OWCT also receives income from the Victorian Fete, Tours, the Victorian Wardrobe hireage and being a film location.

Distribution of Surpluses

Rental income usually covers operational costs for the organisation. Much of the restoration work is carried out through grants. Any surpluses from trading activities are reinvested in development of projects or building the capacity of the organisation. A current focus is resourcing of a marketing role.

Marketing

OWCT has recently created a marketing role within the organisation. This person works closely with Tourism Waitaki and other tourist operators in the district to help to promote the Victorian Precinct. The Victorian Precinct is a working street. It is not gated and there is no admission fee. The Trust has taken a leadership role to market the Victorian Precinct and with contributions from the various businesses that operate in the precinct it can be marketed to tourist operators and visitors.

 OWCT recently partnered with other tourist businesses to promote Oamaru at a Trade Show.   The Victorian Times and the website help to promote the work of OWCT, and Facebook is increasingly becoming a daily news update source for precinct followers.

Contracts and Service Agreements

OWCT does not have any contracts with central or local government. They have a positive relationship with the local council who have provided a loan, but it is not a contract for services. OWCT has a contract with Grand Pacific tours to bring tourist buses to visit the Victorian Precinct.

Assets

OWCT is a CED initiative that has an asset base of over $3 million (the historic buildings),

as a fundamental part of its operations. The local council understands the benefits of the historic buildings being owned by a charitable trust. This means that the Trust can apply for grants to restore these valuable heritage buildings, and also use them as a foundation to develop trading opportunities. So Council has come to the party with a loan with favourable conditions. It is in the best interests of Waitaki Council to work in partnership with OWCT, due to the significant impact OWCT has had on revitalising Oamaru, and building the local economy.

New earthquake strengthening legislation that is in process is a concern. OWCT has carried out some strengthening work and is also making detailed assessments of the buildings. This will reveal what needs to be done to bring all the buildings up to the required standards. OWCT made a submission to the Canterbury Earthquake Recovery Authority, saying that they needed a longer time frame to make the repairs. A number of the buildings are Category One Heritage buildings so it is possible to apply for grants for restoration work for these. OWCT no longer has natural disaster insurance, as since the Canterbury earthquakes, the cost has become unaffordable. OWCT has made a decision to put these resources into strengthening the buildings.

who is helping?

Community Linkages

OWTC is closely linked to many community organisations and schools in Oamaru. They also have close relationships with the Waitaki District Council and Tourism Waitaki

External Linkages

OWCT has a mutually beneficial relationship with the New Zealand Historic Places Trust.

Sources of Investment

The Waitaki Council have provided a loan facility of $500,000. Interest payments have been deferred until they amount to $60,000 – and that interest will not be charged. OWCT has also received many grants for building restoration and redevelopment. They were fortunate in receiving bequests and some major donations from organisations with similar values. The fact that the Trust is nearly 25 years old means that it now has a reputation for getting work done which in turn gives funders confidence.

how are they doing?

Overall Performance

The fact that the Trust now owns and manages sixteen buildings is evidence that it has made significant progress in achieving its aims and objectives. Today, OWCT continues to work to preserve and promote historic Oamaru's Victorian Precinct, attract quality tenant businesses and develop an annual events programme to make Oamaru the creative tourist hub it is today. OWCT has accomplished so much on a very small staff base. All of their buildings are filled with quality tenants, and new businesses are consistently being attracted to Oamaru. For example, the Scott's Brewery is currently relocating to Oamaru. The arrival of Steampunk Headquarters has added another dimension to the precinct, attracting the younger generation and international interest.

The success of the Victorian Precinct has led to the Council investing in an upgrade to the adjacent harbour and foreshore, where a Farmers Market is held every Sunday. OWCT does not coordinate this, but it is fair to say that much of the revitalisation of Oamaru would not have happened if OWCT had not got the ball rolling with the re-development of the Victorian Precinct. The fact that 80% of OWCT income is derived from trading activity (mainly rentals) means that they are relatively independent in financial terms. Having significant assets (buildings and land) provides a solid foundation for the Trust. However there is a downside to owning old buildings due to the high maintenance costs and compliance with new earthquake regulations, and this may be a challenge in the future. OWCT's CEO says that the finances continue to require very careful management. OWCT was the Supreme Winner in the Trust Power Community Awards for their success in attracting and maintaining a team of committed volunteers. Volunteer energy has been a significant factor in the success of OWCT and the revitalisation of the town.

Success Factors

OWCT identifies success factors as: determined and persistent leadership; attracting the right team of resourceful and resilient people who know their community well; having a shared vision that has community ownership; being prepared to take calculated risks; and having access to relevant mentoring and support at the right time.

How is Success Measured?

Success is measured quantitatively through visitor numbers, numbers of new businesses attracted, and community and tourist participation in the various events. Impact is also measured informally through community

feedback. OWCT is relatively unique as a community economic development initiative that leverages on heritage buildings, so comparisons are few, but OWCT does informally look to art deco town, Napier, for benchmarking purposes. OWCT would like to carry out more consistent measurement of outcomes and impact. The OWCT Manager says that there is much that they could measure, but the reality is that it would require precious resources that are needed for operations and building restoration work. She says that there are a number of simple indicators that show they are on the right track, without involving complex systems to be established.

performance against hypothesised attributes

1. *Creating a strong and effective governance body.*
OWCT has consistently had a hands on and committed governance body with a good mix of both business and community skills.

2. *Building close linkages to other complementary CED initiatives.*
OWCT is relatively unique in terms of the nature of their community economic development. They are well connected to key stakeholders within their local community, but do not have much contact with other CED initiatives or social enterprises.   This is partly due to regional isolation, a small staff base, and the lack of a CED support group in the area. Exchanging best practice with other CED initiatives could be helpful in the future.

3. *Delivering core services in partnership with service users, funders and purchasing organisations, rather than at arm's length.*
OWCT works closely with its tenant businesses, and is closely linked to the Oamaru community and the Waitaki Council. Council appoints three of the eight trustees on the governing body.

4. *Establishing a future-oriented internal culture.*
OWCT has had a strong vision from the outset, and that has been revisited and updated in recent times. A future issue for OWCT could be reliance on international tourists as peak oil progresses and oil prices continue to rise. The OWCT Manager says that they are aware of this and are increasingly looking to a more local market, from New Zealand and Australia.

5. *Establishing a consistent system of quadruple bottom line impact assessment.*
Financial management and measures are well established, but tools to measure cultural, social and environmental impacts are not. This is something that OWCT would like to explore more in the future.

where to from here?

Main Challenges and Lessons Learned

A challenge has been consistently walking a financial tightrope due to a general lack of resources, both human and financial. This has meant that at times the key people are very busy. Another challenge has been the high cost of restoring old buildings, especially under new building regulations since the Canterbury earthquakes. A current challenge is that the sixteen buildings are now fully occupied, so the question arises of what next in terms of on-going developments.

Everything takes more time than initially estimated. Everything costs more than is initially estimated.

It is so important to have people around the table with strong commercial skills and understandings, as well as people with cultural and social expertise. It is important to bring the local community along with developments and include local people as much as possible. Good relationships with key stakeholders are invaluable.

Future Plans

OWCT is very committed to maintain all that has been established – the buildings, the events, the wardrobe etc. They would like to reconfigure some of the larger spaces to make them more fit for purpose. For example, one building needs a lift installed to make it accessible. The final report on earthquake strengthening will have a significant financial impact, so the Trust is carrying out detailed seismic assessments of its buildings so that it is aware of its obligations in that area. It would help OWCT if the Canterbury Earthquake Recovery Authority would respond positively to the OWCT submission to be granted a longer time frame to carry out the required strengthening of buildings.

ced research case study 5

project lyttelton

a snapshot of project lyttelton (pl)

Full name	Project Lyttelton Incorporated Society
Social Entrepreneurship	Project Lyttelton (PL) is a community led organisation committed to building a sustainable, connected and vibrant community with a living future.
How this is achieved?	Through: - creating opportunities for people to come together to share information and skills - initiating and managing projects including supporting local food production and meeting energy needs through innovative community-based solutions - building an alternative local economy utilising community exchange and cooperative initiatives e.g.the TimeBank.
Legal entity and Structure	PL is an Incorporated Society that umbrellas several initiatives, each with an advisory group. The PL Manager links to all projects.
Scale of operations	PL has 15 part time paid staff and a large but fluctuating group of volunteers. PL has an annual turnover of $342,000 and assets worth $229,000. PL has a wide reach through a number of projects and enterprises.
Surplus	PL takes a broad view of "profit", with social and environmental profit being more important than "money". Some enterprises make financial surpluses that are cross subsidised to support other projects. PL's priority is to develop a resilient, alternative, local economy that is increasingly independent of the mainstream money system.
Who benefits?	PL has an extensive reach into Lyttelton – the whole community benefits from the various initiatives. PL is also seen nationally as a model for community resilience, so potentially all of New Zealand benefits.
Website	www.lyttelton.net.nz

who are they and what do they do?

Lyttelton, a township in the Lyttelton Harbour Basin, Banks Peninsula, is the historic port town of Christchurch. Still a working port, the town is separated from Christchurch by the Port Hills and access to the city is via road and rail tunnels. There are 3000 plus people permanently based in Lyttelton.

In 1994 a committee was formed under the banner of Project Port Lyttelton, to address the Main Street Project with a focus on honouring Lyttelton's rich history and heritage. In 2003 the project came under new leadership and forged a new focus - from honouring the past to co-creating a sustainable future.

Today, PL is harnessing the power of community and creating a connected, participative local economy, through projects as varied as TimeBanking, a Farmers Market, a Harbour Resilience project, a monthly newspaper, community garage sales, four seasonal festivals, a library that lends community resilience resources, community gardening and local food production. Through these many activities, PL has made a significant contribution to the social, economic, recreational and environmental wellbeing of the Lyttelton community.

Legal Entity and Governance

As an Incorporated Society, Project Lyttelton is a membership organisation with a democratic structure. The board of trustees has executive roles as required by law, but these positions are not indicative of a hierarchal mind-set within the organisation - PL operates as a flat organisational structure. Decisions are made as cooperatively and consensually as possible. Chairperson, Margaret Jefferies, says "Gone are the days where someone can sit up on a top seat dreaming up fabulous ideas and pass them on out to the minions to do –it doesn't work like that. PL is made up of a whole lot of different people but it's more than the sum of the parts. All of those people are excited and passionate about things. So as a group it attracts other people like that into it."

Premises

The Portal is the PL community building which is situated next to the community garden. The building is leased for a peppercorn rental from Christchurch City Council. The lease arrangement is for a five year period, with a five year right of renewal. The building is on two levels. The top floor houses the Project Lyttelton office, kitchen, toilets and large meeting space. The lower floor has become a venue for the regular community run garage sales. Having an office for Project Lyttelton makes all projects run more smoothly and efficiently. The TimeBank is now run out of the Lyttelton Information Centre in the town centre, where there is plenty of passing foot traffic.

Scale of Operations

PL has 15 part time paid staff, and has access to more than 100 volunteers. PL manages an annual revenue base of $342,000. This revenue does not include the significant social value created through the various initiatives - for example, the many hours a week that are contributed and exchanged through the TimeBank. True to its community development ethos, PL has been the catalyst for some initiatives that now sit outside the PL structure, but remain closely linked. PL does not intend to scale up – they are philosophically committed to small, local development rather than large scale growth.

where have they come from?

PL was established in 1994 to honour Port Lyttelton's rich heritage. In 2003, the direction of Project Port Lyttelton changed significantly from honouring the past, to creating a collective vision of the future, and the organisation was renamed Project Lyttelton. A change of leadership at this time was pivotal and began to define a change of process in the organisation to a more collaborative, co-creative model. The introduction of creative community engagement processes, more opportunities to participate, and an inclusive, informal way of working have attracted wider participation.

This diverse range of projects initiated by PL reflects the needs and interests of the Lyttelton community and has also captured the interest of external organisations, agencies and communities. Project Lyttelton is seen to be a national leader in community led development and community resilience through the multiple initiatives that are connecting people and helping to develop a sustainable local economy. The Lyttelton TimeBank is of particular significance. PL started the first TimeBank in New Zealand, and has since initiated TimeBank Aotearoa, to help other communities to start their own TimeBanks. There is an explanation of how a TimeBank works later in this case study.

Lyttelton was badly hit by the recent Canterbury earthquakes The community cohesion that was developed prior to the quakes as a result of the many PL projects, made Lyttelton relatively resilient in the face of this disaster. The longer term impact of the earthquakes for PL has been increased needs in the community and the loss of many volunteers - as most people have had more immediate household related concerns. This

has resulted in PL employing more people to do the work that was being done by volunteers in the past.

why do they do it?

PL is intent upon developing an alternative local economy that is resilient against present and future impacts of the volatile global economy, the effects of resource depletion and climate change.

PL is a values-based organisation. Its values define both how people are treated within PL, and also how the organisation communicates more widely. PL's core values are honesty, decency, kindness, openness and trustworthiness. The values-based approach is inclusive and participative – recognising that all people have intrinsic value.

> *The PL collective vision is:*
> *"Lyttelton portal to Canterbury's historic past, a vibrant sustainable community, creating a living future."*

This statement underpins all of PL's activities. The whole community was invited to the visioning process to develop this vision. The vision statement was not finalised until all participants agreed that it completely captured what was important to them. A clear shared vision has meant that when ideas and opportunities emerge that align with this vision, PL is able to move quickly to begin identifying the people and resources needed.

A key element to achieving sustainable outcomes is recognising the interconnectedness of things and how they relate to each other. PL frequently uses mind mapping as a visioning tool - it is a creative

visual way of working out how elements relate to a central theme giving a much wider perspective to an idea. While some projects are quite ambitious, and require seed investment to be sourced, others will start very simply, attracting what is needed as they grow. For a project to move ahead it must have a champion, who will be part of a collaborative team and supported by the wider organisation.

how do they do it?

Through a range of innovative initiatives including:

Lyttelton Farmers Market

PL runs Lyttelton's renowned Farmers Market where producers of local quality food and drink sell direct to the public. The Lyttelton Farmers Market is one of PL's most successful projects. It runs rain or shine and consistently attracts large crowds. The market is staffed by both staff and volunteers and PL earns a small income from stall fees that can be cross subsidised to other PL projects, including administration expenses.

Harbour Resilience Project

The Harbour Resilience Project is a major project that has attracted external investment and a working relationship with the Department of Internal Affairs. This has enabled a range of projects to be initiated that are helping to build community. They include a Harbour Co-op, research into composting, support for sustainable building, urban agriculture and a children's food growing initiative. Education courses in food growing are seen as an important part of developing community resilience.

Lyttelton Harbour Co-op

Lyttelton Harbour Co-opis part of the Harbour Resilience Project and an outcome of the PL Food Resilience Strategy. It was established in 2012 in order to purchase the local organic/wholefoods shop. The Harbour Co-op is a conduit for producers within the Harbour Basin, helping to keep the economy local. It was decided to set up the Co-op as a cooperative legal entity, so it is structurally independent of PL, although many of the same people are involved. The Co-op is now owned by over 170 local households and organisations. Setting up a co-op has been challenging, time consuming and costly. The development is still in process.

Lyttelton TimeBank

Lyttelton set up New Zealand's first TimeBank. TimeBanking is a way of trading skills in a community. It uses time, rather than money, as the measurement tool. Members of a TimeBank share their skills with other members within the community and are given time credits for the work they do. The key driver in the TimeBanking concept is reciprocity which recognises that every person has intrinsic value and something to offer. In a TimeBank everybody's time is of equal value. With the

credits they gain, each member can "buy" someone else's time, and get the service they need. Strong relationships are built through the helping each other, rather than dealing with professionals that people may never meet again. The TimeBank proved to be invaluable after Lyttelton was badly affected by the Christchurch earthquake, and residents knew where to go for help and support within their own community.

The Festivals

Lyttelton's four annual festivals draw thousands of people to the township each year. These events provide opportunities for local groups to fundraise and also raise the profile of local businesses, musicians and artists. Lyttelton is becoming very well-known nationwide for a high quality alternative music scene e.g. The Eastern, Delaney Davidson, Marlon Williams etc. The Summer Street Party, the Festival of Lights, the Festival of Walking and the Harvest Festival are all opportunities for Lyttelton people to celebrate their community and collective efforts – and showcase them to the wider community. Prior to the earthquakes the festivals were mainly run by volunteers, but PL has recently employed a Festival Coordinator. The festival events sometimes make small surpluses that can be used to support other PL projects. They also attract sponsorship from the council and various other sources.
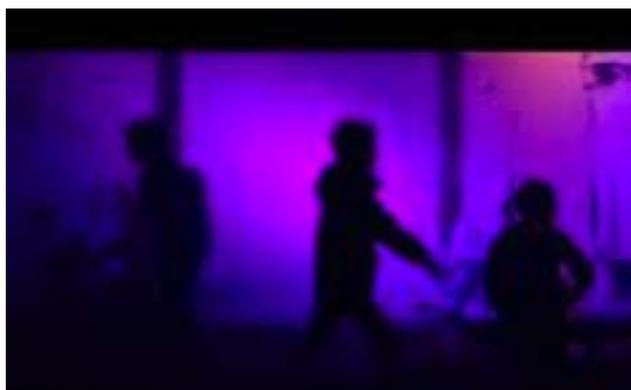
Lyttelton Community Garden

The Lyttelton Community Garden is a place for local residents to grow food, socialise and learn about food growing. The garden is run on organic principles and works on a sweat equity system. That is, people are rewarded with produce in proportion to the amount of time that they have spent gardening.

Local Life - Long Learning

When the government withdrew support for Adult Education, PL was able to maintain many courses, utilising the TimeBank as a way of keeping it going. Tutors can be paid with TimeBank hours and students can pay in the same way. This is a great example of community resilience – growing local capacity in a time of government cutbacks.

LIFT Library

The LIFT Library is a project that has been developed in partnership with the Living Economies Trust. The library, that includes books from Living Economies and other sources, offers over three hundred books for lending to local people. Topics include sustainable economics, the Transition Towns movement, alternative currencies, environmental sustainability and community development. LIFT also organises free film evenings on these topics. The LIFT Library is led by a volunteer champion and supported by a voluntary Advisory Group.

Community Garage Sales

PL provides support for the regular garage sales - that are run by PL two weeks of every month and offered to various other community organisations to run as a fund raiser the other two weeks of the month. The garage sales earn around $600 a week, so provide significant financial benefit for PL and the many community groups in Lyttelton.

Welcoming New Residents

PL welcomes new residents with a welcome pack that includes a hand-made reusable shopping bag containing a map, bus timetables, information about the community garden and the TimeBank, and some home baking, that is made by TimeBank members.

Lyttelton Savings Pool

PL provided fertile ground for the Lyttelton savings pool to be initiated in 2010. Many of the same people involved in PL are also involved in the savings pool, but it is positioned in an independent legal structure for risk management purposes. A savings pool works to pool a group's funds to create a common reservoir - and then members take turns to make major purchases. Interest-free contributions earn members interest-free funding, thus avoiding the large sums of interest paid to banks in the conventional finance system. The savings pool responds to the notion that most communities operate financially as "leaky buckets", in that much of people's wealth is removed to bolster the coffers of external businesses and international bankers. The savings pool is helping Lyttelton's local economy to operate as a "bowl" rather than a "sieve".

Sources of Income

PL considers that developing earned income (as opposed to grant income) is of significant importance. Currently PL sources of income are 15% from trading activity, 21% from contracts, 9% from sponsorship and 55% from grants and donations. PL intends to develop more trading activities to help them to achieve their ambitions, as outlined in the final section of the case study. PL is not opposed to taking grants and the Chairperson says that she likes working with the philanthropic

sector because they generally keep things simple, are empathetic and walk alongside the organisation, rather than being overly directive.

A relative lack of monetary income from trading to date does not appear to have stopped progress – largely due to the extensive contribution of "in kind" time and energy by local people. The TimeBank is transforming the traditional idea of volunteering to a system based on reciprocity – enabling both giving and receiving. This responds to the potential problem of burn out, as people are able to receive as well as give. However, access to more earned income of mainstream money through community enterprises could have helped with PL's financial sustainability and/or made possible the development of more community owned assets.

Contracts and Service Agreements

PL has a contract with Department of Internal Affairs (DIA) to "deliver" the Harbour Resilience Project. PL prefers to view the relationship with DIA as a partnership, rather than being a mere deliverer of services for government. This is consistent with PL's innovative approach and concern to maintain their independence and integrity. They would like to demonstrate a change in the culture around government-community relationships, in which the government tends to call the tune and the community jumps.   PL would be interested in a similar partnering relationship with the Christchurch City Council. At present the Council supports PL, through providing a venue on a peppercorn rental arrangement, and they also support the Winter Festival. In recent times the council has understandably been diverted to dealing with the earthquake response. The PL Chairperson would like continuing an on-going relationship that is increasingly based on mutuality and innovation, to be developed with the Christchurch City

Council. PL cites local and social procurement development by councils and government as being extremely important for the community sector, especially in terms of the criteria for selection of suppliers being weighted for local outcomes thereby enabling more services to be delivered at a local level.

Distribution of Surpluses

Monetary surpluses from the various PL projects have been relatively small to date; some initiatives (e.g. the Farmers Market and the festivals) make a small profit. Any surpluses are cross subsidised to other social and/or environmental initiatives in the PL group. PL people tend to be suspicious of mainstream business concepts and jargon - like "profit". However this has changed to some extent since a key member attended a Social Enterprise Training Institute course, and she now encourages members to increasingly view development opportunities through a social enterprise lens, asking the question, how can this initiative be financially self-sustaining? PL consciously has as little to do with the mainstream financial system as possible, (e.g. PL is opposed to taking bank loans, as they are philosophically opposed to a debt based money system that they view as driving unfettered growth, environmental degradation and social inequity). As social enterprise does operate within the mainstream economic paradigm, the question arises that developing more social enterprises alongside alternative financial systems could create conflict within PL.

Marketing

The main marketing tool for PL is the Lyttelton News, a monthly newspaper that uses anAppreciative Inquiry approach focusing on the good news stories of the community. It contains interviews with people from all walks

of life about what is important to them and tells their stories. Ideas are seeded and issues that affect the community are discussed. The Lyttelton News promotes local events and opportunities to have a say or get involved. It also includes content by schools, children, local historians and enthusiastic volunteer writers. The Lyttelton News Is delivered as a monthly supplement in the free fortnightly newspaper, the Akaroa Mail.

A vital part of PL's on-going communications strategy, is the website www.lyttelton.net.nz that enables PL to have greater connection with their local community and wider afield. The site receives many visitors and hosts information pages for all projects and events, blogs and project reporting. PL also uses Facebook for communication and marketing purposes.

who is helping?

Community Linkages

PL is focused on developing a connected community – so networks within Lyttelton are very well developed and maintained through the many PL community led projects and initiatives. These include the schools, Lyttelton Community House. Lyttelton Information Centre, Lyttelton Business Association, the Harbour Co-op, St Johns, Lyttelton Health Centre, Lyttelton Kindergarten and early childhood centres, the Harbour Issues Group, the Rapaki Marae, the local carving centre and community organisations in the various neighbouring harbours. TimeBanking has been particularly useful in creating community linkages.

External Linkages

PL is also well connected both regionally and nationally. Key external linkages are the Christchurch City Council, the Canterbury Earthquake Recovery Authority, Christchurch Polytechnic, University of Canterbury, Lincoln University and Soil and Health Canterbury, PL also has significant national relationships including Port Waikato (who were very supportive post-earthquake), TimeBank Waitaki, TimeBank Wanaka and Transition Towns – both in New Zealand and the UK.

PL is seen externally as a model of community resilience and has strong links to national organisations such as Inspiring Communities, Living Economies and The CED Trust. It also has positive relationships with a range of funders, both regional and national. PL initiated TimeBank Aotearoa, a national network of TimeBanks that has enabled cross fertilisation around the country in TimeBanking practices.

Sources of Investment

The main monetary source of investment to date has been funds from philanthropic organisations. There has also been significant self-funding and in-kind contribution from hundreds of local people. The Harbour Co-op has found investment through an innovative community shares approach. This has involved multi-stakeholders and the development of a prospectus for each stakeholder group, householders, producers and workers. The model is considered to be transformational rather than transactional –with an emphasis on fair pricing for all stakeholders, rather than aiming for the highest price possible. This model is unique in New Zealand to date – and is still in development.

The local Council also contributes in kind investment in the form of peppercorn rent for premises. This arrangement works well for PL. They would like to own a building at some stage, but it would need to be a low maintenance and demonstrate sustainable building practices. In terms of investment for projects, PL people say that it is not always about the money andthat the important thing is getting the idea right and gaining community participation and a champion to take it forward. When this is in place, the investment is usually found.

how are they doing?

Overall Performance

PL consistently stays true to its core values and the community generated vision in all that it does. PL is a demonstration of "Asset Based Community Development" (ABCD) – a way of working in which a community builds on strengths, rather than responding to perceived "problems". Central to PL's success is a commitment to valuing people and recognising that a community is rich with ideas, skills and talents. Every person and every voice is important. Ideas are encouraged and people are supported to make things happen. Through the wide engagement of local people in such a diverse range of initiatives, PL is demonstrating that the ABCD approach works well.

PL is using innovative ways to develop a local economy in order to maintain and grow wealth within its community. So for PL, it is not about measuring profits. There is a much wider agenda unfolding here - the development of an alternative economy to support community resilience.

Earthquake Response

This period was a really tough time, and Lyttelton demonstrated its resilience by responding to the dire challenges in a co-operative way, with local people sharing time, energy and resources to support one another. The Lyttelton TimeBank came to the fore at this time, as the web of interactions and relationships enabled ready identification of the location of both people and skills within the community to help and support one another. Some quick thinking from Project Lyttelton saw an appeal for funds through a PayPal fundraising button that was added to the PL website, and attracted generous donations that have since been distributed by the PL Earthquake Community Fund Team.

How is Success Measured?

PL received Lotteries Community Sector Research funding in 2010 to learn how to evaluate and measure, and subsequently worked in partnership with an independent research company which specialises in evaluation. The aim was to learn how to measure performance – and to be able to teach others in the future. The process was slower than anticipated as the earthquakes intervened. PL also didn't always fit the existing evaluation framework, and that made the process challenging for all involved. However, this project has enabled PL to assess organisational capacity and progress in meeting the needs of the community, make improvements to their work, and to assess and report on the community outcomes resulting from their various projects.

However PL found that the available methods could not measure some of the things they value most highly –such as the fundamental PL ethos that embraces compassion and creating a culture of possibility.

Indeed Margaret believes that attempts to do so could potentially contaminate the ethos. PL see telling their stories as an important way of demonstrating their success - sharing what has worked, what the challenges have been and how they have responded to them.

performance against hypothesised attributes

The propositions that emerged from the interview phase of the research project indicated that there may be five key attributes that successful CED initiatives would be expected to demonstrate. They are:

1. *Creating strong and effective governance*. PL governance is strong and effective. It is inclusive rather than being representative of specific groups in the community. It is not so much about representation as engagement and community involvement. To attract people with the necessary competencies, PL's approach to finding the right people, both for governance and other roles, is to build on the strengths of local people. So they generally identify people's skills and passions, and expand or modify the positions to suit. The PL Chair says that this has been successful as it keeps people energised and feeling valued. She says that it is important to have people with the skills needed, but the PL approach is usually to grow or train people into the role. However there have been exceptions and PL has taken a more skills based approach in selecting trustees when the situation has required specific skills.

2. *Building close linkages to other complementary CED initiatives.* PL is well connected to other CED initiatives. This is a significant strength.

The challenging aspect for PL is that to some extent they are leading the way in New Zealand, not in terms of social enterprise development, but certainly in terms of developing an alternative local economy based on reciprocity, so they often offer peer support to others in these areas.

3. *Delivering goods and services in partnership with customers, service users and purchasing organisations, rather than at arm's length.* PL is certainly working closely with community members and service users of their various initiatives. It is largely a case of co-creation and this is a significant strength. When PL work with government agencies, they do not see themselves as a mere deliverer of services, but would like to shift that culture to involve a more equal partnering approach that develops innovative solutions to community needs.

4. *Establishing a future-oriented internal culture.* PL demonstrates a very future oriented culture. They are clearly looking towards the future impact of global economic meltdown, resource depletion and climate change on their community, and intentionally building resilience for the future in innovative ways.

5. *Establishing a consistent system of quadruple bottom line impact assessment.* PL has been fortunate to gain professional support in this area. The issue for PL, as it is for all CED initiatives, is that current evaluation methods do not always fit organisations with a strong community led ethos; and methods for measuring social impact and community cohesion are relatively new and emergent.

where to from here?

Main Challenges and Lessons Learned

A key learning from PL is the power of community – that what they can do collectively is often under estimated. PL has also learned to get the idea right first – then work through how to resource it. PL has accepted that sometimes working in an organic and unplanned manner is fine, as long as there is alignment with core values and shared vision. Another lesson has been the importance of encouraging confidence, believing it will happen – shifting mind-sets about what is possible.

There have also been lessons learned around working with so many volunteers. Understanding that working with volunteers can involve a fast changing workforce –"sometimes you have them and sometimes you don't", and there is not the control that exists with paid staff. PL has found job sharing to be a good way to run projects – because if one person moves on, all the knowledge and expertise is not lost.

The challenges identified by Project Lyttelton are mainly in the external climate. Currently earthquakes are top of the list. Through PL's various activities, Lyttelton "took the aspirin before the event" -and a well organised community responded quickly by supporting one another, keeping spirits up and starting to rebuild. This was a major lesson in resilience.

PL cited some legislative issues that are challenging. For example, the TimeBank is limited by IRD - as people cannot trade in the area that is their main income earner, and that is an impediment to growth. PL have also found that legislation around establishing a cooperative is geared to large scale cooperatives, and it is very time consuming

and costly to establish a cooperative on a local community basis.

PL cites going to CED Conferences as a catalyst for shifting their thinking from relying on grants to more innovative ways of creating income. PL says that these peer sharing opportunities are crucial and that theCED space requires leadership at both national and regional levels. This will help grow awareness, cross fertilise ideas and innovative practice between communities, as well as providing collective advocacy to policy makers.

Future Possibilities

Exploring further social enterprise opportunities is a direction that PL intends to take to enable them to achieve their many ambitions. These include:

- Urban agriculture - growing fresh salad greens for the Harbour Co-op and local restaurants. This would really bring the 'food sustainability' theme to people's consciousness

- Owning a mobile kitchen, which would be rented out to schools, restaurants and provide breakfasts at the Farmers Market

- Development of the Farmers Market that is now operating from a larger site on the main street. It is generating more income as it now has space to expand

- Establishing a space on the main street to sell clothes from the top end of the market (that are currently sold at the garage sale)

- A longer term possibility is to build affordable housing in conjunction with creating a community facility on the main street with rental space available

taranaki arts festival trust (taft)

snapshot of taranaki arts festival trust

Full name	The Taranaki Arts Festival Trust (TAFT)
Purpose	To promote arts and culture in the Taranaki area
How this is achieved	Through the organisation of five arts and festival events and management of a performing arts venue
Legal entity and Structure	An umbrella charitable trust is linked to five subsidiary charitable trusts
Scale of operations	TAFT has an annual turnover of 2.3 million and employs over 100 people, most are volunteers
Profits?	Profits are reinvested in the growth of the enterprise
Who benefits?	The whole New Plymouth community and the many visitors
Website	www.taft.co.nz

who are they and what do they do?

Taranaki Arts Festival Trust (TAFT) was founded in New Plymouth (Taranaki province of New Zealand) in 1991, and has operated as an events and festival organiser in an unbroken line of succession for the past 22 years. In 2013, it is best represented as an umbrella organisation that provides governance and management functions to six contributing activities:

• Delivery of the New Zealand leg of the global three day World of Music, Arts and Dance (WOMAD) festival in late summer each year

• Delivery of the two week Taranaki International Festival of the Arts, held bi-annually in mid-winter

• Delivery of the three day Right Royal Cabaret Festival, held in alternate years to the Festival of the Arts

• Delivery of the ten day Powerco Taranaki Garden Spectacular in springtime of each year

• Delivery of the one day "Tropfest" outdoor festival of short films, held annually in mid-summer

• Management of the city of New Plymouth's premier performing arts venue, the TSB Showplace, which includes two live performance theatres and a compact convention centre

TAFT is established as a charitable trust under New Zealand's organisational legislation, and this status extends out to the five subsidiary festivals, each of which maintains its own separate legal identity. TAFT's strategic direction is determined by a seven person volunteer management board, who also supply governance oversight for each of the five contributing festivals, though governance arrangements for WOMAD are strengthened by the addition of two WOMAD (United Kingdom) appointees to the governance body.

Operational management for all six activities is undertaken by a small team of salaried front line staff, and this has been necessary to support the significant levels of growth that TAFT has experienced over the past 22 years. At the time of writing, the Trust's team of permanent staff is assisted by a core group of 8-10 "key helpers", who have a paid responsibility to mobilise a substantial volunteer force to assist with each event as it occurs. In the case of WOMAD, that force can exceed 400 people, many of whom have been consistent participants over a number of years.

TAFT is a strong candidate for classification as a sustainable social enterprise, with the major source of its income resulting from ticket sales to event attendees. It has also built and sustained a number of key commercial partnerships, with both national and international business organisations, and these commercial partners provide a level of support that is almost equal to that obtained from ticket sales. The revenue breakdown is as follows:

• Box Office – 44%

• Partnerships/Sponsorships – 39%

• Other income such as bars, merchandise, campgrounds - 10%

• New Plymouth District Council - 7%

It is however important to note that assets accumulation has not been a major part of its profile over the period of its operation,

and tangible assets are valued at less than $500,000. Further details of structure and profile can be seen at the TAFT website www.taft.co.nz.

where have they come from?

It is clearly possible to argue that the creation of the Trust in 1991 was an initiative designed to improve the cultural and recreational appeal of the region for the people who lived there, for at that time Taranaki owed its primary existence to a well-established dairy industry. Though dairying continues to flourish in 2013, Taranaki's image as a quiet and somewhat conservative rural area has been significantly impacted by the emergence of a substantial oil and gas industry in the two decades between 1991 and today. As a result, New Plymouth and its surrounds have been transformed into a vibrant and attractive place to live, with much to offer their residents, and TAFT has a major role to play in sustaining that profile.

Though originally established as an instrument of socio-cultural development in the region, the choice of charitable trust as a vehicle to achieve that objective was essentially dictated by quite commercially focused considerations. There are taxation advantages available to the "Trust" legal identity that extend into eligibility considerations for access to philanthropic funding, and in that sense one might observe that the principal driver behind the Trust's creation was pragmatic rather than overtly philosophical. This may in turn provide some explanation for the Trust's stated belief that it is an innovative social enterprise, with a rather stronger emphasis on "enterprise" than on "social". There is a complex pattern in place in terms of the existence of a parent trust in TAFT, plus subsidiary Trusts established in support of the five festivals, and it seems likely that

this cannot be justified on other than purely economic grounds.

It therefore becomes valid to ask whether the original motivation for the Trust's creation remains as powerful in 2013 as it was in 1991, and there is a strong argument to be advanced that this is in fact the case. Though the Trust's governance and management appear to have both feet firmly on the ground in terms of commercial competence, it could equally well be said that it is in fact doing more for its community than what is required by the provisions of the original trust deed. More festivals and events, offered at affordable pricing through subsidised ticket sales, means that a major social dividend is also obtained through the exposure of local residents to arts-based experiences that could not otherwise be presented in the region.

why do they do it?

It is evident that people at all levels of this organisation have chosen to associate with it for reasons other than pure economic reward. The majority of those people, including all of the management board and most of the front line workforce, are contributing on a volunteer basis, and this is what gives the organisation much of its character. It is also clear that there are substantial intrinsic rewards to be gained through association with an interesting, exciting and stimulating venture that can quickly dominate the lifestyles of those who choose to work with it. The passion that those people bring to the project is its biggest asset.

But there is a bigger picture to all of this, as the longer term outcomes of TAFT activities are now delivering the type of benefits that were envisaged at the date of original creation. The undoubted national-level success of each of the subsidiary festivals has generated an admirable increase in civic pride amongst the Taranaki community, while simultaneously challenging the common outsider perspective of the region as something of a rural backwater. This new pride in place is immediately apparent to even the most casual of observers. In addition, there is a substantial and measurable economic benefit to this form of regional development, as more and more corporate organisations begin to consider Taranaki as a viable option for their primary operations, and as an attractive option for staff seeking a better place to live and work. In those terms, therefore, it becomes vitally important to understand how the Trust goes about delivering its core products and services, and to assess the key successes and failures that have been experienced along the way.

how do they do it?

At a superficial level, it is possible to simply state that TAFT is a festival organiser and manager. But to subscribe to that definition is to seriously undervalue the extent of the Trust's involvement in the community life of Taranaki. It is intensively involved in a wide range of commercial and semi-commercial activities, including the production and delivery of both goods and services, the direct provision of goods and services to end users, the delivery of third party services under contract, and the rental or lease of facilities and equipment. In this sense, it is easy to see why there exists this apparent emphasis on the enterprise aspect of the social enterprise concept, albeit with an underlying motivation that is clearly socio-cultural in focus.

There is a well-developed understanding amongst management board members that the continued success of all of its festivals, and thus of TAFT itself, is predicated on the maintenance of positive working relationships with central government, local government, and private enterprise, and here it is possible to detect a potential degree of conflict. For example, though reprioritising the importance of social enterprise at central government level is a straightforward proposition to argue, this does not seem to be happening in New Zealand at present. In contrast, central government policy advice to local government tends to stress the virtues of concentrating on core services (roads, rates, and rubbish); to the virtual exclusion of any positive involvement in community development, and this is a clear and present danger in terms of TAFT's future sustainability. In this sense, there is a central government policy vacuum that the Trust needs to contend with on an on-going basis, and later sections of this review will address the extent to which they have been able to successfully do that.

At a local government level, there has been a history of positive support from previous administrations that now appears threatened by a more fiscally conservative regime, and an interesting outcome of that analysis is the presumption of private sector partnerships as the most promising future strategy. Much of what TAFT does has a natural affinity with the principles of corporate social responsibility, and Taranaki's lengthy association with the oil and gas industry has allowed the Trust to form mutually beneficial and long-standing relationships with partners from that industry. These relationships allow it access to high level commercial competence possessed by the partner, while also allowing the partner to demonstrate its broad-based commitment to the local community. Given that this is an industry that has more recently suffered from some negative media reports into its environmental performance, it seems reasonable to suppose that its member firms may well be enthusiastic partners in future initiatives aimed at enhanced community welfare.

At present however, the most important practical issue centres around the three major partnership arrangements in place that generate a major part of the Trust's total revenue. Welcome as this funding may be, it does not come without strings attached, for there is a commercial presumption by those commercial sponsors that their investment should be managed according to conventionally conservative principles of business management. This may not be the best answer for a relatively large scale community enterprise, and searching for a radically new and different business model may be preferable to a continued attempt to reconcile social motives with accepted business practices. This would imply a situation in which TAFT would assume a role as

Triple Bottom Line advocate in terms of those relationships and this is by no means beyond the bounds of possibility.

Nowhere are those social motives more clearly demonstrated than in the distribution of surpluses that are realised at the end of each event. At a strategic level, TAFT's role as a "master" Trust means that it sometimes finds itself applying a surplus from one event to underwrite a deficit in another. For example, any "new" event that is introduced into the TAFT calendar requires an extra marketing emphasis, aimed at acquainting the target audience with the nature, scope and scale of the new addition. Promoting an unknown quantity is always going to be more costly than reinforcing the appeal of a known brand, and it is therefore expected that each "new" event will inevitably show a first year financial loss. Having said that, each event is ultimately required to sustain itself on a stand-alone basis, and any first year financial support is better seen as an operational cash flow management tactic than as any implied practice of cross-subsidisation. TAFT treats this temporary re-allocation of surplus as an interest free loan from one event to another that does have to be subsequently repaid. However, as an over-riding principle that takes priority over just about all other distribution considerations, all surpluses are eventually applied to either reinvestment for future growth of the event concerned, or reinvestment in the ability of the organisation to deliver enhanced and expanded social outcomes.

who is helping?

One of the core elements of the social enterprise paradigm is the implied participation of a wide range of partner agencies, committed

organisations, and caring individuals, and TAFT is no different from the mainstream in that respect. Its volunteer workforce is the backbone of its continued survival and growth, and it is hugely reliant on that workforce for its ability to meet the expectations of all stakeholders. Yet there is some suggestion that TAFT's track record of successful event management has seen it develop a strongly independent streak in its operating practices. Although it is in the nature of what the Trust does that there is no trade association or other standards body to seek assistance from, TAFT concedes that there is an imperfect relationship with local government agencies operating in the region. Conversely, there is an extremely strong reliance on the joint and several experience and capability of board members, and there is correspondingly little evidence of horizontal co-operation with potentially useful community partners, such as the regional tertiary education institute.

Because TAFT places a great deal of reliance on the competence of its management board members, it can sometimes appear to be operating as something of a closed system "island" of activity. It is inordinately and justifiably proud of its track record of never having had to resort to claims on the public purse to ensure its continued existence, and this pride is reflected in an overtly independent operating model that is based on high levels of confidence in its internalised capability. Few if any of the traditional sources of development assistance have been engaged to date, though both WOMAD and the Powerco Garden Spectacular have been reviewed by external consultants, with a view to establishing the potential for further improvements to event management. Perhaps more importantly, the criticality of meeting agreed performance targets is reflected in a six year history of using the respected external reviewers Business and

Economic Research Limited (B.E.R.L.) to report on the triple bottom line impacts of the Trust's activities.

Despite these positive indicators, there are signs that The Trust's IT capability could benefit from an injection of outside assistance, as could its ability to objectively assess its own levels of success. Both of those issues, along with many others, could be effectively addressed by the preparation and adoption of a long-term strategy for the master Trust, and this is another area where external assistance might be welcome. Independence in this context is a laudable virtue, but there is at least equal virtue in recognising and accepting those situations where outside assistance would add an element of value that cannot readily be sourced from inside the organisation.

But one key positive here is that the Trust is financially independent of outside investment to any significant extent. So because there is no external shareholder who can influence the decision process, TAFT strategy is not subject to any personal agendas or individual motives. This may of course be no more than a symptom of conservative fiscal policies adopted by the management board, but it is important to note that there do not appear to be any desirable activities that are prevented from realisation by a lack of investment finance.

TAFT has in the past, and continues in the present, to benefit from welcome donations from both philanthropic foundations and individual donors, and one could readily argue that significant volunteer hours are a major investment in kind. For example, those individual homeowners who willingly throw open their private gardens to the general public each year should also be recognised as important sources of investment. In addition, the charitable status of TAFT's organisational structure does mean that it receives preferential

treatment from many suppliers, notably in the areas of premises rental and road transport fees – in many instances, these are best seen as sponsorship arrangements by which the sponsoring organisation receives tangible and intangible benefits of associating with the Trust.

how are they doing?

In the context of performance measurement, it is first of all relevant to note that there are some important result areas in which TAFT appears to be performing very well. Notable amongst these is consistent adherence to a well-publicised and widely supported vision that is values based and embraced by all stakeholders, an obvious and strongly innovative and entrepreneurial attitude towards new ideas and new things, effective strategic leadership from a committed and competent governance body, and a refreshingly positive attitude to the acceptance of calculated risk.

However, that appetite for risk seems to extend beyond reasonable boundaries, and into an area where individual management board members appear surprisingly willing to accept high levels of individualised risk exposure. A degree of personal risk is of course a simple fact of life for those who discharge a management board responsibility in New Zealand, but it would be unusual to find situations in the commercial world in which board members or directors would so readily

commit their personal assets to a project with such a pronounced public good ambition. It is apparent that any serious financial difficulty for TAFT would result in an equally serious flow-on effect in respect of financial embarrassment for management board members, and it was surprising that this "fact of life" was being allowed to pass on by with little or no challenge. There may be a case to be made here for an expanded role for central or local government - not necessarily as a funder of the TAFT events, but as an underwriter or guarantor of an organisation with a 20 year history of successful event management. As such, there may well be considerable value in further investigation of the extent to which both organisational and personal liability for the risks that attach to the TAFT festivals could be minimised or re-assigned.

Other than this quite significant concern, there appears to be no doubt that TAFT stands up well to scrutiny of its conventional business management principles. It is recognised as a highly competent generator of earned income, it is a sophisticated manager of its costs of operation, and it has an excellent track record of living within its budgets. As such, it consistently manages to deliver high quality festival experiences with a very low level of public sector funding support. In addition, it does follow a clear policy of tailoring its finances to enable delivery of what it feels is the right thing to do – rather than the regrettably common practice of planning to deliver according to the constraints of available funding. This focus on doing the right thing rather than doing things right is an essential element of delivering the type of socio-cultural outcomes that were envisaged in the Trust's foundation philosophy, and is clearly indicative of the type of balancing act that many social enterprises need to master.

It is perhaps a function of the strongly independent streak referred to earlier that TAFT does not appear to be overly concerned with the pursuit of philanthropic and benefactor funding. This may appear to be an unusual comment to make in the context of a case study review of a social enterprise, but the activities that TAFT promotes to its community have enormously high levels of donor appeal, and this could be capitalised on to a greater extent than is currently the case. Although it is conceded that donor income does not at all qualify as a sustainable revenue stream, it is nevertheless surprising to see the low priority attached to such a hotly contested source of income. It is perhaps a by-product of the Trust's commitment to enterprising activity that grant or donor funding is deprioritised in the overall operating model, but it is important to recognise that an ability to attract such funding does no harm at all to its overall pattern of commercial aspirations.

Any evaluation of success or otherwise, of any venture of any type, is dependent on the specific measures chosen as key success factors. In TAFT's case, there is an element of "horses for courses" about the measurement processes adopted, and this is arguably appropriate given the disparate aims of each festival. There are specific key performance indicators established for each festival each year, and a review of performance against those indicators provides a useful database of vital information to guide the management of the same event in subsequent years. An informal review of social benefits is incorporated into a triple bottom line post-event audit, and outcomes are benchmarked against previous years. There was however no evidence that those same results are assessed against comparable events that take place in other parts of the country, or indeed in other parts of the world.

The propositions that emerged from the interview phase of the current research project did of course indicate that there may be five key attributes that successful social enterprises would be expected to demonstrate. Each of those five attributes is reviewed below, in the context of impressions gained during the researcher's interactions with TAFT.

performance against hypothesised attributes

1. *Creating strong and effective governance*. This is one area in which it is clearly possible to see high levels of performance, and where those performance levels are then directly associated with the overall achievements of the organisation. Board members are selected for their particular areas of competence, and the current board can therefore draw on high level legal, financial, and policy expertise, coupled with a universal commitment to the Trust's social and societal objectives. The strength and commitment of this group of people was one of the strongest impressions gained during the review process.

2. *Building close linkages to other complementary CED initiatives*. In contrast, this did not seem to be something that played a major role in what the Trust does. Perhaps due to its provincial location, or perhaps due to the all but monopoly status it enjoys as Taranaki's premier event manager, there was little evidence to suggest that TAFT maintains any real level of commitment to relationship building with other social enterprises active in the area. As this type of network partnership can only be positive in terms of strengthening the Trust's community leadership positioning, this is one area that may repay further investigation.

3. *Delivering core services in partnership with service users and purchasing organisations, rather than at arms length.* Another possible reason for the lack of partnership with social enterprises may be the high level of commitment to managing relationships with commercial enterprises. Here, there is a very well developed understanding that commercial firms engage with community for reasons that are economic as well as altruistic, and TAFT goes to great lengths to ensure that its commercial partners are aware of, and satisfied with, the nature of benefits they receive through partnership participation. The Chief Executive estimates that fully 40% of her time is spent on relationship management with commercial partners, and it does seem as if this attention to partner needs is a cornerstone of the Trust's economic success.

4. *Establishing a future-oriented internal culture.* A strong governance body will inevitably impart a strong future focus to the strategies adopted by any organisation, and the situation at TAFT is no different. Despite their 22 year history, and despite the concept of "only being as good as your last event", TAFT is proactively optimistic about what they may be able to achieve in future years. Understanding that the surpluses of today are needed to create the foundations of tomorrow, the Board and Chief Executive are typically operating in a timeframe that sits well in advance of the particular event that is commanding the permanent staff team's attention at that time. At the time of this interview, one particular festival was scheduled to operate in three months time; but that event had already been consigned to history by the Board and CE, whose focus was very much on events that

were to take place in the following year's calendar.

5. *Establishing a consistent system of quadruple bottom line impact assessment*. More could be done in this area, for it could be argued that TAFT's highly effective focus on economic sustainability has led to a lesser degree of attention being paid to the measure of social, cultural and environmental success. The Trust would doubtless argue that the original purpose of being, that of creating and enhanced quality of life for Taranaki residents, remains paramount in its sights, and that this should be seen as another significant Board achievement – as a strength, rather than as the comparative weakness that is suggested in this review. But the critique here is not that TAFT does not pay enough attention to delivery of those non-economic benefits; the critique is that it could perhaps do more to measure the overall impact of what it has set out to do.

where to from here?

For TAFT, and for many organisations like it, there will always be an on-going issue with continuity of resourcing and long-term sustainability of operations. In this context, the concept of resources does of course include financial resources, but the story does not stop there. Of arguably equal importance is the continued need to be able to enthuse others with the vision and mission, to think strategically about where the organisation fits into the overall scheme of things, and to do so in a way that maximises both the effectiveness and efficiency of both governance and operations.

Though social enterprises have sometimes been complimented for their ability to articulate the dream, but criticised for their failings in turning dream into reality, this is not something that is an issue in this particular case. Indeed, TAFT appears to have few if any weaknesses in terms of basic business management skills, access to competent peer support, and willingness to take calculated risks. A skilled and committed governance body appears appropriately concerned with the overall environment that they must contend with on a daily basis, citing a lack of supporting legislation and regulation, an absence of positively biased procurement policies in government agencies, and lack of a national body to develop and grow a community economic development movement. So, what does the Trust aim to do in response to those perceived challenges?

It seems that the WOMAD festival is disproportionately important to TAFT in terms of its relativity to the other festivals the Trust is responsible for, and it is significant to note that the WOMAD contract has just been renewed for the years 2014-2016. The relationship of TAFT to WOMAD has been described as something akin to a regional minnow attempting to eat an international whale, and that is a factor that is inescapable in terms of its influence on future planning. In fact, the minnow-whale analogy is one that reappears in many of the Trust's activities, and presents as the most significant feature of its organisational character.

TAFT is a well-managed and effectively operated organisation that is quite heavily reliant on a volunteer workforce, and it is an organisation whose ambitions locate at a level that is at first sight well in excess of its capability to deliver. But deliver it does, primarily due to a tightly knit and experienced

governance body, a committed and competent permanent staff, and an equally committed core group of volunteers who address their objectives with considerable passion. The Trust appears genuinely open to new ideas, has an enviable track record of delivering events that work, on time and within budget, and it has been rightly pointed out that this is by no means commonplace in the social enterprise environment.

At the same time, the minnow-whale environment does pose a potentially serious future challenge. Such is the scope and scale of many of the events that the Trust undertakes to deliver, any major failure in that respect would have a disproportionately damaging impact on its ability to continue doing what it does. Should there be any negative occurrence that significantly reduces ticket sales for any major event, the financial losses that this implies would be keenly felt. Thus, we suggest that there may be value in seeking financial support from external (public and private sector) organisations to underwrite at least some of that risk, and thereby reduce the current level of dependence on board member goodwill. Here it is also important to note that the focus is on establishing more equitable risk assignment, rather than seeking higher levels of cash donation.

If this type of benefit is to be realistically sought, the absence of an overall strategy for the master Trust seems to be a notable oversight. Yes, there are well developed and clearly defined strategies and operating plans for each of the component events. But what appears to be missing is an umbrella strategy that identifies the current contribution made to the Taranaki economy and social structure, and offers a clearly signposted future direction. Development of such a strategic approach

trees for canterbury

snapshot of trees for canterbury

Full name	The Green Effect Charitable Trust, trading as Trees for Canterbury (T4C).
Purpose	To educate about environmental awareness; To regenerate through cultivating native plants for community plantings and environmental regeneration; To employ marginalised people.
How this is achieved	Through a social enterprise approach in which native plants are grown and sold to the public to resource the social and environmental mission.
Legal entity and Structure	The Green Effect Charitable Trust provides a governance structure for their social enterprise, Trees for Canterbury.
Scale of operations	Three full-time and three part-time staff, plus 250 volunteer hours per week. Gross revenue is $272,000. Assets are worth $283,000 – includes buildings and equipment, but no land.
Profits?	Yes. T4C are 65% self -funded through trading surpluses.
Who benefits?	The many community groups that receive donated plants for their regeneration work, the marginalised volunteer workforce who gain access to a supportive working environment. All of Christchurch benefits from the gradual regeneration of the natural environment.
Website	www.treesforcanterbury.org.nz

to the future would add a welcome veneer of sustainability to an organisation that is operationally excellent ....and help to ensure that what has been done successfully in the past will continue to be done successfully in the future.

who are they and what do they do?

Trees for Canterbury (T4C) is located next to the Charleston Reserve in Woolston, Christchurch. Woolston is a light industrial and residential suburb of Christchurch in the South Island of New Zealand. Historically, Woolston has a strong working-class identity, and is characterised today by a significant short term and transient population. T4C was set up in 1990 by the Green Effect Trust to employ and educate people, and regenerate the environment in Woolston, and the wider Christchurch area.

Legal Entity and Governance

The Green Effect Charitable Trust provides a governance structure for their social enterprise, Trees for Canterbury. The Green Effect Trust has learnt that for good governance, small numbers are best and that a few really committed people with a good mix of skills works well. The small board of six trustees contributes a wide range of experience, from business expertise to sourcing investment. Trustees are selected by members at the annual AGM. Members are actively involved in community plantings, as well as being involved in selection of trustees. The Green Effect Trust believes that trustees should be voluntary – that if you have to pay trustees, they are not worth having. They have not experienced any problems trading as a charitable trust, due to their charitable objectives.

Premises

T4C started out in the backyards of its founder members in 1990, and in 1992 moved to the current premises. The land is owned by Christchurch City Council. In the early days the council charged T4C a peppercorn rent, but that arrangement has now been replaced by a community lease - and T4C pay the council a market rent of $20,000 per year. The original offices were made from recycled car cases sourced from a local car factory (now closed) – demonstrating that conservation and recycling are a key part of the T4C philosophy. When T4C moved to the new site, the car cases were replaced with a lightweight aluminium garage building with offices, a cafeteria and a potting shed. The nursery is set up on 1.5 hectares of land alongside the Charlesworth Reserve. The reserve is itself under development regeneration and T4C assist with the re-vegetation of this important environmental site. The nursery is built around natural swales (waterways) that connect to the reserve and slowly make their way to the Avon-Heathcote estuary. The swales have been environmentally planted by T4C to attract wading birds to the area.

where have they come from?

In 1990, the chairperson of the Green Effect Trust was talking on student radio about the importance of tree planting for the environment, and invited anyone who was interested in increasing tree planting in Canterbury to contact him. Subsequently a group of passionate people started to meet and a solution was conceived – to create small nurseries that could supply community groups and organisations with the trees that they required. So the original aim was to create a greener and more indigenous landscape in Canterbury.

The original idea was for the nursery to survive on the generosity of donations and volunteer labour. However it was soon realised that sales to the public of a portion of the plants grown could be the most effective and sustainable means of financial support – and so the social enterprise was born. At the time, a sponsorship arrangement would have been preferred to getting involved in trading as this was a new direction and rather challenging at the outset. Today, that initial reluctance has disappeared, as T4C have grown in their capacity to run a social enterprise, and have benefitted from the independent source of income from selling plants to the public.

Volunteer workers were originally found through employment work schemes, and these people brought significant value and commitment to the initiative. It subsequently became apparent that providing employment opportunities for marginalised people was an important part of T4C's purpose, in addition to the original environmental motives.

why do they do it?

> **The T4C vision is to:**
> *Employ, Educate and Regenerate*

Employ; establishing a sense of involvement in the community for disadvantaged people (physically, intellectually, socially and long term unemployed) and providing an environment of acceptance as well as support and training for self-development – installing self-esteem and work habit.

Educate; working with educational institutions, providing assistance in the teaching of environmental awareness.

Regenerate; cultivating native plants for community plantings, and our own re-vegetation projects using plant material eco-sourced from local areas.

The current vision reflects a change in priorities over the past 20 years – employ is now the first word of the T4C vision, whilst 20 years ago the first word would have been educate or regenerate, reflecting the environmental purpose that was the initial driver.

This vision is underpinned by values of understanding, patience and community involvement.

how do they do it?

The Nursery

A small retail nursery provides a wide range of plants that are sold to the public to create

income to support the environmental and social mission. There has been an increased interest in native plants in recent years, so the residential market has steadily grown.

The nursery is laid out for the production and storage of plants, that are both for sale to the public and for donation to supply the many community plantings. The nursery has approximately 150,000 trees at various stages of growth. The majority of trees have been grown from seed collected by T4C in the Canterbury Plains and Banks Peninsula areas. These areas are the main focus of the

community-planting program. This ensures the maintenance and development of the genetic purity, bio-diversity and unique nature of the native plant population in these areas.

One of the interesting features of T4C has been the comprehensive use of recycled materials. This has included old greenhouses, car cases for offices, using hessian as shade cloth, and extensive recycling of one litre milk cartons for use as plant pots. Plants grown in recycled milk cartons are stacked in recycled milk crates

making the nursery into a sea of orange and red amidst the green of emerging trees! Plant pots for larger grade trees are also created from recycling sources.

Education

Many plants are given to schools, and T4C assist by giving talks to school children and supporting planting projects which give the children hands on experience and encourage a respect for and love of trees. T4C regularly speaks to conservation groups, garden clubs and other interested organisations such as Senior Net about the work that they do to employ, educate and regenerate. T4C have developed an online carbon calculator for individuals and small businesses in New Zealand to work out their annual carbon footprint and calculate the number of trees required to plant to offset it.T4C has also made a video to promote its work to the wider world.

Employment

Much of the nursery work is undertaken by volunteers who are long-term unemployed, marginalised or disabled people. Through providing a supportive workplace, T4C gives a sense of belonging to people with social, physical, and intellectual disadvantages. These volunteers work for a small travel allowance, but no salary. Marginalised people are the first choice of workers for T4C. They are comfortable with the fact that their volunteers are receiving invalid and disability benefits from Work and Income, because of the supportive environment and opportunities that T4C provides - and the fact that these workers have a lower productivity than mainstream workers.   The T4C Manager says that if they were not working at T4C, their volunteers would probably be sitting at home, or be in a sheltered workshop situation. T4C provides these volunteers with the opportunity to work

alongside a range of different people and have a working life that empowers them. Working at T4C provides volunteers with a social life, helps them to gain work experience and for some, to build skills that may help them gain paid employment elsewhere. T4C would not exist without their huge contribution. The volunteers are dedicated to the cause and enjoy their working life. T4C now has four full-time and two part-time paid nursery staff, who also have the skills to work with and support a diverse range of people.

A relationship with the Corrections Department has led to T4C helping to give offenders a fresh outlook. T4C now provides on-going placement for offenders on community work sentences. The T4C Manager says that so far it has proved to be a positive partnership. "Some offenders really respond to the opportunity and a few have even gone on to become team leaders, motivating others to do a good job." Steve

says community work can be a meaningful way to ensure offenders make up for their offending while learning new skills that can help them access future employment.

Contracts and Service Agreements

T4C have made a conscious decision not to bid for contracts with local or central government to deliver services, to ensure

that they maintain their independence. T4C are concerned that a contract with, for example, the Ministry of Social Development, to provide work experience for unemployed and marginalised people may require that the workers move on after an agreed period. This is not realistic for most of their volunteers who generally benefit from a long term arrangement. T4C has an agreement (but not a contract) with the Department of Corrections to provide work experience for offenders. This agreement enables T4C to work with Corrections on their own terms. T4C do engage in contracts with various organisations to provide plants.

Sources of Income

In the last financial year, 65% of income was sourced from direct sales and 35% was from grants and donations. The income from sales is used for operational expenses, but does not cover any capital works or special project costs. This additional income comes from the community, business and funding agencies. In the future, T4C aims to sustain the entire operation through trading enterprise and so eliminate the need for grants and donations. The earthquakes substantially affected sales, as gardening is not a priority for many Christchurch residents since the quakes. Steve says that business is gradually picking up.

Distribution of Surpluses

Any surplus beyond operating costs is reinvested in the growth of the social enterprise and is used to create more employment opportunities. Steve says that it can be difficult for community organisations to make the transition from being grant funded to operating as a social enterprise, especially in terms of legal ramifications, and whilst T4C are well on the way, they have been concerned they may have made mistakes along the way, due to a lack of available information and support about legal issues for social enterprises in our

New Zealand context. Information about legal issues for social enterprises is readily available through well-developed infrastructure support networks and resources in the UK, but that is not the case in New Zealand.

Marketing

T4C's most effective marketing of their plant nursery is through word of mouth. They also produce a pamphlet, and advertise in the newspaper, and occasionally, on the radio. The challenge is affordability, finding the resource to pay for advertising. T4C also "market" their ethos through their website, and by giving public talks.T4C use social media to promote community planting events, what is happening around the nursery, as well as posting valuable plant information.

who is helping?

Community Linkages

T4C is closely linked to a range of schools, community agencies and environmental groups in the Christchurch area including Youth and Cultural Development, Workbridge and the Community Employment Initiatives Group. Steve says "We network where it is important for us to work with others to achieve mutual benefits, not merely for the sake of networking. Since the earthquake there has been an added incentive to network to work together towards recovery."

External Linkages

T4C has a commercial relationship with Christchurch City Council who owns the land where the nursery is sited. T4C works closely with the Police, Child Youth and Family Services, the University of Canterbury and the Department of Corrections. Over the past five

years the input from Corrections has grown from the odd project here and there to a long term commitment of helping to develop the nursery site, and helping to grow large volumes of new plants.T4C also has good relationships with a range of regional and national funders, in particular, the Canterbury Community Trust.

T4C has a 20 year long partnership with Tetrapak, a global packaging company. Tetrapak provide in kind support and advice to T4C, and in return T4C helps them to recycle their products. Tetrapak provides collection bins for the milk cartons that T4C uses as planters. They have also provided business advice, helped to develop promotional material and paid for recycling equipment. Steve says that this has been a beneficial relationship, that Tetrapak have a strong environmental ethic and they do walk the talk. This partnership is valuable to both parties, Tetrapak benefit from T4C's main strengths – which are social and environmental knowledge and expertise; T4C benefit from Tetrapak's core strength - business expertise. This authentic partnership is the preferred model for most social enterprises, a

situation that creates a win-win situation, rather than a donor to donee situation, in which the donee feels like a poor cousin with a begging bowl.

Sources of Investment

T4C has received corporate sponsorship for capital works and special projects from the business sector. Tetrapak NZ, Meadowfresh Milk, the Warehouse, Christchurch BMW and Rover have all made financial contributions. After the earthquakes, the Paul Newman Foundation approached T4C and offered financial support to pay for repairing of earthquake damage. T4C have not taken a bank loan, but at one stage they did access a low interest loan from the Canterbury Community Trust.T4C has benefited from considerable non-monetary investment of time and energy from passionate environmental advocates, practical people and volunteer workers. T4C has also benefited from forms of barter, for example, trading driveway repairs in return for trees. Steve says that all of this "investment" is important – and makes them feel supported in their work.

how are they doing?

Overall Performance

For more than twenty years, T4C has been working to meet their objectives of Employment, Education and Regeneration. Their performance relative to these three objectives has been impressive. Over the last twenty years, T4C has enabled 1000 people to receive employment, training and work experience, develop life skills and environmental education, and donated more than 750,000 native trees to community groups for regeneration projects.

T4C are helping to protect and regenerate the native bush left in the Canterbury region, while at the same time supporting the community by providing employment opportunities for the unemployed, offenders on community service and people with disabilities, as well as providing environmental education to schools and community groups. A social enterprise approach has enabled them to be 65% self-funded at the same time as fulfilling their environmental and social mission. Developing this relatively high level of financial independence, alongside achieving significant environmental and social outcomes, points to T4C being a rather successful social enterprise. For T4C, their environmental and social mission is the priority - and trading is a means to achieve them. Trees for Canterbury have received a number of awards over the years for their work in the community and were one of the finalists in both 2011 and 2013 for the prestigious Green Ribbon Awards which honour outstanding contributions to protecting New Zealand's environment.

How is Success Measured?

T4C uses KPIs, social auditing and an informal kind of triple bottom line (TBL) accounting to measure and demonstrate their performance. Steve says that while it is important to be responsible and accountable, that much of the information about TBL measurement seems long winded and drawn out.   T4C like to keep measurement and demonstration of success as simple as possible through showing impacts in each area, and listening to stakeholders, clients and customers through regular surveys. Results are communicated to stakeholders verbally, in written reports, through photos and by offering tours to stakeholders.T4C are currently working with the University of Canterbury to further understand and demonstrate their social and environmental impacts. Having an external

body involved in evaluation is providing a more independent perspective, and T4C are learning more about measuring impacts as part of the process.

performance against hypothesised attributes

The propositions that emerged from the interview phase of the research project indicated that there may be five key attributes that successful CED initiatives would be expected to demonstrate. They are:

1. *Creating strong and effective governance.*
   T4C has learnt that for good governance small numbers work best. Finding committed people with a good mix of skills has been key to their development.

2. *Building close linkages to other complementary CED initiatives.*
   T4C cite lack of access to peer support as a minor concern. Whilst they have good links to community groups, they do not appear to be regularly connected to other social enterprises for peer support purposes. This would be an investment of time, and would depend on the willingness of other social enterprises in the Christchurch area to share their learnings, but it could be worthwhile and bring rewards in the future.

3. *Delivering core services in partnership, rather than at arm's length, with customers, service users and purchasing organisations*.
   T4C demonstrates strong relationships with community groups, volunteer workers, funders and supporting businesses. Being largely resourced through their trading activity has meant that relationships with investors and

funders have not been as crucial as they are for some social enterprises.

4. *Establishing a future-oriented internal culture.*
   T4C governance and management are both very futures focused - growing trees is a long-term game! T4C are also continually reflecting on their performance and finding ways to improve it in the future.

5. *Establishing a consistent system of quadruple bottom line impact assessmen*t.
   T4C takes a practical approach to measuring impacts using a range of evaluation methods that are tailored to each area of operation. They are currently building capacity in this area through the work that they are doing with the University of Canterbury.

where to from here?

Main Challenges and Lessons Learned

T4C cites having an efficient and effective governance body as extremely important. Having an established trust (the Green Effect Trust) behind T4C from the beginning was a significant advantage. T4C also say that innovation, including taking some calculated risks, has been important for their development. They have also learned to stay out of local politics as they have discovered that this can be an energy drain. T4C has been determined to keep its eye on the ball and avoid external distractions, and this appears to have paid off.

T4C has learned the value of being as financially independent as possible – and has made a conscious decision not to bid for MSD

contracts for this reason. MSD contracts are purposed to achieve various social outcomes, but tend not to recognise that many disabled people cannot be upskilled in short timeframes and move on to mainstream employment. So this is not a good fit with T4C's purpose to provide long term employment for marginalised people. If there was a better fit with T4C's purpose, delivering services on a contract basis for central or local government could be part of a strategy to develop more diverse sources of income and enable T4C to have eggs in several baskets. However given that 65% of T4C income is already from independent trading direct to the public, it is unlikely that they would become over-reliant on government contracts.

Steve says that a challenge for the community sector is a dependent attitude of wanting a hand-out rather than a hand up. T4C prefers that government provides relevant advice and support – and that the community sector gets on and does it! He says that the contribution of social enterprises is largely overlooked by government and philanthropics, despite the fact that social enterprises provide better value for money than government could ever do trying to create the same outcomes through the resourcing of bureaucrats.

Future Plans

T4C has sufficient unused land to expand the plant nursery and to become increasingly resourced through independent trading income. They have recently started a paper-making initiative, and plan to grow that as a viable business that can employ more people from their client base. This could add another independent income stream to their operations.

In the future, T4C would like to see the key components of the T4C model adopted around the country – in a way that adapts to local conditions.

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Taranaki Savings Bank internet website www.tsbtrust.org.nz accessed 26 July 2012

Te Puni Kokiri internet website www.tpk.govt.nz accessed 26 July 2012

Timebanking Aotearoa New Zealand internet website www.timebank.org.nz accessed 26 July 2012.

appendices

appendix 1 common themes that emerged from the literature review

- The language is confusing and there is no consensus in terms of definitions of key concepts

- Social enterprise sits on a continuum of activity between charities and business. Attempts to define it in absolute terms are not useful

- Theoretical development is at an early stage and is also confusing

- The core concepts have similar historical roots – largely from the cooperative, associative movement in the 18th and 19th centuries. The concepts are not new, but are going through a major resurgence with new language emerging to describe them

- Globally, the world is facing growing and intractable social and environmental problems. Charity is not providing solutions to the problems. Governments are not providing solutions. Business is not providing solutions.

- CED and social enterprise are not a panacea, but are being seen as ways to respond to the growing social and environmental problems

- The CED agenda is growing fast in response. Europe, Canada and the UK are mainly seen as leading the way.

- A values base is imperative for CED and social enterprise activity

- The CED agenda incorporates social, economic and environmental aspects, sometimes referred to as "blended value"

- The literature indicates that a hybrid, cross- sectoral approach is starting to make a difference – and that the "magic" often happens at the intersections

- Democratic, community empowerment approaches are generally seen to be more effective and sustainable than "top down" approaches, although the social entrepreneurship literature tends to promote a more neoliberalist, market driven approach

- There are two main approaches to CED: Exogenous (seeking external resources) and Endogenous (originating from within). An exogenous approach, (sometimes known as smoke-stack chasing) is the dominant model. An endogenous approach is more aligned with community development principles. Most communities utilise both approaches.

- It is challenging for a not-for-profit organisation to re-define itself as social enterprise

- "Not-for-profits" and "charities" need to utilise business skills to develop viable enterprises

- Profits are principally reinvested for community benefit –a stakeholder principle rather than shareholder capitalism, although this is not always agreed and is the source of a significant debate

- The combined energies of individual "social entrepreneurs" and the community collective are required for successful outcomes

- There are different roles for communities (who do it); and local/ central government and businesses (who can provide an enabling role)

- Some countries have developed specific legal structures for social enterprise activity, some have not

- Employment based social enterprises (known as social firms) are providing valuable employment for excluded and marginalised people

- Both tangible assets (buildings, land, finances, natural environment) and intangible assets (human, social, cultural, political) are important

- Asset transfer is proving to be a powerful means to empower and sustain communities in the UK (assets must be viable, not a liability)

- Exciting possibilities are emerging in the space where social enterprise intersects with the digital/knowledge economy realm

- It is important to make links between CED and local small to medium size enterprises (SMEs)

- It is important to make links between CED and indigenous SMEs

- CED is related to an expanded role for people as "active citzens" in improving society, rather than merely electing government representatives to do it

- Social finance and investment is a fast growing area in response to the demand from social enterprises and social entrepreneurs

- Social finance delivers social impact; social investment delivers financial returns; some models deliver a mix of the two

- Different types of finance/investment are needed at different phases of enterprise development

- Social procurement policy and practice that includes social value helps social enterprises to access service contracts and to grow

- It is agreed that it is important to measure social value, but there is little agreement as to how. The current debate is whether taking a consistent or a bespoke approach is the best way

- The role of central government is changing, from being a deliverer of services to an enabler of communities, promoter community cohesion and self management

- A culture shift is required across all sectors to understand and enable this emergent hybrid space and activity

- There are two schools of thought: that CED is part of the dominant economy; or that over time it will replace the dominant economy that is inherently unsustainable

- There is a need for more research in the areas being reviewed

In the New Zealand context

- Like in the UK, Europe and Canada, the earliest examples of social enterprise originate from the cooperative and self-help movements

- New Zealand is more centralised than most western countries in terms of government and local government responsibilities. This poses a challenge from a localist, devolutionist perspective

- New Zealand's move from a welfare state to a principally market economy in the 1980s slowed down the CED movement here

- The drivers in New Zealand have been mainly employment and development of the labour market, rather than community renewal and regeneration (as in the UK)

- The Local Government Act (2002), that requires councils to deliver community outcomes provided an opening for councils to support CED initiatives... but the act is currently under review with the intention to limit the role of local councils, this is not good news for the CED agenda

- There is limited shared understanding of key terms and concepts

- This is a global movement and there is much that New Zealand can learn from overseas experience, and there are also some differences here that will require distinct approaches

- Māori economic objectives tend to be underpinned by collective/social/environmental objectives, compared to western economics that is underpinned by individualised belief systems

- Social enterprise is thriving in the Māori world, where there is a significant collective ownership of assets and enterprise development within iwi organisations. However Māori/

Iwi organisations tend not to use the terms CED or social enterprise. Treaty settlements have also helped to grow the "Māori Economy"

- The social finance sector in New Zealand is fledgling

- Currently there is a lack of policy framework or ministerial responsibilities, or resources for CED in central government

- There is general agreement that New Zealand currently lacks the necessary infrastructure and capacity building support to grow the movement

- There is a current move to shift public sector wealth to the private sector. This can only reinforce inequalities. Shifting public sector wealth to communities can lead to improved social/environmental outcomes – and a fairer sharing of wealth or "capitalising of the poor"

- Interest and activity in this space has accelerated over the last three years

Community Economic Development Research

Information Sheet for Focus Group participants

As an opinion leader in the area of social enterprise and community economic development, we invite you to participate in a focus group to inform the national research that is being carried out by the CEDNZ Trust. This research is funded through the Lotteries Commission Community Sector Research Fund, and the Trust has secured the assistance of Unitec Institute of Technology in order to access the academic research expertise necessary to deliver valid and reliable research results.

My name is Di Jennings and I convene the CEDNZ Network. I have been commissioned by the CEDNZ Trust to be the Project Manager for this research project.

The objectives of the research are to determine:

1. The key success factors that organisations need to address in the design and delivery of social enterprises that are economically, societally, and environmentally sustainable.

2. The barriers that community groups and social enterprises encounter that prevent or detract from the above.

3. What is missing in terms of support, investment and creation of an external environment that will help these organisations to thrive.

Methodology

1. A literature review is already under way to determine the scope and scale of existing knowledge, and to avoid researching topics that have already been adequately researched.

2. A series of five focus group discussions, conducted across a spread of geographical regions with acknowledged opinion leaders, will establish an agreed approach to data collection.

3. A series of 100 face-to-face interviews, using the agreed data collection approach, to solicit contributions from a purposive sample of sector opinion nationwide.

4. Preparation of five case study examples of current best practice for CED in New Zealand

5. Analysis and interpretation of the data collected to determine a best practice model for community enterprise development in New Zealand.

Initial Focus Group Questions will include:

1. What is community economic development (CED)?

2. What is social enterprise?

3. What is social investment?

4. What are the key success factors that lead to a successful social enterprise/CED activity?

5. What barriers have you encountered that prevent the success of your social enterprise/CED activity?

6. What is missing in terms of an external environment that will help your organisation to thrive?

Ethics statement

We would like you to agree to take part in a 90-120 minute group discussion at a time and place to be agreed with you after you have consented to take part in the process. In order to ensure that you are entirely familiar with the conditions of participation, the following key elements are now advised:

• With participants' permission, all interviews and discussions will be audio-taped, and then transcribed, in order to assist researchers in reviewing and analyzing participants' comments.

• You may request to review the draft transcript to verify its accuracy, and a copy of such transcript will be made available to you on request.

• Your name and any information that may identify you will be kept completely confidential, and will not be published in any subsequent document of any kind.

• All information collected from you will be stored on a password protected file and only you and the researchers will have access to this information.

If you agree to participate, you will be asked to sign a consent form. This does not stop you from changing your mind if you wish to withdraw from the project. However, because of our schedule, any withdrawals must be done within 2 weeks after we have interviewed you. Please contact us if you need more information about the project. At any time if you have any concerns about the research project you can contact the Principal Researcher (Ken Simpson) on (09) 815-4321 ext. 7603 or by email at ksimpson@unitec.ac.nz. The contact telephone number for the Unitec Research Office is (09) 815-4321 ext. 6188.

CED research
Questions for Focus Groups

1. What is community economic development (CED) and what are its main benefits?

2. Who is responsible for ensuring its success?

3. Think about leading practitioners in CED in New Zealand, and what they do that makes them "leading"?

4. What are the main barriers and challenges those leaders face?

5. How would you respond to the statement that many CED practitioners are ineffective?

6. To what extent is adequate finance available to CED practitioners?

7. What are the key success factors that lead to a successful social enterprise/CED activity?

8. How can CED practitioners demonstrate and/or measure the social value they create

9. What are the key questions around successful CED that we still don't have the answers to?

appendix 4 focus group responses

CED research
Five Focus Group Themes collated
31 July 2012

Language

- Language and concepts are confusing and shared understanding is still developing

- Definitions can be a distraction, a continuum approach is flexible and more inclusive, that includes socially responsible SMEs

- Language – broad, often removed from the work people think they are doing. Needs claiming

Who leads?

- The movement needs to be practitioner led

- Individual leadership is important

- ...and It is everyone's responsibility

- Building citizenship

- Education needed

- Our national character is challenging: risk aversion, tending to keep info about good people to ourselves, burn out as a badge of honour, tall poppy syndrome, not recognising ourselves as leaders when we are

Success factors

- Good governance/management structures and practice

- Business skills

- Shared vision / convincing message

- Shared values

- Inclusive approach

- Entrepreneurial vision

- CED/SE projects require a successful economic regime in order to be sustainable.

Drivers

- Job creation and employment

- Using the economy for social purposes

- Opportunity driven

Cultural Capital provides a foundation

- Where cultural capital is developed – e.g. Māori and faith based organisations, it provides fertile ground for social enterprise

- Faith based organisations and iwi knowing what they stand for

Māori enterprise as social enterprise

- Triple bottom line thinking is inherent in core values of Māori

- Those core values and protocols define actions

- Collective leadership is present in Māoridom with defined roles

- Core belief structure of Māori and Polynesian communities is linked to Māori enterprise often having community economic development outcomes BUT successful Māori enterprise is often strongly based on a corporate model

Social finance

- There is increasing interest - some microfinance, social lending emerging

- We have a supply of finance , but problem is on the demand side

- Philanthropy narrowing down its remit rather than broadening

Barriers and Challenges

- Mindsets about business and community sector

- Tension between the need for business skills and people feeling uncomfortable about it.

- Risk aversion at all levels

- Local and central government siloed and risk averse

- Governance often lagging – still thinking like a charity. Can be obstructive.

- Gap in finance for start ups and funding operations

- Working conditions – low pay, time poor, mix of voluntary and paid staff

- Succession planning is needed, not often done really well.

- Disempowering legislation , current legal forms are limiting

- Procurement policies that don't include social value

Measuring value

- Know what you're trying to measure and keep it simple.

- Don't crunch numbers for numbers sake

- Tell stories

- Partnerships with academics

- Social Return on Investment as a methodology to explore

Partners

- Enablers play a key role

- Government/Councils can get role as an enabler wrong "We want to enable you to do this thing, the way WE want you to do it" - Stifling of entrepreneurial spirit, inflexibility.

- Community sector needs to stop talking to each other and be more outward looking

- Government – get out of the road, but also support: investment, understanding

- The CED/SE sector needs a cohesive voice to advocate to government

- Talk to business, central and local and government

- When we are seeking partners, go to the top of organisation

- Young people have an automatic social value lens – need to include them in interviews

- The current environment (eg. economic recession, Auckland Council amalgamation) is strengthening collaboration within the grassroots community, across regions and sectors.

History

Nothing new here – NZ has a long established tradition of co-ops and innovation

Centralisation vs devoloution

A tension – the welfare state is centralised versus communities owning their own development

What is needed?

- The need to come up with new economic models – pricing externalities

- Creating new opportunities rather than just choosing the best of what we've got.

- Need for innovation, 21st Century leadership

- Culture shift – young people being able to resolve a problem and do well out of it

Questions for interviews:

What were your origins and motivation?

Who supported you, how did you get there?

What hasn't worked and why?

What's the change process that allows a social enterprise to form?

How do we create a central point for networking and the sharing of resources and best practice information?

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CEDNZ

New Zealand
COMMUNITY ECONOMIC DEVELOPMENT RESEARCH
INTERVIEW SCRIPT AND QUESTIONS

INTERVIEW NUMBER:

DATE OF INTERVIEW:

INTERVIEWER:

NAME AND LOCATION OF ORGANISATION:

NAME OF CONTACT PERSON & POSITION:

TELEPHONE:

EMAIL:

INTERVIEWER INTRODUCTION

Thank you for agreeing to take part in this interview, your opinions are vitally important in ensuring a positive outcome to this research project.

I want to begin by making sure that you fully understand the conditions under which this interview will take place, so I am now going to tell you the main elements in place to safeguard you during the process. When I have read through those elements, I will ask you to sign a statement to say that you understand those conditions, and agree to take part in the interview. Are you happy to continue on that basis?

- The questions in this interview are designed to help us better understand the things that need to happen if we are to establish and sustain a viable social economy in New Zealand. This interview is one of approximately 100 that will be carried out in September and October 2012.

- You do not have to take part in this interview if you don't want to, and you may withdraw from the process at any time.

- Anything and everything you say in this interview is confidential, and no material will be made public that can identify you or your organisation.

- With your consent, this interview will be audio taped, and parts of the resulting audiotape may later be transcribed by one of the project researchers. You are entitled on request to see a draft of the transcribed interview, and you may also on request see a copy of the finished research document.

- The data gathered from this interview will be stored securely on a password-protected computer for a period of 5 years, and then destroyed.

- By signing in the space below, you confirm that you have had this research project explained to you; that you have understood the conditions of interview as explained; that you have had sufficient time to consider whether you should participate; and that you freely give your consent to being a part of this project.

(Signature of Interviewee)…………………………………………………………………..

SECTION A: YOUR ORGANISATION'S DETAILS

1

The interview will take approximately 90 minutes.

Describe the interview framework so as they know what to expect

Say something about language issues: the various terms, the overlaps and confusion. Have a list of definitions of terms used if needed and table with core characteristics

1. What name does your organisation use when dealing with other individuals and organisations?

2. For how many years has this organisation existed in its current form?

3. In no more than two sentences, answer the question "what does your organisation do"?

4. Which of the following terms best describes your operation?
• Community Economic Development • Social Enterprise • Maori Enterprise • Social Economy Enterprise • Social Entrepreneurship • Social innovation • Social Finance • Other

5. For each of the following activities, state "Yes, we do this" or "No, we do not do this"
Produce or manufacture goods   Yes --- No Sell goods (direct or wholesale)   Yes --- No Provide services paid for by end user   Yes --- No Provide services paid under contract   Yes ---No Competitive tender for contracts   Yes --- No Rent or lease out space or equipment   Yes --- No Provide support for members to trade   Yes --- No with each other (e.g. a cooperative) Other   Yes --- No

6. How many full time equivalent people form part of the workforce (including volunteers)?				
0-5	**6-19**	**20-49**	**50-99**	**100+**

Section A

7. What was your gross revenue from all sources in the most recent financial year?				
<$ 100,000	$100k-$500k	$ 500k-$5 million	$5-$20 million	>$ 20 million

8. Approximately what proportion of revenue was derived from each source shown below?				
Product sales (direct or wholesale) %	Revenue from service provision paid for by end user %	Revenue from service provision paid under contract (competitive tender) %	Grants and donations %	Other revenue sources %

9. What is the estimated capital value of assets owned by the organisation?				
<$ 100,000	$100k-$500k	$ 500k-$5 million	$5-$20 million	>$ 20 million

10. What phase of development best describes the current phase of your enterprise?

- Start-up
- Establishment
- Growth
- Maturity

11. Describe the legal entity and structure for your organisation

Section A

3

SECTION B: KEY SUCCESS FACTORS FOR YOUR ORGANISATION

Now I want you to think about your **own personal experiences with your organisation,** the one you are currently involved with. I would like you to think about each of the following resources, as they relate to your organisation achieving its aims, and in the light of two questions. The first question is "how important is it for your organisation to be able to access this resource"; and the second question is "to what extent are you currently able to access this resource"?

Resource 1: A clearly stated, values-based, vision is shared and owned by all				
IMPORTANCE SCALE: How important is this resource in deciding the future of your organisation?				
Not at all important	Minor importance	Moderate importance	Significant importance	Extreme importance
PERFORMANCE SCALE: Right now to what extent is this happening?				
Not at all	To a minor extent	To a moderate extent	To a significant extent	Almost always
Resource 2: An innovative and entrepreneurial attitude exists towards the development of new ideas, new initiatives, and new ways of doing things.				
IMPORTANCE SCALE: How important is this resource in deciding the future of your organisation?				
Not at all important	Minor importance	Moderate importance	Significant importance	Extreme importance
PERFORMANCE SCALE: Right now, to what extent is this happening				
Not at all	To a minor extent	To a moderate extent	To a significant extent	Almost always
Resource 3: An efficient and effective governance body provides competent and experienced long term guidance				
IMPORTANCE SCALE: How important is this resource in deciding the future of your organisation?				
Not at all important	Minor importance	Moderate importance	Significant importance	Extreme importance
PERFORMANCE SCALE: Right now, to what extent is this happening?				
Not at all	To a minor extent	To a moderate extent	To a significant extent	Almost always
Resource 4: Relevant and timely mentoring and support in the skills required to establish your enterprise				
IMPORTANCE SCALE: How important is this resource in deciding the future of your organisation?				
Not at all important	Minor importance	Moderate importance	Significant importance	Extreme importance
PERFORMANCE SCALE: Right now, to what extent is this happening?				

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Not at all	To a minor extent	To a moderate extent	To a significant extent	Almost always

Resource 5: Significant risk is tolerated in the pursuit of organisational ambitions.

IMPORTANCE SCALE: How important is this resource in deciding the future of your

. Section B

Not at all important	Minor importance	Moderate importance	Significant importance	Extreme importance

PERFORMANCE SCALE: Right now, to what extent is this happening?

Not at all	To a minor extent	To a moderate extent	To a significant extent	Almost always

Resource 6: Grant and donor funding is readily accessible to support the establishment of a new CED venture.

IMPORTANCE SCALE: How important is this in deciding the future of your organisation?

Not at all important	Minor importance	Moderate importance	Significant importance	Extreme importance

PERFORMANCE SCALE: Right now, to what extent is this happening?

Not at all	To a minor extent	To a moderate extent	To a significant extent	Almost always

Resource 7: Affordable loans for early trading and/or scaling up are accessible (have definition of a social loan handy)

IMPORTANCE SCALE: How important is this in deciding the future of your organisation?

Not at all important	Minor importance	Moderate importance	Significant importance	Extreme importance

PERFORMANCE SCALE: Right now, to what extent is this happening?

Not at all	To a minor extent	Don't really know/unsure	To a significant extent	Almost always

Resource 8: Investment capital for acquisition of physical assets is accessible

IMPORTANCE SCALE: How important is this in deciding the future of your organisation?

Not at all important	Minor importance	Moderate importance	Significant importance	Extreme importance

PERFORMANCE SCALE: Right now, to what extent is this happening?

Not at all	To a minor extent	To a moderate extent	To a significant extent	Almost always

Resource 9: Public bodies engage in asset transfer activity with community organisations (refer to terms for definition of asset transfer)

IMPORTANCE SCALE: How important is this in deciding the future of your organisation?

Not at all important	Minor importance	Moderate importance	Significant importance	Extreme importance

PERFORMANCE SCALE: Right now, to what extent is this happening?

Not at all	To a minor extent	To a moderate extent	To a significant extent	Almost always

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Resource 10: Significant levels of <u>earned income exist</u> to underpin planned organisational activities				
IMPORTANCE SCALE: How important is this in deciding the future of your organisation?				
Not at all Section B	Minor importance	Moderate	Significant importance	Extreme importance
PERFORMANCE SCALE: Right now, to what extent is this happening?				
Not at all	To a minor extent	To a moderate extent	To a significant extent	Almost always
Resource 11: Recognised for-profit business management principles and processes are applied				
IMPORTANCE SCALE: How important is this in deciding the future of your organisation?				
Not at all important	Minor importance	Moderate importance	Significant importance	Extreme importance
PERFORMANCE SCALE: Right now, to what extent is this happening?				
Not at all	To a minor extent	To a moderate extent	To a significant extent	Almost always
Resource 12: Evaluation of success through a range of triple bottom line measurement tools				
IMPORTANCE SCALE: How important is this resource in deciding the future of your organisation?				
Not at all important	Minor importance	Moderate importance	Significant importance	Extreme importance
PERFORMANCE SCALE: Right now, to what extent is this happening?				
Not at all	To a minor extent	To a moderate extent	To a significant extent	Almost always
Resource 13: Effective and supportive legislation that supports social enterprise. (Refer to UK Social Value Act as an example – see definitions)				
IMPORTANCE SCALE: How important is this in deciding the future of your organisation?				
Not at all important	Minor importance	Moderate importance	Significant importance	Extreme importance
PERFORMANCE SCALE: Right now, to what extent is this happening?				
Not at all	To a minor extent	To a moderate extent	To a significant extent	Almost always
Resource 14: Effective and supportive procurement policies that include local/social and /or environmental impact (refer to example of social procurement – see definitions)				
IMPORTANCE SCALE: How important is this resource in deciding the future of your organisation?				
Not at all important	Minor importance	Moderate importance	Significant importance	Extreme importance
PERFORMANCE SCALE: Right now, to what extent is this happening?				
Not at all	To a minor extent	To a moderate extent	To a significant extent	Almost always

6

SECTION C: CURRENT AND FUTURE OPERATING PRACTICES OF YOUR ORGANISATION

OK, what I want you to do now is to think about the future development of community economic development in New Zealand, and particularly about the things that CED needs to "get right" if the concept is to be established in a sustainably effective way. I have a couple of general questions that I want to ask to start us off on that topic, then I'll get into asking about some more specific issues a little later on. The first two questions that I ask are going to be critically important, so you might want to think carefully before answering ….

What were the most important reasons you originally chose to get involved in CED?

If you were starting up a new community economic development enterprise today, what would be the most useful resources that would help you to succeed?

In this section, I would like to ask you some questions about the operating practices you currently use to pursue success for this organisation; and about some of the things you may have considered doing in order to improve your chances of success.

<table>
<tr><td colspan="2">1. Which of the following sources of management advice and support has your organisation used in the last twelve months?</td></tr>
<tr><td>Adviser from commercial sector</td><td>Yes --- No</td></tr>
<tr><td>Paid or unpaid?</td><td>Yes --- No</td></tr>
<tr><td>Tertiary education provider</td><td>Yes --- No</td></tr>
<tr><td>Paid or unpaid?</td><td>Yes --- No</td></tr>
<tr><td>A networking organisation or peak body</td><td>Yes --- No</td></tr>
<tr><td>Paid or unpaid?</td><td>Yes --- No</td></tr>
<tr><td>Other community enterprises</td><td>Yes --- No</td></tr>
<tr><td>Paid or unpaid?</td><td>Yes --- No</td></tr>
<tr><td>Internal expertise from board member</td><td>Yes --- No</td></tr>
<tr><td>Paid or unpaid?</td><td>Yes --- No</td></tr>
<tr><td>Other source ?</td><td></td></tr>
</table>

<table>
<tr><td colspan="2">2. In which of the following would you like to have more advice and support?</td></tr>
<tr><td>Developing the initial idea</td><td>Yes --- No</td></tr>
<tr><td>Performing a feasibility study</td><td>Yes --- No</td></tr>
<tr><td>Writing a business plan</td><td>Yes --- No</td></tr>
<tr><td>Developing a value proposition</td><td>Yes --- No</td></tr>
<tr><td>Gaining the right finance at the right time</td><td>Yes --- No</td></tr>
<tr><td>Financial management</td><td>Yes --- No</td></tr>
<tr><td>Sales and Marketing</td><td>Yes --- No</td></tr>
<tr><td>Information Technology</td><td>Yes --- No</td></tr>
<tr><td>Managing Human Resources</td><td>Yes --- No</td></tr>
<tr><td>Measuring outcomes and impact</td><td>Yes --- No</td></tr>
<tr><td>Other</td><td>Yes --- No</td></tr>
</table>

3. When selecting staff, would you prefer to recruit from:

- Business sector or
- Not-for –profit sector
- No strong opinion

Section C

4. In the past five years, which of the following sources have you used to secure investment for your organisation? (refer to definitions if required)

Commercial lender   Yes --- No
Hire purchase/ Leasing company   Yes --- No

Social lender   Yes --- No

Community shares issue   Yes --- No
Commercial shares issue   Yes --- No
Community foundation   Yes --- No
Philanthropic organisation   Yes --- No
Individual donor   Yes --- No
Supplier credit (beyond regular terms)   Yes--- No
Other   Yes --- No

5. Which (if any) of the following activities are not being undertaken by your organisation because of a lack of available finance?

Research and development   Yes --- No

Business Plan development   Yes --- No

Early stage trading (first two years)   Yes --- No

Growth and Expansion   Yes --- No

Asset development   Yes --- No

Other activities   Yes --- No

6. Which (if any) of the following ways do you distribute surpluses/profits?

No surplus to date   Yes --- No
Reinvest in growth of trading enterprise   Yes --- No
Reinvest in capacity of organisation to deliver social outcomes   Yes --- No
Cross subsidise surplus to other social or environmental projects   Yes --- No
Return dividends to community stakeholders   Yes --- No
Return dividends to individual shareholders   Yes --- No
Return to charitable parent organisation   Yes---No
Other   Yes --- No

Section C

7. Which (if any) of the following methods are used to demonstrate or measure the social value your organisation creates?

Specific KPIs	Yes --- No
Telling the stories (case studies, films, speaking engagements)	Yes --- No
Social Return on Investment (SROI)	Yes --- No
Social Auditing	Yes --- No
Triple Bottom Line accounting	Yes --- No
Balanced Scorecard Evaluation	Yes --- No
Benchmarking against other organisations	Yes --- No
None	Yes --- No
Other	Yes --- No

8. Please read through the below list of possible <u>central government</u> actions, then answer the two questions that follow…..

1. Ministerial responsibility for CED
2. Overall responsibility for CED located within one government department
3. Adoption of enabling supportive and effective   policy framework
4. Direct assistance with Capacity building support   (e.g. CEG)
5. Passage of new supportive and effective   legislation
6. Direct financial investment to social enterprises
7. Financial investment to an effective intermediary organisation to distribute
8. Adoption of procurement policies that include social and environmental impact
9. Development of a social enterprise investment fund from unclaimed bank assets
   e.g. Big Society Bank
10. Other

Which of the possible actions above would be <u>most helpful</u> in growing CED activities (choose 3)?

1   2   3   4   5   6   7   8   9

Which of the possible actions above is <u>most likely</u> to happen over the next 5 years (choose 3)?

1   2   3   4   5   6   7   8   9

Section C

9. Please read through the below list of possible <u>local government</u> actions, then answer the two questions that follow…..

1. Overall responsibility for CED located within one area of council
2. Adoption of supportive and effective policy framework
3. Passage of new supportive and effective regulation
4. Direct financial investment to CED organisations
5. Financial investment to an effective intermediary organisation to distribute
6. Direct assistance with capacity building
7. Procurement policies that value localism, social and environmental outcomes
8. Long term leases to community groups (15 years plus)
9. Asset transfer of land/buildings to community groups

Other

Which of the possible actions above would be <u>most helpful</u> in growing CED activities (choose 3)?

1 2 3 4 5 6 7 8 9 10

Which of the possible actions above is <u>most likely</u> to happen over the next 5 years (choose 3)?

1 2 3 4 5 6 7 8 9 10

10. Please read through the below list of possible <u>private sector</u> actions, then answer the two questions that follow…..

1. Direct financial investment
2. Direct assistance with capacity building
3. Procurement policies that value localism, social and environmental outcomes
4. Business mentoring and coaching
5. Values based collaboration
6. Other activities

Which of the possible actions above would be <u>most helpful</u> in growing CED activities (choose 3)?

1 2 3 4 5 6

Which of the possible actions above is <u>most likely</u> to happen over the next 5 years (choose 3)?

1 2 3 4 5 6

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Section C

SECTION D: KEY BARRIERS TO SUCCESS

Now I would like you to reflect back on your own experiences of working within the CED field in New Zealand; and particularly your thinking on what it is that mostly gets in the way of success. Again, I have an important general question to start us off, and again I'll follow up with some more specific questions about barriers to progress. Again the first question is critically important, so again you might want to think carefully before answering ….

What do you think are the biggest barriers to the successful establishment of a CED venture?

Now I want you to think about your own personal experiences with **your organisation,** the one you are currently involved with. In a similar way as we have just done with "key success factors", I would like you to think about each of the **possible barriers** to success in the light of two questions. The first question will be "how serious a barrier is this issue for your organisation?" and the second question is "to what extent are you currently able to overcome this barrier"?

Barrier 1: A lack of business and/or management skills				
IMPORTANCE SCALE: How serious is this barrier in threatening the success of your organisation?				
Not at all concerning	Minor concern	Moderate concern	Significant concern	Extreme concern
PERFORMANCE SCALE: Right now, how satisfied are you with your organisation's ability to overcome this barrier?				
Extremely dissatisfied	Somewhat dissatisfied	No strong opinion either way	Reasonably satisfied	Extremely satisfied

Barrier 2: A lack of access to quality advice and/or support

IMPORTANCE SCALE: How serious is this barrier in threatening the success of your organisation?

Not at all concerning	Minor concern	Moderate concern	Significant concern	Extreme concern

PERFORMANCE SCALE: Right now, how satisfied are you with your organisation's ability to overcome this barrier?

Extremely dissatisfied	Somewhat dissatisfied	No strong opinion either way	Reasonably satisfied	Extremely satisfied

Barrier 3: A lack of access to peer support that provdes exchange of ideas and best practice

IMPORTANCE SCALE: How serious is this barrier in threatening the success of your organisation?

Not at all concerning	Minor concern	Moderate concern	Significant concern	Extreme concern

PERFORMANCE SCALE: Right now, how satisfied are you with your organisation's ability to overcome this barrier?

Extremely dissatisfied	Somewhat dissatisfied	No strong opinion either way	Reasonably satisfied	Extremely satisfied

Barrier 4: A high degree of risk aversion within organisation

IMPORTANCE SCALE: How serious is this barrier in threatening the success of your organisation?

Not at all concerning	Minor concern	Moderate concern	Significant concern	Extreme concern

PERFORMANCE SCALE: Right now, how satisfied are you with your organisation's ability to overcome this barrier?

Extremely dissatisfied	Somewhat dissatisfied	No strong opinion either way	Reasonably satisfied	Extremely satisfied

Barrier 5: A lack of understanding of risk planning and mitigation

IMPORTANCE SCALE: How serious is this barrier in threatening the success of your organisation?

Not at all concerning	Minor concern	Moderate concern	Significant concern	Extreme concern

PERFORMANCE SCALE: Right now, how satisfied are you with your organisation's ability to overcome this barrier?

Extremely dissatisfied	Somewhat dissatisfied	No strong opinion either way	Reasonably satisfied	Extremely satisfied

Barrier 6: Governance that is not skilled in <u>both</u> social and business				
IMPORTANCE SCALE: How serious is this barrier in threatening the success of your organisation?				
Not at all concerning	Minor concern	Moderate concern	Significant concern	Extreme concern
PERFORMANCE SCALE: Right now, how satisfied are you with your organisation's ability to overcome this barrier?				
Extremely dissatisfied	Somewhat dissatisfied	No strong opinion either way	Reasonably satisfied	Extremely satisfied
Barrier 7: A lack of appropriate and timely financial support				
IMPORTANCE SCALE: How serious is this barrier in threatening the success of your organisation?				
Not at all concerning	Minor concern	Moderate concern	Significant concern	Extreme concern
PERFORMANCE SCALE: Right now, how satisfied are you with your organisation's ability to overcome this barrier?				
Extremely dissatisfied	Somewhat dissatisfied	No strong opinion either way	Reasonably satisfied	Extremely satisfied

Barrier 8: A lack of effective and supportive legislative support (e.g. UK Social Value Act)				
IMPORTANCE SCALE: How serious is this barrier in threatening the success of your organisation?				
Not at all concerning	Minor concern	Moderate concern	Significant concern	Extreme concern
PERFORMANCE SCALE: Right now, how satisfied are you with your organisation's ability to overcome this barrier?				
Extremely dissatisfied	Somewhat dissatisfied	No strong opinion either way	Reasonably satisfied	Extremely satisfied

Barrier 9: Lack of procurement policies that include social/environmental and local value amongst major purchasers. (Provide example)				
IMPORTANCE SCALE: How serious is this barrier in threatening the success of your organisation?				
Not at all concerning	Minor concern	Moderate concern	Significant concern	Extreme concern
PERFORMANCE SCALE: Right now, how satisfied are you with your organisation's ability to overcome this barrier?				
Extremely dissatisfied	Somewhat dissatisfied	No strong opinion either way	Reasonably satisfied	Extremely satisfied

Barrier 10: Lack of a national body to facilitate information sharing, skills based learning and development

IMPORTANCE SCALE: How serious is this barrier in threatening the success of your organisation?

Not at all concerning	Minor concern	Moderate concern	Significant concern	Extreme concern

PERFORMANCE SCALE: Right now, how satisfied are you with your organisation's ability to overcome this barrier?

Extremely dissatisfied	Somewhat dissatisfied	No strong opinion either way	Reasonably satisfied	Extremely satisfied

Barrier 11: Lack of a national body to advocate to national and local government on relevant CED related issues (e.g. social procurement)

IMPORTANCE SCALE: How serious is this barrier in threatening the success of your organisation?

Not at all concerning	Minor concern	Moderate concern	Significant concern	Extreme concern

PERFORMANCE SCALE: Right now, how satisfied are you with your organisation's ability to overcome this barrier?

Extremely dissatisfied	Somewhat dissatisfied	No strong opinion either way	Reasonably satisfied	Extremely satisfied

Barrier 12: Lack of a regional body to facilitate skills based learning and development in your area

IMPORTANCE SCALE: How serious is this barrier in threatening the success of your organisation?

Not at all concerning	Minor concern	Moderate concern	Significant concern	Extreme concern

PERFORMANCE SCALE: Right now, how satisfied are you with your organisation's ability to overcome this barrier?

Extremely dissatisfied	Somewhat dissatisfied	No strong opinion either way	Reasonably satisfied	Extremely satisfied

Barrier 13: Difficulty re culture shift from a fully grant funded not-for-profit - to a social enterprise

IMPORTANCE SCALE: How serious is this barrier in threatening the success of your organisation?

Not at all concerning	Minor concern	Moderate concern	Significant concern	Extreme concern

PERFORMANCE SCALE: Right now, how satisfied are you with your organisation's ability to overcome this barrier?

Extremely dissatisfied	Somewhat dissatisfied	No strong opinion either way	Reasonably satisfied	Extremely satisfied

SECTION E: FOUNDATION PRINCIPLES

Each of the questions in the last section refers to a "foundation principle" of the concept of community economic development (CED) in New Zealand. For each of those principles in turn, we will ask two questions. The first question will be "how important is it that we successfully meet the demands of that principle"; and the second question is "right now, how successful are we being in meeting those demands"?

Principle 1: Widely shared understanding of the language, principles, and concepts of CED.				
IMPORTANCE SCALE: How important is this principle in deciding the future of CED in New Zealand?				
Not at all important	Minor importance	Moderate importance	Significant importance	Extreme importance
PERFORMANCE SCALE: Right now, how well is NZ doing in relation to this principle?				
Consistently poor	Often poor	Generally acceptable	Often good	Consistently good

Principle 2: An effective and supportive policy and legislative framework has been established				
IMPORTANCE SCALE: How important is this principle in deciding the future of CED in New Zealand?				
Not at all important	Minor importance	Moderate importance	Significant importance	Extreme importance
PERFORMANCE SCALE: Right now, how well is NZ doing in relation to this principle?				
Consistently poor	Often poor	Generally acceptable	Often good	Consistently good

Principle 3: Communities are taking responsibility for the design and delivery of relevant CED activities				
IMPORTANCE SCALE: How important is this principle in deciding the future of CED in New Zealand?				
Not at all important	Minor importance	Moderate importance	Significant importance	Extreme importance
PERFORMANCE SCALE: Right now, how well is NZ doing in relation to this principle?				
Consistently poor	Often poor	Generally acceptable	Often good	Consistently good

Principle 4: CED activities increase self-sufficiency for the communities involved				
IMPORTANCE SCALE: How important is this principle in deciding the future of CED in New Zealand?				
Not at all important	Minor importance	Moderate importance	Significant importance	Extreme importance
PERFORMANCE SCALE: Right now, how well is NZ doing in relation to this principle?				
Consistently poor	Often poor	Generally acceptable	Often good	Consistently good

Principle 5: CED development is supportive of the interests of Maori, Pacific and migrant

Section E

IMPORTANCE SCALE: How important is this principle in deciding the future of CED in New Zealand?

Not at all important	Minor importance	Moderate importance	Significant importance	Extreme importance

PERFORMANCE SCALE: Right now, how well is NZ doing in relation to this principle?

Consistently poor	Often poor	Generally acceptable	Often good	Consistently good

Principle 6: Social enterprise developments, that are led by iwi and other Maori organisations, are enhancing the wealth and well being of whanau

IMPORTANCE SCALE: How important is this principle in deciding the future of CED in New Zealand?

Not at all important	Minor importance	Moderate importance	Significant importance	Extreme importance

PERFORMANCE SCALE: Right now, how well is NZ doing in relation to this principle?

Consistently poor	Often poor	Generally acceptable	Often good	Consistently good

Principle 7: CED activities in New Zealand make a positive contribution to resolving the country's social problems.

IMPORTANCE SCALE: How important is this principle in deciding the future of CED in New Zealand?

Not at all important	Minor importance	Moderate importance	Significant importance	Extreme importance

PERFORMANCE SCALE: Right now, how well is NZ doing in relation to this principle?

Consistently poor	Often poor	Generally acceptable	Often good	Consistently good

Principle 8: CED activities in New Zealand make a positive contribution to resolving the country's environmental problems.

IMPORTANCE SCALE: How important is this principle in deciding the future of CED in New Zealand?

Not at all important	Minor importance	Moderate importance	Significant importance	Extreme importance

PERFORMANCE SCALE: Right now, how well is NZ doing in relation to this principle?

Consistently poor	Often poor	Generally acceptable	Often good	Consistently good

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Principle 9: CED activities make a positive contribution to resolving the country's <u>economic</u> problems

IMPORTANCE SCALE: How important is this principle in deciding the future of CED in New Zealand?

Not at all important	Minor importance	Moderate importance	Significant importance	Extreme importance

PERFORMANCE SCALE: Right now, how well is NZ doing in relation to this principle?

Consistently poor	Often poor	Generally acceptable	Often good	Consistently good

Principle 10: CED activities make a positive contribution to creating meaningful employment in the community concerned

IMPORTANCE SCALE: How important is this principle in deciding the future of CED in New Zealand?

Not at all important	Minor importance	Moderate importance	Significant importance	Extreme importance

PERFORMANCE SCALE: Right now, how well is NZ doing in relation to this principle?

Consistently poor	Often poor	Generally acceptable	Often good	Consistently good

Principle 11: A majority of the profits derived from CED activities is re-invested in developing a sustainable future for the community concerned

IMPORTANCE SCALE: How important is this principle in deciding the future of CED in New Zealand?

Not at all important	Minor importance	Moderate importance	Significant importance	Extreme importance

PERFORMANCE SCALE: Right now, how well is NZ doing in relation to this principle?

Consistently poor	Often poor	Generally acceptable	Often good	Consistently good

Principle 12: A triple bottom line evaluation that is clear, concise, and universally accepted - is accessible

IMPORTANCE SCALE: How important is this principle in deciding the future of CED in New Zealand?

Not at all important	Minor importance	Moderate importance	Significant importance	Extreme importance

PERFORMANCE SCALE: Right now, how well is NZ doing in relation to this principle?

Consistently poor	Often poor	Generally acceptable	Often good	Consistently good

Section E

Are there any further comments you wish to make on any of the topics discussed during this interview?

Is there anyone else in your area we should be talking to?

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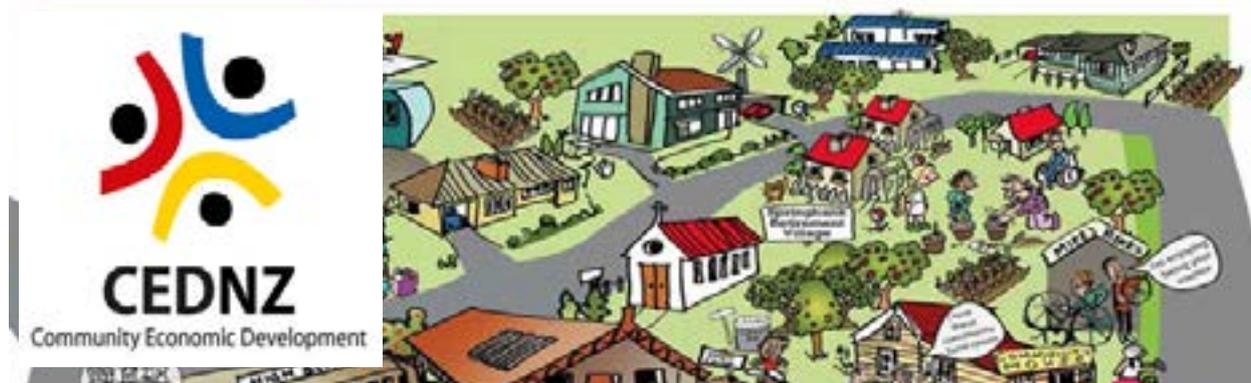
Community Economic Development Research

Information Sheet for Interview participants

As an opinion leader in the area of social enterprise and community economic development, we invite you to be interviewed as part of the national research that is being carried out by the CEDNZ Trust. This research is funded through the Lotteries Commission Community Sector Research Fund, and the Trust has secured the assistance of Unitec Institute of Technology in order to access the academic research expertise necessary to deliver valid and reliable research results.

My name is Di Jennings and I convene the CEDNZ Network. I have been commissioned by the CEDNZ Trust to be the Project Manager for this research project.

The objectives of the research are to determine:

1. The key success factors that organisations need to address in the design and delivery of social enterprises that are economically, societally, and environmentally sustainable.
2. The barriers that community groups and social enterprises encounter that prevent or detract from the above.
3. What is missing in terms of support, investment and creation of an external environment that will help these organisations to thrive.

Methodology

1. A literature review has been completed to determine the scope and scale of existing knowledge, and to avoid researching topics that have already been adequately researched.
2. A series of five focus group discussions, conducted across a spread of geographical regions with acknowledged opinion leaders, have established an agreed approach to data collection.
3. **A series of 100 face-to-face interviews to solicit contributions from a purposive sample of sector opinion nationwide.**
4. Preparation of five case study examples of current best practice for CED in New Zealand
5. Analysis and interpretation of the data collected to determine a best practice model for community enterprise development in New Zealand.
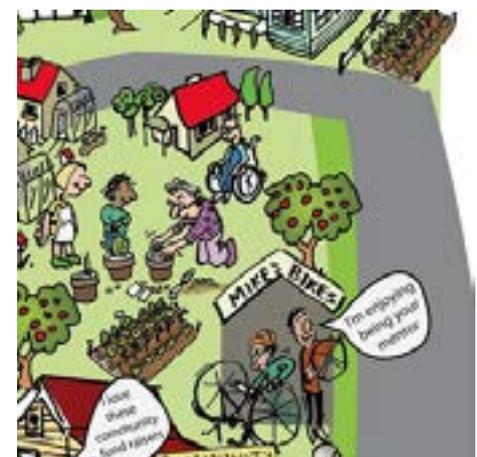
Scope of the Interview

A member of the research team will visit you to conduct the interview. It is expected the interview will take approximately 90minutes to complete, and aims to get your perspecitive on a number of issues, as well as a sense of the work your organisation does.
The questionnaire will contain both quantitative and qualitative questions, across a number of sections:

- Your organisation
- Current and future operating practices
- Foundation principles of CED
- Key success factors
- Key barriers to success

Ethics statement

We would like you to agree to take part in a 90-120 minute interview at a time and place to be agreed with you after you have consented to take part in the process. In order to ensure that you are entirely familiar with the conditions of participation, the following key elements are now advised:

- With your consent, the interview will be audio taped, and parts of the resulting audiotape may later be transcribed by one of the project researchers. You are entitled on request to see a draft of the transcribed interview, and you may also on request see a copy of the finished research document.
- Your name and any information that may identify you will be kept completely confidential, and will not be published in any subsequent document of any kind.
- All information collected from you will be stored on a password protected file and only you and the researchers will have access to this information.

If you agree to participate, you will be asked to sign a consent form. This does not stop you from changing your mind if you wish to withdraw from the project. However, because of our schedule, any withdrawals must be done within 2 weeks after we have interviewed you.

Please contact us if you need more information about the project. At any time if you have any concerns about the research project you can contact the Principal Researcher (Ken Simpson) on (09) 815-4321 ext. 7603 or by email ksimpson@unitec.ac.nz. The contact telephone number for the Unitec Research Office is (09) 815-4321 ext. 6188.

CEDNZ
Community Economic Development

New Zealand
COMMUNITY ECONOMIC DEVELOPMENT RESEARCH
INTERVIEW SCRIPT AND QUESTIONS

INTERVIEW NUMBER: **DATE OF INTERVIEW:** **INTERVIEWER:**
NAME AND LOCATION OF ORGANISATION: **NAME OF CONTACT PERSON & POSITION:** **TELEPHONE:** **EMAIL:**
 INTERVIEWER INTRODUCTION Thank you for agreeing to take part in this interview, your opinions are vitally important in ensuring a positive outcome to this research project. I want to begin by making sure that you fully understand the conditions under which this interview will take place, so I am now going to tell you the main elements in place to safeguard you during the process. When I have read through those elements, I will ask you to sign a statement to say that you understand those conditions, and agree to take part in the interview. Are you happy to continue on that basis? • The questions in this interview are designed to help us better understand the things that need to happen if we are to establish and sustain a viable social economy in New Zealand. This interview is one of approximately 100 that will be carried out in September and October 2012. • You do not have to take part in this interview if you don't want to, and you may withdraw from the process at any time. • Anything and everything you say in this interview is confidential, and no material will be made public that can identify you or your organisation. • With your consent, this interview will be audio taped, and parts of the resulting audiotape may later be transcribed by one of the project researchers. You are entitled on request to see a draft of the transcribed interview, and you may also on request see a copy of the finished research document. • The data gathered from this interview will be stored securely on a password-protected computer for a period of 5 years, and then destroyed. • By signing in the space below, you confirm that you have had this research project explained to you; that you have understood the conditions of interview as explained; that you have had sufficient time to consider whether you should participate; and that you freely give your consent to being a part of this project.
(Signature of Interviewee)……………………………………………………………………………..

SECTION A: YOUR ORGANISATION'S DETAILS

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