

BUILDING COMMUNITY WEALTH

A Resource For Social Enterprise Development



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Canadian Centre for Community Renewal
Centre for Community Enterprise
September 2006

Available in French & English at www.cedworks.com

Canadian Rural Partnership—Partenariat rural canadien



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Mike Lewis

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FOREWORD

This book is a work in progress. Indeed, one could say it has been a work in progress for the last 25 years. In 1983, the National Economic Development and Law Centre in the United States published a three-volume series called *Community Economic Development Strategies: Creating Successful Businesses*. I learned a lot from them and started to integrate the learning into all the work I did in community economic development.

In the early 1990s, I designed a workshop for aboriginal communities that drew from this earlier work. The goal was to help First Nations assess where they were at in terms of community business development and get their planning and development onto a strategic track, one that would build community capacity to operate successful ventures. I created a tool called the Development Wheel, a visual way of depicting the key elements in the community assessment and community enterprise planning process. The results got wrapped into a book called *The Development Wheel: A Guide to Community Analysis and Development Planning*, a two- to four-day workshop, and a facilitator's manual, all of which are still available on the Centre for Community Enterprise (CCE) website at www.cedworks.com. This tool was used in workshops across Canada and was integrated into various curricula of post-secondary institutions. It was also used later in the 1990s by Lutherwood CODA in Cambridge as a community enterprise development tool for community groups and non-profits, which was part of a broader initiative to take 2000 families out of poverty within four years. Their adaptation is also available on our website under the title *Local Action to Fight Poverty* (see next page).

In late 2004, CCE received an invitation to propose a project under the Models Program of the federal government's Rural Secretariat. This program aims to take existing practices or approaches to rural development that have achieved some results and see if they can be scaled up. We decided on the Development Wheel as a focus. We thought we could contribute to helping render social enterprise development more effective and efficient, and at the same time contribute to strengthening social enterprise networks in BC and francophone Ontario. The project covers several regional sites in each province and runs from September 2005 to March 2008.

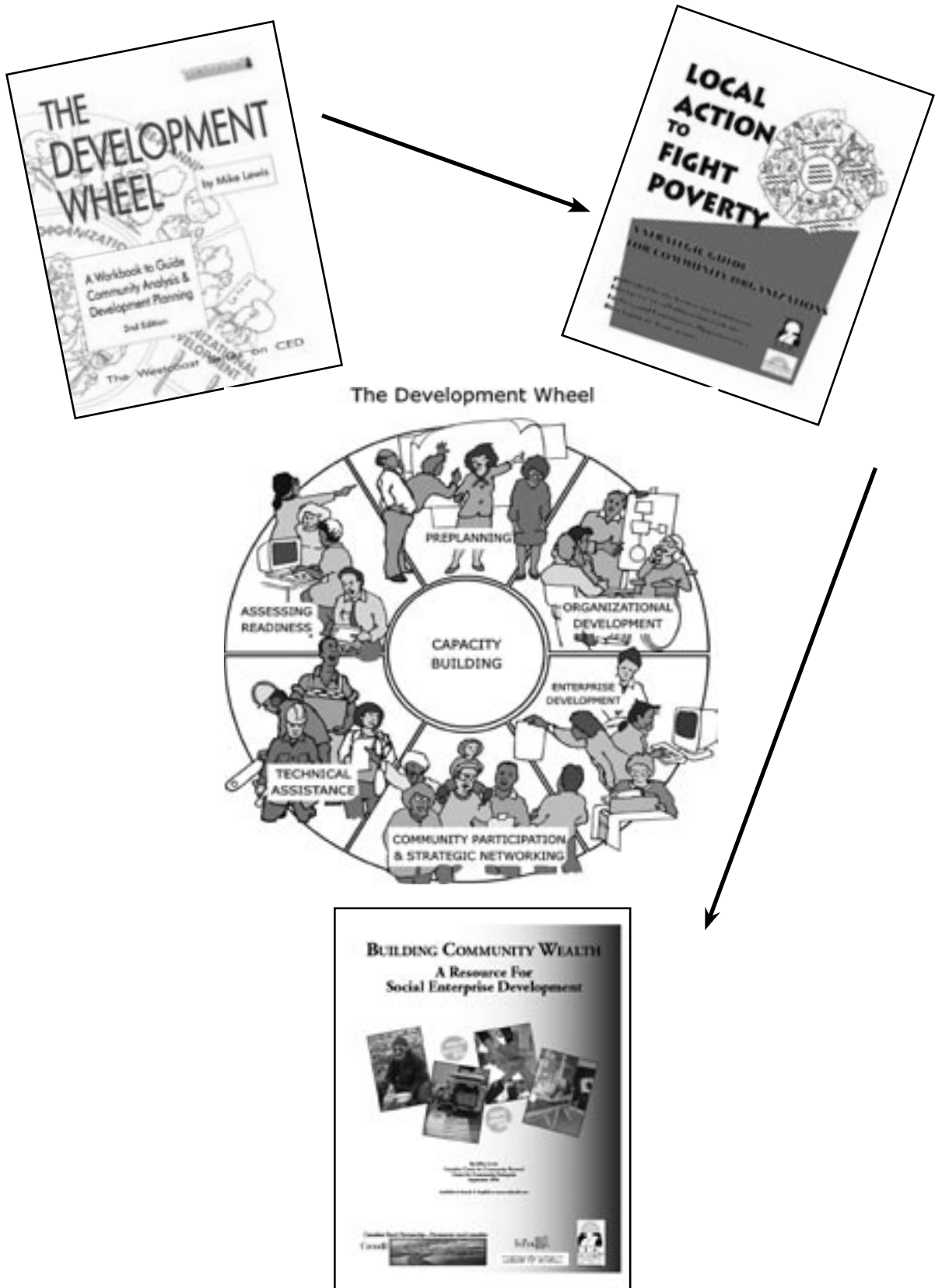
This book is one of the results of our project. There are several other resources that will be gathered or developed as the project proceeds, including results from a research component that is part of the Rural Secretariat's Models Program. This also includes a facilitator's manual for workshops that have been designed for use across the country. All of these are available at www.cedworks.com, then click on the link through the Social Enterprise bar.

We hope that others who are engaged in Social Enterprise Development will find the resources contained in this book helpful. We would appreciate hearing about how you use it and what results you get.

Mike Lewis Project Co-Director
Executive Director, Centre for Community Enterprise
Managing Director, Canadian Centre for Community Renewal

EVOLUTION OF THE DEVELOPMENT WHEEL—ITS CONCEPTS AND APPLICATIONS

The Development Wheel concept has evolved over the past 25 years into an excellent tool for helping groups and organisations assess their readiness for social enterprise development and for assisting social enterprise developers in *Building Community Wealth*.



INTRODUCTION

In the most general terms, this book is a basic introduction to social enterprise. Through examples depicting the scope and range of social enterprise in Canada in Chapter 1, readers can get a feel for the potential benefits that can be generated by enterprises that use business means to meet social goals. The stories about what people and organisations are accomplishing in widely varying circumstances inspire us, inform us and, most importantly, provoke us to think outside the box to which we've often confined the "world of business."

These stories are examples of practical, on-the-ground initiatives. However, they also serve to help us probe some broader questions: How we understand our economic life and, based on that understanding, how we organise ourselves to manage it. The notion of integrating social goals into matters of business and economy may seem like a foreign concept to many, but by probing a bit more deeply, we discover that for much of human history, social goals have been central to governing how we managed our economic transactions.

Chapter 2 defines social enterprise and where it fits into the larger systems we live within. It helps us to better understand the "not so foreign" landscape social enterprise traverses, and describes the key elements we need to attend to if we are to grow social enterprise into a more powerful tool for building community wealth.

Beyond these introductory features, which will be of interest to those working to strengthen communities, this book is aimed at helping people systematically assess the readiness of their groups or organisations to undertake social enterprise and, if a decision is made to proceed, to plan more effectively how to get on with the myriad tasks and decisions that must be done in order to succeed.

There are three main categories of organisations or people who will find these practical features most useful. These are discussed in chapters 3 through 5:

- 1. Groups and organisations that want to explore starting a social enterprise.** A wide number of interests are taking up social enterprise. Some examples are: a group of individuals considering a worker co-op, a non-profit seeking to diversify its financial base or design new ways of achieving its mission, a First Nations development corporation planning a community-owned business, several individual artisans or organic farmers considering a marketing or producers co-op.
- 2. Organisations that already own one or more social enterprise.** The practical resources provided herein will lead to improvements in how they structure ongoing enterprise development activity. This book also provides a framework for critically reflecting on your experience to date.
- 3. Social enterprise developers.** These are organisations whose mandates include assisting others to build non-profit or co-operative enterprises, such as Community Futures Development Corporations, some credit unions, co-op developers, aboriginal development organisations, and some United Way operations. Of course, there are some organisations that are developers as well as owners of social enterprises, the Centre for Community Enterprise being one example.

This book is aimed at helping people systematically assess the readiness of their groups or organisations to undertake social enterprise and, if a decision is made to proceed, to plan more effectively how to get on with the myriad tasks and decisions that must be done in order to succeed.

For much of human history, social goals have been central to governing how we managed our economic transactions.

If more detailed information and resources are needed, Chapter 6 provides some useful references. We would be pleased to receive referrals that readers believe would also be useful.

Bon voyage. Send us a postcard to let us know how you are faring on your social enterprise journey.



A wide range of groups and organisations are becoming interested in social enterprise as a means to advance their capacity to meet their social and economic goals.

During the first half of 2006, *Building Community Wealth* was tested in workshops held across the country; from Smithers, BC to the Ottawa Valley. The book was used as a resource in workshops that focused on helping people assess their group readiness to seriously engage in social enterprise.

The excellent results, as well as the feedback from these workshops, have fed into this edition of *Building Community Wealth*.

We also used the feedback to finalise two facilitator manuals we had previously developed: one for a two-hour introductory workshop, and the other for a full-day readiness assessment and social enterprise planning workshop. All can be downloaded from www.cedworks.com.

These photos were taken at the workshops held in British Columbia and Ontario.

CHAPTER 1

SOCIAL ENTERPRISE AT WORK— A CONTINUUM OF ENTERPRISING SOLUTIONS

Beginning with the story of Quebec’s St. Tharcisius Co-op, this chapter highlights examples from the continuum of social enterprise activity that stretches across the nation and around the world. All have one thing in common: They extend the boundaries of conventional business practices by inserting the principle of social solidarity into the heart of enterprise development. Some social enterprises focus on unmet needs of a particular place, such as in St-Tharcisius. Others concentrate on meeting the unmet needs of a particular segment of the population, at-risk youth, for example. Sometimes it’s a particular sector that is the focus of enterprise activity, such as agriculture, or arts and culture. Such variation is illustrated in the following stories.

Social Enterprise: Stemming Rural Decline in Small Town Quebec

In 1997, a mill shut down in the vicinity of St-Tharcisius, Québec, a Gaspé town of just over 500 residents. The local economy shuddered and the dépanneur (corner store and gas station) was forced to close, leaving the town without a grocer. Several residents had to depend on friends, family, and neighbours to drive them to the next town to shop. Aside from the inconvenience and dependence involved, there were a number of economic side effects. Already facing cash outflows and reduced employment opportunities, the village economy became an even “leakier bucket;” a vicious cycle was emerging.

The situation was well-suited to a co-operative solution. The local need had both social and economic elements: serving members of the community most in need, providing an essential service, growing the local economy, and generating employment opportunities. What’s more, there was a general awareness of co-operation due to a strong co-op movement in the region and the past experience of many locals as co-operators (largely agricultural, financial, and forestry enterprises). A co-operative dépanneur seemed like a good idea!

Five St-Tharcisius residents, including a former owner of the failed “dép” and a former co-operative leader from a neighbouring town, were the founding group. By the time the co-op was launched, there were 85 members; today there are 96. The co-op has restored grocery, fuel, and postal services to the town. It faces the same economic pressures as its failed predecessor but, unlike its predecessor, the co-operative has staying power because of community control and network support.

Member-owned and community-controlled initiatives are more apt to continue operating in a context where the returns to investment are low. Private businesses faced with the same situation and responding to the interests of their shareholders will likely leave. As a solidarity co-op with multiple classes of members (the five employees of the business make up the worker class), local commitment to the St-Tharcisius Co-op is all the stronger.

All social enterprises have one thing in common: They extend the boundaries of conventional business practices by inserting the principle of social solidarity into the heart of enterprise development.

The co-op in St-Tharcisius has restored grocery, fuel, and postal services to the town. It faces the same economic pressures as its failed predecessor but... has staying power because of community control and network support.

Kitsaki's joint ventures have created jobs and are capturing profits & management capacities—all of which build greater community self-reliance. Social goals are being met through business means!



In *le Boulot vers*, a Quebec-based training business, revenues from the sale of goods and services in the market are combined with ongoing government investment in the social supports to create a double win: transformed lives and a return on taxpayer investment.

Two young women working at the panel saw.
Photo: *le Boulot vers*



Add to this the strong advantage the co-op enjoys because of the web of support that exists: the local *caisse populaire* (credit), the Centre local de développement (planning, research, and small grants), the Co-opératif de développement régional (technical assistance to new co-op start ups), and a supportive Human Resource Development Canada office. With all these factors in its favour, it stands to reason that the co-op is more durable than its predecessor.¹

By thinking outside the box of conventional public or private sector solutions to social disadvantage and economic distress, local leaders and democratically owned institutions created an enterprising solution to stem the tide of decline and dislocation.

Saskatchewan First Nation Takes Social Enterprise to Scale

The Kitsaki Development Corporation represents a very different scale of operations and approach from that of the St Tharcisius Co-op. Owned by the La Ronge First Nation, Kitsaki is a community development corporation focused on establishing the La Ronge First Nation as a key business owner in the region. For decades, much of the business in northern Saskatchewan was owned by southern shareholders. Few of the jobs benefitted locals. Most of the profits flowed out of the region. To stem the flow of benefits out of the territory, Kitsaki uses a joint venture strategy to create businesses that combine community ownership with private sector partners to create a kind of social enterprise hybrid. Kitsaki is now an owner in a wide range of enterprises, including wild rice processing, smoked meats, insurance, and trucking. Over 500 jobs have been created, 70% of which are held by aboriginals. Annual revenues average \$50 million. Markets extend from the local to the global. A steady stream of profit is generated. Through Kitsaki, the La Ronge First Nation has created an economic base that radically and positively changed its social and economic relations with the dominant culture. In the process, the economic and social conditions of aboriginal individuals and the six communities that make up the La Ronge First Nation—communities that were excluded from such participation just 20 years ago—continue to be improved.

Salvaging Lives at Risk—*Le Boulot vers* and the Trail Skills Centre, Training Businesses that Work

Tiny in comparison and narrower in scope, training businesses occupy a very different place in the social enterprise continuum. Typically, they target specific segments of the population, such as at-risk youth. They bring them into a specially structured business operation for six to twelve months—for example, production of children's furniture—and then graduate them into the labour market or to further training and education. *Le Boulot vers*, a pioneer of this model in Quebec, has been operating for well over a decade. Found across the country, but most prominently in Quebec, where there is strong provincial policy support, it is not an exaggeration to say that these enterprises salvage young lives, as well as taxpayer dollars. Revenues from the sale of goods and services in the market are combined with ongoing government investment in the social supports to create a double win: transformed lives and a return on taxpayer investment. Extensive research shows Quebec's investment in this model makes money for the

public treasury within one year, once government-dependent individuals become contributing citizens.

The Trail Skills Centre in south-central British Columbia has created a variation on this model. A multi-faceted employment support and training service, the Skills Centre has created a training business with no direct government investment, relying solely on the supports of its experienced staff and community linkages to create an enterprise that targets at-risk youth. Contracting with a local newspaper publisher for a variety of services, this business is successfully integrating at-risk youth into working society and generates a small profit for the Skills Centre.



Workers at The Right Stuff, one of the Trail Skills Centre's social enterprises. Photos: Denise Robson

Enterprising Solutions by Women for Women

Inclusion of groups that are frequently excluded from economic participation often motivates social entrepreneurs. Maison Verte, an Ontario-based forest nursery enterprise, was started by women wanting to improve their lives and those of women in their community. After 20 years, and with some significant public sector support in the first three years, the business has grown into a profitable enterprise with nine full-time and 20 seasonal jobs (1995)² After years of re-investing in the enterprise and expanding to include production of flowers and some organic vegetables, the business has constructed a foundation dedicated to creating employment and women-centred services that support the empowerment of women in the region.

The Olds Bottle Depot—The Differently Abled Creating Community Profit

Based in rural southern Alberta, the Olds Bottle Depot was purchased by a charity (Accredited Supports in the Community) in 1986 to provide employment and work skills development for adults with disabilities. By 1990, the Association had expanded the scope of its work to include work skills development with local business owners, while at the same time transforming the Depot into a self-sufficient business. It now employs a fully integrated workforce, including youth and adults with disabilities.

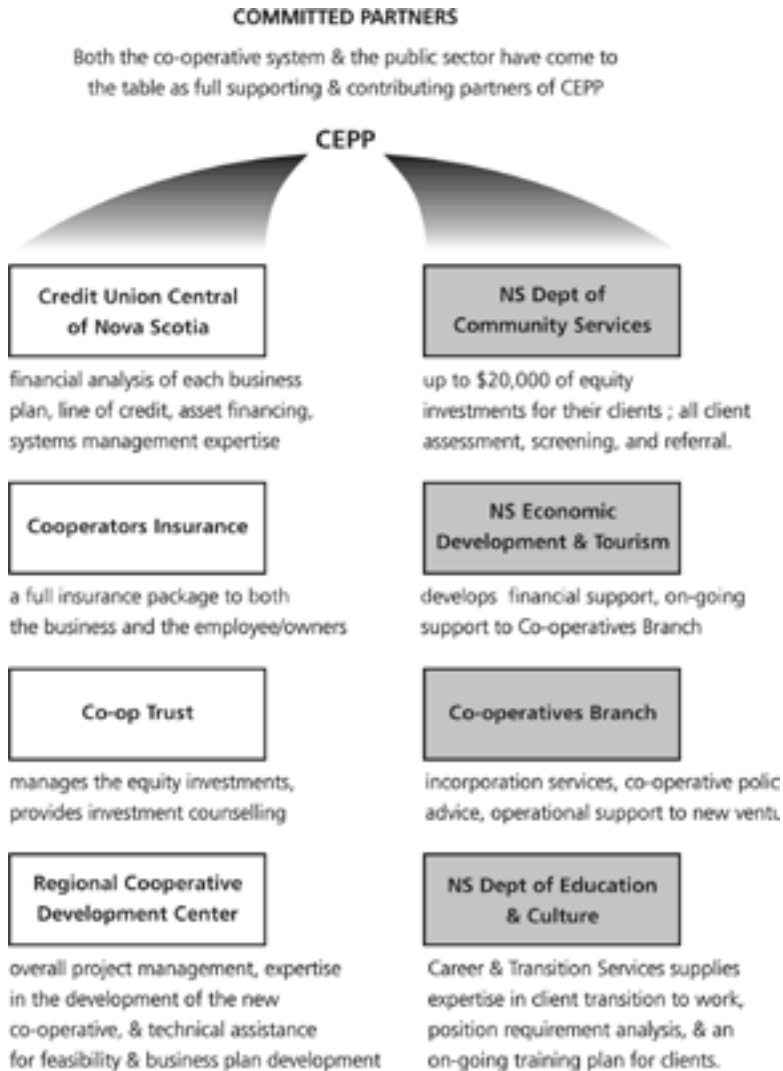
The Depot is an integral part of the town's recycling initiative. Over the years, the Depot has survived four moves, a serious fire, adaptations to the Alberta Beverage Container collection system, and operational changes. Through it all, the Depot has hired and retained dedicated employees and increased its business annually. Profits have enabled the Association to improve the Depot's environment for the public and the employees, and to help with the purchase of handivans and homes for people with disabilities.

Maison Verte...was started by women to improve their lives. After 20 years...the business has grown into a profitable enterprise with nine full-time and 20 seasonal jobs.

The Olds Bottle Depot in rural Alberta (below)...started in 1986 to provide employment and work skills development for adults with disabilities. Today, it is an integral part of the town's recycling initiative, and helps purchase... homes for people with disabilities.



Targeting People on Social Assistance to Become Worker-Owners in Nova Scotia



Making Waves Magazine, Vol. 10, No. 1 (Spring 1999), p. 18.



The work of the Nova Scotia Co-op Development Council is another demonstration of this inclusion motivation. They help people on social assistance to become worker-owners of their own enterprises. They have created an innovative partnership with the provincial social services department that provides equity on behalf of each worker/co-op owner. This is then linked with credit provided by credit union loans, and management by experienced co-op managers for a fee and a percentage of profits. Once the business is stabilised and internal management capacity developed, the now worker-owners graduate into fully managing their own social enterprise. Thus far, five of these social enterprises have been developed in rural Nova Scotia. Six more involving people with disabilities have been developed and financed.

We can see that social enterprise development can be relevant to revitalising a particular locale by providing needed jobs or services. In other instances, the primary focus is on a particular group with specific needs. A third purpose that prompts social enterprise as an option is the desire to improve the conditions of people or businesses operating in a sector where the insertion of social goals into the economic equation is seen as “values added.”

For four generations, the dairy farmers of St. Albert, Ontario have added value to their product by producing fine cheeses, with curds as a specialty. Organised as a producers’ co-operative, it is now an anchor employer in the community.

Farmers Capturing Value and Adding Value in Ontario

Consider the case of the St. Albert Cheese Factory in St. Albert, Ontario. For four generations, the dairy farmers of St. Albert have added value to their product by producing fine cheeses, with curds as a specialty. Organised as a producers’ co-operative, it is now an anchor employer in the community. This multi-million dollar business is also a “values added” enterprise that has thrived in an increasingly volatile marketplace where few local dairies and cheese producers have survived. The co-op reinvests in its own community in a multitude of ways that contribute to the social, economic, and cultural development of the region. Schools, recreation, and cultural groups are among the primary beneficiaries. More recently, they’ve helped to initiate a major event, the now-famous Festival de la Curd. In the process, they have created jobs, mobilised volunteers, generated diverse partnerships, and played a key role in the promotion of the region and the francophone community in Ontario.

Finding Solutions to the Health Care Crisis in Rural Quebec

This “values added” approach is not confined to primary producers. For example, access to adequate health services can be a determining factor in the survival of many rural communities. This is amply demonstrated by the case of Saint-Étienne-des-Grès, a village of 3,800 in southern Quebec. The community was faced with an exodus of doctors and other medical services, and was unable to attract new recruits because many of them did not want to make the investment required to set up a clinic. As well, public programs were not prepared to invest. In 1992, the community organised and decided to raise money one person at a time. Between \$50 and \$250 dollars bought shares in a co-operative. Within a short time, they had raised \$125,000 in investment capital from over 1,000 members. In co-operation with the local credit union, they planned and financed the building and other equipment needed to turn the situation around. By 1995, their clinic was complete. It quickly attracted doctors, along with an optometrist, dentist, and psychologist, all of whom were happy to rent space. Shortly thereafter, the co-op started its own physiotherapy service. In 2000, they added 19 spaces for aging people needing care. Then, in 2003, their success was finally recognised by the government, which helped finance doubling the size of the clinic. The co-op recently helped organise another such co-op in another rural village facing the same challenges.

Bringing Arts and Culture Alive—From the High Arctic to the Fraser Valley

A few thousand miles to the north, there is an equally remarkable example of social enterprise at work. For the last 45 years, co-operatives in the remote northern reaches of Canada have played a central role in fostering Inuit carving and other art forms. Organising producers and ensuring market access to distant southern and international markets, these co-operatives have created a thriving environment for the development of livelihoods and culture—“values added” to be sure. This culturally based economic activity has played an important role in generating community pride, cultural retention, and the creation of new art forms. Today, a new generation of Inuit are entering this thriving cottage industry.

Another isolated and talented group of artists has more recently mobilised to establish a marketing co-operative with the assistance of the Fraser Valley Centre for Social Enterprise and the South Fraser Community Futures Development Corporation (British Columbia). Its members are prisoners in a maximum security prison. The InsideArt Cooperative is owned by its artist members—both inmates and “outmates,” the latter being community-based artists who mentor the inmates and create a bridge to the larger community. Members’ artwork is marketed through a website and at shows in the community. While incarcerated, inmates build relationships, develop skills and connections, and work towards self-sufficiency in preparation for their release, dramatically decreasing reliance on the social safety net and creating taxpaying inmates along the way!

When the rural community of Saint-Étienne-des-Grès was faced with an exodus of medical services in 1992, they developed a co-op clinic with the help of the local credit union. By 2003, it included a physiotherapist, 19 care spaces for the elderly, and has helped establish another clinic in another rural village.



The Inside Art Cooperative in BC’s Fraser Valley is owned by its artist members—both inmates and “outmates,” who are community-based artists that mentor the inmates and create a bridge to the larger community.



An emerging innovation in the social enterprise arena, ARISE merges...into a type of joint venture model that combines private sector, non-profits, and charities as co-owners.

Solidarity Chocolate—Fair Trade Built on the Triple Bottom Line

The international concern for creating fairer trade between “Third World” producers and northern markets has generated a new sector of social enterprise activity in Canada. La Siembra is one of many worker co-ops and non-profit enterprises that have emerged to sell organic products from producers who are guaranteed a fair price by the Fair Trade marketing enterprise. La Siembra is the first organisation to import, manufacture, and distribute Fair Trade-certified organic cocoa products in North America. They are rapidly expanding their capacity to distribute products across the continent, motivated by their commitment to improving the livelihoods of small organic farmers, most of whom are organised as co-operatives or non-profit associations of producers.

Social & Environmental Solutions Through Multi-Stakeholder Enterprise

Rounding out this survey is an emerging innovation in social enterprise in Canada. Although still early in development, ARISE (Abbotsford Recycling Industries Social Enterprise) was conceived as a means to melt and cast recycled glass into functional, long-lasting products, such as glass sinks and wall blocks. The initial goals reflected environmental concerns: to save energy and reduce landfill use. However, through a cross-cutting set of conversations with local businesses and charities,

the vision has expanded to include training and socialisation of marginalised individuals, such as ex-inmates and people experiencing multiple barriers to employment. Still in its planning phase, ARISE intends to offer financial literacy training, use energy from the production process to heat a greenhouse for community gardens, and other social enterprise subsidiaries, such as a café and produce outlet. These social and business goals are merging into a joint venture model that combines private sector, non-profits, and charities as co-owners.

This introduction to social enterprises illustrates well the concept of a continuum. At one point is a training business, partly supported by public investment and partly by selling products and services into the market. This type of enterprise specialises in empowering and training a particular social group. At another point is a multi-million-dollar set of businesses owned by a First Nation through its community development corporation. In between, we see interest-, sector-, and place-based social enterprises that represent resourceful solutions to problems and challenges that are not taken up by the traditional private or public sectors. The result is “values added” to the benefit of individuals, communities, and society at large.

The Social Enterprise Continuum

Social Enterprise Examples	Primary Focus				Types of Ownership		
	Populations at Risk	Geographic	Interests and Needs	Sector	Co-operative	Non-Profit	Joint Venture - private and non-profit
St. Tharcisius Co-op		•	X		x		
Boulot Vers	•					x	
Kitsaki Dev. Corp		•	X				x
Trail Skills Centre	•	X				x	
Maison Verte		X	•	X		x	
Olds Bottle Depot	•	X				x	
N.S. worker co-ops	•				x		
St. Albert Cheese		X		•	x		
St.Étienne Health Co-op		X	•		x		
Inuit Arts co-ops	•			X	x		
Inside Art	•				x		
La Siembra-fair trade			X	•	x		
ARISE	X	X		•			x

Legend: dot = Primary Focus
 large X = Secondary Focus
 small x = Type of Ownership

We encourage readers to examine these experiences in more detail. More summaries and case studies are in Chapter 6. All are available at www.cedworks.com, where you'll find the examples highlighted in this chapter, plus several additional ones, along with linkages to additional useful resources for further study.

CHAPTER 2

DEFINING SOCIAL ENTERPRISE— ITS SCOPE & WHAT IT NEEDS TO GROW

A SIMPLE DEFINITION

When one distills the essential features of the examples presented in Chapter 1, a simple, clear definition of Social Enterprise is possible.

A social enterprise is a business with primarily social objectives where the surplus is reinvested in the business and/or used for community benefit.

This definition is also relevant in the historical context, when you trace the birth of social enterprise in England just over 160 years ago (see article in box). The impoverishment and displacement created in the 19th century by the Industrial Revolution compelled people to invent new ways to re-insert social goals into the economic domain. Early in the 20th century, similar movements emerged in Canada. The organising of farmers in the Prairies and of fishermen in the Maritimes are just two examples. A range of social enterprises emerged as a response to the struggle against the injustices of exploitative companies and unfair prices that caused the impoverishment of people and communities; with co-operatives and credit unions being two notable models.

Co-operatives are not exactly new to society. Over 160 years ago, the impoverishment and displacement created by the Industrial Revolution compelled people to invent new ways of re-inserting social goals into the economic domain.

The Beginnings of Social Enterprise: Rochdale, England

The good old days...when a person was able earn enough to put food on the table from a craft or a trade. Now we work more and more for less and less. We cannot hang on in the face of the advantages held by constantly expanding industrial mills. Destitution is becoming the most common mark of our streets. The marketplace, once governed by an ethic determined to maintain decent social relationships, is now characterised by raw greed and desperation. Cheating, unfair credit, adulterated food, over-charging—these seem to have emerged as the new norms. And those who do not make it, well, no doubt about it, the prevailing pronouncement is that their impoverishment is a clear sign of their defects.

This describes the context within which 28 men, mostly weavers, banded together in 1844 in Rochdale, England, to address a simple necessity. They, their families, and their neighbours needed wholesome food at reasonable prices. They formed a co-op as the vehicle to bind them together in the quest for a decent source of daily bread. More importantly, they set down the principles upon which the modern co-operative movement was founded. Co-operativism is an innovative movement that crafts entrepreneurial strategies to meet unmet needs and to realise unfulfilled opportunities for social and economic inclusion and betterment.

PUBLIC, PRIVATE AND VOLUNTARY SECTORS: WHERE DOES SOCIAL ENTERPRISE FIT?

In Canada, when we refer to the public, private, and voluntary sectors, we are talking about how different social and economic functions are met. Typically, the public sector (government) is the regulator (and sometimes the funder) of activities, the private sector is seen as the wealth-generator, and the voluntary sector is usually a vague “catch-all” phrase to mean a wide range of charitable and civil society types of organisations and activities. This is not very helpful and is much too limiting. What follows uses different language and casts what we call “sectors” as systems—systems that emphasise very different ways of thinking about how we manage economic life.

Three Perspectives on Managing our Economic Life³

There are three ways of thinking about how to manage our economic life, each of which tends to emphasise quite different values and principles. As shown in the graphic presented on the opposite page, these perspectives can be referred to as the First, Second, and Third systems.

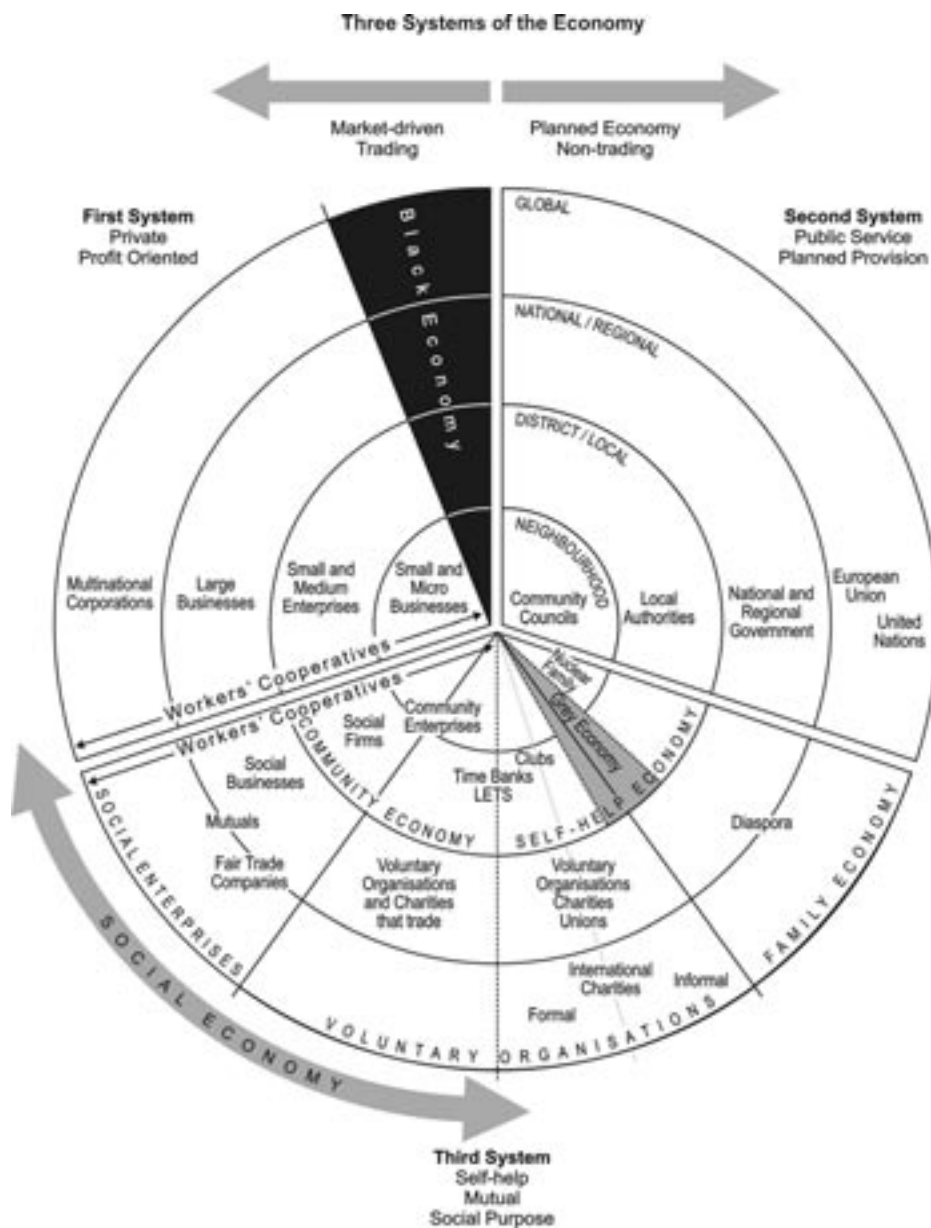
The private sector, what John Pearce calls the “First System,” is profit driven. It seeks to maximise financial returns to individual owners called shareholders, otherwise known as investors. One dollar equals one vote; thus, those who own the most shares exercise the most control. The protection of shareholders is the primary focus of legislation that sets out the framework for the operation of private companies. This “First System” embraces everything from locally owned small businesses to large multi-and transnational corporations that have come to dominate commerce across the globe over the last 40-50 years. It is the dominant system in much of the world today that facilitates the commercial exchange of goods and services on the basis of an agreed-upon value, or the exchange of equivalents. In the most general terms, it is based on competition, defines success in terms of individual gain, and makes financial return the first priority. The economic principle that is central to this system is efficiency.

The “Second System” is about redistribution and planning. It is the domain of governments—local, regional, national—and such bodies as the European Union and the United Nations. Its major focus is the provision of public goods and services. It is a common part of political debate whether the state should play a larger or smaller role in managing the economy. In the last 30 years, the pendulum has swung to the state playing an ever-smaller role. Economists such as Milton Friedman, and think tanks such as Canada’s Fraser Institute, which are heavily funded by corporations from the “First System,” have been successfully arguing for the state to retreat, which they say frees the marketplace to be the prime determinant of what is valued. Indeed, the central economic goal of the “Second System”—greater equality—is attacked as being counter-productive to economic efficiency. This argument has found fertile ground, in part because the “Second System” has come to be viewed by many as “bureaucratic, paternalistic, centralised, and inefficient.” Ironically, many of the services we value most highly—health, education, the care of children and the elderly, to name a few—have come into place through the state often with fierce opposition from those who ascribe to the dominant values within the “First System.”

The economic principle that defines the private sector is the exchange of equivalents; the key aim is **efficiency**.

The economic principle that defines the public sector is the redistribution of wealth by the state; its key aim is **equality**.

The economic principle that defines the social economy is reciprocity; the key aim is **solidarity**.



See Appendix 1 for source credit and a glossary of terms used in this graphic.

The “Third System” is about citizens themselves taking action to meet and satisfy needs, and working together in some collaborative way to do this. It includes what we think of as the family or household economy (the wedge at the far right) and extends into the range of ways people exchange with each other in local areas on a volunteer basis (barter, recreation, clubs, self-help groups, etc.). It also extends to a wide range of more formally structured organisations, some of which organise their affairs as charities (e.g., faith-based organisations, Oxfam) or member-based associations (e.g., trade unions, Rotary and similar clubs), and others that employ business, to varying degrees, to meet social goals (the two wedges at the left side of the “Third System”). As indicated at the bottom of the graphic, the values of mutuality, self-help, caring for people and the environment, are given higher priority than maximising profits. The economic principle that animates organisations in the “Third System” is reciprocity. Organisations in this realm emphasise mutual and collective benefit. Their aim is to foster a greater measure of solidarity among human beings, their communities, and society as a whole.

In the “Third System,” the values of mutuality, self-help, and caring for people and the environment are given higher priority than maximising profits. This realm emphasises mutual and collective benefit.

As Pearce points out, the “Third System” is rarely given much recognition. Indeed, the social enterprise wedge at the far left of the “Third System” is often argued to be no more than a subset of the “First System.” To so argue relegates the family economy and much of the voluntary and member-based organisations to an economically irrelevant part of society. The “First System” holds the view that maximising profits is the most “efficient” way of creating the wealth necessary to support social services and programs. It totally ignores the strategic importance of the daily transactions within the “Third System.” Without the economic value of what Pearce calls the self-help economy (the two wedges on the right within the “Third System”), the smooth functioning of the other systems is severely compromised.⁴

It is possible to expand the simple definition of Social Enterprise to include these key features:

1. It elevates social goals as an explicit priority in the business.
 2. It is preoccupied with building the means for people to organise on the basis of mutual support and solidarity.
 3. It always sells into the marketplace.
 4. Integration of social and economic objectives with accountability is achieved through collective ownership.
 5. Profits, assets, and wealth are re-invested, rather than distributed to individuals.
-

A Closer Look at the “Third System”

The Social Economy occupies the two wedges to the left within the “Third System.” It includes “all that part of the Third System that is on the trading side” or, put another way, that sells products and services into the marketplace. Within this definition of the Social Economy, the social enterprises at the far left are those that focus on enterprise as the primary means to achieve their social purposes.

Those in the voluntary organisation wedge of the Social Economy (just to the right of Social Enterprise) engage in some market-based activities. However, they do not view their mission and goals as being primarily met through social enterprise. For instance, a church that receives funds from donations or grants may rent a portion of its facilities to a day care, but the church would not be seen as a social enterprise in and of itself. The income that is generated, however supplements cash from other sources and thus is important. The activity of renting the space, however, is not central to its mission as a voluntary organisation. On the other hand, the day care that rents from the church, if organised as a co-operative or a non-profit and using a mix of user, government, and volunteer resources, would be considered a social enterprise.

Based on the discussion thus far, it is possible to expand the simple definition of Social Enterprise set out at the beginning of this chapter. Several key features can be elaborated:

1. Social enterprise elevates social goals as an explicit priority in the business. Social and economic returns on investment are deliberately pursued, whether or not there is any public investment.
2. Building the means for people to organise on the basis of mutual support and solidarity is a preoccupation of social enterprise. A way to achieve this is by engaging members & beneficiaries in the governance of the enterprise.
3. Selling into the marketplace is always a central feature.
4. Collective ownership is an important means of achieving integration of social and economic objectives with accountability to a defined constituency and the wider community.
5. Profits, assets, and wealth are not distributed to individuals; they are held and invested for community benefit.

In Quebec, “social economy enterprises,” as they are called, have a similar but somewhat different articulation of principles and structural features, notably the following:⁵ They...

- aim to serve their members or the community as a whole, instead of striving for financial profit alone;
- are neither private businesses nor public agencies;
- establish a democratic decision-making process that involves the participation of users and workers;
- give priority to people and work rather than to capital in the distribution of revenue and surplus;
- are based on principles of participation, empowerment, and individual and collective responsibility.

Around these principles, in the last 10 years, Quebec social economy networks have created hundreds of social enterprises and many thousands of jobs. While far from being the dominant means of organising economic life, crucial strides are being taken to elevate the social economy into a major, recognised feature of the Quebec economic landscape.

Nine Dimensions of Social Enterprise

Pearce discusses the considerable variation within the world of social enterprise and uses the word “dimensions” as a way of describing this variation. Within each dimension, he further describes a kind of continuum within which any individual social enterprise may be located. It is useful to introduce these dimensions to help the reader better understand the overall scope and variation that exists at any one time.

It is important to keep in mind that the continuum within each of these nine dimensions is not static. Over time, a social enterprise may shift its position within the continuum. It is also important to note that the idea of the continuum does not imply that any one location within it is more valuable than another. Indeed, the social purpose, the context, the opportunity, and the leadership available are critical factors shaping the approach of any particular social enterprise and thus, where it might be located within the continuum.

Nine dimensions of Social Enterprise

1. from very small to very large
2. from voluntary enterprise to social or community business
3. from dependence on grants and subsidies to financial independence
4. from people orientation to profit maximisation
5. from informal to formal economic activity
6. from single enterprise focus- to multifunctional
7. from voluntary organisation to social enterprise
8. from radical to reformist
9. from individual to collective initiative

Social economy enterprises in Quebec have a somewhat different articulation of principles and structural features...

Around these, Quebec social economy networks have created hundreds of social enterprises and many thousands of jobs in the last ten years.

The world of social enterprise contains considerable variation—or dimensions. Within each dimension is a further continuum within which any individual social enterprise may be located.

Exploring the Dimensions of Social Enterprise

<p>From Very Small Includes the smallest of neighbourhood & local endeavours that generate or save income (local craft fairs, a village hall run by a community association, voluntary food co-op, local thrift shop).</p>	<p>To Very Large VanCity Savings, a Vancouver-based credit union started very small over 60 years ago as a means for a few people to get access to credit. Today, it has \$10 billion in assets and has explicit social goals that it integrates throughout its business, including an annual social audit. Others in this category include Kitsaki Development Corporation and the St. Albert Cheese Factory cited in Chapter 1, the Co-operators (a national insurance co-operative), larger non-profit and co-op housing organisations, Mountain Equipment Co-op (now across Canada). In between, there is the Olds Bottle Depot, fair trade companies such as Siembra, and the health services co-op in Saint Étienne-des-Grès, Quebec.</p>
<p>From Voluntary Enterprise This includes enterprises that depend entirely on volunteers, such as a small thrift store, or enterprises that may have a small paid staff but still use volunteers to run some aspects of the business.</p>	<p>To Social or Community Enterprise Mainly paid staff with most of the volunteers being board directors. Examples include a multi-stakeholder health co-op, non-profit day cares, a community owned grocery, a funeral co-op.</p>
<p>From Dependence on Subsidies where part of the income stream remains dependent of grants and fundraising One example is Le Boulot vers, a training business that receives government grants to cover the development of the social capacity of high risk populations through working in a structured business that sells into the marketplace The province of Quebec, where this model is most prominent, receives a return on taxpayers investment within 12 months.</p>	<p>To Full Financial Independence This end of the continuum has social enterprises that are fully self-sufficient through income generation in the marketplace. They reinvest profits in expanding their enterprise(s) and/or use portions of it for generating community benefits. Most of the examples in Chapter 1 fit this category.</p>
<p>From People Orientation All facets of the enterprise are focused on social goals being met. For example, the Olds Bottle Depot in Alberta integrates all of its employment and its profit re-investment policy to meeting the needs of the differently abled, as well as providing a needed community service. The financial goals are focused on sustainability of the enterprise to ensure that social goals related to their defined constituency continue to be met over time.</p>	<p>To Profit Maximisation This end of the continuum has enterprises that emphasise profitability. The commercial focus is not directly related to meeting social goals per se, but generating profits for re-investment in social goals. For example, Kitsaki Development Corporation is seen as the economic arm of the La Ronge First Nation. Profits feed enterprise reinvestment, pay the core costs of the community development corporation, and become a source of revenue for the First Nation government, thus moving the overall community towards greater self-reliance. Employment and training of members is important, but KDC puts profits first seeing the resulting equity as central to their goal of building a more self-sufficient community. Habitat for Humanity resale stores is an interesting example of where the goal is profit maximisation but it is all run by volunteers</p>
<p>From Informal Economic Activity Activities such as Time Banks and Local Economy Trading systems (LETS) that facilitate barter are economic activities that expand participation in local economic life without the use of money as a means of exchange.</p>	<p>To Formal Economic Activity for example, Van City or the Olds Bottle Depot. Note that social and community enterprise can emerge for LETS activities. It is also conceivable that barter could emerge as part of formal social enterprise activities; for example, where one or more market-based social enterprises barter goods and services.</p>

<p>From Voluntary Organisation Increasingly, voluntary organisations are engaged in some type of commercial activity. Those voluntary organisations that engage in commercial activities as a sideline, primarily to raise funds for their operations (e.g., a gift shop in a museum), essentially remain voluntary organisations.</p>	<p>To Social Enterprise This is where the trading or commercial activity is the primary means of meeting social goals.</p>
<p>From Focus on a Single Enterprise Enterprises such as Olds Bottle Depot, non-profit or cooperative day cares, and many others are focused on a single enterprise. In the case of Olds, profits are also linked to a strategy of re-investment in specialised housing and transportation services to their specific constituency.</p>	<p>To Focus on Multiple Tasks Typically, CED organisations focused on a particular locale or region have several tasks they undertake to strengthen the social economy, of which social enterprise development may be one. There are also examples, such as Kitsaki Development Corporation which focus only on enterprise development. They have 11 different enterprises, generate \$50 million in revenues, and employ over 500 people. The Human Resource Development Association in Halifax acquired or built several enterprises that aimed to employ single employable people on welfare, integrating enterprise development with training and supports necessary for the constituency they were targeting.</p>
<p>From Radical Where social enterprise is seen as a contribution to expanding economic life based on “Third System” values and goals wherever feasible. These people and organisations will take every opportunity to publicise social enterprise as a way of working. They often describe themselves as being the harbingers of a paradigm shift necessary to bring our society and the planet onto a more just and sustainable path.</p>	<p>To Reformist Social enterprise in this perspective is seen as an extension of the private and public systems, largely engaged in activities from which the public system has withdrawn and the private system cannot make sufficient profit. It is more about keeping the system going and often downplaying being a social enterprise in favour of being “just a business like any other.” Some parts of the co-op and credit union movement are criticised for having lost touch with their radical roots, becoming little different than a private business.</p>
<p>From Individual Initiative This dimension describes how a social enterprise comes into being. Individual initiative refers to a social entrepreneur who must establish roots in the community, build the legitimacy of a community constituency, and get a collective undertaking underway. There are now entire support organisations (e.g., Ashoka) that are oriented to supporting social entrepreneurs as a means to advance social change around the world.</p>	<p>To Collective Initiative is where the originating point is a group or organisation, no doubt with leaders that provide the initial drive and energy. An example of this is the Olds Bottle Depot, which was initiated by a group of parents who acquired control of a charity that they transformed into the base from which to build a social enterprise.</p>

THE WEB OF SUPPORTS REQUIRED TO START AND GROW A SOCIAL ENTERPRISE



It takes cooperation to weave the web of supports needed to nourish successful social enterprises.

Social Enterprise requires entrepreneurial leadership, capacity to engage and empower, participation from a variety of stakeholders, inspired persistence, tolerance of ambiguity, and an ability to employ business and organisational tools as means to address unmet needs and unrealised opportunities.

The African proverb, “It takes a whole village to raise a child” is akin to the web of supports that characterises the development of successful social enterprises. Inserting social goals into enterprise development is not a “normal” part of the business agenda in our society. To succeed in this requires weaving together a web of supports throughout the community and from specialised sources of technical assistance to start, then nourish, the expansion of social enterprise and maintain it in a successful fashion.

Attaining social goals and community benefits while at the same time remaining financially viable is seldom a simple task.⁶ It requires entrepreneurial leadership, capacity to engage and empower, participation from a variety of stakeholders, inspired persistence, an ability to tolerate ambiguity, and an aptitude for using business and organisational tools as means to address unmet needs and unrealised opportunities. It requires “inspired grinders” who take a long term perspective while maintaining their close attention to the nitty-gritty of achieving on-the-ground success.⁷

The stories in the opening pages are only snapshots of the mosaic of social enterprises that exist in Canada. This book, and its links to more detailed case studies and other resources, will enable you to dig deeper and range further.

One critical understanding to keep in the forefront of your mind is that social enterprises are themselves tools, not ends. Their application in the modern context is not narrowly defined, although they are more common in the arenas of production or service, where social need is greater and the potential for profit is less. As has been illustrated already, some social enterprises are self-sufficient; others use a blend of government, community, and market income to provide the base for sustaining the venture. Whatever their business and social focus, whatever the ownership format (usually co-operative or non-profit), to develop and grow social enterprises on a sustained basis requires a web of supports and relationships.

Consider the following web of supports woven into the story of St. Tharcisius. The village was in big trouble due to the closure of key services. A small citizen-based group with some support from a co-operative leader from a town down the road did the initial organising and planning. The Local Development Centre provided research and business planning guidance. The Regional Development Co-operative, a specialised technical assistance group for co-op development in Québec, provided organisational development and legal guidance, as well as business advice. The Caisse Populaire played a central role in providing credit to the new solidarity co-op. Without this web of relationships and support, would the village of St. Tharcisius have survived? It is difficult to be certain. What is clear is this: The equity controlled by the community through a locally owned social enterprise was an important step in stemming economic and social decline.

At the core, we find people exercising citizenship and people who are committed to rolling up their sleeves and acting. Sometimes it’s a citizen group that takes the leadership, as was the case in St. Tharcisius. In the

case of the at-risk youth enterprise taken on by the Trail Skills Centre, an existing non-profit organisation was the entrepreneurial impetus. In St. Albert, it was dairy farmers banding together to create additional products from their dairies and then going on to provide a “values-added” pattern of reinvestment in the life of the community. In most of these cases, you will find that each depended on a web of supports to help plan and finance its successful launch.

Linking Your Social Enterprise to the Web of Supports

Based on our life experience, common sense tells us there are several key tasks that make communities work (or not), both economically and socially. Consider the diagram. Think about each task and ask yourself what the implications would be in your community if each remained undone? What in your community is being done well, what is not, and where are the gaps? Which groups are excluded from access to credit, social supports, or access to training that’s focused on getting employment, to name just three? What are the unmet needs?

How the functions in the diagram are woven together and managed within a community vision and strategy is what we in Canada call community economic development (CED).⁸ Improving a community’s capacity to support both private and community-owned businesses can be integrated into an overall strategy for maximising community well-being.

Similarly, and to varying extents across the country, the co-op sector has woven together several of these functions into a web of supports aimed at developing new co-ops.

When all the strands of the web are woven together, significant results can be achieved. In Quebec, where social enterprise has a supportive policy environment, and where the local and regional CED organisations and provincial-level support infrastructure is the strongest, the results speak for themselves.

Social Enterprise requires a web of relationships and support. At the centre of the web, we find people exercising citizenship... people who are ready to roll up their sleeves and act

Identify Your Region’s Web of Supports Early in the Process

For those embarking on the path of social enterprise development, familiarise yourself at an early stage with the key supports in your community, region, and province; supports that can be drawn into play to help plan, finance, start, and grow your social enterprise(s).

10 Key Tasks

What must we do, have, or create if communities are to thrive?

Affordable Housing & Food Security are basic to human physical, emotional, and social functioning.

Health & Safety are essential to our willingness and ability to participate in community life as parents, employees, business-owners, voters, and investors.

Access to quality **Education** will determine much of what people do with their lives and the contribution they make to the lives of others.

Social Supports strengthen the connection between citizens, foster inclusion, facilitate participation in community life, strengthen families, and encourage the realization of individual and collective goals.

Culture & Recreation reinforce the physical and emotional health of citizens and communities. Opportunities for leisure and reflection broaden and deepen people’s participation in other aspects of community life.



The Social Tasks

The Economic Tasks

Local Equity & Ownership ensure that local interests influence business decisions and that the resulting capital is reinvested in local development.



Preparing **People** to become competent employees, employers, organizers, co-ordinators, administrators is what fuses the “people supply” to “people demand.”

Accessible Credit focusses on extending loans to people marginalized from conventional financing.

Planning, Research, & Advocacy enable people to make good decisions about what to do, when to do it, with whom and with what.

Physical Infrastructure is the array of public and private installations that undergird public health, mobility, and communication.

Social enterprise is one key tool they have used to gather the engagement of citizens in the task of revitalizing neighbourhoods. Between 1997 and 2002, RESO helped start over 40 social enterprises that together created 500 jobs, many with and for people who were previously marginalised from participation in jobs.

Research carried out by the Bureau de l'économie sociale and the Direction des co-operatives in 2002, cited 6,254 social enterprises having over 65,000 workers who generated \$4.3 billion in revenues.⁹ A significant percentage of these enterprises have been created since 1996, stimulated by the policy changes and new resources that flowed from the socio-economic summit of leaders from government, business, community, social movements, and labour, all of whom agreed to make strengthening the social economy an important priority.

Since then, a new generation of sector-led support organisations providing finance, advocacy, and technical assistance have emerged that, together with very supportive government policies, are helping communities and citizen's groups create a diverse array of ventures, including financial services, home care and day care providers, recycling businesses, funeral services, housing and consumer co-ops, a range of production and worker co-ops (forestry, agriculture, cultural, small scale manufacturing), social tourism, and employment training businesses.

The social enterprise development focus is complementary to the CED approach where the emphasis is on the development of a specific territory. As depicted in the graphic,¹⁰ by working in collaboration, they address and interconnect the social and economic tasks that are key to the well-being of communities, as well as to the particular "communities of interest" that may be the focus of any social enterprise.

It is in Quebec where community economic development organisations and social enterprise have been most powerfully integrated. A combination of progressive government policies and long-term strategic supports have yielded substantial benefits.

Among the most dramatic examples is RESO, a community economic development corporation that was forged to address the multi-faceted economic and social challenges in what were once Montreal's five poorest neighbourhoods. The qualifier "once" is important: today the challenge is managing growth.

In a rural context, the mountain community of Revelstoke in British Columbia offers another rich body of experience. Through a multi-faceted engagement of citizens, the municipality, the Chamber of

Commerce and the Community Futures Development Corporation over a 20-year period, a town once on its knees is now a vital, thriving community. One key element in this transformation was citizen action that demanded control over the forest license in their region. They succeeded and then mobilised community capital to create a municipally owned social enterprise that is returning social, economic, and environmental benefits to the citizens of Revelstoke.

