

Social Innovation

Benevolence versus change:

The transformative potential of social innovation and social enterprise in Ontario



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PROLOGUE

Community economic development (CED) is about finding economic opportunity from the skills and interests of individuals within a community who then leverage the assets of that community. It is fundamentally bottom up, and most often explicitly used as a strategy in physical places that have been ignored or abandoned by the mainstream economy of an area. The solutions found are collective in nature, inclusive and usually incremental and solid.

This paper has been inspired by the abandoning of CED for what seems to be an almost cultish obsession with the “leadership of the individual”. The reframing of “social enterprise” as a business strategy and the utilization of social enterprise as a “work around” for broken systems reposition a powerful tool of community renewal far away from its historical roots.

As we examined the increased dialogue around and investment in both social innovation and social enterprise we became alarmed at the extent of the investment disconnected from struggling communities.

We also became alarmed at the facts that are being ignored. With 50% of the revenue for the non profit (NP) sector being fee for service, NP organizations are actually a mature component of the economy (larger than the automotive sector) and an engine for growth. Yet no investments are being made to scale up what is already working or provide the supports to ensure sustainability in the social enterprise ecosystem (e.g., capacity building, an enabling policy/regulatory environment, access to capital, and encouraging demand and supply).

It is our hope that this paper will trigger some deeper reflection, discussion, and a renewed effort to connect and engage and find the solutions to local issues in local people and assets that have so much wisdom and potential.

— *Peter Frampton*



INTRODUCTION

The rise of social innovation in Ontario has created an explosion of new opportunities and approaches to social, cultural and environmental issues. This relatively new concept has created a buzz around how to achieve real change through approaches such as social enterprise and the use of innovative investment approaches that are not purely philanthropic. Many social innovators aim to tackle very complex, large-scale challenges prevalent not only in Ontario but much of the world such as homelessness, climate change and disability rights. This of course appeals to government at all levels. However, it is not at all clear that social innovation is fulfilling its transformative promise. In this essay, we seek to explore some of the “tensions and ambiguities” (in the words of Westley, Zimmerman & Patton, 2007) in the practice of social innovation, particularly in social entrepreneurship in Ontario.

Social Innovation

Frances Westley provided the standard Canadian definition of social innovation in 2008: “an initiative, product or process or program that profoundly changes the basic routines, resource and authority flows or beliefs of any social system” (Westley, 2008). The seductive appeal of this approach is that it sidesteps people and power, and lends itself to remarkable flexibility.

Perhaps the most significant gap in the talk about social innovation is that it does not explicitly speak to issues of marginalization. For all the talk of ‘human-centered’ approaches, the challenges that social innovation attempts to tackle are too often framed as problems of policy and technology, not politics and people. The challenge of climate change, for example, affects some Canadians disproportionately and forces us to consider questions of environmental justice, especially as they relate to Indigenous peoples’ experiences in Canada.

The absence of language around power and inequality is linked to the question of who is leading the social innovation charge. How effectively can initiatives financed by major financial institutions in a profit-oriented system address the problems caused by the practices inherent in that system? As Geoff Mulgan notes in the context of social innovation labs, the field presents a classical “radical’s dilemma”: do you work within the system and risk limiting the scope of your desired transformation, or do you work outside it and risk marginalization if not outright opposition?

(Mulgan, 2014). Many budding changemakers have chosen the pragmatism of the former.

Working as they do within systems that ignore power dynamics, then, social innovators may fail to involve and empower the people most affected by the problems they seek to address. Most social innovators will recognize that there is a tenuous connection between what happens in incubator programs or labs, and what it is actually needed at a grassroots community level. At times the purpose can get murky and lost in the distinct language and concepts of social innovation. Do socially innovative ideas and concepts resonate with the everyday person? This lack of clarity and under-emphasis on inclusion can lead to disenfranchising the very people that proponents of social innovation wish to serve.

Then there is the question of opportunity cost. How governments should divide resources and choose priorities will always be up for debate. However, the sheer amount of capital, funding and loans allocated to start up social innovation programs is staggering and does not seem to relate to the success or results of these endeavours on a large scale. Social value is indeed difficult to measure – and a call for measurement can itself be anti-innovation – but at some point we must engage in some form of assessment. Since each enterprise has varying targets and goals and measures success differently, there is little empirical data on the effectiveness of social innovation in effecting real change. In fact, the impact so far is remarkably



similar to the allegedly limited impact of charities and nonprofits – the very paradigm that social innovation is expected to change or displace.

We also see the language of social innovation being used to describe what would previously be considered “business as usual”; pay-for-success financing, for example, is not new to the public sector. But framed as “payment for outcomes,” it is discussed with great excitement. The flip side of this phenomenon is that many new tools and technologies, even those that have helped save millions of lives, do not get called social innovation—perhaps because doing so would call into question what happens to the enormous profits generated when they are rolled out at scale. For instance, magnetic resonance imaging (MRI) has not been referred to as a social innovation despite its clear benefits, because it is recognized as a for-profit product with a \$5.8 billion market (BCC Research, 2016).

Social innovation has emerged in the context of a broader shift towards privatization. Governments in English-speaking countries have increasingly adopted market-based approaches to address social issues. Social impact bonds, a specific version of payment-for-outcomes, have opened up a new market for investment, one that considers paying a profit margin for investments in social services (Ontario Nonprofit Network, 2015). While hailed as an innovative way to bring new financial resources and evaluation rigor to the NP sector while saving public

funds and transferring risk from government to the private sector, the social impact bond is yet to prove itself (City of Toronto, 2015). In particular, they have not yet attracted the expected scale of private funding despite offering attractive profit margins, while being piloted in a context of austerity. As a result we are faced with governments that continue to download social services despite a lack of established alternative models of delivering services and programs for millions of people in need.

Finally the focus on “start-ups” and a “dragon’s den” approach (rigorous screening to invest in the “big win”) while building excitement and attention does not allow for incremental learning and intervention. Such an approach also further alienates social innovation from communities in need. If Canada were to build on what works, we would, like Scotland for instance, have a long-term approach to building the capacity of the NP sector in a manner that increases economic opportunity and enhances the vitality of communities.

The burgeoning field of social enterprise, perhaps the most popular social innovation of the last few decades in Canada, demonstrates some of the pitfalls of current social innovation practice. In the following section, we examine its introduction in the context of Ontario’s youth employment sector.

A blurred, blue-tinted photograph of a modern office interior. In the foreground, a man in a dark suit is walking towards the right, gesturing with his hands as if in conversation. In the background, two other people are visible, one standing and one sitting, also in a professional setting. The architecture features large, angular glass panels and structural beams, creating a bright and open atmosphere. The overall image has a soft, out-of-focus quality.

Social enterprise and youth unemployment in Ontario



The trend of shifting social services from governments into the hands of NPs and private organizations has created the right environment for finding ways of delivering those services by combining for-profit enterprise and social enterprise, or “profit with a purpose”, (Malhotra, Laird, & Spence, 2010). What has emerged on the Canadian front, however, looks very different compared to models already established by communities and around the world. Furthermore, the drive to create social entrepreneurs may come at the expense of millennials who are already suffering in an increasingly precarious labour market.

Social enterprise has been a feature of Ontario’s social sector for decades, going by different names over time, such as community economic development, alternative business, and social purpose business. Organizations like A-Way Courier on Danforth Avenue in Toronto led the way decades ago, working with established social service agencies to run a courier service that employed marginalized people. In the years that followed, many NPs were encouraged to launch social enterprises as government support dwindled and funders pushed for revenue diversification.

This form of integrated, community-centred innovation has fallen out of favour, however, with increased focus on individually owned startups in the last decade or so. A number of social enterprise incubators and accelerators have emerged across Ontario, modeled after small business accelerators and prioritizing financial sustainability for the incubated businesses over social impact. As we noted above, this model emerged in the context of a shift towards privatization and it emphasizes the individual entrepreneur rather than community groups working to empower local residents.

This Ontario model is not the only way, however. There are good examples of social innovation emerging as a distinct yet integrated way of delivering services to individuals and communities without alienating established non-profits and community organizations. In the United Kingdom, for example, social enterprises include community enterprises,

credit unions, trading arms of charities, employee-owned businesses, co-operatives, development trusts, housing associations, social firms, and leisure trusts (Patrick, 2016). The definition of “social enterprise” has been left deliberately open to allow a wide range of organizations to define themselves as such (Elson & Hall, 2013). Scotland has also made considerable strides in defining and creating supports for social innovation. A 2011 report by the Commission for the Future Delivery of Public Services highlights the importance of participation by communities in the process of tailoring solutions to longstanding, systemic issues. The recommendations involve merging new approaches into the existing needs of Scottish communities and emphasizing the need to hear from all members of the community, not simply the “trained” voices. Maximizing community involvement has been proven time after time to translate into sustainable and successful outcomes in social enterprise (Anderson & Montgomery, 2014).

The success of these models and the limits of Ontario’s approach suggest that it is time for all the players in Ontario’s social enterprise ecosystem—including government, financiers, post-secondary training institutions, community groups, and social enterprise incubators themselves—to return to the question, for whom and what purpose do social enterprises exist? If we ask this question, we might not invest so much in expensive, centrally-located hubs but rather encourage budding social entrepreneurs in the communities that need more services, such as the inner suburbs. The social enterprises that do operate in those neighbourhoods tend to struggle for exposure and funding, partly due to a lack of support.

The startup model of social enterprise has particular implications for millennials hampered by an hourglass labour market with fewer middle-income jobs and too many precarious, low-skill, low-waged, and part-time jobs. The collapse of manufacturing

and shift to a knowledge-based economy has led to a decline in long term employment opportunities for even qualified individuals. At the same time, there has been a rise in contract jobs and precarious employment opportunities (Zizys, 2011). A key pillar of the Ontario government’s response to youth unemployment has been the creation of incentives such as the Youth Entrepreneurship Fund, which place the onus on individuals to create their own jobs. The allure of being one’s own boss and receiving funding to finance and nourish out of the box ideas make startups an attractive alternative to internships or temporary work.

A dash of social innovation makes the startup brew even more compelling. Raised in a world that feels as though it is on the brink of economic and ecological breakdown, millennials feel a sense of obligation to help make the world better. They see stories of fellow recent graduates who are making a difference, such as those documented by Dev Aujla and Billy Parish in *Making Good* (2012). For those millennials who struggle to find a place in today’s economic climate and may already have idealistic tendencies, social entrepreneurship offers a sense of purpose, hope, and the promise of “changing the world.”

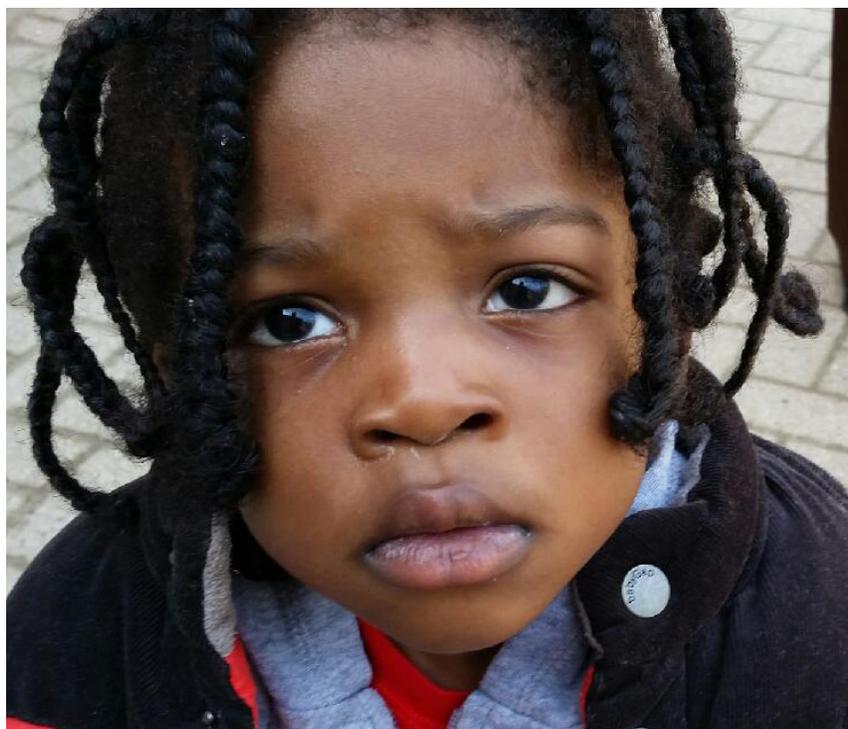
Paradoxically, it is a policy initiative that is written more out of a sense of benevolence - a helping hand to a few - than any real sense of system change. The funding provided by government is not adequate to establish businesses with long-term growth potential (Geobey, 2013). While young people have indeed participated in entrepreneurship programs, such programs only reach a fraction of struggling youth (Grant D. , 2015). There is little evidence on how many jobs have actually been created through these programs and social entrepreneurship in general.

This has not limited the startup industry’s thirst for funding. A recently published plan to make

Toronto “the startup capital of the world” depends on heavily investing in Toronto’s incubator and accelerator programs. The strategy outlines the ways in which investors and government agencies can support and grow startups through investing in these projects through mentorship, networking with other entrepreneurs, and of course, providing more capital. Yet it also notes that startups are fragile, with a third failing within three years and only half surviving beyond five years, (City of Toronto, 2015). Clearly, then, startups are not the solution to youth unemployment.

This re-emphasizes the need to conduct an evaluation of social entrepreneurship and what it has actually achieved. Existing research focuses on micro-level stories of individual entrepreneurs and successful startups, or at most organizations housing individual entrepreneurs; this makes it impossible to directly link social innovation projects to social improvements (Cukier, Trenholm, Dale, & Gekas, 2011). The field is lacking quantitative measures and analysis of results, despite years of work on developmental and impact evaluation. Without data or proven measures of success, scalability and sustainability, social entrepreneurs run the risk of looking like a field with lots of little ventures that are admirable but almost never come close to the espoused goal of widespread, lasting impact, and that never match up to the problems they are designed to solve (Dees & Anderson, 2006).

What we should also ask is, if the startup model of social enterprise currently in vogue fails or falls out of favour, which group will bear responsibility? Will it be the policymakers or consultants, or will it be the NP sector, which has been hamstrung in the process of making a painful transition towards social enterprise as it is? Who will take responsibility for supporting youth who do not manage to launch a viable business, a risky proposition at the best of times?



Conclusion

Social innovation startups are at the height of their popularity. As we look at post-secondary campuses across the province, we see major investments and new pathways being created for this new way of doing community work. However, the social enterprise and social innovation trend has been supported with little measurement of impact and no cohesive strategy linking it to Ontario's major challenges and communities that are in distress. Our primary concern is that this approach will come and go without having meaningfully addressed the work that needs to be done, for example, in terms of community revitalization and the provision of fair economic opportunities. We are also concerned about the broader economic risks of having such a high number of startups in their infancy stage.

Investing in start-ups takes away funding that could be going to proven and established NPs running social enterprises and delivering services throughout the province. Increased funding in the community sector could create just as many opportunities for talented and enthusiastic young people to put their new ideas and education to good use within established non-profits, instead of having to create something from scratch with little to no experience in the field. An investment in what is already working is what is most needed in social enterprise.

We conclude with three recommendations for Ontario policy-makers, post-secondary institutions, financiers, and others interested in social innovation/social enterprise:

1. Measure the impact of the start-up model:

Conduct cost-benefit analyses of investments in social enterprise start-ups and incubators/labs, including an analysis of the opportunity cost vis-à-vis investing in scaling up the efforts of established NP social enterprises, before investing further in these models.

2. Invest in scaling up best practices:

To mitigate the risk of a large number of brand-new start-ups failing (with the associated consequences for entrepreneurs, the groups they aim to serve, and the credibility of the model itself), replace the current focus on increasing the number of startups with a focus on working with the successful nonprofit social enterprises we already have - and building on the impressive accomplishments of the NP sector.

3. Learn from international experience:

Apply the wealth of knowledge and experience offered to us by experienced practitioners, policy-makers, and investors overseas who are successfully integrating social enterprises and social innovation into their economies – for community benefit. Best practices from Scotland and elsewhere will provide far better results for communities than our present approach.



Solving complex social, economic and environmental problems requires that we get the diagnosis right first. Is an intractable problem caused by a lack of innovation, a lack of empowerment, a lack of resources, or a combination? There is no doubt that we all benefit when new approaches are developed, tested, and scaled up. But a preoccupation with social innovation to the exclusion of all else does not serve society's best interests. In many cases, there are proven methods to leverage the assets of existing communities and tackle problems at their

root. Social innovation should be accompanied by a recognition that sometimes solving problems takes more resources or community empowerment than we have been willing to invest as a society. Let's put the energy and idealism of our youth to work in the service of communities so that they can truly "change the world." To do that, we must give them sustainable and evidence-based tools and approaches and a healthy social enterprise ecosystem that will allow them to work with these communities rather than attempt to act on them.

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