

Winston Churchill Memorial Trust of Australia

**To study the role social enterprise incubator/
accelerators play as a tool for rejuvenating rural
and regional communities.**

Report by Matt Pfahlert

2013 Churchill Fellow

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Signed: Matt Pfahlert

Date: January, 2014

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Introduction

ACKNOWLEDGEMENTS

I would like to thank the Churchill Trust for the incredible opportunity to be immersed in a unique learning experience involving the world's leading social enterprise thinkers and practitioners.

I am grateful to all of the people and projects I visited for their generosity of time and sharing of knowledge. In particular I would like to thank Gerry Higgins CEO of Community Enterprise in Scotland for his mentorship and support of my travels and learning in Scotland. I wish to also thank Peter Holbrook, CEO of Social Enterprise UK for his support, time and valuable network of contacts.

Finally, I wish to thank my wife Gina, our children as well as our broader family for their unwavering support of my passions and career endeavours.

My study focussed on the role social enterprise incubators play as a tool for rejuvenating rural communities.

Social enterprises are commercially successful businesses specially designed to tackle social and/or environmental issues.

I travelled to Canada as part of an international delegation that participated in a four day overland rural social enterprise study tour from Vancouver to Calgary.

The study trip culminated at the World Social Enterprise Forum in Calgary.

I also wanted to find out the role governments, the private and community sectors play in creating the optimal environment for social enterprise development in the countries I visited.

I travelled to Toronto, Boston and New York as well as Nth Carolina and Nebraska to explore social enterprise projects, ideas incubators and a number of youth entrepreneurship education models.

I found a number of entrepreneurship education programs operating to support the rejuvenation of rural communities with over 25 years of experience. Unlike Australia, entrepreneurship and its education could be described as being part of the American DNA.

I then travelled onto Scotland and England where I mainly visited rural based social enterprise businesses and hubs as well as a number of key social enterprise development organisations, networks and government.

My report is very much written from a personal insights perspective and not as an academic paper.

I look forward to the opportunity to share my findings to achieve the widest reach.

Executive Summary

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Highlights

Participating in the Social Enterprise World Forum in Calgary, Canada

Seeing firsthand many of the world's finest pioneering rural based social enterprises

Discussing social enterprise with the world's leading thinkers and social entrepreneurs.

With international colleagues, participating in the social enterprise study programme across rural Canada, visiting a number of inspiring social enterprises.

Experiencing the generosity, determination, commitment and collaborative spirit evident in my social enterprise colleagues throughout Scotland

People's willingness to share information, knowledge, learnings, networks and time.

To study the role social enterprise incubator/ accelerators play as a tool for rejuvenating rural and regional communities.

Major Lessons

Social enterprise is no longer at the margins of business thinking and is being taken seriously as an emerging model for a new way of doing business, especially in the UK and Canada.

Social enterprise incubators/accelerators servicing rural communities are numerous and take many forms from basic early start-up business planning and mentoring courses through to sophisticated social finance brokerage organisations whose role is to scale and accelerate existing social enterprises.

However, I have learnt that incubators need to be linked into a broader social enterprise development ecosystem involving thought leaders and activists, policy makers, academics, finance institutions, advocacy groups, professional networks cross sector collaboration and funding organisations.

Policy makers in the UK and Canada are enabling rural social enterprises to flourish through social benefit criteria in procurement practices and the provision of legislation that allows enterprising community's the right to buy their local assets. Social enterprises also thrive where intermediary organisations support the business development and financing of these projects.

Youth Entrepreneurship education programs are well established across the US, Canada and the UK. They are underpinned by the need for developed economies to find new employment through knowledge economy industries in light of the shift of traditional industries and labour to the developing countries like Brazil, Russia, India & China (BRIC).

Entrepreneurship education models, approaches and curriculum are all readily available with a number of organisations eager to share their knowledge and experience.

Dissemination and Implementation

This report will form the basis for presentations and workshops targeting social enterprise networks, rural communities and community leadership organisations. Scheduled presentations include; Leadership Victoria, Social Traders, the Victorian State government, Alpine Valley's Community Leadership Program, Philanthropy Australia, Fairley Community Leadership and the Foundation for Rural and Regional Renewal. I will also make myself available to other organisations interested in the learnings from my fellowship.

Key Findings

Key Findings

- The Social enterprise movement is gathering momentum worldwide and is heavily supported by the government, business and community sectors as a critical tool for the future sustainability of rural communities, particularly in the UK and Canada.
- In light of the off-shoring of many traditional industries, there is widespread recognition of the importance of entrepreneurship education and innovation as a key driver for future knowledge economy businesses and the sustainability of rural communities in the 21st century.
- Considering the US, Canada and the UK, Australia is the only country not offering comprehensive entrepreneurship education programs and incubation support to the great ideas our young people have. Having said that, there are a number of quality programs and approaches that could be easily adapted for implementation in Australia. We are fertile ground!
- Where rural communities start to control their own assets and retain services through the establishment of social enterprises, a culture of enterprise becomes infectious. Over time whole communities become hopeful and enterprising.
- Policy makers are enabling the social enterprise movement through key legislation like the Social Value Act valuing community benefit through procurement processes and a community's right to buy local assets.
- The establishment of a new 'hybrid business model' legal structure called a Community Interest Company (UK & parts of Canada) acknowledges that a social enterprise needs to recruit talent, raise capital and reward entrepreneurship whilst delivering a tangible and lasting community or environmental benefit.
- Rural communities in the US combine entrepreneurship training with their civic participation and leadership programs so that young people receive entrepreneurship and business training. They also foster networks with business people so that young people who move to the cities for education purposes can return with the networks and support to further their career or start their own business.
- Commercial businesses are increasingly looking at ways to make a greater contribution to the community and the environment. One of the ways they are doing this is through increased purchasing from social enterprise through their supply chains. This is resulting in social enterprises growing to employ for example more disadvantaged job seekers.

- The explicit value of entrepreneurship education programs is in the way they utilise the wide range of a person's talents and doesn't reduce them to a narrow intelligence quotient.
- The Scottish social enterprise context provides a great case study for how our states in Australia might pursue the growth in the social enterprise movement. Scotland is approximately the same geographic and population size as Victoria. It has a number of remote rural Isle communities; most are served by ferry transport.

The Scottish government has had a strong commitment to the development of social enterprise sector over a number of years and their successes are gathering attention across the world. The key factors to their success that I experienced through my visit include.

- Strong political leadership and commitment
- Commitment of government to building strong relationships with key social enterprises and their leaders
- Resources to fund networks and organisational capacity building
- A genuine commitment to the empowerment of communities to control and operate their organisations and assets
- A commitment to a variety of social finance products in the form of grants & loan programs for social enterprises at all stages of development
- Support for leader development and training

Programme

Date/Place	Person	Organisation /Task
Boulder, Colorado, USA		
Thurs Sept 19	Natalie Azizi	Unreasonable Institute
Fri Sept 20		Boulder Hub
Denver Colorado, USA		
Mon Sept 23	Maura McInerney	Young Americans Bank
Lincoln, Nebraska		
Tues Sept 24	Milan Wall	Heartland Leadership Centre & site visits
Wed Sept 25	Craig Schroeder	RUPRI Center for Rural Entrepreneurship
Vancouver, Canada		
Fri Sept 27	SEWF Study tour	Social Enterprise World Forum rego Pot Luck, Trade Works, Enterprising Non-profits and Vancity
Sat Sept 28	SEWF Study tour	
Sun Sept 29	SEWF Study tour	Osoyoos Band - Spirit Ridge Vineyard Resort & Spa
Monday Sept 30	SEWF Study tour	Revelstoke Community Futures Development Corp
Tues Oct 1	SEWF Study tour	Travel Revelstoke to Calgary via Banff
Wed Oct 2 - Fri Oct 4	SEWF - Conference	Social Enterprise World Forum
Toronto, Canada		
Mon Oct 7	Geoff Cape	Evergreen Brickworks
Tues Oct 8	Leah Pollock	Centre for Social Innovation
Wed Oct 9	Adam Spence	MaRs – Centre for Social Impact
Boston, USA		
Fri Oct 11	Jo Battilana	Harvard University
Fri Oct 11	Rebecca Price	Root Cause Capital
New York City, USA		
Tues Oct 15	Karen Tumelty	Greyston Bakery
Raleigh - NC, USA		
Wed Oct 16	Scott Daugherty	Small Business & Technology Development Centre
Thurs Oct 17	Tom Brown	North Carolina REAL
Glasgow, Scotland		
Mon Oct 21	Gerry Higgins	CEiS
Mon Oct 21	Lynda MacDonald	Neilston Community Trust
Mon Oct 21	Alison Fullerton	Wasp Art Studios

Mon Oct 21	Lyn McCulloch	Wheatly Group
Loch Fyne, Scotland		
Tues Oct 22	Dot Chalmers & Lorna Watt	Cairndow – Where Are We
Oban, Scotland		
Tues Oct 22	Roy Clunie	Atlantis Leisure
Fort William, Scotland		
Wed Oct 23	Heather Negus	Nevis Range
Wed Oct 23	Cara Mackay	Outdoor Capital
Inverness, Scotland		
Thurs Oct 24	James Dunbar	New Start Highland
Edinburgh, Scotland		
Fri Oct 25	Neil McLean	Social Enterprise Academy
Fri Oct 25	Yvonne Strachan	Scottish Government
Glasgow, Scotland		
Totnes, Devon UK		
Mon Oct 28	Lindsay Vaughan	Dartington Hall
St Austell, Cornwall, UK		
Mon Oct 28	Rob Lowe	The Eden Project
London, England		
Tues Oct 29	Peter Holbrook	Social Enterprise UK
Tues Oct 29	Matt Lill	Business in the Community
Tues Oct 29	Matt Freeman	Westminster Impact Hub

Background

Social Enterprise definition:

Social enterprises are businesses that are set up to tackle social and environmental problems.

A social enterprise is not defined by its legal status but by its nature: its social aims and outcomes, the basis on which its social mission is embedded in its structure and governance, and the way it uses the profits it generates through its trading back into the business.

Source: [Social Enterprise UK](#)

A Changing World

We are living in a world of escalating change with the majority of rural communities in Australia experiencing stagnation or decline. There is a significant out-migration of young people from rural and regional areas and although the majority have a desire to return (especially when they are ready to start their own families) they face limited work and career opportunities.

Almost one third (31% or 6,886,600) of our population live outside our major cities in rural, regional and remote areas (ABS, June, 2011). People living in these areas generally experience lower incomes than those living in the cities, reduced access to services such as health, education and transport; declining employment opportunities; and distance & isolation (National Rural Health Alliance, October 2013).

At a macro level rural and regional communities are experiencing the following;

- Increased globalization
- A decline in manufacturing
- Production of goods and services moving to cheap labour market economies
- Agriculture – movement from family based to large scale commercial enterprises

Unlike the US, Canada and the UK, Australia has not felt the full force of the global downturn in recent years due to our relatively strong economic performance, in part because of the strength of our resources sector.

While we seem to have been cushioned from the global economic adjustment rural communities in the US, Canada and the UK have been grappling with the fundamental sustainability of their rural economies for well over a decade.

As a result these countries have been exploring and experimenting with a number of models and approaches for how rural economies can survive and sustain themselves into the 21st century.

It is within this context that a social enterprise movement has emerged. These businesses are set up to be commercially successful yet designed specifically to tackle social and environmental problems.

The Scale of Social Enterprise

Social enterprise as “responsible capitalism”

Social Enterprise UK CEO Peter Holbrook when asked why social enterprises are the highest growing business type in the UK Peter answered;

“Social enterprise has emerged as the evolution of ‘responsible capitalism’. There is growing recognition that unregulated free market forces can have adverse & devastating effects on society and government. Multi-national companies and their sophisticated tax havens are bankrupting a government’s ability to support essential services and infrastructure. When companies like Amazon, Starbucks and Google pay no tax in the UK, the financial levers available to governments diminish. Social enterprises by design focus on community and environmental benefits and a more inclusive society”

When asked, what does this mean for rural communities Peter replied;

“The added challenge for rural communities is often getting business scale to ensure viability as well as access to capital. Rural businesses are often seen as more risky and less lucrative than other investments, and so are rarely supported by investment advisors. A number of rural communities are thriving through accessing investment from within their communities.”

The UK has been a pioneer of the social enterprise movement worldwide, their findings from the recent State of Social Enterprise Survey (2013) suggest:

- There are an estimated 70,000 social enterprises operating in the UK employing around one million people.
- The sectors contribution to the economy is estimated at over \$ 48 billion (Aus).
- Social enterprises are attracting more female leaders and more leaders from Black, Asian and Minority Ethnic communities than mainstream businesses.
- Business optimism – 63% of social enterprises expect increased turnover in the next 2-3 years compared to 37% for traditional small & medium sized enterprises.
- Social enterprises are heavily concentrated in the UK’s most deprived communities. 38% of all social enterprises work in the most deprived 20% of communities compared with 12% of small and medium sized businesses.

Rural communities are facing a number of challenges. Some public and private services are being withdrawn, which can often exacerbate issues of access to services to a greater extent than is the case for urban communities.

Despite these challenges, social enterprises (particularly in Scotland, England & Canada) are playing an increasingly prominent role in providing services to rural communities where the public and private sectors have failed.

Over the past decade The Social Enterprise Coalition (peak body now called Social Enterprise UK) and others have played a key role in influencing UK politics through policy, legislation and programs that are having a significant impact on the way rural community are forging more vibrant and sustainable futures.

An important policy driver for the UK’s success as a leader in social enterprise is the UK government’s policy position called ‘Big Society’ which states.



The Eden Project- A rural based social enterprise in Cornwall England – operates as the world’s largest indoor rainforest biosphere. This Eco-tourism business attracts 1 million visitors to the area each year.

In the 2011 Plunkett Foundation study into social enterprises in rural England, CEO Peter Couchman states:

“In an era when reducing the deficit is a key government priority, rural communities are under pressure to use social enterprise approaches to help themselves address the challenges they face whether this is saving their local shop or pub, putting in place high speed broadband services, addressing affordable housing, providing transport services or a whole range of other issues.”

“The government is supporting people who care about their communities and want to get involved in improving them. It believes that people understand the needs of their area best, which is why it is transferring power so people can make more decisions locally and solve their own problems to create strong, attractive and thriving neighbourhoods.”

Source: Big Society – UK government

Canada is quickly catching up through taking on a number of the UK initiatives as well as some home grown innovations of their own. While Australia is lagging behind, there is a groundswell of activity underway through organisations like Social Traders, Social Ventures Australia, School for Social Entrepreneurs, Social Firms, Foresters Community Finance, The Australian Centre for Social Innovation and The Centre for Social Impact.

This report focuses on:

- The role Incubators/accelerators and their different forms play in rejuvenating rural communities.
- A number of social enterprise approaches, key ingredients and legislation being applied to turning around rural communities in decline.
- The way entrepreneurship education and support is fostered in young people as a driver for social and economic change.
- The roles government, business and not-for-profit organisations play collaboratively in building a thriving social enterprise ecosystem

Social Enterprise Incubator - Accelerators

Social Enterprise Incubator/Accelerator

A social enterprise incubator/accelerator is a support program, physical space, organisation or network specifically designed to speed up the stages of the social enterprise business life cycle:

Idea testing
Planning
Implementing
Growing
Scaling
Sustaining

Incubators typically operate in the early stages and the accelerators support the growing, scaling and sustainability stages.

Some programs only focus on the business planning prior to start-up, while others will only work with social enterprises with a number of years of trading or both.

Over recent years, UK and Canadian networks have coordinated their programs and services through a single entry point, minimising confusion for social enterprises.

Four types of Social Enterprise Incubators

I studied a number of different programs, physical spaces, organisations and networks as part of understanding the ways Canada, the US, Scotland and England speed up the development of social enterprises in rural communities.

A number of these incubators were focussed on social enterprise development more generally and not just for rural communities. Bigger organisations often comprise of staff with specialist knowledge in areas like rural, Indigenous, youth led ventures or they are focussed on issues like food security or affordable housing.

As well, some only provided services to not-for-profit organisations while others don't mind if you are a commercial organisation as long as there is organisational transparency (governance and reporting) and the social impacts are apparent.

The four types include:

1. **Support Programs**
2. **Physical Space (Hub or Precinct)**
3. **Organisations**
4. **Networks**

Of the programs and organisations visited, it was very difficult to assess the quality and impact of one against the other, as they have all grown in response to their unique set of circumstances and intentions.

Support Programs

Incubator/accelerator programs are hosted and funded by a variety of sources. They specialise in working with social entrepreneurs who apply to programs specifically or who are known to the networks of the host organisation.

Vancity – Vancouver, Canada

The Vancouver City Credit Union or better known as Vancity is a co-operative with 2,500 staff and approximately \$17 billion CAD in assets. In 1989 Vancity established a charitable foundation as a philanthropic and social investment arm of their operations. The foundation is supported by the Credit Union and other funds including customer endowments.

They have a strategic focus on leveraging both the knowledge and knowhow of both organisations to support the



Canada's first multi-story shipping container housing development. This social enterprise is operated by Attira, an organisation supporting women escaping domestic violence – This Project was supported by Vancity



Gerry Ryan (CEO of Community Enterprise Scotland and co-founder of Social Enterprise World Forum) at a community owned wind farm. Scotland is a world leader in social enterprise development. The Scottish government are committed to local communities determining their own futures. Local communities have the right to buy their key assets if they come up for sale.

development of social entrepreneurs and their social enterprise projects. Idea testing, business planning support, grants and start-up investment is provided by the foundation through their Social Enterprise Portfolio Program. Participants in the portfolio program receive mentoring and support to evaluate their social impact. Once the social enterprise is trading successfully the Credit Union may provide patient loans (loans with longer than normal repayment terms) to support capacity building and scale.

This program supports rural and urban based social enterprises. They have been focussing on social enterprise development for over fifteen years investing millions of dollars in these programs through grants, business support and loans.

www.vancity.com

The Unreasonable Institute

Based in Boulder, Colorado USA, the Institute offers a highly competitive and intensive residential program to social entrepreneurs worldwide designed at accelerating their business growth and social impact. The program works with approximately 8 projects annually and provides business planning, mentorship and direct access to finance through their angel investor network.

Angel Investors are described as individuals with a passion for entrepreneurship and growing innovative new businesses. They are typically wealthy, well connected and seasoned business people, and entrepreneurs. The majority invest not just for financial gain but, for the opportunity to help innovative new businesses succeed.

www.unreasonableinstitute.org

Physical Space - Hub or precinct

Hubs and precincts focussed on accelerating social innovations are popping up all over the world. They generally operate to attract a diverse range of businesses (commercial, not-for-profit and social enterprise) into the same location to encourage collaboration, learning and a new way of doing business for a better future.

They are more than just a co-working environment (the co-location of a number of businesses under one roof) as they actively facilitate people, projects and ideas coming together. They activate a number of formal processes like seminars and



Artisan and bespoke made products are a focus for many rural based social enterprises.



Dartington Hall in Devon, England is the original rural regeneration incubator established in the 1920's. Saved from ruin, the property boasts more than 100 social enterprises. They still have a focus on experimenting with social benefit business ideas.

workshops as well as creating an environment where there is an expectation of sharing your time and knowledge. Participants can rent a casual hot desk or a permanent space for their business. Formal meeting spaces are activated through a booking system while other cafe style areas are provided for less formal catch-ups. These hubs have proved incredibly successful in fast tracking the skills, mentoring and support people need to grow their projects and businesses.

Impact Hubs

The Impact Hubs are a network of these precincts currently operating in over 60 cities throughout the world, with plans for rapid expansion. Participants of these hubs report an optimism around the practical innovation that these hubs offer because they are focussed on learning through doing. I visited the Westminster Impact Hub in London and the Boulder (rural based) hub in Colorado, both were energetic, vibrant and inclusive spaces. In Australia these hubs only exist in metro areas.

www.impacthub.net

Dartington Hall

This historic 1200 acre estate was rescued from ruin in the 1920's by Dorothy and Leonard Elmhirst as a home for their experiment in rural regeneration. The property has since been gifted to the Dartington Trust, a charity established to continue this work. Dartington's mission is to provide the time, space and stimulation for people to conceive, develop and test promising ideas to change people's lives for the better. This place is the original incubator!

They house over 100 social enterprises on the estate focussed on accommodation and conference facilities, an artisan retail precinct, visiting artists and performers, historic gardens, entrepreneur education programs, environmental education, overseas aid orgs, media programs, alternative prison programs and experimental retirement homes. Their combined annual income from these social enterprises is over £14 million.

Dartington Hall has a strong trading culture where all businesses need to be at least self funding (through trading) after a reasonable start-up period. Dartington is a world class example of innovation occurring in a rural setting. They are reaping the benefits of a legacy endowment and the use of 21st century social enterprise business innovations.

www.dartington.org



The Centre for Social Innovation in Toronto provides a range of co-working spaces for young entrepreneurs. They actively facilitate meetings between members to accelerate ideas development.



The Osoyoos Indian Band are a First Nations group in rural Canada who have achieved financial self-sufficiency over the last 25 years through the development of a number of social enterprises

Centre for Social Innovation

This centre was one of the first in the world to develop a facilitated co-working environment with a direct mission of growing social innovation. They have grown to have three sites in Toronto and one in New York. They measure the social impact of the projects and businesses developed through their centres and derive income through rental of the space.

www.socialinnovation.ca

Organisations

Osoyoos Indian Band

The Osoyoos Indian Band (band is a word meaning tribe) is a First Nations Indigenous community based in the Canadian province of British Columbia, located in the town of Osoyoos in the Okanagan valley. The band controls about 32,000 acres and comprises over 400 band members.

Over the last 25 years, the band has moved from reliance to economic self reliance; and under the leadership of Chief Clarence Louie now operates nine businesses on the reserve. These include the Nk'mip Desert Cultural Centre (pronounced "in-Ka-meep") a vineyard and winery, a four-star resort, and a 9-hole golf course.

Of the more than 400 band members who live and work on the reserve all have employment, career opportunities, health, education and a share of the profits.

The Osoyoos Indian Band represents an incredible story for the role entrepreneurship and enterprise play for improving the lives of indigenous peoples. A key to the band's success has been the role joint venture partnerships have played in developing the businesses. For example the Resort represents a partnership with the international hotel business Bellstar Resorts.

www.nknip.com



Just Enterprise in Scotland provides a full suite of business support and access to social finance services for social enterprises and budding social entrepreneurs

Networks

Just Enterprise (Scotland)

Just Enterprise is a Scottish Government financed business support programme which has been specifically developed to promote the growth of social enterprises in Scotland. Launched in June 2011, the programme is delivered by a consortium of agencies specialising in business support and learning and development services for enterprising not-for-profit organisations and social enterprise start-ups in Scotland.

They serve social enterprises regardless of their stage of development. This is in effect a single door approach to a range of services offered by a number of specialist organisations. This project is driving a culture of social innovation throughout rural Scotland. For example New Start Highlands is a rurally based social enterprise focused on providing small renovations and painting services to low and moderate income families. After identifying this and other gaps in the market they have grown in the last 8 years to employ over 100 local people.

www.justenterprise.org

MaRS (Toronto Canada)

MaRS Centre for Impact Investing is a collaboration space and incubator (a national hub) for all sectors (government, community and private) to strengthen collective efforts towards mobilising private capital for community good.

Impact investing is the term favoured in Canada to describe social investment or an investment that balances a financial and a social or environmental return.

MaRS provides a range of professional advisory & training for social enterprises as well as accelerator boot camps for social ventures to fast track their development.

They also provide access to social finance products and have recently commenced a platform named the 'Social Venture Connection' (SVX) for connecting impact ventures, funds and investors. This is the world's first social stock exchange. The SVX allows investors to identify screened impact investment opportunities reducing their burden of due diligence. There is currently \$5 Billion CAD invested in Canadian social businesses, a figure estimated to double by 2020.

www.mars.dd.com



MaRS represents a national approach to the support of social entrepreneurship and innovation. They recently established (with partners) the world's first social stock exchange



There are 70,000 social enterprises in the UK employing more than 1 million people. They service many disadvantaged communities where market failure has resulted in basic services being withdrawn

Social Enterprise UK

Is the peak body for Social Enterprise in the UK. They exist to advocate on behalf of members as well as provide education programs, sector development work and research. Social Enterprise UK have partnered with Deloitte's on an incubator program called the Deloitte's Social Innovation Pioneers Programme.

The programme supports socially innovative businesses (social enterprises), providing them with a package of support to help them grow to scale and become investment-ready. In total Deloitte's is investing over £1m a year in this ground breaking programme which utilises the skills and capabilities of Deloitte's staff to support social business.

With the 16 social business participants across a range of sectors, industries and regions, the programme has reported an average growth in turnover of 45% and 83% have increased employment within their organisations, equating to 80 full-time and 41 part-time roles.

For more information: www.deloitte.com and www.socialenterpriseuk.org.uk

Enterprising Non-Profits (Enp) – Canada

Enp provides grants and resources to non-profit organizations for technical assistance along the entire business development path. Enp also contributes to public policy initiatives and dialogue that will enhance and strengthen the social enterprise sector and opportunities.

Enp provides leadership and support that will enhance the market opportunities and the purchasing of social enterprise goods and services. Enp participates in efforts to strengthen the capital investment infrastructure and expand accessibility of appropriate capital resources for social enterprises.

www.enterprisingnonprofits.ca

Social Investment

Social Investment Definition

Social Investment is the provision of finance to generate social and financial returns.

(Source: Big Society Capital)

Investors will often accept lower financial returns in order to generate greater social impact.

Barrier to sector growth

The biggest barrier to the growth of social enterprises in Australia is access to capital.

Social Investment

Access to finance is critical to start-up and high growth business yet the big issue reported by interviewees for the rural context was the desire of investors and their advisors to consider investments (and their associated risks) in a non urban environment.

There are a growing number of investors worldwide who are looking for returns that are sound commercially yet at the same time address environmental and social issues. Many philanthropists are now viewing social enterprises as a better investment (as opposed to a donation) because a social enterprise business grows as a sustainable entity able to provide ongoing social impacts.

The Australian social investment market is unsophisticated in relation to the social finance innovations being implemented in the UK and Canada. Some of the options available to social enterprises in particularly the UK include:

Grants Programs

The scale of the grants available to rural communities in the UK is staggering due in main to the existence of the Big Lottery Fund.

Big Lottery Fund

A percentage of profits from the National Lottery are transferred to the Big Lottery Fund to contribute to community benefit projects like health, education and social enterprises, approximately £600 million per year. Since their establishment in 2006 the Big Lottery Fund has distributed almost £6 billion.

‘Power to Change’ is a new initiative which will invest up to £150 million over 2 years to support the development of sustainable community-led social enterprises across England. This fund focuses on social enterprises wanting to rejuvenate their villages and neighbourhoods through asset ownership and enterprise development.

The Big Lottery Fund also funds projects in Northern Ireland Scotland and Wales. There are currently £500 million worth of grants under management in Scotland alone.

www.biglotteryfund.org.uk

First Port (Scotland)

Is an awards and business support program for social enterprise ideas. Focussed on the pre-start up phase promising ideas receive small grants to work up their plans. Further grants and income supports kick as a social enterprise moves into start-up and beyond. It is a programme that is part of the Just Enterprise suite of social enterprise development programs. The grants are open to individuals, you don't have to be part of an existing organisation.

www.firstport.org.uk

Soft or Patient Loans

Soft or patient loans are terms used to describe finance provided on favourable terms to a social enterprise either through low interest rates and/or repayment holidays.

Big Society Capital (UK)

Is a £600 million investment bank partly funded through dormant loans that provide access to finance to tackle social issues. They also support organisations that are committed to developing the social enterprise sector.

www.bigsocietycapital.org.uk

Angel Investor Networks

There is a growing network of Angel Investors (individual willing to invest in new businesses) focussing their attention on social enterprises.

Clearly So (UK)

Clearly So is a social finance intermediary who broker finance relationships between social enterprises that are investment ready and their own angel investor network.

www.clearlyso.org.uk

Legislation

The Role of Social Procurement and the Social Value Act

One of the ways governments and private businesses can help tackle environmental and social issues is through their purchasing power. Increasingly businesses are purchasing services from social enterprises as part of their supply chain purchase decisions.

The Social Value Act

The Social Value Act (2012) requires public sector buyers to give consideration to social, environmental and economic benefits in the procurement process. This provides a chance for social and environmental benefit businesses to compete beyond the traditional criteria of price and quality only.

The Localism Act- Community right to bid

In neighbourhoods across the UK, there are buildings and amenities that are integral to the communities that use them. This could be a village shop, a pub, a community centre or a library for example. The closure or sale of such buildings and amenities create lasting damage in communities.

The Localism Act introduces a Community Right to Bid (Assets of Community Value) which aims to ensure that buildings and amenities can be kept in public use and remain an integral part of community life.

Under the Localism legislation, voluntary and community organisations and local parish councils can nominate an asset to be included in a 'list of assets of community value'. The local authority will then be required to maintain this list. If the owner of a listed asset then wants to sell the asset a moratorium period will be triggered during which the asset cannot be sold. This is intended to allow community groups time to develop a proposal and raise the required capital to bid for the property when it comes onto the open market at the end of that period.

A hybrid Legal Structure

Not-for-profit Companies Limited by guarantee and shareholder owned co-operatives are the most common structures that communities employ to conduct social enterprises in Australia. The existence of co-operatives as community owned businesses is common and widespread in the UK, to a far greater degree than in Australia. It seems that historically we have had a strong tradition of community co-operatives and yet they are not as common place as they once were.

In rural Canada, community owned co-operatives are growing rapidly as they offer the best opportunity to raise the capital necessary to ensure the success of the valued local business or service. It is often only local people willing to invest in their projects.

In 2005 a new legal structure was introduced into the UK named a Community Interest Company (CIC), it represents a hybrid business structure that allows a percentage of profits to be distributed annually to investors whilst still retaining its community benefit status through the regulator.

As yet CIC's don't exist in Australia.

Community Interest Company (CIC)

There are 8000 registered CIC's in the UK.

A CIC offers a structure that is 'in between' a commercial business and a not-for-profit organisation.

A major benefit of a CIC over a not-for-profit legal structure is that there is a growing number of social entrepreneurs who are motivated to make a positive impact on society yet, not at the expense of giving up on their career. Many entrepreneurs rightly would like to be rewarded for their efforts should their venture prove a success. A not-for-profit company structure offers no distribution of profits. In a CIC however the investors can take up to 35% out of the business in any year.

Another benefit is the ability to attract private capital because a dividend back to the investor is possible, unlike a not-for-profit structure. As well, board members can be recruited for their commercial acumen and remunerated accordingly.

The long term commitment to community or environmental impact is ensured through an asset lock on the business. This means the shareholders cannot derive any personal benefit through selling the business.

In my experience, this structure could play a role in encouraging talented people with bright ideas into social enterprise as it acknowledges and rewards the role entrepreneurs play in developing innovative solutions to society's problems.

Youth Entrepreneurship

Youth Engagement System

The three interlocking components to their youth engagement system are:

ENGAGE

Youth leadership and community service

EQUIP

Entrepreneurial Education & career development

SUPPORT

Adult Mentoring and Community Support

Youth Entrepreneurship in the US

I applied my studies in two areas of the US (Nebraska & Nth Carolina); both have a long history of supporting their rural communities regenerate themselves. These communities focus on entrepreneurship education as part of a bigger community effort towards stemming the flow of young people moving to the major cities or 'youth out-migration' as they like to call it.

The community focus on youth entrepreneurship is all about young people having employment and career options so they can choose to stay in their community of origin or if they do go away and want to return, they are already linked into the business people and networks of the local area.

It would be safe to say, that unlike Australia, the concept of entrepreneurship is a more revered part of the American culture and as such, no one needs to be convinced that entrepreneurship is a valid educational pursuit.

RUPRI Centre for Rural Entrepreneurship & the Heartland Centre for Leadership Development

The RUPRI Center for Rural Entrepreneurship and the Heartland Center for Leadership Development (both based in Nebraska) have been working together for many years on supporting rural communities become more enterprising. A central pillar of their approach is entrepreneurship development and support of rural young people.

A systems approach is used to identify and work with the assets and competitive advantage of the community and to work with the government, private and community sectors on community based approaches to enterprise development, education and engagement. Leadership development is approached from both a community based and commercial perspective meaning that young people are learning about the business and community sectors of the local economy.

This is very different from the approaches we traditionally take in Australia that focus solely on the community leadership aspects of youth development.

Surveys conducted by the Centre for Rural Entrepreneurship suggest that the majority of young people wish to one day return to their community-of-origin (usually to bring up a family of their own) if career opportunities are available to them. The American culture sees starting a business as a very natural option, more so I think than we do in Australia.

The final thing that successful rural communities do is INVITE their young people back to their hometown on a regular and ongoing basis. Community's invite their young people to 'back to' weekends as a chance annually to catch up with family and friends. This maintains the contacts and networks, also building on the early development work of the teenage years.

www.heartlandcenter.info www.energizingentrepreneurs.org

NC REAL

NC REAL stands for North Carolina Rural Entrepreneurship Action Learning. The organisation has over 20 years experience in offering applied entrepreneurship education programs predominantly for young people aged 14-30 years old. They have traditionally operated through numerous education settings using a train-the-trainer model. At any one time over 50 courses are operating across rural North Carolina. Over time courses have also been specifically tailored to Agriculture, Health Care, and Craft Artists. Numerous small businesses are started every year off the back of their activities.

NC REAL runs a series of youth entrepreneurship camps and workshops focussed on engaging young people early in enterprise development.

ncreal.org

The Young Americans Bank



The Young Americans Bank in Denver, Colorado. The only youth only financial institution in the world.

Based in Denver, Colorado the Young American's Bank offers financial literacy education programs and banking services to young residents of Colorado aged 21 or under. Students as part of a (School Term long) education program can spend a day in 'Ameritown' a mock township where students operate the local economy including a number of retail shops, the bank and emergency Services. Students spend time after the experience reflecting on their financial decisions and their impacts on the town.

Children are eligible for small business loans to start their businesses and are encouraged to participate in business fairs, camps and ideas labs. Annual awards acknowledge young entrepreneurs in the 6-11, 12-15 & 16-21 age group categories.

To the knowledge of the Youth Entrepreneurship coordinator, this Bank is the only youth bank in the world.

www.yacenter.org

Youth Entrepreneurship in Canada

The Canadian Youth Business Foundation is a not-for-profit organisation that mentors young people starting social purpose and commercial businesses. They provide mentoring, networks, start-up finance and resources to entrepreneurs aged 18-39.

Established in 1996, CYBF has invested in more than 5,600 young and emerging entrepreneurs across Canada, whose businesses have created over 23,000 new jobs, \$163.6 million in tax revenue and hundreds of millions of dollars in sales and export revenue. CYBF delivers its program coast-to-coast through a national network of 186 community partners and more than 4,550 volunteers including business mentors.

The annual turnover of this organisation is approximately \$ 12 million which demonstrates the commitment Canada is currently making to youth entrepreneurship through its government, corporate and philanthropic support of this national provider. It is interesting that Canada is similar geographically, economically and politically and population wise to Australia.

www.cybf.ca



The Young Americans Bank celebrates its young entrepreneurs in different age categories starting at age 6

Youth Entrepreneurship in Scotland

The Social Enterprise Academy in Scotland has developed a schools program which encourages a school class to spend a year focussing on the development of a business to solve an environmental or social problem (a social enterprise in other words). With training and mentor support for the teacher the class set about planning and implementing their own social purpose business for a full year. Some businesses endure well beyond the year. The program is getting incredible feedback through its applied learning approach and its ability to engage students in business skills for a community purpose.

As with other entrepreneurship education programs providers I spoke with, this style of learning engages the full range of talents possessed by a young person. For example, rarely is the leading light in the business the most academically brilliant student. It is much more likely to be the more naturally entrepreneurial talented and emotionally intelligent student.

www.theacademy-ssea.org

Conclusions

Conclusions

- Our economic prosperity over the past decade and a half has contributed to us being well behind the UK and Canada in terms of growth of the social enterprise movement in Australia. Having said that, the fledgling organisations in our country leading the social enterprise charge have mobilized themselves as the Social Innovation Entrepreneurship and Enterprise Alliance (The Alliance). A manifesto for a vision and a pathway for social enterprise in Australia has been published and with political and private support we could accelerate progress in the same way that Canada is borrowing directly from the UK's innovations. In doing so, we could make great inroads into developing the social enterprise sector in Australia including support for our rural communities.
- Social enterprise incubators supporting rural communities take a number of forms – programs, spaces and precincts, organisations and networks. It is all of these forms combined that are required for community change of scale to occur.
- We need to find new sources of capital to help fund social enterprises; otherwise the scale of business development required is unlikely to be achieved.
- In Australia, we have not yet acknowledged the need to drive an agenda for entrepreneurship education and support for young people as a means of developing 21st century industries and employment to rejuvenate rural communities. In contrast the US, Canada and UK have well-coordinated programs to support youth entrepreneurship.
- Organisations concerned with the plight of rural communities need to be made aware of the social enterprise developments, structures and policies that are rejuvenating rural communities in The UK and Canada.

Recommendations

Recommendations

- We explore social procurement and the Social Value Act (UK legislation) as enablers for greater purchasing by social enterprise and community owned businesses.
- We explore the Community right to bid/buy legislation as it relates to the protection of valuable community assets, especially in rural communities.
- We identify political champions to further the cause of social enterprise and rural communities in Australia.
- We seek investment in a number of (demonstration site) social enterprise Incubator/accelerators in rural Australia.
- We support learning and exchange with our international colleagues as a way of educating our leaders about what is possible.
- We explore the role self managed superannuation funds could play in activating new capital for community based projects in rural Australia.
- We explore the role legacy endowments might play in accessing capital for rural based projects.
- We explore options like Big Lottery Fund or Big Society Capital (dormant account funds) as ideas that could be implemented in Australia to provide more sources of investment for social enterprise programs.
- We develop a peak body for social enterprise to mobilize the collective efforts of everyone interested in furthering social enterprise in Australia.
- We establish youth entrepreneurship programs and an ecosystem approach to educating and supporting the good ideas of our rural young people.
- Develop strong and ongoing partnerships with our overseas colleagues in social enterprise and youth entrepreneurship.
- Seek government, private and philanthropic investment to develop rural based social enterprise and entrepreneurship incubators/accelerators. Utilise overseas models and adapt them to our specific needs.