MARKETPLACE REVOLUTION

from Concentrated Wealth to Community Capital

David LePage

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DAVID LePAGE

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Praise for *Marketplace Revolution*

"*Uncertain times challenge us to reflect on systems and processes and think creatively about the world we want to live in. Social equity, environment, and economy were once thought of as independent areas, yet are now widely recognized as interdependent parts that influence how our communities evolve.*

David LePage and Buy Social Canada have created an important framework for the social value marketplace to be practically implemented and generate reverberating value for communities. As a social enterprise sector, we've done the work and we are ready to scale. It's going to take bold leadership from policy makers, public institutions, charities, social enterprises, and private industry to advance social procurement. David and his team have demonstrated the opportunity — let's make it a reality."

Chelsey MacNeil, Director of Education, Employment, and Social Enterprise, Choices for Youth

"*Re-embedding social and environmental considerations in market choices provides a truer reflection of costs and prevents many problems before they even begin. Leadership is needed from all sectors — government, business, and civil society — to address the climate and inequality crises we are facing and truly create healthy communities. Social enterprise, social procurement, and social finance are key to enabling smarter market choices in all sectors of our economy.*"

Michael Toye, Executive Director, Canadian Community Economic Development Network

"*This book is destined to become the 'how to' handbook for those of us looking to create social impact through procurement. Filled with great examples, and created by an expert. You won't be disappointed.*"

David Upton, CEO, Common Good Solutions

I respectfully acknowledge that I live, work and learn on the unceded, traditional and ancestral xʷməθkʷəy̓əm (Musqueam), Sḵwx̱wú7mesh Úxwumixw (Squamish), and sə́l̓ilwətaʔɬ (Tsleil-Waututh) territories. I endeavour to make this more than just words and invite you to consider what it means to live on the traditional lands in your community, and what efforts we can all take to repair and improve our relations with Indigenous people locally and globally.

There is no appropriate thank you to everyone who contributed to this book. The significance of original thinkers, influencers and collaborators across my life are too many and varied to list, but all of you know who you are, you can recognize your contribution, so please take the credit you deserve. I personally take responsibility for any errors or misrepresentations in this book.

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INTRODUCTION

Journey to a Social Value Marketplace

Marketplace Revolution is about a rapidly unfolding new economy. It weaves together what I have learned with the stories and voices of the many people who together are creating the marketplace of the future.

It is time to go beyond the trading dogma and business practices of extraction economics that result in social exclusion and income inequality. It is time for a Social Value Marketplace Revolution that generates the community capital needed to build healthy communities.

I invite you to join me on a journey.



Many people, initiatives and movements are realizing the current economic model is broken. And we are all, from our own perspectives, trying to find the pieces that when put together will solve the problem.

We reject the market value proposition of the last 250 years in favour of a future marketplace that creates community capital, not merely economic value.

The Five Capitals

The ultimate goal of the Social Value Marketplace, the trading of good and services, is to create community capital.

Community capital is the foundation of healthy communities. There are five kinds:

- **Cultural Capital:** diversity and respect, arts and recreation
- **Physical Capital:** natural and built environment
- **Human Capital:** valuing learning, training and employment options, and health
- **Economic Capital:** income equality and affordable living
- **Social Capital:** people connections, the glue of communities

Moving towards a Social Value Marketplace is the journey we have begun.

Collectively we are gathering the necessary energy, ideas, mapping the path, and taking firm steps in that direction.

As we approach a Social Value Marketplace, we will unleash the transformative socio-economic power of the market, not merely conduct economic transactions. We are taking back control from that imaginary and presumed benevolent activity of the invisible hand of capitalism.

SOCIAL CAPITAL

FAMILY • INSTITUTIONS • NETWORKS

CULTURAL CAPITAL

CULTURE • DIVERSITY • RESPECT

HUMAN CAPITAL

SKILLS • LEARNING • TRAINING







COMMUNITY CAPITAL





ECONOMIC CAPITAL

INCOME • FINANCES • CAPITAL

PHYSICAL CAPITAL

NATURAL • MANUFACTURED • PROPERTY

What I propose

is nothing less than a **reframing** that goes **beyond** the current marketplace paradigm.

In the past several years, as I have advocated for a Social Value Marketplace I have been seen as everything from a neo-liberal apologist to an economic socialist.

This dialogue, though, is not about labels. It is about emerging as healthier communities on the other side of COVID-19 and beyond. There are many relevant paths and perspectives that can get us there. Let's not get caught in the cycle of competing ideals. What we need are abrupt steps in a new direction.

What I propose is nothing less than a reframing that goes beyond the current marketplace paradigm.

This book will explore the path to creating a marketplace where we trade goods and services for the purpose of creating healthy communities. I will describe some of the elements I see as necessary and put them together with what others are doing in this same effort.

Throughout this book I will share the vision and the vital strategic next steps being taken to transition to a Social Value

Marketplace, an economy for a healthy community. I will share stories to illustrate the power and potential of social value market activities to create the change we need.

This book is very Canadian focused, especially the stories and the specific policy references. But the Social Value Marketplace essentials are universal, and hopefully you can adapt the framework to your specific conditions, and this will contribute to your efforts to build healthier local communities.

Thousands of Years Ago

Thousands of years ago in North America, there was an Indigenous community-based marketplace based upon fairness and equality of trading. Coastal communities traded with the prairies, and northern communities traded with southern ones, exchanging goods, bringing value to each other and sustaining healthy communities for both partners. But then Europeans arrived. They brought with them a new model of trading and exchange based on western European capitalism. This new model of trading was built on extraction of value from the land and labour. Economic value was the winning value.

In North America business growth was pursued by these misguided principles, policies, and practices. It was deemed okay to allow genocide against Indigenous peoples and to appropriate their lands in the name of new market opportunities. Slavery was considered essential for a profitable cotton crop and cheap raw materials for the growth of industry. The mining of coal in any 'efficient' method regardless of the environmental damage was considered okay. These practices powered the founding of the capitalist machine.

That capitalist machine used economic transactions as its fuel. The medium of exchange, money, and its accumulation became an end in itself. People were not trading to create equal value for supplier and purchaser but seeking an economic gain only. The seller wanted the highest possible price for their product, and the buyer wanted the lowest price possible — the value for the winner is economic gain, rather than a community value that might be created through an exchange with a community value as the goal.

As the Industrial Revolution took hold across western economies from Europe and North America there was a surge of recognition of the failures of the model. In the years between 1835 to 1865, a wave of efforts emerged to shift away from the growing economics of exploitation.

Social and economic critics from many fields raised the warning that business built on only financial value objectives would create more harm for communities while creating economic wealth for the few, the owners and shareholders.

Charles Dickens' novels exposed poverty, debtor prisons, and poor living conditions. Karl Marx critiqued the social and economic destruction caused by capitalism's extraction of value in supply chains. The founding of the first co-operative businesses attempted to keep the control of the labour value and production process in the hands of the worker-owners.

Critics across disciplines were telling us that the extraction of value from labour, minimizing the inherent value of supply chains and disregard of the environment were not sustainable practices.

How much has changed in the passing years? It may have gotten worse. Because profits have led us down that path for so long, climate change has passed the tipping point, income inequality is expanding, and social isolation is underlying community disruption.

The Problems We Face

From a macro lens, global issues of income disparity, fragility of employment, access to health care, and social infrastructure have never been more exposed than in our response to COVID-19.

Between COVID-19 and increased globalized online markets, we may soon witness the devastation of local small businesses, social enterprises, the arts, the self-employed, healthcare workers, and the entire gig economy is at risk of collapse.

Recent data indicates that an estimated 20 percent of Inuit and 19 percent of on-reserve First Nations people live in homes in need of major repairs, and 20 percent of children live in poverty.

What about the person leaving prison seeking re-entry to the labour market, the working family seeking affordable child care, and the professional immigrant facing social isolation related barriers to finding appropriate employment?

From the micro lens, the struggle to create opportunities for our most vulnerable community members stands out to all of us. What about the person leaving prison seeking re-entry to the

labour market, the working family seeking affordable child care, and the professional immigrant facing social isolation related barriers to finding appropriate employment?

For so many people facing barriers, ready to work, and seeking employment opportunities, their struggles continue daily, for income, for respect.

Rural communities are having to transform their local economy and social infrastructure from an historically abundance-based resource-extracting economy that has dried up to something that offers hope and a reason for youth not to leave.

Urban inner cities are seeking community economic development prospects for the spectrum of income creation.



The COVID-19 crisis has exposed the true weakness of our social and economic infrastructures. If we are going to use the pandemic as an opportunity to transform our communities, the only successful path will be a future built on community capital, not merely economic capital.

Community capital recognizes that in a healthy community there is respect for culture, employment opportunities for everyone, equity in financial well-being, value and respect for the natural and built environment we live in, and nurtures relationships with family, friends, and neighbours.

My real worry, though, after seeing a series of similar market failures over the last 50 years, is that the response of the government is to first secure the major banks, then the big corporations. And then we hope from anything left over, or, perhaps, through the benevolence of the capitalist leaders, something trickles down to the rest of the citizenry.

In the 1980s, when the Rust Belt hit factories and displaced workers but kept shareholders' value, Reagan responded with trickle-down economics. That didn't work for communities. When the stock market tech bubble burst, we bolstered the market and loosened the trading regulations to protect major investors. When working-class mortgages were used by derivative traders to multiply their wealth and hide poor lending practices, the markets crashed, and governments bailed out the corporations.

The Change Required

We can't risk repeating the same mistakes again. There is an immediate necessity and a corresponding window of opportunity to completely reset the fundamental approach to how we behave in the trading of goods and services.

Didn't someone smart like Einstein say, 'how can we expect different outcomes if we merely repeat the same behaviour?' Do we just want to rebuild what we had in November 2019 or are we ready to seize this opportunity to restructure the markets and build resilient, healthy communities?

Participants in the current market model fail to recognize they cannot address current realities, its problems, with the same tools and paradigms that constructed the problems in the first place.

Multiple and diversely-focused discussions will have to take place to support the change in culture and relationships that will guide the shift.

We have already begun.

As with all paradigm shifts, we started with experiments and have evolved through engagement with early adopters. We will keep on this path until what we dream of today becomes reality.

We are working toward an integrated, **Social Value Marketplace** ecosystem to generate **healthier** community outcomes.

The Future

The answer is simple.

Rather than settle for mere economic capital, we now focus on a Social Value Marketplace, intentionally creating community capital.

We are looking beyond isolated social finance, social enterprise, and market innovations. We are working toward an integrated Social Value Marketplace ecosystem to generate healthier community outcomes.

We don't need more social enterprises just to count the number of start-ups. We want more social enterprises because they are the means to create more jobs for people with barriers.

We don't need more purchasing. We want existing purchasing to include a social value and to change the purpose of purchasing.

We don't need impact finance investment that counts dollars on its scorecard. We want investment whose scorecard counts social value.

Innovation, entrepreneurship, and investments are everywhere. The problem is that they are maintaining or increasing the problems of the current marketplace. We have tax credits

for technology, regardless of its social value. The resulting investment could create more isolation and violence, but this is seen as okay because it is considered innovative technology and entrepreneurship!

We are shifting the discussion past the call for more innovation, technology, and entrepreneurship to an emphasis on what value is being created.

While traditional government incentives focus on corporate scaling for shareholder value, social value outcomes place the focus on, and measures success against, the creation of community capital.

It is time to end the economics that separates financial activity from the other forms of capital — human, social, physical, and cultural.

The Journey Ahead

The change we are cultivating is not merely structural. It is a value-based culture shift. Any structure that has the highest stack of dollars as its measure of success will continue to create winners and losers, and widen the gap between them.

It is essential that our future is founded on a new co-creative approach to policy development, one that removes the silos within and between community, government, and business.

There are no real silos. We are collectively only a community. We need to reflect that in practice.

Co-creation is a principle to apply not just in the consultation and design stage but across the entire implementation process.

The Challenge

"We have to do two near impossible things at once: understand ourselves as limited by circumstances, and yet continue to pursue our projects as though we are truly in control."

— Simone de Beauvoir

Building the Social Value Marketplace will take a joint, collaborative effort. We will have to change how we work together, how we shift relationships, and how we measure success.

Each section of this book lays out some of the key elements that will be required for us to move forward. These suggestions come from my perspective and from others involved in the sector.

We recognize that the next steps in the journey will require collaboration and co-creation. We have to change from a 'top-down decisions made' process based upon corporate needs and government mandates to partnership with community, business, and government on an 'equal and shared decision-making platform'.

The Social Value Marketplace

The promise of the Social Value Marketplace is the creation of abundance in each of the five Community Capitals. They are what generate healthy communities. The Social Value Marketplace integrates:

- **Social Enterprise:** the supply side of a social-value marketplace
- **Social Procurement:** the demand side, enables the supply side of a social value marketplace
- **Social Value Finance:** invests in and rewards social value rather than financial gain

Now, let's explore each of these one at a time.

SOCIAL VALUE FINANCE

COMMUNITY CAPITAL • OPPORTUNITY • PATIENCE



SOCIAL ENTERPRISE

SKILLS • FINANCE • MARKETS • STORIES



SOCIAL VALUE MARKETPLACE



SOCIAL PROCUREMENT

PURCHASERS • SUPPLIERS • POLICY • PROCESS



SOCIAL ENTERPRISE

Why Social Enterprise?

Beginning with my very first social enterprise effort to establish a print shop to support community organizing in the early 1970s, a theme flows through everything that has come since.

I was part of establishing a non-profit-owned pub in the 1980s, and community-owned radio into the 1990s. After moving to Vancouver, I had the honour to co-found EMBERS. I have since been working to bring together the pieces of a Social Value Marketplace.

Without always being conscious of the model, I was in fact leveraging social enterprise to help achieve community-based social and economic outcomes.

Social enterprise is not a noun. Social enterprise is a verb.

Social enterprise is a business model that intentionally creates social value. It contributes to building community capital instead of rewarding shareholders.

Rather than asking what social enterprise *is*, we need to ask *why* social enterprise?

Just as the traditional business framework and culture are each a means, or a way, to accumulate economic capital, we have to recognize that social enterprise is also a verb, a means to an end. But social enterprise as a means is a tool to build community capital, not just economic capital.

Like any business, a social enterprise sells goods or services that have to meet customers' requirements and needs. Like any business they have to be competitive in pricing their products. Social enterprises have to be able to measure and demonstrate the social value they create. But unlike other businesses, they reinvest the majority of profits back to their social value.

Social enterprise is not merely a business model, it is defining a new market framework where community building leads decision making across the entire business, from mission to marketing, through governance models and behaviour, to financing, and, importantly, measuring success.

Privately-owned business, economic wealth accumulation, and a focus on shareholders is glorified, subsidized by the state, and excused for its extractive nature of operating. Billionaires are emulated as heroes. While social enterprise is given a nod and a wink as a nice thing to do on the fringes of the marketplace.

Where economic profits require some value extraction along the business path, as in resourcing materials, paying labour, or from supply chain exchanges, social enterprises put their efforts into creating community value throughout their entire business cycle.

In Canada, almost all social enterprises are incorporated as a non-profit entity or they are an incorporated non-profit with charitable recognition where there can be no personal or investor profit distribution. By mission and regulations, their purpose is contributing to creating community value, not profit creation and distribution. A few social enterprises have used the hybrid for-profit models. In British Columbia, Community Contribution Companies, and in Nova Scotia, Community Interest Companies which limit profit distribution to shareholders at 40 percent, with 60 percent of profit to be re-invested in the community. There are also some co-operatives that are non-profits or designed to limit financial distribution to their members. There are many options for incorporating a social enterprise.

By mission and regulations, [the social enterprise] purpose is **contributing to creating community value**, not profit creation and distribution.

We continually blame the 'social enterprise' for its failure to scale in the traditional business criteria rather than examining the market conditions within which it works, and the inherent value it produces.

Using a measuring stick with only financial increments can't be used when trying to create a blended value return, where business sales and financial achievements are necessary to continue, but

where social value is intertwined with the business success. These are not separate components, like the parts of an Oreo cookie. Instead, they are the blended and inseparable components, like a fine pesto.

We can see a revolution of 'scaling' social value from social enterprise when we provide them the same market supports and investor incentives that have driven success throughout the history of the private sector.

But social enterprise won't thrive until we accept that the traditional capitalist business model fails to create an economically equitable, socially inclusive, and environmentally sound result. As long as the belief prevails that private economic capital is a greater good than community capital development, we will keep social enterprise from gaining strength and influence because our investment in training, market access, and financing will encourage the traditional outcomes.

A Supportive Social Enterprise Ecosystem

In the winter of 2007, a small group of social enterprise thought-leaders from across Canada met for a three-day retreat to explore the future of social enterprise in Canada. What emerged was an unincorporated entity named the Social Enterprise Council of Canada (SECC). Those founding members defined SECC as an alliance of social enterprise leaders who leverage their networks, knowledge and experience in order to build a strong and enabling environment for social enterprise.

SECC adopted the following six 'pillars' as the foundational components of a supportive ecosystem back then. We still hold these pillars at our core:

- **Enhance Enterprise Skills**
- **Ensure Access to Capital and Investment**
- **Expand Market Opportunities**
- **Promote and Demonstrate the Value of Social Enterprise**
- **Create a Supportive Regulatory Framework**
- **Animate Networks and Engage Community**

SECC and many others in the sector recognized that a healthy and sustainable social enterprise ecosystem is necessary, just like any business sector. The private sector flourished because

government provided an entire suite of supports, tax credits, skills training, loans, and market access supports.

An initial social enterprise ecosystem framework was presented at the SECC Canadian conference on social enterprise in Toronto in 2009 for review and confirmation. The 250 conference participants assessed, debated, and enhanced the original four pillars and added two more vital components for a supportive environment: a supportive public policy environment, and the importance of networks and learning exchange.

Ten years later we reflect on that framework and realize how important it was to have that ecosystem approach for the development of the social enterprise sector across Canada.

Social enterprise

is a business model designed and operated to **transform** the economy and our **communities**.

Social enterprise is a business model designed and operated to transform the economy and our communities. It promotes social inclusion, economic equality, cultural diversity and environmental well-being. Social enterprise is not a marketing strategy, it strives to re-create and transform the business world into a social value marketplace.

These are the six pillars SECC has adopted as the foundational components of a supportive ecosystem.

1. Enhance Enterprise Skills

Blending business skills with social outcomes requires a unique set of governance and management skills rarely found because of the basic differences between how non-profits and for-profits operate. This emerging business model presents a challenge to the non-profit sector as it ventures into the business arena. It also poses challenges to experienced business managers as they integrate social values in everyday operations. This gap in skills and experience requires the creation and funding of the appropriate and on-going learning opportunities for individuals and organizations along the entire social enterprise development path, from early learning through business planning, and into operations.

In March 2011, several colleagues and I authored a research report for the federal Ministry of Employment and Social Development Canada. The *Social Enterprise Access to Small and Medium Enterprise (SME) Services* report identified:

- "A further gap for social enterprises emerged: existing SME services are not aligned with the structural elements of social enterprises that operate in a non-profit or charitable structure and are focused on creating a 'blended' return on investment, both financial and social."

- "Enhance and adjust existing programs and develop new service-specific offerings to meet the unique needs of social enterprises' blended value and non-share, non-profit structures."

In addition to these I would add:

- Support for social enterprise business skills and knowledge has to come through multiple channels.
- The quickest and easiest way to enhance and evolve all of the existing government programs that support small and medium-sized business is to intentionally include social enterprise.
- Immediately intertwine and create a collaborative support network of the existing social enterprise development programs like Social Enterprise Institute, SCALE Collaborative, Toronto Enterprise Fund, and all the others across the country.
- Shift the content in all levels of education curriculum to include social enterprise, from grade school to the MBA programs.

2. Ensure Access to Capital and Investment

All businesses require access to financial capital, especially investment and patient capital at start-up and points of growth in the business. Social enterprises, by the nature of their predominantly non-share incorporation, have limited options beyond traditional grant models and straightforward loan arrangements. Grant income is not sustainable in the long term. Loans are a cash flow problem and often an expensive avenue to raise capital at a start-up or growth stage. New forms of patient,

investment-like capital pools have to be developed. Investor tax credits for social enterprise are needed and innovative share-based social enterprise incorporation models are required.

I will say more about this in the Social Value Finance chapter later in this book.

Intentional purchasing with a social objective can ensure the greatest **impact opportunities** for social enterprise.

3. Expand Market Opportunities

Every purchase has a ripple effect and multiplier impacts, whether unintentional or intentional. Intentional purchasing with a social objective can ensure the greatest impact opportunities for social enterprise. The procurement policies and the purchasing practices of the three levels of government, non-profit organizations, and the private sector need to maximize their buying from social enterprises. This requires marketing schemes, purchaser and supplier matching, and appropriate incentives to encourage participation in a changing supply chain management model. The options to practice social purchasing include targeted purchases, unbundling, supportive Request for Proposals criteria, and Community Benefit Agreements (CBA).

In the next chapter on Social Procurement we explore this area in more detail.

4. Promote and Demonstrate the Value of Social Enterprise

There are many anecdotal stories about the success and impact of social enterprise across Canada.

We need to continue to measure and share the significant contribution that social enterprise is making in our communities.

This effort requires appropriate research projects and measurement tools to assess the impact. It also requires the effective telling of the social enterprise story through a strong communications strategy.

5. Create a Supportive Regulatory Framework

The actions, decisions, and policies of all three levels of government have significant impacts on social enterprises in Canada. Beyond the markets, the financing, and the skills to create, grow, and sustain strong social enterprises, the legislative and regulatory framework within which social enterprise works greatly determines their ability to succeed. We don't delve far into this topic in this book, but materials from groups like CCEDNet's resource library, Imagine Canada's research, and other relevant documents are available.

6. Animate Networks and Engage Community

Building the strength of the social enterprise sector and increasing its ability to impact local communities requires enhancing social capital and creating the opportunities for sharing learning, knowledge exchange, designs, and models. A multitude of engagement options must be created and sustained to facilitate engagement and exchanges that target peer-to-peer, government and private sector relationships. To accomplish this effort in a country with the size and diversity of Canada will take a resource commitment and collaboration across the sector.

Let's explore a few social enterprise stories from across Canada. And rather than just using the traditional business classification model, I'm going to list and explain them from the perspective of the community capitals they create. You can find a list of all of the Buy Social Canada certified social enterprises at www.buysocialcanada.com/certified-suppliers.

Creating Community Capital

As explained above, the social enterprise goal is to create community capital: human, economic, cultural, physical, and social capital.

Here are some examples, but in every case it is almost impossible to find a social enterprise that doesn't cross over several community capital areas. A social enterprise providing employment to persons facing barriers is creating human capital, but with the job comes economic capital with the paycheque, and working with others creates social capital, and participating in local activities creates cultural capital. They are usually focused on a primary social value outcome, but they impact people and communities across several areas.

Human Capital



One of the primary contributions to community capital from social enterprises in Canada is Human Capital. These are social enterprises that build skills and create employment opportunities, especially for people facing barriers to employment.

Building Up Canada
Building Up Canada does not train and employ people to take on business. They take on business to train and employ people. Based on successful non-profit social enterprise models across the country, Building Up Canada was developed in Toronto to improve the city's environmental efficiency, affordable housing

stock, and, most of all, to create a real pathway for individuals experiencing barriers to enter apprenticeships and careers in the trades.

Building Up Canada connects the dots, providing housing providers an opportunity to connect work that needs to get done in their buildings with the people in their buildings that need the work. They help construction unions meet their need for skilled labour by supplying them with individuals from the community that are looking for sustainable careers. Building Up Canada links business needs to community needs in everything they do, and acts as a vehicle for win-win-win partnerships.
www.buildingup.ca

A social enterprise providing **employment** to persons facing barriers is creating **human capital**, but with the job comes **economic capital** with the paycheque, and working with others creates **social capital**, and participating in local activities **creates cultural capital**.

The Cleaning Solution
The Cleaning Solution offers commercial cleaning services as a means to employ persons with mental health issues.
www.cleaningsolution.ca

Dartmouth Adult Services Centre (DASC)
Based in Dartmouth, Nova Scotia, DASC's multiple packaging and services for corporations is a means to hire persons with developmental challenges.
www.dasc-ns.ca

EMBERS
This temporary labour provider in Vancouver, primarily for the construction sector, supports access to work for re-entry from prison, post-addiction transitions, and part-time supportive placements for others.
www.embersvancouver.com

Economic Capital



There are social enterprises that focus on creating Economic Capital, whether it is income for a separate social purpose or as a means to support local community economic development.

ReStore
Selling used home repair materials, ReStore's core purpose is to raise financial capital to invest in affordable housing through Habitat for Humanity.
www. habitat.ca/en/restore

Farmers' Markets
Across the country farmers' markets function as a social enterprise intermediary to create a vehicle for local farmers to have access to customers. The value to customers is access to

local produce and goods. They are a needed marketplace for many family and smaller farms, providing income and saving agricultural land from development.
www.farmersmarketscanada.ca

Cultural Capital



Cultural Capital is all about preserving, enhancing and sharing local culture and the arts, and is one of the premier but understated roles of social enterprise business models.

Seen traditionally as the non-profit 'arts and cultural sector' they are, the majority of the time, functioning as social enterprise businesses. Their financial survival and program success is dependent on a mix of grants, sponsorships and ticket sales and customer satisfaction.

The Higher Education Society
On Haida Gwaii, this in-loco college accredited program focuses on Indigenous culture and the environment. It brings students and professors to the area in the non-tourist seasons, making a significant contribution to the local economy.
www.ikblc.ubc.ca/haida-gwaii-higher-education-society

Halifax Music Co-op (HMC)
The non-profit HMC is well known for creating opportunity for music education and delivering quality music performances throughout the year. The HMC proudly presents nearly 50 in-house performances per year in addition to numerous

external concerts. The HMC Space also serves as a community venue, supporting the art, culture, theatre, and music needs of their community. They work with small and micro-businesses to facilitate a pop-up market space in support of their growth and expansion.
www.thehmc.ca

Physical Capital



Physical Capital is the natural and the built elements of our communities, such as affordable and accessible housing, a healthy environment, and renewable energy.

Atira Housing
This social enterprise covers many aspects of social capital. It is a unique model of a charity operating several different social enterprises to achieve various social value outcomes. The charity owns and operates a for-profit business to generate revenues for their charitable efforts. They employ several hundred people who face barriers to employment and support their housing initiatives. They deliver their core services to women and children facing violence and other challenges.
www.atira.ca

Aki Energy
This Indigenous social enterprise works with First Nations to solve problems, create capacity, create jobs, and grow green economies in their communities.

Aki Energy and their partners, Fisher River Cree Nation and Peguis First Nation, have installed $6 million worth of energy efficient geothermal energy systems in 350 homes on four different First Nations in Canada. In 2015, the Fisher River Cree Nation and the Peguis First Nation in Manitoba signed agreements with Aki Energy and Manitoba Hydro to complete an additional $14 million worth of geothermal systems.
www.akienergy.com

Social Capital



Social Capital is often referred to as 'the glue' within social capital circles. It focuses on ensuring social inclusion and building supportive relationships.

The Prince George Native Friendship Centre
This is a hub of social enterprise, from the ownership of their building to their day care and the Smokehouse Catering and culinary training centre. Don't miss lunch there when elders are served by the youth in training, members of the local business community come by, and social service program staff take a break, all together, across ages, cultures and incomes.
www.pgnfc.com

Santropol Roulant
With hundreds of volunteers daily engaged in the Meals-on-Wheels program, a produce-growing roof, bicycle shop, and a nearby farm this Montreal social enterprise creates all kinds of neighbourhood building social capital.
www.santropolroulant.org/en

Full Spectrum of Good and Services
There are social enterprises in the entire spectrum of goods and services offered. I have yet to find a business sector not occupied by a form of social enterprise. Here are some examples.

- The amazing, award-winning chocolates and coffee created from farm direct beans at East Van Roasters in Vancouver's Downtown Eastside.
  www.eastvanroasters.com

- The furniture and beautiful wood and recycled plastic lawn furniture produced by Lake City in Halifax.
  www.lakecitywoodworkers.com

- Mother Earth Recycling of mattresses in Winnipeg.
  www.motherearthrecycling.ca

- Eva's Printing services in Toronto.
  www.evas.ca/what-we-do/print-shop

- Skwachays Lodge and Gallery in Vancouver, beautiful boutique hotel rooms designed by Indigenous artists.
  www.skwachays.com

To create a Social Value Marketplace, social enterprise will be a key driver. They:

- Provide goods or services we need
- Clearly create a social value outcome
- Reinvest the majority of profits back to its mission.

However, if social enterprise is your business model and you want to use the title, you have to live the values.

WARNING: Not every business that does good is a social enterprise.

Suddenly over the past several years it seems like everybody wants to call themselves a social enterprise or social entrepreneur. But wearing the cloak doesn't change your underlying purpose and practice.

Not that many years ago, those of us working as early proponents of social enterprise were looked upon with a kind and gentle dismissal.

Social enterprise was seen as an oxymoron. We could be a charity or a business, but we weren't supposed to mix the two.

There were two interesting streams emerging out of the trend to social enterprise.

One was the non-profit use of business models to achieve their program goals or to raise money.

The other was the private sector 'purpose' business using social enterprise as a marketing scheme. These businesses would don the social enterprise cloak but maintain their essential goals of economic accumulation. Some would lean toward social value through good Corporate Social Responsibility (CSR) activities. Others would eke through the B Corp certification to offer the external image of a company built on social value goals, where in reality what remains is typical business but doing some good.

We have to uncover where that line really lies, or where is the lie in that line of claiming the veil.

What is necessary is the acceptance of an existing international definition of social enterprise, as outlined here and shared with Social Enterprise World Forum, Social Enterprise UK, Buy Social USA, and Social Traders in Australia.

CAUTION: Social Value or Social Washing?

B Corp certification, purpose-based business models, and CSR are nice add-ons to the traditional profit-only business model. They are an important step in the direction of a Social Value Marketplace, but they should be a transition, not the end.

In the book, *Winners Take All*, Anand-Giridharadas recounts his interview with B Corp founder Andrew Kassoy. Kassoy recounts that after 10 years of evangelizing there exist only hundreds of B Corps, and he sees more clearly than he did at the company's founding that solving problems like inequality, greed, and pollution would require more than making good easier.

When profits trump all other underlying considerations, when **social values** are based on chasing after a **market opportunity**, or social image is a marketing position, then it's **social washing**.

Sometimes the 'purpose company' designation or practice is temporary, existing only until they can find a major financial investor. When the next owners come along there is no guarantee of continued social value outcomes or localization of their supply chain. Profits often then move out of the community.

More CSR, more social value businesses, are really needed. But when profits trump all other underlying considerations, when social values are based on chasing after a market opportunity, or social image is a marketing position, then it's social washing.

Be nice, but don't claim to be a social enterprise when you clearly aren't.

If you want to level up to social enterprise, you have to live, practice, and measure the values too.

Social enterprise is not about designing a new marketing strategy, it's about revolutionizing the marketplace.

As a Social Enterprise in a Social Value Marketplace:

- You sell something in the marketplace, you are a business.
- Your business values prioritize a social, environmental or cultural value and you measure that impact above financial profits.
- The majority of any profits go back to social purpose, and
- Your corporate structure (non-profit, non-profit co-operative, or hybrid) insures transparency and social value creation in perpetuity.

As we will see in the next chapter on Social Procurement, the importance of local businesses, co-operatives, and other social-value business models are implicitly engaged in, and important to, creating a Social Value Marketplace. But they are not social enterprises.

Every social enterprise I know is queried, questioned, and caught in the quagmire of proving their positive social impact, while the traditional business is simply measured on their financial returns. The greater the financial return the better the company must be.

What would happen if we required all businesses to report on their community capital outcomes?

What if the new marker of success was based on human, economic, cultural, physical, and social capital growth?



SOCIAL PROCUREMENT

Purchasing Power Unleashed

In 2002, we began the journey into social procurement after realizing that by working only on the supply side, on social enterprise, we had completely limited our chances of success.

Fast Track to Employment, a coalition of 35 employment development service providers, was stuck trying to open employment opportunities for their clients. People who were trained, willing and ready to work, were not even granted an interview based on an inner city postal code, a missing era on a resume due to time spent in prison or addiction recovery, or a name that suggested a recent immigration.

Our challenge was how to get past the employment gates.

The social enterprises and local businesses willing to hire from our cadre of unemployed needed more sales to create the demand for more employees. To inspire new employers to join our cause we needed the carrot of more business sales for them.

Finally, we realized we were working only one side of the equation: the supply side.

Social enterprise needed customers and revenue to thrive. We had to attend to the demand side of the equation.

All government, business, institutions, and non-profit organizations are purchasers. Every purchase they make has economic, environmental, and social value creation power.

We needed to harness that power to create demand for social enterprises that deliver on more than just a financial exchange. Social purchasing could create a market where 'best value for money' is the new benchmark. That benchmark would include building community capital.

We saw social procurement as a way to leverage social value from existing purchasing. It could drive the social value marketplace and so fuel healthy communities.

In 2003 we created the first social procurement initiative that we can trace globally, the Social Purchasing Portal.

When we were trying to find funding for the project, I sort of lied to a potential funder. When he asked if this was some socialist effort to undo the traditional market and supply chain processes, I said, "of course not. We are merely tweaking, leveraging the existing model to generate some jobs for people facing barriers to employment."

We got the funding and launched the portal. While it wasn't really a socialist initiative it was definitely an effort to disrupt the historic business model. We believed in social enterprise. And, we believed social procurement was the way to create the demand social enterprises needed.

We believe

in **social enterprise**. And, we recognize **social procurement** as the way to create the demand social enterprises **need**.

We needed purchasers to want their procurement to drive employment opportunities for persons facing barriers. With financial and mentorship help from Social Venture Partners, at that time focused on technology businesses, we launched the Social Purchasing Portal. The concept was to get some of their businesses to lead the path to developing social purchasing. How could technology companies shift their spending to suppliers that could meet their product needs, compete on price and quality, and hire from the Fast Track to Employment consortium of training groups?

Calgary, Winnipeg, and Toronto all joined us in the effort. In a couple of years it all sort of collapsed on itself. The supply side was too weak or narrow to meet the breadth of products sought by the demand side. Being grant based, the whole program was unsustainable. Who even understood what social purchasing was, let alone how to make it work effectively and efficiently?

Between 2006 and 2013 several pieces of social procurement advanced. Social enterprises were growing across the country, providing goods and services needed in the marketplace, being more competitive, and creating social value outcomes.

The 2010 Olympics in Vancouver included some small but significant steps toward social procurement within their sustainability efforts. There were contracts for podiums and stages with Tradeworks, a social enterprise, to support their training for women to enter the trades. Flower bouquets for the medal winners were made by women exiting the prison system and who were employed in a social enterprise. And there was a Community Benefit Agreement for local purchasing and hiring in the construction phase of the Olympic Village athletes' residence.

In 2014 I co-authored a report, *Exploring Social Procurement,* to investigate market-based innovation for creating social value through existing purchasing. Much of that report is still pertinent to this discussion and remains a key source of information, references, and guidance.

In 2014 we incorporated and launched Buy Social Canada as a Community Contribution Company social enterprise. The name, Buy Social, is licensed in a friendly no-fee agreement with Social Enterprise UK. Buy Social Canada's *Guide to Social Procurement* and other materials, research, and resources underpin much of the how-to parts of this chapter.

The potential benefit of social procurement addressing complex social issues with existing purchasing, is enticing.

However, the environmental scan and interviews for the 2014 report discovered perceived and real barriers to changing current procurement practices. They pose significant challenges to overcome in order to unleash the potential of social procurement. Overcoming those challenges will require targeted efforts.

In 2020 we still concur with the direction set by that report, with some clarifications.

Opportunity

Social purchasing intentionally multiplies the social and economic ripples of existing purchasing from supplier benefits out to community.

We can shift towards procurement practices aimed at achieving multiple outcomes, including maximizing financial value, but reach much farther.

We could combine the social purchasing power of:

- **Government**
- **Social Purpose Business Initiatives**
- **Anchor Institutions**

to leverage billions of dollars for the creation of community capital.

Government Purchasing Power

Government spending is the lowest hanging fruit for three reasons:

1. Governments themselves don't make anything but they purchase billions of dollars in goods, services, construction, and infrastructure. The federal government alone spends about $200 billion annually with approximately 80 percent taking place at local and regional levels.
   www.buyandsell.gc.ca

2. Taxpayers want the best value possible when government spends our collective financial resources. Best value is not necessarily lowest price. We have to consider the potential economic multipliers and the social, cultural, and environmental ripples of each dollar spent.

So, consider some potential ripples:

- For every dollar spent by a social enterprise in Vancouver's Downtown Eastside on employment for a targeted group, the social return on investment for government is $4.13 per $1.00 of wages.
  Atira Property Management 2017
  Ernst and Young

- On a $1 million contract, local suppliers create 3.6 jobs compared to 1.8 to 2.0 jobs created by multi-national corporations.
  Vancouver Island Construction Association paper — Facts or Fiction?

- Independent businesses recirculate up to 4.6 times more revenue in the local economy than multinationals.

- Independent businesses recirculate up to $63 of every $100 in revenue in the local economy, compared to $14 for multinationals.

- Independent businesses spend up to 31.4 percent of their revenue on B.C. products and services.
  LOCO 2019 — www.locobc.ca/cpages/resources

3. We expect government to use its resources to create both social and physical infrastructure. Or, to put it in social procurement terms, we expect government to build healthy local communities by creating community capital.

There are multiple examples of government stepping into social procurement, some initial approaches showing promise of significant outcomes include:

- Coastal Communities Social Procurement Initiative (CCSPI) includes 21 rural and remote communities working collaboratively to strengthen their communities through social procurement.

- City of Vancouver with Buy Social Canada and Exchange Inner City are using the Community Benefit Agreement Policy to leverage inner city purchasing and employment from private development projects.

- Federal Government Community Employment Benefit initiative is producing targeted employment and procurement opportunities from infrastructure investments.

Social Purpose Business

We are seeing exciting and emerging opportunity arising from social-purpose business initiatives. Those businesses are putting social procurement into practice through their everyday purchasing decisions.

Two valuable Buy Social Canada partners are the global technology giant SAP, and the Canadian, employee-owned construction company, Chandos.

SAP has intentionally moved its delivery of corporate social value beyond its CSR and corporate foundation charitable giving by integrating social enterprise into their supply chain.

Not only are they building on a long history of catering and small purchases from social enterprises, they are engaging their large suppliers to also include social enterprises in their supply chains. As a global company they sponsor the Social Enterprise World Forum and support social procurement intermediaries in the countries where they operate.

Chandos construction has made a pledge to change the way the entire construction industry functions. They want to see Community Benefit Agreements (CBA) and sub-contracting with social enterprises whenever possible on all work sites. An example is their work with EMBERS, a social enterprise that provides contract labour, on all of their projects in the Vancouver area and their voluntary Community Benefit Agreements (CBA) in a social housing project in conjunction with BC Housing.

Anchor Institutions

The next emerging tier of purchasers are Anchor Institutions, like schools, hospitals, and universities. They all have significant purchasing needs. They are all intended to contribute in their particular ways to building community value. Including a social value into their purchasing presents a very exciting opportunity.

Anchor institutions are all **intended to contribute** in their particular ways to **building community value**. Including a social value into their purchasing presents a very **exciting opportunity**.

Some leadership is evolving in these sectors.

The University of Winnipeg's food services are delivered by a social enterprise, Diversity Foods.

Simon Fraser University is unbundling their major catering contract to include Indigenous and social enterprise suppliers. York University has recently included Community Benefit Agreements (CBA) in its construction bid documents.

Barriers

All of this seems to be so simple: Just add a value to existing purchasing.

Early indications are that doing so creates amazing outcomes. And governments and corporates are already spending the money!

So, why is social procurement not growing in leaps and bounds?

The biggest barrier? We are initiating a paradigm change in the very fabric of the western economic philosophy.

For years we have been driven by the accumulation of economic wealth, holding a view voiced by Milton Friedman who said the only social purpose of business is to enhance value for shareholders.

There are tweaks needed and training required.

There are some new technical aspects to contend with and trade agreements to redraft. But by far, the major barrier confronting us is a cultural and behavioral resistance to change.

Initially there was a lot of doubt about the social procurement business case. If buyers couldn't see a value in changing how they purchase, why would they bother to make the change?

Purchasing has been seen as a competitive, low-cost wins, financial-value transaction. To adopt social procurement there are perceived and real changes necessary.

The language between purchasers and suppliers must evolve.

Bidding practices need to adjust. And basic procurement criteria have to change to achieve best value for every purchase and construction project.

Some of the shifts for ***Purchasers*** will include:

- Unbundling large contracts and giving consideration to the contract size and number of potential suppliers.
- Adjusting the bidding qualifications to include more diverse suppliers and social enterprises.
- Working within the legal parameters and using the exemptions of the trade agreements.
- Identifying and seeking out the real value that can be created by social suppliers.

- Being conscious and working through the change management components of the shift in policy and practice.

Social enterprise and other social value ***Suppliers*** will also have to navigate new challenges including:

- Developing the capacity to meet the increased demand created by purchasers.
- Entering into new relationships and building partnerships demonstrating that “non-profits” can be businesses.
- Competing not only on social value.
- Matching the sales savvy of others.
- A new and expanding marketing and communications milieu.
- Being prepared to measure and report outcomes and tell their story effectively.

Emerging Movement

Across the country we are seeing a trend toward social procurement. Policies, plans, and practices are being developed and implemented. In the last few years there has been significant progress on the municipal level in Toronto, Calgary, Edmonton, Vancouver, and Montreal. There is also the amazing Coastal Communities Social Procurement Initiative (CCSPI), a rural collaboration on B.C.'s coast.

The federal government has included social procurement into their procurement modernization strategy, and several ministries have started implementing pilot programs to move beyond early stages including:

- Further learning and training on how to do social purchasing.
- Longer-term research to build out the best practices and share examples.
- Measurement models to support the direction of the social value outcomes.

Next Steps

The culture shift and change management process are pervasive challenges we need to address across the entire process to move forward with social procurement. If we want to overcome the barriers and further social procurement objectives, purchasers and suppliers will have to build new levels of trust and establish new business relationships.

Recommendations for Purchasers:

- Leadership from within and across the purchasing organization is essential.

- Guidelines are necessary for implementing policy, and bridging the gap between goals and practice including:
  - ✓ Changes in RFx language to weight social value
  - ✓ Unbundling larger contracts
  - ✓ Community Benefit Agreements (CBA)
  - ✓ Direct purchasing from social enterprises
  - ✓ Influencing the supply chains of larger suppliers.

- Create social impact measurement tools to quantify the outcomes, impacts and business case.

- Initial implementation steps must be followed by training to continue to build internal capacity.
  - ✓ Include resources to support procurement staff through transitions.

Recommendations for Suppliers:

- Suppliers must deliver quality and competitive products and services to meet purchaser business requirements.
- Social impact measurement tools are essential to quantifying the outcomes and prove the entire blended-value business case.
- Develop business readiness skills, capacity, and access to appropriate tools and resources.
- Acquire the market knowledge to enable action on aligned opportunities.

Opportunities:

As we examined above in our discussion about social enterprises, the opportunity to create community capital by directing purchasing to social enterprise is waiting to be tapped.

Social procurement policies must be seen as a means to an end and not an end in themselves.

For the individual purchaser, the starting point in any social procurement strategy is to integrate the organization's existing social, economic, and environmental values into social procurement policy. The connection of the social and environmental goals must define the weighting and prioritizing of the procurement process selection criteria. Living examples include:

- Edmonton's policy is directly connected to their EndPovertyEdmonton goals.

- Calgary has a focus on buying from local small businesses and social enterprises.

- Tofino is seeking to connect their local purchasing to contribute to their community economic goals.

- Vancouver's Community Benefit Agreements (CBA) policy emphasizes inner city employment and purchasing.

- Toronto's Metrolinx projects seek value in all of the jobs created.

What if purchasing was directed to specific goals like:

- Purchasing from targeted businesses including those that are;
  - ✓ Social enterprises operated by non-profit organizations
  - ✓ Locally owned
  - ✓ Small and medium sized
  - ✓ Indigenous owned
  - ✓ Women owned
  - ✓ Immigrant owned

- Direct targeted employment for persons;
  - ✓ Facing barriers
  - ✓ With disabilities
  - ✓ Youth
  - ✓ Immigrants, and others

including skills, training, and apprenticeships.

Social Value Target

Social value procurement can be understood as a target. At the centre of the target, the bullseye, is the social enterprise. In each ring out from the centre, less value is created.

Every purchasing entity, government, anchor institution, corporation, or non-profit can aim at social and community goals through their procurement selection criteria and reporting requirements.

The tools, resources, templates, and models for the technical adaptation are evolving and quite available.

However, building a social procurement ecosystem in Canada will require the cultural retuning of the current marketplace. Adding social value to existing purchasing requires a shift in culture, new relationships, different purchasing strategies, and shared measurements of success. The change management component cannot be underestimated.

MAXIMUM
COMMUNITY CAPITAL CREATED

MODERATE
COMMUNITY CAPITAL CREATED



MINIMAL
COMMUNITY CAPITAL CREATED

Implementation

There are two key channels for social procurement.

The first is adding social value to existing purchasing of goods and services.

There is much more information on all social procurement practices on the Buy Social Canada website, in our guides, materials, and resources. Here I will just offer some highlights.

Purchasing of goods and services requires consideration of how to achieve best value through the bidding process, the weighting of price, quality, environment, social value, the writing of contracts, and the measurement of deliverables.

The weighting varies across different products and services. Some items, like lab equipment and vehicles, may seek less social value consideration than purchases like landscaping, cleaning, or catering. Being conscious of budget restraints, technical and quality needs, environmental considerations, and the social value potential is the mash up of social purchasing.

The second key channel is requiring a Community Benefit Agreement (CBA) on all infrastructure investments and major construction developments.

Infrastructure investments and large construction projects are a significant component of a broader economic, social, and innovation value creation opportunity through Community Benefit Agreements (CBA).

What is a Community Benefit Agreement?

Community Benefit Agreements (CBA) are agreements between government, developers, and community to maximize the community value during the planning, the construction, and the life of the building.

Post-COVID

we can predict **procurement opportunities** through **major infrastructure investment** by all levels of government.

There are usually four key elements within a Community Benefit Agreement (CBA):

- Direct targeted employment opportunities
- Skills development, training, and apprenticeships
- Leveraging the supply chain of sub-contractors
- Community development spin offs, especially during the life of the building or project

In a post-COVID recovery period we can predict there will be major infrastructure investment by all levels of government.

"Finance Canada has a simple table that is widely used by advocates for infrastructure spending. According to the department, every dollar spent on infrastructure increases economic growth by a

dollar-and-a-half. The department says infrastructure spending is the most effective form of stimulus when compared to other options, including more generous Employment Insurance benefits or tax cuts." — *Globe and Mail, March 21, 2016*

Historically heightened infrastructure spending was a policy directed at creating employment in targeted areas, or an economic policy responding to business downturns. The current infrastructure plans offer an added opportunity — significantly addressing issues of poverty, social isolation, under-employment, youth-skills building, and small business recovery post COVID-19.

Finding Purchase

Social purchasing and Community Benefit Agreements (CBA) are now moving beyond experiments, they are finding purchase, so to speak.

They are becoming innovative and effective across multiple jurisdictions and locations. They are creating targeted employment opportunities, enhancing local economic development, and contributing to healthy communities.

Through social purchasing, social enterprises are seeing their sales increase and their social impact grow.

A social procurement ecosystem will require:

- Government leadership and community advocacy to address social and economic issues using social value marketplace activities
- Appropriate government public policy that integrates social and economic goals with purchasing needs
- Enhanced supplier capacity
- Purchaser engagement, from government, business, institutions, and non-profits
- Collaboration and partnerships to navigate through the changes in culture.

What would happen if all government and corporate purchasing was based on best value for the community, not just convenience and lowest price?

What if we unleashed untold social procurement dollars to fuel a massive market for community capital creators?



SOCIAL VALUE FINANCE

Liberating Latent Capital

Imagine a new major-network television program that brokers social-value investment opportunities. Let's call it *Community Value Business Hour*.

It's an evening prime-time hour every week dedicated to community capital creation offered by social enterprises instead of private investors seeking opportunities for their personal financial gain.

Rather than a show sponsored by the Business Development Bank, a Crown corporation that supports private entrepreneurs but doesn't make loans to non-profits, perhaps this new show is sponsored by a feisty private foundation with a reputation for financing social enterprises.

Probably not going to happen, in part because one of the biggest mistakes I made in the past 10 to 15 years was to not pay more attention to where social finance as a sector was going. This might have resulted in my critique coming too late to contribute to quick change.

It is alarming and disappointing to me to see that after so much effort and resources have been put into social impact investing,

the amounts invested have increased, but financial return remains the one-dimensional aim.

The social finance, impact investing, world has strayed from its core purpose and potential. I am not the only one coming to this conclusion.

Anad Giridharadas in *Winners Take All*, and Jed Emerson in *The Purpose of Capital*, cast doubt on the current value proposition of impact investors, the funds, and the business models they are forced into to meet investor expectations.

Emerson identifies the underlying issue that, "as impact investing continues to go mainstream, we now see a plethora of traditional investment strategies, tools and practices applied with ever greater complexity in the name of impact and a decreasing amount of innovation in how capital is structured to transfer the actual power of money to the objects of our influence."

There are some bright spots that have been around for years, and some interesting emerging social finance experiments that we want to touch on. But the biggest issue is the lack of effective social finance resources for social enterprise models.

Too many of the funds focus primarily on affordable housing because a mortgage-backed investment, even with a primary

social goal, lessens the risk.

In the meantime, investment into a business for a primarily social return and minimum financial return still is on the far end of any social fund.

We are seeing potential shifts with emerging funds like Raven Indigenous Capital Partners and the Social Value Fund.

Let's look at the challenges investors face in a social value and community capital environment.

By redefining

capital goals, we redefine **success**.

Traditional investment is all about the financial value analysis, based upon lowering the risk of losses and maximizing the financial return. The best financial investment is one with the lowest risk, and the highest potential financial return. However, in the social value marketplace we redefine capital goals, which redefines success.

If investment value is considered on a matrix of:

1. Business potential
2. Limited, reasonable financial return
3. An evidenced social value outcome

then we are completely rethinking the investment arena.

What if investors **change their definition** of return from purely financial terms while doing some good, to **blended value**: Financial and social **return on investment**?

The historical ask has been: How much *risk*?

What happens when we ask: How much social value *opportunity*?

What if investors change their definition of return from purely financial terms while doing some good, to blended value: Financial and social return on investment?

There is an inherent conflict between wanting to achieve significant potential personal gain while investing in a social enterprise that is trying to maximize community based social value.

Current social financing is in a vicious circle.

We have a serious underlying problem in the current models — the investor's desire for financial return severely or completely limits the potential to accept significantly lower returns, even with a social value outcome expectation.

What results is the same method of assessing risk and return, with the added question: Can this do some good too?

Or, as my friend Vickie Commack says, "What social impact investors really want is a Google-like financial return with a 'doing good halo' on it."

On the plus side, at least we have moved a lot of money away from directly doing harm. But how much is actually invested in social enterprises where a social value consideration is given primacy, and a minimal return above the amount invested is deemed a success?

A number of social impact funds have emerged across Canada. The federal government has committed $755 million over 10 years starting in 2021.

For years, Social Innovation Generation and MaRS hosted the Canadian Social Finance Roundtable, significantly influencing the current environment. Both have now left the scene but their influence, I am afraid, remains. The mantra seemed to be: You can expect traditional market-based financial returns and do good too!

Based on research last year, UBC's *Social Venture Impact Investing: the Canadian Landscape* reports that, "community and private foundations involved with impact investing have a maximum of 2 percent of their assets invested into funds made up of Social Impact Bonds, recoverable grants, and loan guarantees."

By far, the emphasis remains on traditional investments with heightening screening for well governed and environmentally conscious firms.

Some very creative funds were initiated over the past several years, like New Market Funds, but their problem remains that regardless of their social ambitions, investors still rely on their financial return expectations and investment protection. This ultimately puts pressure on investments, and the risk they carry, to satisfy and gather financial investors. Additionally, the income generated must also cover the fund's operating costs.

Several funds, like the Jubilee Fund, have been in the field for years, but the majority of their investments end up in asset-backed social housing or similar projects.

I suspect that the billions of dollars sitting in charitable foundation endowments could be the foundational pool for a social value fund. But again, with the exception of a few innovative funds, the boards of major foundations see maximizing financial returns as their primary endowment goal in order to generate the income to disperse for addressing critical social problems.

My question is always, "how many of those 'critical social problems' are actually caused by the extractive and harmful activities that those mutual funds and traditional market shares the endowments are investing in?"

There remains a conflict within this tweaked but traditional investment model. Seeking social value from a fund competing for financial success creates a vicious and unfulfilling cycle. Without aligning for Community Capital and Social Value Marketplace outcomes, impact investors and social enterprises will always have trouble connecting.

A major dialogue is now underway in relationship to all of the funds invested by foundation endowments.

According to Imagine Canada, April 2019, public and private foundations held about $84.4 billion in assets and granted only $6.7 billion in 2017.

The question becomes whether they should maintain their assets by investing in at-best-do-no-harm mutual funds and assets that are not creating a social value. They do this for the sake of financial returns by which to continue granting. Or, should they establish sunset dates on their assets and disperse them entirely to create the social value for which they were intended in the first place?

With over $84 billion in assets, Canadian foundations have tremendous capacity at their disposal. By removing investments from current markets, they could establish an entirely new social value finance market.

There are a number of questions I need to ask:

- If foundation funds are in mutual funds and other traditional financial investments that are often causing the problems in communities, how can the 90 percent invested

in damaging industries, and used merely for financial return, be fixed by using 10 percent to create social value?

- Why aren't endowment funds, which have received a charitable tax receipt, required to be used in their entirety to create charitable outcomes?

- Why can a tax receipted fund last in perpetuity?

- Why is the CRA financial responsibility requirement seen as financial return maximization? Is this regulation or interpretation?

- Why aren't endowments required to invest at minimum 50 percent into social value funds that maximize social value over financial value? A fund's only loss then would be loans and investments that fail, but the capital would remain intact, minus operational expenses (which could come from the 50 percent remaining in traditional investments).

Investee Challenges

On the investee side of this equation there are also problems because many social enterprises come from the non-profit sector. They are accustomed to grant-based funding, and their boards are even more risk adverse to moving beyond the security of grants and gifts.

Grants and gifts are great but can't be the only source of income for the non-profit sector. We have seen the difficulty of sustaining year-to-year income as grant priorities change or available funds diminish. Non-profits end up competing for a shrinking pie, rather than collaboratively building a bigger one.

Some non-profits opened businesses to generate revenue, which normally proves to be a modest-return-at-best model. As an example, thrift stores operated by charities can be the financial lifeline for their social service contribution. But not all revenue-generating social enterprises create substantive profits for reinvestment into social purpose.

As we discussed above, a social enterprise as potential investee, is focused on creating social value using a business model. In a social enterprise the profits are folded back into addressing social value, not to shareholders or the investors for a financial value. This creates the biggest barrier.

The shift to a Social Value Marketplace is antithetical to the existing financial market model. So much so that even the 'tweaked' social impact funds shy away from, or actually avoid, social enterprise investment.

If community capital is the desired return on investment, balanced with a minimal financial return, what are the ways this could work?

Solutions

- Social value creation could determine the loan rates available to social enterprises.

  Bill Young's work through Social Capital Partners and the Vancouver Social Value Fund initiative with business students across Canada both have created investments that lower the interest rates on loans when there is an increase in the employment created for persons facing barriers to employment. Jobs created are a valued and measured return on investment for the investors, and the more jobs the lower the interest rate.
  www.socialcapitalpartners.ca, www.nsvf.ca

- Government could co-invest through grants, purchase of services, or performance agreements.

  Shaun Loney's work through Encompass Coop is creating a new model of bond financing that leverages foundation return on capital with government purchases of specified outcomes. Government contracts a social enterprise to achieve social outcomes, the foundation finances the work to

do so, and when the outcomes are reached, the government pays the enterprise for achieving those outcomes. The enterprise then resolves its financing arrangement with the foundation and retains the remaining profits to be reinvested in its mission.

www.encompass.coop

A Promising Experiment

The Social Value Fund is building an inclusive economy and a new generation of impact-focused leaders. According to their website, they:

- Make impact-adjusted investments into social purpose organizations who are addressing local issues in communities across Canada.
- Identify financing gaps in communities and provide capital to those social enterprises, enterprising non-profits, co-ops, and other socially focused organizations who are under-served by the current impact investing market.
- Do this by challenging and supporting self-formed student teams across Canada to think critically about the role of impact-first investment while connecting them to their peers nationwide to share, learn, and grow their skills.
- Understand the next generation of leaders are those who will make the difference. They are investing in change, take an inclusive approach to ensure our future is a positive step forward for society as a whole.

Growing True Social Finance

Still in its infancy, we need to grow a market with a variety of "patient capital" investment models to serve social enterprises that can measure and report on community capital creation.

Such funds could include:

- Equity-like loans at zero, or below-market rates of interest, if community capital outcomes are achieved
- Loans with extended, patient, repayment terms if social value is maintained
- Loan qualification criteria shaped by the definition of social enterprise outlined in the Social Procurement chapter.

Here is a list of potential short-term investments to launch, test, and develop new models of social value investing:

- Mandate 25 percent of all foundation endowment funds over five years old into a social value fund
- Make Business Development Bank of Canada funds available to non-profits at preferred and patient rates
- Create repayable grants by regional development agencies
- Fulfill existing Community Futures contract parameters and make loans to social enterprises at favourable interest rates

- Ensure that the recently announced federal Social Finance Fund actually supports social enterprises focused on creating community value over its 10-year life.

Much of the current impact investing song and dance is just new window dressing on the current paradigm, the same one that created much of the injustice and environmental harm we aim to redress. A significant adjustment in the criteria and outcome expectations of social finance models is necessary for the financing of a Social Value Marketplace.

The time for change is now.

There is more than enough money. It's heavily concentrated in the hands of a few and focused on financial return. $84 billion are held by Canadian foundations alone.

What if this pent-up power was liberated to birth a social value marketplace?

REVOLUTION

The Future: A Social Value Marketplace

There is no doubt in my mind, and an awareness shared by many people, the current market model will neither foster social inclusion and income equality nor sustain a livable planet.

The current market model thinking fails to recognize that the complex problems before us cannot be addressed by the principles and practices that created the problems in the first place.

It is time to go beyond trading merely for economic gain. We know how to do that. It's old hat.

Healthy communities are our shared goal. Let's unleash the power of a Social Value Marketplace to create Community Capital:

- **Cultural Capital:** diversity and respect, arts and recreation
- **Physical Capital:** natural and built environment
- **Human Capital:** valuing learning, training and employment options, and health
- **Economic Capital:** income equality and affordable living
- **Social Capital:** people connections, the glue of communities

We already have, and are all active in, the marketplace in which we produce and trade goods and services. Done. And, the people, organizations, resources, and tools for a Marketplace Revolution are at hand.

We can do this.

Let's start by embracing **Social Enterprise** as the foundation of our emerging Social Value Marketplace. Social enterprises are businesses beyond mainstream business practices. They are still businesses, but their primary purposes are social. By tilling their profits back into their social purposes, they are the creators of community capital and healthy communities. They are the supply side of the Social Value Marketplace.

At the same time, let's channel the abundant power of **Social Procurement** to unleash demand for community capital creators. Social procurement creates demand for social value outcomes in every purchase of goods and services as well as every construction or infrastructure project. We can redirect current and extraordinary flows of cash into the creation of community capital.

It is time for **Social Value Finance** to ascend to the high ground of prioritizing community capital return on investment over maximizing financial profit. Reasonable minimal return is the

new mantra when money is a means to an end and not an end in itself. There is enormous pent-up concentrated capital sitting quietly on the sidelines not living up to its potential. There are community capital creators who could leverage those funds for healthy communities and who need your help.

Reasonable minimal return is the **new mantra** when money is a means to an end and **not an end in itself**.

We Know What's Possible

A Marketplace Revolution is possible. The conditions for success prevail. And yet, it's not a done deal.

Blending **Social Enterprise**, **Social Procurement**, and **Social Value Finance** for a **Social Value Marketplace Revolution** will take *initiative* and *collaboration*.

A healthy ecosystem in which social enterprisers, purchasers, and financiers integrate their strengths is essential.

In government, business, and community we already have the necessary models, pilots, and templates.

Supportive policy architecture is being established across the country.

Operational know-how and supports are emerging.

This work must continue and proliferate.

All that is necessary is for us to make the commitment to build the healthier communities we all know are possible and launch the Social Value Marketplace.

What Will It Take?

What will the journey to a Social Value Marketplace require? Where do you feel compelled to join in?

Leadership

What would be possible if political champions, community advocates, and business leaders pursued, recognized, and encouraged community capital outcomes?

Collaboration

What would it be like if purchasers and suppliers redefined their relationships and, rather than being adversaries, became partners in value creation?

What would be **possible** if...

What if government, business, and community sectors collaborate under a unified goal to create community capital?

Public Policy

What would be possible if generating community capital was the policy priority across all levels of government?

What if policy development, design, and engagement crossed government, business, and community silos, and was co-created?

Supplier Capacity

What if social enterprises proliferated as a response to an abundance of opportunities to cultivate thriving communities?

What if social value suppliers were prepared and capable of delivering on quality, price, and environment in response to social value purchasing criteria?

Purchaser Engagement

What if purchasing focused on 'best value', not just convenience and lowest price?

What would be possible if buyers from governments, corporations, anchor institutions, and organizations were all leading and implementing social procurement policy and practices?

Social Value Funds

What would be possible with a network of locally managed patient-capital social value funds to fuel the new social value market?

How would life be different...

Resources

How would life be different if we simply shifted current business development resources and funding to focus on the creation of a social value ecosystem?

Measurements

How would it feel if rather than fixating on wealth accumulation as the measure of success, we focus on the health of the community as our measure of success?

What if we move from an economic model of concentrated wealth to a framework of community capital?

Taking Our Next Steps Together

Only by travelling this journey together will what we dream of today become our reality tomorrow.

Will you join us?

References

Marketplace Revolution — from Concentrated Wealth to Community Capital was written for the purposes of contributing to a growing and vital conversation people around the world have been having for many years. I refer to many of them, and their work, throughout the book. It was not my intention to produce an exhaustive study or description of this wide and varied movement.

As such, here are books, links, and resources for those who are interested in further exploration.

Books

People, Power, and Profits: Progressive Capitalism for an Age of Discontent
Joseph E. Stiglitz, W. W. Norton & Company, 2019

Winners Take All
The Elite Charade of Changing the World
Anand Giridharadas, Vintage, 2018

The Purpose of Capital: Elements of Impact, Financial Flows
Jed Emerson, Blended Value Group, 2018

An Indigenous Peoples' History of the United States
Roxanne Dunbar-Ortiz, Beacon Press, 2014

At the Existentialist Café
By Sarah Bakewell, Vintage Canada, 2017

Links

Atira Social Enterprise — Social Return on Investment
https://atira.bc.ca/apmi-social-return-on-investment-report/

B Corp Certification
https://bcorporation.net

Business Development Bank
https://www.bdc.ca/en/financing/pages/default.aspx

City of Vancouver — Community Benefit Agreements
https://vancouver.ca/people-programs/community-benefit-agreements.aspx

Chandos Construction
https://www.chandos.com

Conference Board of Canada — Child Poverty
https://www.conferenceboard.ca/hcp/Details/society/child-poverty.aspx?AspxAutoDetectCookieSupport=1

Diversity Foods / University of Winnipeg
https://www.diversityfoodservices.com/u-of-w

Exchange Inner City
https://www.exchangeced.com

Imagine Canada
https://imaginecanada.ca/en

Infrastructure Canada — Community Employment Benefits Policy
https://www.infrastructure.gc.ca/pub/other-autre/ceb-ace-eng.html

LOCO BC — Local Purchasing Multiplier
www.locobc.ca/cpages/resources

MaRS Canadian Task Force on Social Finance
https://www.marsdd.com/news/canadian-task-force-on-social-finance-celebrates-a-year-of-momentum/

New Market Fund
https://newmarketfunds.ca

Raven Indigenous Capital Partners
https://ravencapitalpartners.ca

SAP
https://news.sap.com/2020/04/social-procurement-competitive-advantage-enterprises/

Simon Fraser University Catering
http://www.sfu.ca/mecs/vancouver-main/catering.html

Social Procurement Policy Examples
https://www.buysocialcanada.com/documents-and-resources

Social Venture Impact Investing: The Canadian LANDSCAPE
https://www.impactinvestmentforum.com/research-and-resources/svii-canada

Statistics Canada — First Nations and Employment
https://www150.statcan.gc.ca/n1/pub/89-653-x/89-653-x2018003-eng.htm

York University Social Procurement Policy
https://yfile.news.yorku.ca/2020/01/16/york-university-introduces-a-comprehensive-social-procurement-policy/

Vancouver Island Construction Association
https://www.vicabc.ca

Social Innovation and Social Finance Recommendations
Government of Canada
https://www.canada.ca/en/employment-social-development/programs/social-innovation-social-finance/strategy.html

Social Enterprise Access to Small and Medium Enterprise Services
Enterprising Non-Profits / David LePage
https://ccednet-rcdec.ca/en/toolbox/social-enterprise-access-small-and-medium-enterprise

Resources

The following resources, some of which were mentioned in the body of this book, offer further information and tools.

Buy Social Canada • https://www.buysocialcanada.com

Social Enterprise World Forum • https://sewfonline.com

Social Enterprise Council of Canada • https://secouncil.ca

Social Enterprise Ecosystem Project • https://s4es.ca

Social Enterprise Institute • https://socialenterpriseinstitute.co

Social Traders • https://www.socialtraders.com.au

Social Enterprise UK •https://www.socialenterprise.org.uk

Akina Foundation • https://www.akina.org.nz

Raven Capital Partners • https://ravencapitalpartners.ca

Social Value Fund • https://nsvf.ca

Encompass Co-operative • https://www.encompass.coop

Coastal Communities Social Procurement Initiative
• https://ccspi.ca

David LePage



With a particular focus on the role of social enterprise, David has been fully engaged in all aspects of community economic development during his 45 years in the field. Through his leadership and collaboration he continues to influence the growth of a supportive ecosystem for social enterprise and procurement in Canada and around the world.

He is the Managing Partner of Buy Social Canada, Chair of the Board of the Canadian Council on Social Enterprise, and Board Member of the Social Enterprise World Forum.

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Buy Social Canada

Buy Social Canada advances and promotes social procurement by bringing socially driven purchasers and social enterprise suppliers together, building business relationships that generate social benefits to communities across the country.

www.buysocialcanada.com

It's time to transcend the dogma and practices of extraction economics that result in social exclusion and income inequality. It's time for social enterprise, social procurement, and social value finance to converge to create community capital. It's time for a Marketplace Revolution.

In government, business, and community, the tools, practices, pilots, and capacity to make it happen are already in hand. All that is necessary is for us to make the commitment to build the healthier communities we all know are possible and launch the Social Value Marketplace.

Praise for *Marketplace Revolution*

"What David has done and continues to do for the social enterprise sector and procurement movement makes such a difference in so many lives — it's hard to even conceptualize how the work he has pushed forward over these last decade(s) has really set the tone for the future of economy in our country and for social purpose organizations and the work they do in communities."

Kristi Rivait, Co-Founder, Scale Collaborative

"*The increase in market-based activity between social enterprise and commercial and public sectors has been the standout trend in our movement. This is now a global movement as buyers are aware of the added value of their purchasing and social enterprises are seeking commercial partnerships based on trade rather than benevolence. Those that are recently engaging with social procurement owe a debt of gratitude to David for his vision and pioneering work in this arena.*"

Gerry Higgins, Founder and Managing Director, Social Enterprise World Forum

"This discussion about the value of money that David has in this book is very important for young people, because we are the future."

Jackson Mackie, nine-year-old

"As I move through my other circles, I see just how important David's book is going to be. His sense that now is the time to write and publish is resonating every day. The time is now... it will help coalesce things for many people and will enliven, spark... ignite... unleash new movement."

Peter Pula, Founder, Axiom News

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