



**Community Economic Development:  
Understanding the New Zealand Context**

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## CED Research

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## Research Aims

1. Identify key success factors and barriers
2. Determine to what extent key success factors are being met
3. Explore best practice for CED and social enterprise developments
4. Explore the ecosystem to help CED and SE to grow and thrive

## Methodology

- Literature Review
- Five Focus Groups
- 97 Interviews
- Data Analysis
- Seven Case Studies
- Final Report

## Community Economic Development

Involves the wider community

CED grows local economies and is inherently rooted in local communities and includes:

- social enterprise
- community asset ownership
- community exchange initiatives (e.g. timebanking, community currencies, food pools)
- local co-operatives
- small, local, privately owned value-led businesses

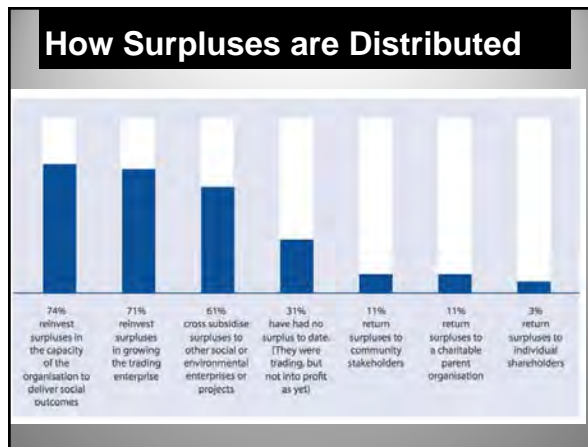
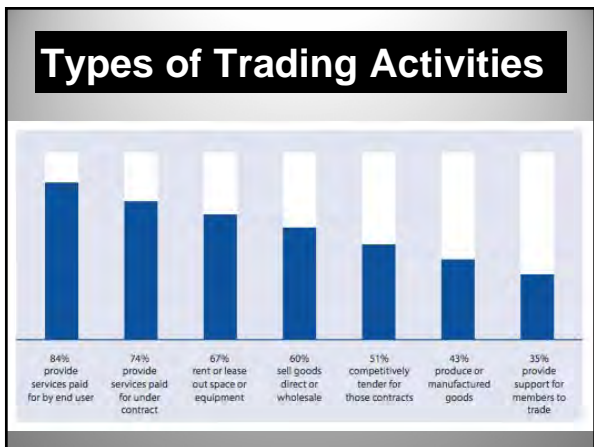
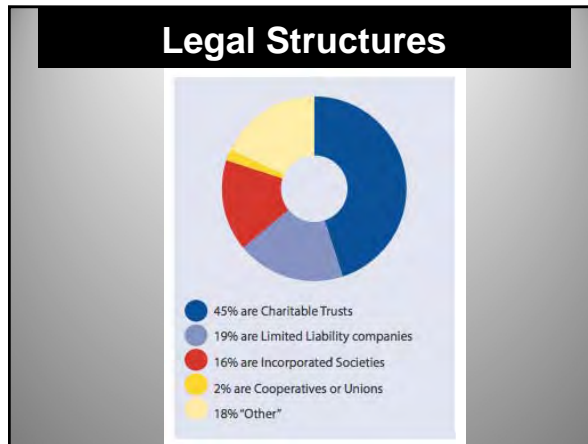
## Social Enterprise - what is it?

Involves an organisation

Social enterprises operate in markets, but trade for the benefit of people and the planet.

the defining element of a social enterprise which marks a boundary with private enterprise is the "asset lock" requires that both assets and profits be principally retained for community benefit

# FINDINGS



## Effective Governance

A mix of both community and business skills best for governance

CED and social enterprise organisations tend to have more inclusive, flatter, democratic and non-hierarchical governance and management structures than traditional not for profits and commercial businesses

## Enterprising NFPs versus Start-up SEs

There is an important distinction to be made between:

Enterprising “not-for-profit” organisations

...and

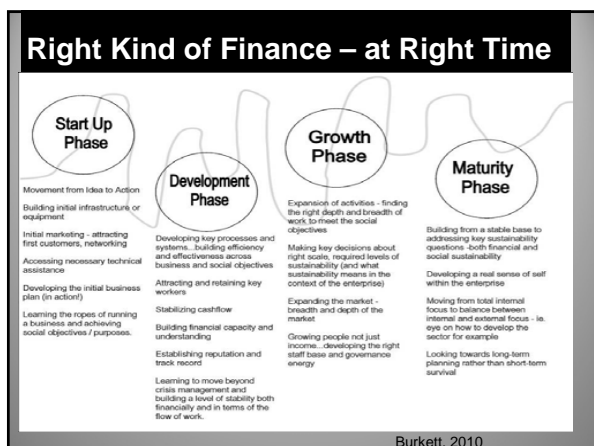
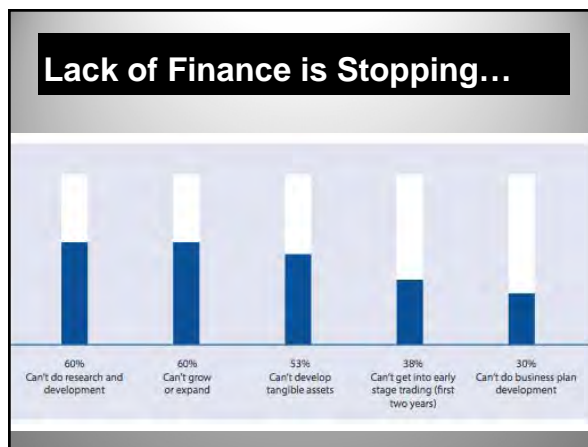
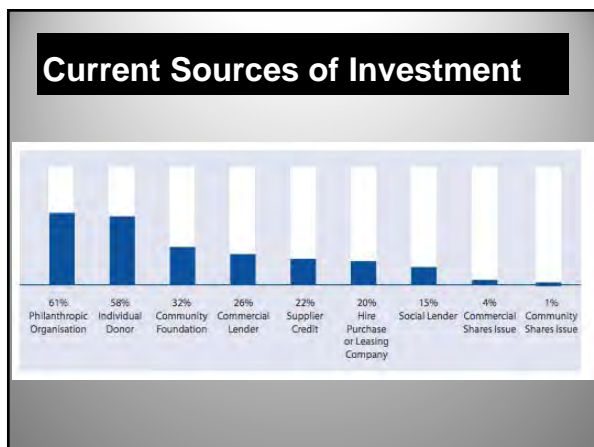
Organisations that have been operating as social enterprises from start up.

# FINANCE AND INVESTMENT FINDINGS

## Investment Language

The term “social investment” is increasingly being used to replace “grant dependent” funding language.

“Social investment” distinguishes all social finance from project grant funds, and indicates that all investment in social enterprise aims to provide either a social or a financial return on investment.



## Start-Up Investment

“Money for start-up is the biggest hurdle. We wouldn't have got off the ground without getting \$10,000 plus cheap rent from our council – and now we are self sufficient.”

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

## Social Loans

- 15% of organisations say that they have access to social loans
- A social loan requires repayment plus interest - usually on softer terms than mainstream
- Attitudes to taking loans are variable - reluctance is due to risk and/or a philosophical reluctance to pay interest to commercial bankers

# CAPABILITY BUILDING FINDINGS

## Summary of Capability Findings

There is considerable capability at an operational level, although this can be lacking at a strategic or longer term perspective.

Relations with external partners could be better utilised.

Organisations are generally poor at measuring the effectiveness of what they do, especially social impact.

## What Kind of Support is Needed?

Practitioners seek support that combines business acumen with social, environmental and cultural orientations.

*"We need more connections to people with the expertise and resources. We need to develop business relationships, and it needs to be a win/win situation."*

*"There is a dis-connect between what businesses want to offer and practical ways to engage with social enterprises. There is a lack of trust and understanding between the community and private sector- a lack of understanding of win/win possibilities."*

## Social Enterprise Hubs and Peer Exchange

Peer exchange is especially valued by practitioners.

Social Enterprise Hubs are co-working spaces where social entrepreneurs readily exchange information, skills and ideas For example, Enspiral in Wellington.

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

# EMPLOYMENT FINDINGS

## SEs and Employment

*"We recognise that getting a job is the fastest route out of poverty. Creating sustainable local employment is a main driver. We create "real jobs in real businesses" - in an area with 48% unemployment for young people."*

55% of social enterprises are situated locally, as opposed to regionally, nationally or internationally. CED is creating jobs, particularly in rural and isolated areas where unemployment rates are high. (DIA Survey, 2012)

The average number of people employed by participating organisations is 30.

## Pacific and Ethnic Peoples

- For Pacific and Ethnic communities integration into the mainstream labour market is problematic due to discrimination, language abilities and skill deficiencies.
- Social enterprise offers potential to these communities in terms of the potential for employment generation.

## Youth... and Offenders

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

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

# MĀORI ENTERPRISE

## Different types of Māori Enterprise

Māori participants were keen to make the distinction between:

- iwi organisations and
- non-iwi, Māori-led, community based organisations.

Iwi organisations are bound by Treaty of Waitangi Legislation, tend to be large scale, and their distribution arm is usually separated from their enterprise arm.

Māori - led community based organisations are smaller, more inclined to integrate social, environmental, economic and cultural factors - and not as well-resourced.

## Similarities: SE and Māori Enterprise

Māori enterprise and social enterprises face similar challenges:

- Both balance social, environmental and cultural mission with trading activities
- Both are underpinned by collective, caring values
- In both worlds it is easier for large enterprises to access finance and support than small enterprises
- Both balance running a successful enterprise with staying connected to local people in communities
- Collective ownership – a cultural norm for Māori, and a growing phenomenon in the CED space, constitutes challenges for access to capital

# DEMONSTRATING IMPACT

## Demonstrating Impact

Triple Bottom Line accounting is regarded as extremely important, but is a challenging area that is not widely understood or practised.

Culture and context are important elements of impact, so a quadruple bottom line (QBL) framework is preferred by some, especially Māori.

## Social Impact

Demonstration of social impact is particularly challenging - and effective practice in this area is patchy, with little agreement about the most effective methodologies

Yet demonstration of social impact is important to potential investors in this space.

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

# CASE STUDIES

## Research Hypothesis

The case studies were selected through propositions developed from the interview phase – that indicated that there are five key attributes successful CED initiatives demonstrate:

1. Creating strong and effective governance
2. Building close linkages to other complementary CED and SE initiatives
3. Delivering services in partnership with service users and purchasing organisations, rather than at arm's length
4. Establishing a future-oriented internal culture
5. Establishing an effective system of quadruple bottom line impact assessment.

## Case Studies

1. **Awahi Credit Union** (Rotorua)
2. **Community Business and Environment Centre** (Kaitaia)
3. **McLaren Park Henderson South Community Initiative** (Auckland)
4. **Oamaru Whitestone Civic Trust**
5. **Project Lyttelton**
6. **Taranaki Arts Festival Trust**
7. **Trees for Canterbury** (Christchurch)

## Research Recommendations

### What is Missing?

The space is fragmented – connection and cohesion are missing

An ecosystem of support and infrastructure is needed

Participants want a movement that is practitioner-led whilst working with partners from other sectors

### Stakeholders Unique Roles

The Research Report makes recommendations for:

- CED and Social Enterprise Leadership
- Local Government
- Central Government
- Philanthropics and Financiers
- Private Sector
- Academic Sector

## CED and Social Enterprise Leadership

### A National Body

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

### Main Roles for the National Body

1. Build an engaged community of practitioners
2. Raise awareness with stakeholders and the media
2. Increase business acumen and enhance market opportunities
3. Assist with access to capital and demonstration of impact
4. Make connections to Māori enterprise leaders
5. Advocate for the needs of the sector

## Financing a National Body

- This is the challenge! Overseas experience suggests a mix of self funding, plus investment from government, philanthropics and business sector
- The government has made a recent contribution to the Akina Foundation to enable them to help build capability in the sector, it is a good start...

## How Central Government Can Help

## Slow Momentum Here

In 2012, Visiting US Fullbright scholar States, MJ Kaplan said:

"My greatest surprise during my fellowship was central government's disinterest in social enterprise. This reticence was not shared by local leaders. Why isn't central government analysing opportunities to catalyse social entrepreneurship and innovation in New Zealand? I continue to be perplexed by the lack of openness to promising opportunities."

## A New Era?

In February 2014, Community and Voluntary Sector Minister, Jo Goodhew:

1. Made a Government Position Statement on Social Enterprise
2. Announced \$1.27 million investment in the development of a solid support infrastructure for emerging social enterprises

"The Government, through its agencies, commits to identify any policy barriers to social enterprise growth and to work collaboratively to create an enabling, supportive environment where more social enterprises can grow and attract investment."

## Priority Areas for Government

1. Remove identified barriers (legislative/compliance)
2. Establish Ministerial responsibility for CED and Social Enterprise (distinct from the Minister for Communities portfolio)
3. Position CED and social enterprise within a lead agency - that links to other relevant agencies
4. Develop an enabling, supportive and effective policy framework, with associated budgets and action plans

## Priority Areas for Government

5. Develop a strategic partnerships programme to enable social enterprises to work with government
6. Develop social procurement policy and practice
7. Establish a social enterprise investment fund – for enterprises and intermediaries
8. Include CED and social enterprise education in the school and tertiary curriculum



## HOW LOCAL GOVERNMENT CAN HELP

### Local Government – a Mixed Bag!

Understanding and awareness of CED and social enterprise in councils around New Zealand is very varied.

In some councils, individual officers are creating opportunities, but there is generally a lack of any cohesive policy framework and/or staff allocation to CED and social enterprise

Silos of operation and lack of communication between departments tends to be an impediment to progress.

### Priority Areas for Local Government

1. Establish a supportive and effective policy framework – with associated budgets and action plans
2. Establish social procurement policy and tendering practices that value localism, social and environmental impact
3. Offer long term leases to organisations in council owned buildings and/or asset transfer of land and buildings to community organisations
4. Assist with capability building

### Social Procurement – an opportunity

A number of community enterprises have lost business and momentum due to short term tendering processes that do not acknowledge social and environmental impact.

Social procurement development is an area that could substantially grow markets for social enterprise, with little or no added cost involved for councils.

### Transformational Shift

*"I think the transformational shift is for government and local council's to start identifying themselves as a customer of social innovation. Who can we buy the results we want to see from, rather than thinking of the community as the customer of our services. This is the new middle option between privatisation of services and welfare. It is contracting out – but it is contracting to community."*

## HOW FINANCE SECTOR CAN HELP

## Through Demand-led Finance

- the provision of specialist financial institutions, banks and instruments
- that provide a mix of start-up investment and affordable loans that are specifically geared to social enterprises

## Final thoughts...

The role of community organisations continues to change – embracing an entrepreneurial spirit alongside social, environmental and cultural mission

There are opportunities for central/local government to shift from being a mere deliverer of services - to an enabler of communities and promoter of community cohesion and self determination

The role of business and financiers is also changing – to embrace social, environmental and cultural value alongside profit

Through values based collaboration... the possibilities are greater than we can even imagine



**To see the report online go to**  
**[www.communityresearch.org.nz](http://www.communityresearch.org.nz)**

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