

Co-creating Prosperity through Social Innovation: The Role of Social Finance in Newfoundland and Labrador's Community Sector

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Abstract

Newfoundland and Labrador (NL), a Canadian province on the northeast tip of North America, has a unique culture characterized by a small yet resilient population spread across a vast land. To date, NL has had limited opportunities to access social finance opportunities that are right-sized to the province's needs. This article describes an innovative and collaborative approach undertaken by four partnering organizations – the Centre for Social Enterprise at Memorial University, the Community Sector Council of NL, the Community Foundation of NL, and Propel Impact – to address NL's challenges and unleash the potential of social enterprise and social finance in NL.

Through community-based research, the partners embarked on a journey to map social finance activities, educate leaders of social purpose organizations (SPOs), and quantify the demand for social finance in the province. Their approach was deeply rooted in community engagement and involved partnerships with local networks, interviews with SPOs, and the development of comprehensive case studies to fill the dearth of data in the sector. This article underscores the importance of trust-based alliances, community engagement, and data-informed solutions to drive change.

The unique context of Newfoundland and Labrador

Newfoundland and Labrador (NL) is a province in Canada marked by distinct factors: a small population of approximately 500,000 spread over a large land mass (over 358,000 square kilometers) and a resilient people who, throughout history, have persevered despite an unforgiving climate and economic disparities. A natural inclination toward community- and place-oriented innovation runs deep.

The social finance and impact investing space in NL, however, is underdeveloped and under-resourced. Through conversations with community and social purpose organizations ("SPOs," an

umbrella term inclusive of non-profits, charities, social enterprises, co-operatives, and impact-driven small businesses), it has been made clear that financial viability and operational stability are two of the primary challenges faced by the sector. These challenges are commonly attributed to limited business skills and/or knowledge among employees, risk-averse staff and boards, and a lack of core funding, which leaves SPOs in a cycle of precarity. As such, SPOs in NL chase annual funding rather than investing in the internal capacity required to establish revenue-generating models, thereby allowing them to stabilize and scale their operations.ⁱ

Based on a survey of social finance activities across Canada and a literature review of related research, it is clear that Newfoundland and Labrador has a notable absence of solutions to these challenges.ⁱⁱ SPOs continue to survive and serve their communities, but their persistent fundraising needs limit their ability to focus and, therefore, reach their full potential. Together, community members identified an opportunity to move NL SPOs from a mode of survival to a reality where they thrive.

Working together to unleash the potential of social enterprise and social finance in NL

Four organizations, three of whom act as ‘capacity builders’ in the NL community sector, came together with the goal of mapping social finance and social enterprise activities in NL and identifying opportunities for education. These partners are the Centre for Social Enterprise at Memorial University, the Community Sector Council of NL, the Community Foundation of NL, and Propel Impact.

The four partners co-applied for and successfully received funding from the Canadian Community Economic Development Network via the Investment Readiness Program managed by Employment and Social Development Canada. With this funding, the partners designed community-based research in three phases: a sector survey, voluntary interviews with organizations, and the writing of a detailed report and ten case studies of SPOs. The research findings were unveiled at the Community Ideas Festival in March 2024, an event convening the community sector, philanthropy, and government to co-create solutions to systemic challenges in NL.

A distinct model of research deeply rooted in community

The first objective of this project was to educate leaders of SPOs about the power and potential of social enterprise and social finance to help them stabilize and grow their operations. The secondary objective was to quantify the size and development of the social enterprise ecosystem in NL, which would identify the demand for social finance. The expected output of the research activities was a proxy that would quantify the market demand for an impact investing fund that serves the province and whether the fund should be housed at a regional (e.g., Atlantic Canadian) or at a provincial level.

The two objectives were tied to key activities that drove outcomes. To build awareness about the potential of social finance for SPOs in NL, the partners:

- Established partnerships with local networks involved with community economic development.ⁱⁱⁱ
- Identified additional ecosystem leaders to help populate a database of NL SPOs.^{iv}
- Worked with network partners and ecosystem leaders (e.g., Common Good Solutions) to identify opportunities for regional gatherings.^v

In order to achieve our goal of quantifying the size of the social enterprise sector in Newfoundland and Labrador, the partners:

- Conducted a literature review of existing research on social enterprise, social innovation, and community finance in NL.^{vi}
- Designed a survey and interview guide for social ecosystem leaders and SPOs, including small businesses that unknowingly would be classified as SPOs.
- Populated the database of SPOs in urban and rural communities across NL to quantify the size of the social entrepreneurship landscape in the province.
- Facilitated interviews with 40 SPO leaders to develop 10 case studies reflective of the social purpose sector in Newfoundland and Labrador.

The collaboration between the various partners was unique. Sarah Leeson-Klym, Regional Networks Director for the Canadian Community Economic Development Network (CCEDNet), validated this:

Here at CCEDNet, we have been exploring how to build stronger ecosystems of support for social innovation and community economic development at a regional scale over the past few years. Working with the Centre for Social Enterprise and other collaborators on the NL Social Enterprise & Innovation Coalition has shown us how strong community ties can be complemented with outside support from a partner like Propel Impact. In a place like Newfoundland and Labrador, people often know each other but that isn't enough - collaboration requires intentional relationship building and careful facilitation of dialogue and collective work. The recent success they're having is a sign of their strong commitment to relationships, trust, and work that brings everyone together around shared goals.^{vii}

Project outcomes that carve a path toward long-term solutions

Each partner in the collaboration brought expertise to the project. Propel Impact brought its social finance and impact investing knowledge from across Canada, whereas the Centre for Social Enterprise brought research expertise and provided wage subsidies to employ students from Memorial University to support the project. The Community Sector Council of NL and Community Foundation of NL both have deep roots working in and supporting the sector, which was crucial for engaging participating SPOs and building trust in the research process.

The first outcome of this project was a comprehensive dataset spanning the entirety of Newfoundland and Labrador, taking into consideration all forms and sizes of social purpose organizations. The survey's results built a thorough understanding of the state of the sector and indicated that organizations still rely on government grants, contracts, and philanthropic funding. However, leaders expressed an interest in soliciting impact investment and private capital. What started as a joint research project between a few partners expanded into a secondary outcome: a community sector conference called the Community Ideas Festival, bringing together additional organizations as co-presenters. Over three days, community leaders were inspired by new ideas and stories, formed new collaborations, and brainstormed ideas for advocacy and policy initiatives.

The festival provided an opportunity to educate front-line SPOs about social innovation and social finance, sparking new ideas for SPO leaders to build models that can generate values-aligned earned revenue and allow them to solicit growth capital outside of grants. Before the festival, three SPOs received coaching on how to integrate a business model into their non-profit or charitable objectives. They pitched their ideas for revenue generation in front of other SPOs, which inspired event attendees to consider creative pathways toward financial sustainability.

Recommendations - what lessons can we share from this work?

Adopting a model of community-engaged research and learning requires the right conditions and trusted relationships between partners and front-line SPOs. For leaders in other regions looking to bring their community together in similar ways, the partners behind this project share the following learnings:

1. Uncover data gaps:

It is known in the social innovation sector that what is not measured cannot be managed. To understand the potential of social enterprise and social finance for community-based SPOs, it is critical to hear directly from them through surveys and interviews about their perspectives, fears, and hopes for the future. Research helps expose a community's needs, which can inform the design of tools tailored to a specific purpose.

2. Convene communities in-person to strengthen the social fabric:

A multi-day, in-person gathering provides an opportunity to share what was learned from the research phase and educate front-line SPOs about social innovation and social finance, sparking new ideas for SPO leaders to build sustainable social enterprise models and expand their collective imagination. Encourage leaders of non-profits, charities, and co-operatives to showcase how they are integrating business models to achieve financial sustainability, as this can inspire a willingness for other leaders to do the same.

It is our experience that the knowledge gained from research and convening allowed the partners on this project to develop an understanding of the status of social enterprise and social finance in NL, thereby empowering these partners to help NL SPOs thrive.

Conclusion

From an isolated project, the partners shifted to a collaborative, long-lasting plan to advance the social innovation ecosystem. From these efforts, the Centre for Social Enterprise, Community Foundation of NL, Community Sector Council NL, and Propel Impact have established a trust-based alliance rooted in collective impact. The collaboration was built on humility, good humor, candor, and a deep commitment to NL.

These four partners have showcased the positive effects of partnership in co-creating social enterprise and social finance solutions that will enable their communities to thrive.

References

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ⁱ*Mapping Financing Opportunities and Experience Among Community Organizations in Newfoundland and Labrador*. Community Sector Council Newfoundland and Labrador, March 13, 2024. Accessed March 18, 2024. <https://www.socialinnovationlab.ca/>

ⁱⁱMariana Jimenez Ojeda and Nicole Dawe, “Mapping Social Finance and Social Enterprise in NL” (in possession of authors), 2023.

ⁱⁱⁱOrganizations in these networks include but are not limited to NL Federation of Co-operatives, NL Community Business Development Corporations (CBDCs), and First Light.

^{iv}These ecosystem leaders included other philanthropic foundations, post-secondary institutions, and accelerators.

^vTwo initial events were the Atlantic Social Impact Summit and the Community Ideas Festival, where SPOs in attendance learned about social enterprise models, pathways towards earned revenue generation, and opportunities to access social finance.

^{vi}There already existed diverse resources developed across the province, including research conducted by the Community Sector Council of NL, Memorial University of NL, Shorefast Community Economies pilot, and data emerging from three rounds of the Canadian government’s Investment Readiness Program.

^{vii}Melissa Sinfield, email message to author, March 18, 2024.