



**CEDNZ**

Community Economic Development

# Community Economic Development: Understanding the New Zealand Context

Lindsay Jeffs  
Trustee, CEDNZ



**CEDNZ**

Community Economic Development



# CED & SE Research

Commissioned by CEDNZ Trust

Funded by Lotteries Community Sector Research  
Committee

Principal Researcher: Di Jennings

Research Assistant: Dorte Wray

Research Supervisor: Ken Simpson, Unitec

Research Mentors: Ingrid Burkett: Knode, Australia &  
Lindsay Jeffs, Unitec

# 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 how to collectively build an ecosystem that will help CED and SE to grow and thrive in NZ.



# Methodology

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



# Social Enterprise - what is it?

Involves an organisation

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

The “asset lock” requires that profits and assets are principally retained for community benefit - is the defining element of a social enterprise which marks a boundary with private enterprise.



# Community Economic Development - what is it?

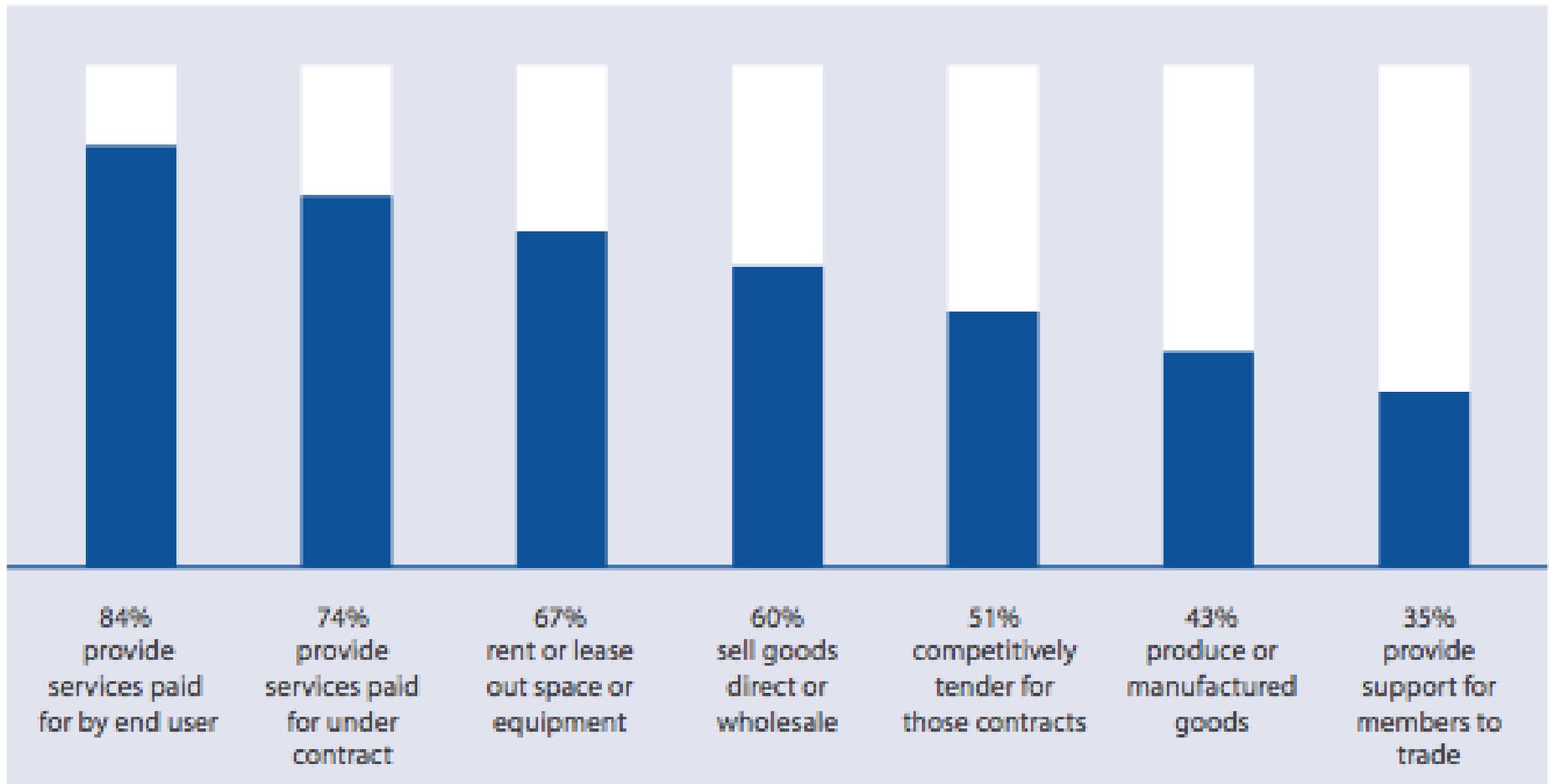
Involves the wider community

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

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

# INTERVIEW FINDINGS

# Types of Trading Activities





# Legal Structures

There are many options. Deciding the right legal structure can be a complex matter.

Development of a specific legal structure for social enterprise is not a priority at this time, but it may be in the future.

# 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



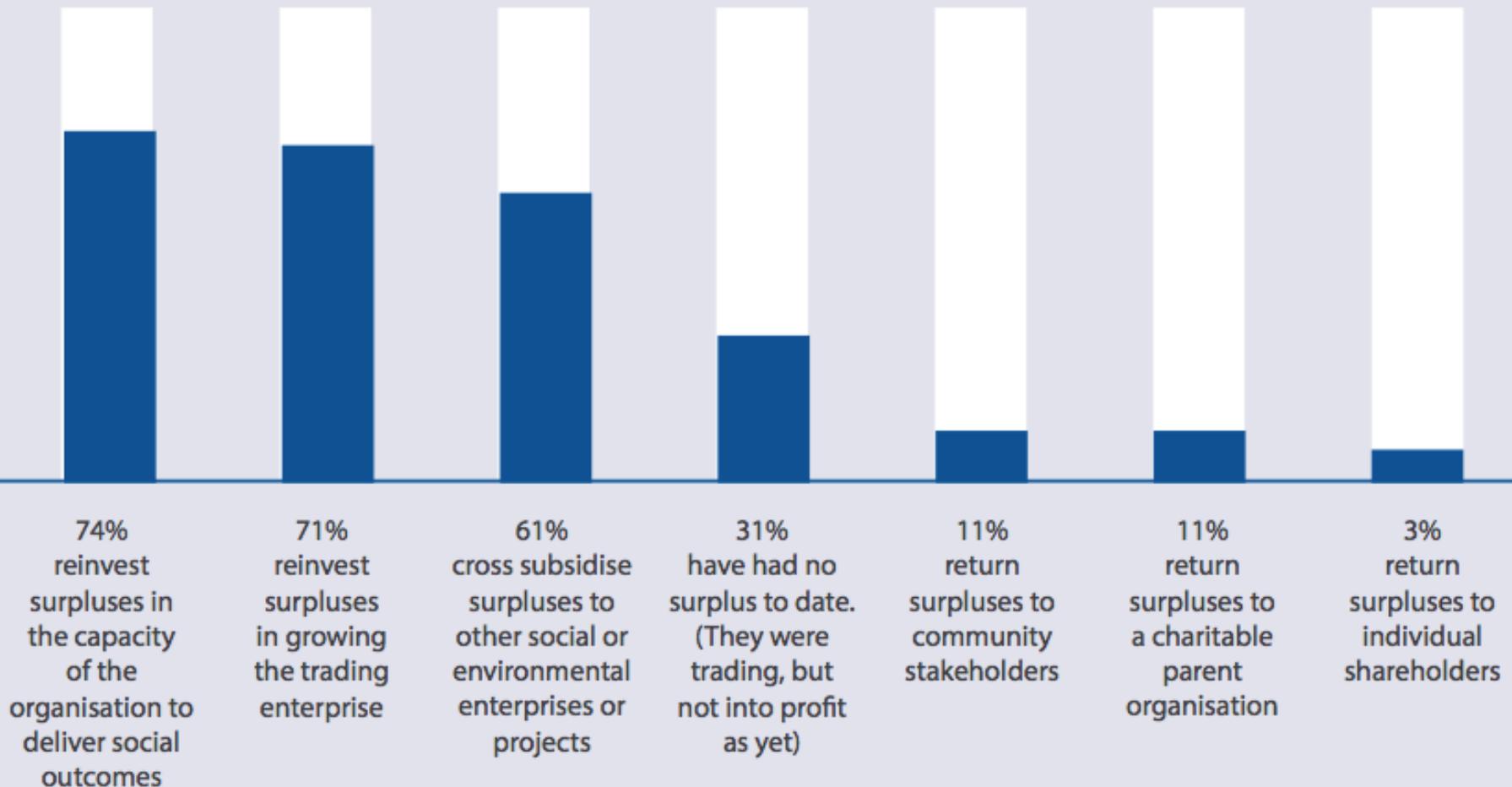
# Risk Management

Most practitioners are confident that they have rigorous processes to manage and mitigate for risk.

Governance tends to be more risk averse than management

What is lacking is an acceptance that there will be some failures, and that these are opportunities for learning.

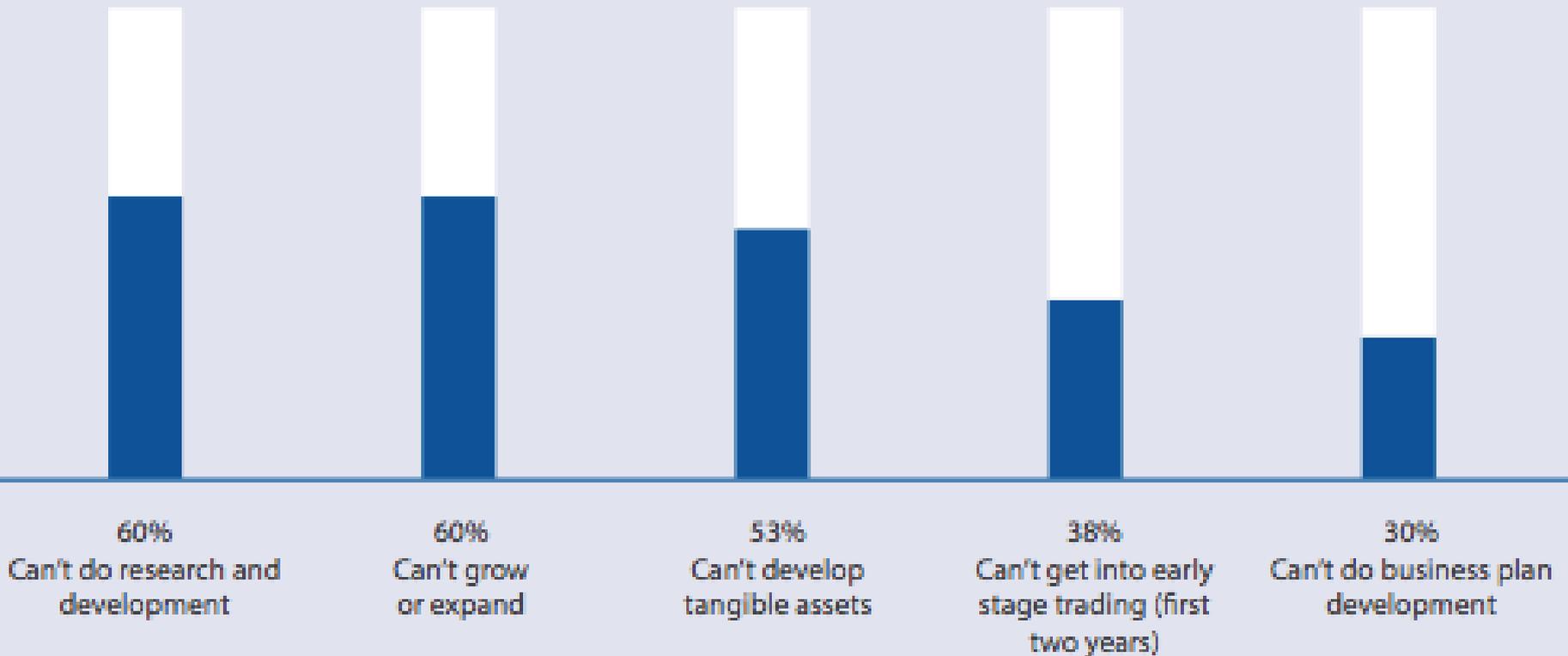
# How Surpluses are Distributed



# Current Sources of Investment



# Lack of Finance is Stopping...





# 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.



# 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.

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

# Employment

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

*“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” .*

There is a particular emphasis on creating local jobs *for* marginalised, Pacific people, ethnic minorities, youth, offenders.

“

# 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

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.

# CASE STUDIES

# Participants

1. **Awhi 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 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.

# **Research Recommendations**

# 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

# National Intermediary

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

# Government

1. Remove identified barriers (legislative/compliance)
2. Establish Ministerial responsibility for social enterprise (distinct from the Minister for Communities portfolio)
3. Position 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

# Government cont.

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



# 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

# Private Sector

Values-based collaborations and joint ventures based on mutual understandings and benefits - a paradigm shift from the traditional “begging bowl” relationship.

Businesses that develop social procurement policies that lead them to purchase from social enterprises

Closer connections with the private sector (and many businesses would like to be involved in the social enterprise space)

Investment in a brokering role is needed to link and create opportunities between businesses and social enterprises.

# Training, Mentoring and Research

- Peer learning
- CED and social enterprise courses and training programmes run by practitioners
- talented students with incubation, support and mentoring to initiate new social ventures
- access to cross disciplinary teams
- research and academic papers in the area

# Financial Institutions

- 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

# Philanthropic Org's and Community Trusts

- encourage trading - not penalise organisations for making surpluses
- offer non-returnable seed investment for early development and community loans or loan guarantee schemes for growth
- provide support and capability building alongside investment
- work with the social enterprise sector to develop accountability tools that can measure the blended-value mission of 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 pulling together... the possibilities are greater than we can ever imagine