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and continues to grow. This trend is expected to continue as the psychographics of people today has changed.

People want to make a difference. They want their lives to be meaningful. The new way to do this is to support a social cause.

Millennials are a huge part of this. *The New York Times* identified that millennials are more interested in making a difference, not just making money, and working for organizations that demonstrate community giveback strategies. Many are actively choosing employment within the nonprofit sector rather than a higher salary in the private sector (“More College Graduates Take Public Service Jobs,” *The New York Times*, March 1, 2011). As millennials continue to emerge as the generation with the largest consumer dollars and take over the workforce, companies are seeing this as essential in terms of strategies in the giveback economy.

This is the emergence of true social justice rather than charity. People and organizations recognize the value and the relationship of giving versus what they get in return. Both sides are important for the giveback economy to work. Just giving or just receiving is not sustainable.

At the same time, we are seeing that the old paradigms of “profit, profit, profit” are no longer working. A giving back social responsibility strategy is becoming a necessity.

With the ethos of society changing, there is a trend that people don’t want to just give their money when making a difference in the world, they want to be part of the change. A whole generation of youth wants to spend summers overseas helping to build schools in a developing country. People want to know more about how their donations are being used or are considering how to make an in-kind donation.

Volunteering is part of the high-school curriculum in many places. Beyond that, volunteering is considered an important thing to do during postsecondary education and even after graduation to improve one’s résumé.

People are, however, not giving as much when it comes to money. Historically, giving 10 percent of one’s income was a societal norm. It was ingrained in people to give during the weekly church service, or it was something that the neighbors would talk about. With the booming economy and the growing middle class during the 1900s, this was something that was achievable financially for the majority and it was driven through social pressures.

Today it is increasingly difficult for people to make the income necessary to live the middle class lifestyle, so there are and will continue to be a decreasing number of people who can afford to give 10 percent of their income to help others and an increasing number of people who need support.

Given the number of areas across North America which are not considered affordable, such as San Francisco, New York City, California, Vancouver, and Toronto, fewer people can afford to give money. The societal norms of giving are simply no longer normal.

Maybe part of the reason people are giving less money is that there are simply too many nonprofits using direct mail, and telemarketers that irritate consumers.

A social innovator with an idea can simply launch. There often might be a similar idea that is done in another part of the country, or even in a neighboring municipality, but there isn't a driving need to identify this in advance.

Why isn't the social innovator pausing to join or help expand an existing initiative? Most social innovators that launch an initiative are doing it for a personal reason, they are extremely passionate about it, and it is tied to their core values. They believe in it so much that they want to take personal ownership over it. When they do their research and see a gap in a single marketplace, it is natural to simply launch their own organization. They might see that other organizations are doing something about the cause, but it might be difficult to partner with an existing organization due to the work in getting buy-in or even the openness to work together. Rather than attempting to jump through hoops working with an existing organization, they launch.

Government social services no longer necessarily need to be run by a government organization or a nonprofit, and for-profits are entering the space and being awarded contracts to perform social services in a more cost-efficient manner.

For decades, for-profits have optimized their operations and minimized their costs, which has made them more cost effective (even when delivering a social service). Why would a government award a contract to an organization that costs more, is less value-focused, and without collecting taxes when compared to a highly efficient, value-adding, and taxable organization?

Garbage pick-up in many urban centers, a central service, has been outsourced to for-profit organizations that can perform the function at a fraction of the cost of the government itself.

In healthcare where there are nonprofits that provide the basics of care, there are for-profit organizations that provide supplementary services including blood tests or the logistics of managing medical supplies. In the United States, for-profit healthcare providers are often better managed and more efficient than their nonprofit counterparts.

As time goes by, more organizations are invited to provide social impact.

With all these changing paradigms, it becomes obvious that there is a need for something different. And along comes the emergence and increasing need for social innovation and social enterprise.

## 1. What Are Social Innovation and Social Enterprise?

The definitions of social innovation and social enterprise are still in flux as this important sector continues to emerge. In general, people are beginning to agree that the two are related, but they are only loosely associated.

Social innovation has a much wider scope than social enterprise. Almost anything that creates a social good that is a new idea can be considered social innovation. Meanwhile there are more specific definitions that are emerging for social enterprise, which we will discuss in a moment. Both are designed to make the world a better place.

### 1.1 What is social innovation?

With a wider scope than social enterprise, social innovation is all about ideas that make the world a better place by contributing to solving defined problems. Social enterprise can be a tool to create social innovation, but social innovation is possible without using a social enterprise model:

- This could be ideas for a nonprofit or charity. Example: An existing newcomer facility that starts providing legal support in immigration law.
- It could be ideas in a for-profit that will make a social impact. Example: The Beer Store in Ontario starting to recycle its bottles.

- It could be an individual or community group that decides to launch a project that makes a social impact. Example: A neighborhood garage sale that donates to a local charity.

It's great that the definition of social innovation is so wide that it allows more people and organizations to get involved to make a difference. The problem is that sometimes the scope is so large people and organizations don't know if it is actually a good fit for them. This may dissuade them from getting involved.

## 1.2 What is social enterprise?

Social enterprise has a narrow scope compared to social innovation with a lot of debate about what the final definition should be. Various organizations are defining this differently based on the personal outcomes they would like to see from the emergence of this type of organization, so the definition continues to evolve:

- **Social Enterprise Alliance (USA):** "A social enterprise is an organization or initiative that marries the social mission of a nonprofit or government program with the market-driven approach of a business."
- **Social Enterprise Council of Canada:** "A social enterprise is a nonprofit that provides a product or service to generate revenue for a further social impact."

Doing the right thing is becoming a strategy that is supporting the giveback economy. Might Starbucks through its fair trade program, or Walmart through its active involvement in fundraising, be identified as social causes and considered by some definitions as social innovation or social enterprise? Should it matter about the definition if an organization is doing the right thing?

In a recent survey by the Canadian Federation of Independent Business (CFIB), 99.3 percent of respondents indicated that they would like to give back to their communities in some way. People want to help each other and holistically want to make a difference in their world or community. They want to give back when they feel grateful for what they have.

One remarkable story is of a homeless person in Calgary who was struggling to save money after starting his first job in seven years. He was only able to bathe once a week, he didn't have a permanent residence, and the local church saved his money for him in a safe as he didn't

have a bank account. When Fort McMurray's Red Cross fund was established, he was one of the first people to donate \$40 from his savings. This is how 7 more than billion people can live on this earth together.

### 1.3 How are the definitions different internationally?

Social innovation and social enterprise are more advanced concepts in some parts of the world, with the United Kingdom leading the way in understanding and advancing this sector. Social Enterprise UK ([socialenterprise.org.uk](http://socialenterprise.org.uk)) states: "Social enterprises trade to tackle social problems, improve communities, people's life chances, or the environment. They make their money from selling goods and services in the open market, but they reinvest their profits back into the business or the local community." When they profit, society profits.

Social enterprises should —

- have a clear social and/or environmental mission set out in their governing documents,
- generate the majority of their income through trade,
- reinvest the majority of their profits,
- be autonomous of state,
- be majority controlled in the interests of the social mission, and
- be accountable and transparent.

International definitions don't tend to be the same and will mostly trend towards how the government has decided to prescribe its policies. Here is another example of how it is being defined, this time by South Africa's Bertha Centre for Social Innovation and Entrepreneurship:

"A good legal form for a social enterprise is generally one that allows it to combine multiple sources of capital, private and public, philanthropic and commercial, in order to advance and scale the impact of the enterprise. While South Africa does not have a dedicated legal structure for social enterprises, the current structures allow for significant flexibility."

### 1.4 Why is the definition of social enterprise important?

The various definitions and how they are applied now and in the future will have several impacts on social enterprises. Internationally, social

enterprise is a movement that is happening so how the local governments handle it from place to place could be different.

### 1.4a Taxation

The definition will impact sales tax, income tax, property tax, and potentially other taxes by determining if social enterprises are exempt or if different tax levels will be created. For example, foundations are often required to have zero income each year (to balance the books to zero and not show a profit). Nonprofits are able to receive sales tax rebates. Churches are exempt from property taxes.

### 1.4b Granting

Granting by government organizations and related organizations will be impacted by the structure of an organization. Many types of organizations are not eligible for specific types of grants. As grants are extended to social enterprise, a more clear definition will be required.

### 1.4c Financing

Financing by organizations have a similar need to define social enterprises. World Vision seeks to create a social finance fund and would need to be clear on its investment strategies. Some credit unions are partnering with foundations to provide a blended grant and loan financing product that must be clear on eligibility requirements.

### 1.4d Government Request for Proposals (RFPs)

Requests for Proposals (RFPs) will increasingly be changing their eligibility requirements but may add in new ways for social enterprises to be included. This could involve a certification program or some other way to distinguish a social enterprise organization. One emerging example is Buy Social Canada or the Social Purchasing Project, that is qualifying social enterprise for municipal RFPs.

### 1.4e Government Policies

Government policies are always being adapted in order to encourage sectors that are deemed promising, critical, or in danger. With the emergence of social enterprise, future government policies are to be expected.

The definitions of social enterprise and social innovation have importance. However, at the end of the day, if everyone is trying to do good, this might not be worth arguing over.