

the
IMPACT
INITIATIVE

RECOMMENDATION AREA FOUR:
BUILDING THE CAPABILITY OF ENTERPRISES

Funding Social Enterprise Intermediaries

Recommendation 4.3

PREPARED BY THE ĀKINA FOUNDATION
as part of The Impact Initiative

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Background

The Government plays a vital role in supporting the development of New Zealand businesses. However, there's work to be done to support more businesses and enterprises to develop the capability to generate wellbeing outcomes.

The impact that social enterprises create makes them the best of business – but their uniqueness means they face unique barriers to accessing existing business support. Targeted changes are required in order to create the conditions that will enable more impact-focussed businesses, including community, Māori and Pacifica enterprises, to start and to thrive.

This can be done by expanding existing business capability development services to include tools and resources that focus on impact, combined with enabling intermediaries that understand the unique value of social enterprises to provide on the ground support. Guidance around ways to use business structures to enable impact will help clarify the best ways for enterprises to protect and manage their impact. Together, these recommendations will help develop the pipeline and scale of impact-led businesses to move on to procurement and investment opportunities.

About The Impact Initiative

This paper was produced for the Social Enterprise Sector Development Programme, publicly known as The Impact Initiative.

The Impact Initiative is a partnership between the Department of Internal Affairs on behalf of the New Zealand Government and the Akina Foundation, supported by the Community Enterprise Network Trust (CENT).

To find out more about the programme visit The Impact Initiative website:

www.theimpactinitiative.org.nz



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Recommendation 4.3

Offer targeted funding to social enterprise intermediaries and networks, enabling support and collaboration to build capability and accelerate solutions.

Social enterprise intermediaries across Aotearoa New Zealand are demonstrating their strength in creating capability building opportunities that enable social entrepreneurs and businesses to thrive. While the needs in their communities are often different, these organisations share a focus on collaboration, inclusion, increasing productivity and local economic resilience. They build on the ground relationships and an understanding of regional dynamics, providing targeted solutions to the challenges facing social enterprises. They are committed to impact-based solutions to local and national challenges.

KEY TERMS

- **Social enterprise** - impact-led organisations that trade to deliver positive social, cultural and environmental impact¹
- **Social enterprise intermediaries** – used in this recommendation to include organisations working with social enterprises, community-led

¹ Not all businesses that are considered to be “social enterprises” identify with that term. Some use other terms like community enterprise or impact enterprise. They may identify primarily as a Māori or Pacific enterprise. They may consider themselves businesses that are led by impact or purpose.

enterprise, Māori enterprise, for-purpose enterprise and impact-led organisations and businesses to build their capability, whether through growing knowledge, building connections or practical help. It includes those that are ‘place based’ and operating at a regional level, as well as national intermediaries that are more targeted on a particular focus area for social enterprise, for example procurement

- **Outcomes** - are the positive or negative changes that happen as the direct result of a business or an activity, and can occur over the short-term, medium-term or longer-term
- **Social Enterprise Networks** - groups of intermediaries or social enterprises that collaborate to support impact-led businesses. For example: Community-Led Enterprise Development Network, Disability Support Network²
- **Communities of Practice** - are organised groups of people who have a shared interest in a common theme. They collaborate regularly to share information, improve their skills, and actively work on advancing learning around their focus area

² <https://nzdsn.org.nz/>

The opportunity

There is an opportunity for the Ministry of Social Development (MSD) and the Department of Internal Affairs (DIA) to partner with existing and developing social enterprise intermediaries to support their role in the delivery of on the ground support to social enterprises. There is also an opportunity for the Ministry for Business, Innovation and Employment (MBIE) to include charitable social enterprises within its Regional Business Partner Network (RBPN) services criteria and encourage incorporation of social enterprise into economic strategies. Sustained government support for social enterprise intermediaries will help build the pipeline of impact-led businesses that can deliver to our wellbeing economy, enabling social enterprises to:

- Build strong foundations
- Scale and grow, and
- Access pathways for growth such as investment and access to markets

An opportunity exists to accelerate peer-to-peer learning and sharing of good practice by supporting a new national network of intermediaries, recently established following the Impact Initiative pilot. There are also theme-based networks or communities of practice, including the coordination of Māori social enterprise by Māori and for Māori, that would benefit from support to enable collaboration and reduce the risk of duplication of energy and effort.

There is a role for Government in:

1. Ensuring social enterprise intermediaries are established and sustained
2. Supporting a national network of social enterprise enablers and communities of practice to share experience and accelerate solutions collaboratively, and
3. Encouraging and including charitable social enterprises within existing government-funded support functions like the Regional Business Partners Network (RBPN)³.

Social enterprise intermediaries have scope to work across public, private and community sectors. This gives these organisations a strong position from which to develop innovative, agile responses that span local ecosystems⁴, which has been highlighted in their contribution to Covid-19 responses. They are generally embedded in communities and regions and are well placed to build collaboration across sectors to enable social enterprises to thrive. This connecting role requires resourcing to enable partnerships, and innovative approaches to build local economic resilience.

³ <https://www.regionalbusinesspartners.co.nz/>

⁴ [On the Cusp](#), a publication produced for the Centre for Social Impact by MJ Kaplan highlights the need for 'intersectionality', working across sectors, engaging community, business and government in the process of creating an inclusive, impact economy focused on wellbeing outcomes for people and planet.

What is the current challenge?

Diversity of intermediaries

Social enterprise intermediaries are diverse, they have different legal structures and are responsive to different local and regional needs and aspirations. This adds a layer of complexity in setting up funding and contracting arrangements. The experience of some intermediaries is that they do not fit the existing funding criteria of many funds.

Funding sustainability

Social enterprise intermediaries are currently providing critical support to social enterprises, but are largely under or unfunded.⁵ There is a significant gap in access to enduring funding to deliver services that support the development of social enterprises. This includes both:

- Early stage enterprises: establishing their foundations for sustainability and impact, and ongoing coaching as they grow and become sustainable, and
- Support for enterprises to access pathways to growth: for example procurement and investment.

⁵ This was demonstrated during the programme's 'regional hubs' pilot, a 10-month programme, delivered between November 2018 and September 2019. The pilot found that financial sustainability remains a significant barrier to Hub partners delivering support to social enterprises in a consistent and ongoing way. See more in the Hubs insights report available at <https://www.theimpactinitiative.org.nz/publications/hubs-insights-report>

Gap in the support available

While there are often startup programmes available for business, they do not usually include a specific focus on impact or social enterprise. In places where there are barriers to accessing support for impact-led businesses, ongoing local support is an enabler.

Some intermediaries have supported enterprises accessing capital or establishment funds, co-working spaces or subsidised professional services, through limited arrangements. The benefit of this injection of support has been vital for some enterprises but is not consistently available.

Most regional economic development agencies do not offer social enterprise development services and the limited subsidised services of the RBPN currently exclude organisations that use charitable models. This exclusion prevents social enterprises that have charitable models from accessing subsidised support from intermediaries who are registered RBPN providers.

Philanthropic funders, who have seen the value of social enterprise and on rare occasions support intermediaries directly, are under increasing pressure to support pressing social and environmental issues, finding it hard to prioritise longer-term interventions like building the capability of social enterprises through intermediaries.

There is a challenge in growing the capability of social enterprises to be ready for emerging investment and procurement opportunities the Government is signalling. The critical issue is how to help these

organisations take up procurement opportunities when they often lack experience in tendering processes, while still prioritising their impact and social outcomes for local communities.

What would the change enable?

Intermediaries focus on supporting enterprises

The current gaps in the ecosystem mean that social enterprise intermediaries and capability-builders fall through the cracks of available funding and struggle to establish and sustain themselves. By directly prioritising funding for these intermediaries, their energy would be redirected from chasing funds that don't exactly fit to putting forward a clear and effective programme to a fund that is designed for them.

Having intermediaries with their basic operating funding covered means they would be able to use the tools and resources available to support their communities in their local place. As is well recognised, many people need face-to-face contact to develop their enterprise and benefit from continuity in support. This programme worked with intermediaries that are “place-based” as well as those that operate at a national level, both are important and have different roles to play in supporting the development of social enterprise. The programme maintains that there will be less avoidable failure and more bouncing-back from business challenges with local support in place⁶ alongside national level specialist support focussed on reducing systemic barriers.

⁶ The Global Entrepreneurship Network (GEN) NZ Manifesto emphasises the value of place-based support. <https://genglobal.org/new-zealand/manifesto>

Face-to-face support

Building trust is particularly necessary in communities and with individuals who face additional hardship barriers. This is true with rural, isolated people, including Māori, those with disabilities and those lacking confidence. It is also true that many of those seeking to develop social enterprises, particularly those pivoting from a not-for-profit base, have limited cash flow to pay market rates for business development support.

Specialist knowledge

Specialist social enterprise intermediaries keep purpose and impact at the heart of the social enterprise support they provide. Without this understanding of and commitment to purpose, business coaching services can misdirect or only partially support their clients.

Networking for better solutions

The recent establishment of a new national network of enablers, the Community-Led Enterprise Development Network⁷, also requires funds to sustain it. While it has recently secured a small amount of funding through the JR McKenzie Trust for a six month part-time establishment role, this potential dependency on a philanthropic funding cycle creates uncertainty and risk to the network's progress.

The network wishes to operate in a peer-to-peer capability building approach, learning from each other and sharing best practice.⁸ Members

⁷ This network has emerged following the programme's Hubs Pilot and is supported by programme partner Community Enterprise Network Trust (CENT). For more information about the Hubs pilot see the insights report available at

<https://www.theimpactinitiative.org.nz/publications/hubs-insights-report>

⁸ This aligns with findings in the programme where Hubs pilot participants reported significant value from connection, the establishment of a network and learning from each other.

also recognise the value in cooperating to access philanthropic and other funding, rather than competing or operating individually. Having an effective network with secured resources and supporting infrastructure means the members will no longer have to stretch their time, as volunteers, across sector development activities while they are also balancing sustaining their own entity.

In a similar way, supporting the development of communities of practice will help accelerate good ideas across themes like cooperative housing, regenerative agriculture, mental health action, local food solutions and youth employment. An injection of funding targeted at social enterprise solution leaders will allow collaboration, bringing together like-minded people working in different places, helping reduce unnecessary duplication and sharing experience to avoid similar pitfalls.

Māori enterprise

There is a gap around national coordination of Māori social enterprise.⁹ Filling this gap should be led by Māori for Māori, with the support from government and the broader ecosystem. The recommendation around resourcing communities of practice and the national network offer possible pathways with Māori representation to be invited and included.

⁹ He Pakihi Whai Kaupapa ki Roto i Te Ao Māori, a strategy to share national insights on māori social enterprise, guide operational delivery of this programme and propose action areas for Government and other stakeholders was commissioned during this programme: <https://www.theimpactinitiative.org.nz/publications/maori-engagement-strategy> This sits alongside and contributes to a deeper body of knowledge around pakihī whai kaupapa that long predates this programme including Insights on Māori Social Enterprise 2017 commissioned by Te Puni Kōkiri accessible at: <https://ir.canterbury.ac.nz/bitstream/handle/10092/15663/733182%20TPK%20Insight%20report%20%20C4%81ori%20Social%20Enterprise-lr.pdf?sequence=2>

Any coordination across this sector must recognise that Māori have their own existing networks and activity across Aotearoa New Zealand.

Various intermediaries are already working alongside and with Māori, so experience and knowledge can be shared in both directions. Some specialised Māori business-focused consultancies are looking to access social enterprise expertise. This reflects a growing recognition of the value of small, often whānau-based businesses in a resilient economy and community.

Contract improvements

A partnership approach to resourcing social enterprise capability builders and local intermediaries would enable fit-for-purpose contracts that are focused on outcomes, and build high trust relationships. Secure funding or multi-year contracts has the potential to be a game-changer in driving local-led job creation and entrepreneurship opportunities. The proactive and high trust government response during Covid-19 has demonstrated the success¹⁰ flowing from new approaches.

Including social enterprise in the mainstream

Encouraging the integration of social enterprise into mainstream existing services means those enterprises will be able to benefit from professional services subsidised under the Regional Business Partner Network programmes. This would enable enterprises who have trading activities to get the support they need to scale, and for those who are wishing to include trading activities into their models to access the right

¹⁰ Please Press Pause is a paper sent to the Government from the WISE Group focused on sector transformation and the learning gained from the positive response to Covid-19. <https://www.wisegroup.co.nz/creating-change/change-for-good/>

expertise and encouragement. A change to the criteria to allow businesses using a charitable model to qualify for subsidised professional support will help, particularly if there is a future Covid lockdown.

Currently there are very few economic development agencies¹¹ that include a social enterprise focus in their operation. Strategic support and influence from government to these agencies will help the development of social enterprise across the economic landscape. This will help social enterprises, particularly in the provinces, to access specialised impact-centred support.

What work has been done already?

The Hubs Insights Report¹² summarises the key outcomes from the Regional Hubs pilot undertaken as part of The Impact Initiative. This includes stimulating the establishment of the new national network, confirming the value of seed funding and the significant barrier financial instability presents and showing the benefits of coordinated peer-to-peer sharing and training. It helped cement the necessity of place-based and community-led support for enterprise in the wider ecosystem development.

There are national networks and communities of practice that have been self-initiated, for example the Zero Waste Network. These national

¹¹ An example of an economic development agency that currently has a social enterprise and impact focus is Auckland Unlimited - demonstrated in their partnership with Ngahere Communities via Grid AKL and Grid MNK <https://www.gridmnk.nz/about-1>

¹² <https://www.theimpactinitiative.org.nz/publications/hubs-insights-report>

solutions also have a critical enabling role. Programme insights from these groups is that accessing funds to create coordinator roles has been integral to their membership gaining greater value and being able to participate in sector and policy development.

The Generator¹³ is a wrap-around support programme for whānau and communities with a Community Services Card who have enterprising ideas to increase income or reduce their costs. It is a four-year MSD funded pilot, delivered in a partnership between Emerge Aotearoa¹⁴ and Vaka Tautua,¹⁵ and operating in 10 locations throughout Aotearoa New Zealand.

One of the original Generator partners, Thrive Whanganui, was funded through the Impact Initiative to deliver additional support to three of the social enterprises supported through the programme. It found the value of face-to-face and specialist coaching support and the small capital injection of funds made a significant difference for those participants.

What could be done next?

Three key strategies to deliver Recommendation 3.3

1. Ensure funding for social enterprise intermediaries is established and sustained

¹³ <https://thegenerator.org.nz/>

¹⁴ <https://www.emergeaotearoa.org.nz/>

¹⁵ <https://www.vakatautua.co.nz/>

2. Support a national network of social enterprise enablers and communities of practice to share experience and accelerate solutions collaboratively
3. Incorporate charitable social enterprise into existing services like Regional Business Partners Network.

The implementation of these strategies will allow community voices and place-based solutions to be part of the diverse social enterprise ecosystem we are developing in Aotearoa New Zealand.

1. Social enterprise capability builders sustained

The programme recommends the establishment of a fund or wider allocation of existing funding that allows suitably qualified organisations, committed to social enterprise development, able to apply for dedicated funding to establish and sustain their capability-building services.

This means allocating new resourcing or establishing a clear pathway for Social Enterprise intermediaries to access sustainable funding, through existing funds (at a national level) and new partnerships (at a regional level). In order for intermediaries to be able to provide enduring support, the recommendation is for multi-year allocations for appropriate applicants. Funding in this area should be focused on outcomes and move away from purely outputs focused contracts.¹⁶ An outcomes-focused approach to funding should recognise intermediaries as key enablers for communities and value the long term wellbeing outcomes and employment that these intermediaries deliver. (See

¹⁶ A number of funds are taking this approach or moving in this direction, see the Department of Internal Affairs' Community Leadership and Capability Fund for example, which supports capability and leadership organisations that have a national focus.

recommendation 2.1 for more information on what an impact-focussed approach to funding requires).¹⁷ It is critical that intermediaries that are working to build a sustainable revenue stream¹⁸ are not precluded from funding on that basis. Similarly, it is important that there are streams of funding for intermediaries that operate at a regional level, as well as those with a more national focus. Ongoing management of the fund/s should enable impact evaluation, impact reporting and sharing of insights and experience across both community and government stakeholders.

At a national level, the programme has identified a number of relevant funds that are available through the Ministry of Social Development and the Department of Internal Affairs, that could incorporate a more targeted pathway for social intermediary funding, including the Community Capability and Resilience Fund, Building Provider Capability and Resilience Fund, MSD programme funding and Community-led development funding. The next stage could include working closely with identified funds to:

- Assess fund alignment with outcomes delivered by social enterprise intermediaries
- Develop appropriate pathways within existing funds for social enterprise intermediary funding, and
- Advise on and support ongoing outcome management and measurement of the outcomes of the funding.

¹⁷ Recommendation 2.1 is detailed alongside the other recommendation white papers at <https://www.theimpactinitiative.org.nz/publications/white-papers>

¹⁸ Many intermediaries are interested in taking this approach to secure future sustainability and prevent long term reliance on grant funding.

At a regional level, the programme is working closely with Economic Development Agencies (EDAs), like Auckland Unlimited, that are currently demonstrating what enduring funding and partnership with social enterprise intermediaries could look like on the ground. To enable more of these types of partnerships, the next stage should:

- Continue to explore this recommendation at a regional level with targeted EDAs to gather practice led evidence
- Develop an impact model and indicators with an EDA impact focused partnership to demonstrate the value of this type of support and partnership eg. GridMKN
- Measure the impact of these funding models and continue to investigate how different models of funding could be developed across different communities in Aotearoa New Zealand, and
- share practice-led evidence and the impact model with other EDAs to inform best practice in their regions, allowing for uptake of what works alongside regional diversity and specificity.

2. National network and communities of practice

The programme recommends Government contribution to the Community-Led Enterprise Development Network and its work to help members grow their own capability, plus support for the infrastructure to allow the network to operate effectively. This includes electronic tools for remote training and information sharing between network members plus funding an annual hui to come together in person.

It also recommends government resourcing communities of practice across priority wellbeing outcome theme areas such as cooperative housing, regenerative agriculture and mental health action so that the

enterprises aiming to achieve the same wellbeing outcomes around the country are connected. This requires establishing a contestable fund or allocation within an existing fund or programme to connect together groups and individuals. This fund could provide paid time for those people to come together, with funded travel and resources for facilitation and information sharing.

3. Incorporate social enterprise into existing services

The programme recommends that the Government includes social enterprises within Regional Business Partner Network services, addressing the gap for trading business with charitable structures.

While regional and local economic development agencies are generally or predominantly funded by local councils, the Government could also influence the incorporation of social, community, māori and whānau enterprise into strategies and practices. This integration appears more relevant during Covid-impacted times, as demands grow for a more inclusive economy and government responds with further economic stimulation, incentives and strategic directions.

the **IMPACT** INITIATIVE

The Impact Initiative (The Social Enterprise Sector Development Programme) was allocated \$5.5m in government funding over three years. It is delivered by Ākina in partnership with the Department of Internal Affairs and with support from the Community Enterprise Network Trust (CENT).

The programme concludes in March 2021 with the delivery targeted recommendations outlining the next steps for the Government to support the ongoing development of social enterprises, as well as opportunities for the Government to tap into the impact social enterprises create. The recommendations have been developed with government agencies and with consultation from sector representatives.

PROGRAMME PRIORITIES

- Understanding and supporting the conditions for a thriving social enterprise sector in Aotearoa New Zealand
- Making it clear how social enterprise is contributing to government's economic, social and environmental goals
- Working with the Government to articulate what it needs to do to support social enterprises, after the programme.

PROGRAMME PARTNERS



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Programme activity highlights

- Uncovering the ways in which social enterprises deliver against the Government's priority areas
- Developing cross agency and public-private working and advisory groups to collaborate on social enterprise
- Uncovering legal barriers for social enterprise and exploring ways to address these
- Testing ways to support and grow social enterprises through place based networks
- Engaging strategically with government to support the development of broader outcomes through social procurement
- Developing and growing Aotearoa New Zealand's first social procurement marketplace (Fwd) and enabling access for government buyers
- Supporting social enterprises to access capital and get ready for impact investment
- Creating and testing business development tools and resources for social enterprises.