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## **The double bottom line**

By RICHARD BLACKWELL

It's the new world of social entrepreneurship, where organizations work to both benefit society and run viable businesses

The bottom line for any business is making a profit, right?

But how about considering a different, or additional bottom line: helping make the world a better place to live in.

That's the radical proposition underlying the concept of "social entrepreneurship," the harnessing of business skills for the benefit of the disadvantaged.

Social entrepreneurship is not yet a mainstream idea - partly because it is so hard to define - but it is gaining currency in a world where governments and charities seem increasingly stymied in their efforts to cure social ills.

A milestone on the way to entrenching the concept is today's Social Entrepreneurship Summit in Toronto, where the Swiss-based Schwab Foundation, in conjunction with the Boston Consulting Group, will for the first time present the Social Entrepreneur of the Year Award in Canada.

Schwab hands out similar awards in 26 countries, and links the winners into its worldwide network of resources.

Pamela Hartigan, managing director of the Schwab Foundation for Social Entrepreneurship, defines social entrepreneurs as "system changers" who do more than deliver services that governments can't.

"They're like mad scientists in the social lab who are innovating and coming up with new ways of addressing major issues in economic development."

Social enterprises can be organized as for-profit organizations or non-profits, she says, but "their bottom line is about social change [and] they are about innovation."

Perhaps the best known social entrepreneurial success story is that of the Grameen Bank, which began in Bangladesh and has made tens of thousands of micro-credit loans in Third World countries.

But Canada already has its own social entrepreneur success stories. One is Social Capital Partners (SCP), a Toronto foundation run by former telecommunications executive Bill Young. It invests in for-profit companies that hire people on social

assistance, particularly at-risk youth.

SCP now has a wide-ranging portfolio, including a property management firm in Vancouver, a renovation business in Winnipeg, and a bicycle courier service in Toronto. Over all they employ several hundred people.

But each of these projects was extremely time consuming and resource-intensive, because of the due diligence and business planning that had to be completed, Mr. Young said. Like many social entrepreneurs, he needed to find a way to replicate the success stories more efficiently.

That led him to approach franchisors to see if they would be interested in having SCP provide capital to their franchisees in return for hiring half the employee base from a pool of candidates prepared by SCP.

The first to sign on was tire retailer Active Green+Ross, which now has a half-dozen franchised stores in the program, and is considering it for company-owned outlets.

Mr. Young says one of the crucial factors restraining the growth of social entrepreneurship is the lack of capital. Traditional entrepreneurs have a slew of angel investors and venture capitalists to approach for funding, but those in the social sector do not.

His solution: some form of tax credit for those who support social entrepreneurs.

This theme has been embraced by former prime minister Paul Martin, who has turned his sights on the social entrepreneurial sector, while admitting his government didn't do enough to support it.

The government should consider the same kind of tax incentives that support film production or labour-sponsored funds, and there should be more flexible rules for investments made by foundations, he said.

Ottawa should also consider the flow-through share structure that supported the mining and oil and gas sectors, Mr. Martin said. "Why not a [similar] tax incentive to help some young kid who is on the street [get a job]?"

Tim Brodhead, president of the J.W. McConnell Family Foundation in Montreal, said the concept of social entrepreneurship is beginning to blur the distinctions between charities and business.

Both are now under pressure to generate "double bottom lines," he said.

Businesses are increasingly expected to deliver social gains, while charities and foundations are under pressure to operate in a more business-like manner, and sometimes to generate profits.

Young investors, in particular, now want their investments to produce both financial and social returns, he noted.

Until recently, "we could either make a donation [to a charity] and get zero financial return, or we could invest and get zero social return." People now want more of both, but rules governing charities and business make that tough to accomplish.

One stumbling block is the imperative - entrenched in corporate law - that managers and directors of for-profit companies have a fiduciary duty to maximize profits. That structure is a brick wall that limits the expansion of social entrepreneurship, Mr. Brodhead said.

The rules governing charities are outmoded and desperately need to be revised to include a broader scope of activities, and to take into account the possibility that an organization might generate both societal benefits and profits.

Some companies have embraced the new paradigm of a double bottom line, even if they are uncomfortable with the "social entrepreneur" label.

Bullfrog Power Inc., which sells electricity from green power sources to consumers and businesses in Ontario and Alberta, is a profit-making business, said president Tom Heintzman. But it also has an objective of helping the environment, by encouraging environmentally friendly power generation and donating part of its profits to organizations that support sustainability.

While there are tensions between the two goals, it is clear to everyone at Bullfrog that "our financial bottom line depends very much on us achieving our environmental objectives."

Mr. Heintzman said he is sometimes asked why a for-profit company is making money from improving the environment. The implication is that it is okay to look for profit if you're neutral or negative toward the environment, but you shouldn't make money if you're green.

"I'd think the equation should be exactly the opposite," he said. "We want to reward companies that are positive for the environment."

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