



**Champions
of Change**
**Doing Business
Differently**

**Ten social
enterprise
case
studies**

COMPANION DOCUMENT to the report:
Social enterprise and social finance: [A PATH TO GROWTH](#)

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Strategic Group on
Social Enterprise
and Social Finance

Convened by the
Department of
Internal Affairs

APRIL 2016

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Ākau

Purpose of case study: Ākau is an example of a social enterprise supporting youth employment.

Location: Kaikohe in Northland

Date established: 2014

Turnover and number of employees: Ākau is still in start-up phase, with 2.5 employees.

Legal structure/charitable registration: Ākau is a limited liability company.

Social/environmental purpose: Ākau is a design and architecture studio that empowers youth to achieve their full potential and create positive change in their own communities by engaging them in the design of real projects. There are three main arms to the organisation:

- **Ākau Stories** works with Kaikohe's youth to design and create a selection of high quality design products
- **Ākau Workshops** offers life skills, workplace experience and mentoring, and offers a pathway into further education or full-time employment. Trainees are encouraged to find their talents and passions and pursue them further
- **Ākau Projects** engages youth and the community in design processes.

Trading activity: Ākau profits from service fees for design and architecture services. These profits are then invested back into Ākau Workshops.

Funding sources other than trading: Ākau receives tutor fees from Northtec as well as grants, for example a 2015 grant from the Ministry of Social Development's Youth Enterprise Fund. It was also part of Ākina's Launchpad Accelerator programme.



Impact/successes: Ākau is able to help young people find their purpose and participate meaningfully in their community.

Key challenges: It is a challenge to get the right balance between social impact and business, without weighing too heavily on one, while remaining financially sustainable. It is also challenging to measure the impact of Ākau's work, to demonstrate its value.

Lessons: Social enterprise is hard. It is important for social enterprises to test different areas of their business models, and be willing to change their ideas as they learn more. Having people who can look at an idea with fresh eyes, and provide feedback on those ideas is important. Creatively filling gaps in your organisation helps ensure success.

For more information: www.akau.co.nz

Community Business and Environment Centre

Purpose of case study: The Community Business and Environment Centre (CBEC) illustrates both success in an economically difficult geographical area, and the difficulty for social enterprises of competing for local government contracts.

Location: Kaitaia in Northland

Date established: 1989

Turnover and number of employees: \$3.7 million in annual turnover with 54 employees.

Legal structure/charitable registration: CBEC is a cooperative society, with limited purpose and charitable status. Community “shareholders” have voting rights but receive no dividends.

Social/environmental purpose: CBEC develops enterprises and joint ventures that provide jobs and support environmental sustainability in the Far North. This maintains local ownership of businesses and supports community economic development.

Trading activity: CBEC has nine trading arms which provide services to their community. These include:

- a native tree nursery and garden centre
- a public bus service
- home insulation services (8000 low income homes have been insulated to date)
- solar power installations
- labour hire and contracting services
- environmental education to the Far North and Whangarei District schools
- management of four public swimming pools
- loop de loop cycle hire in Whangarei
- North Hire Marquees.

Funding sources other than trading: CBEC receives very little external funding – approximately 2 per cent of its annual turnover in 2015 and 2016.

Impact/successes: The Far North is an area of high deprivation and low employment, and a challenging environment for new business development. CBEC has proven over 25 years that community enterprise can have a significant positive impact on employment, the local environment, and economic growth. CBEC employed 80 permanent staff at the peak and continues to be one of the larger employers in a region struggling with high unemployment. CBEC has gained the trust of its community and is supported by the Far North general public, community boards, councillors, local Iwi and the Far North business sector.

Key challenges: At the early stage of development, ability to access capital to purchase plant and equipment is challenging. Winning local government contracts is also difficult, as large private companies have the resources to undercut community organisations. After many years providing waste management services for the Far North District Council, CBEC was outbid by a commercial operator with a larger balance sheet.

Lessons: CBEC has shown that social enterprises can flourish in areas where public and private organisations often struggle. However, the lack of social procurement policies in central and local government makes it hard for social enterprises to compete with private businesses for the big contracts.

For more information: www.cbec.co.nz and http://www.ced.org.nz/wp-content/uploads/2014/03/CED-Research-2014_online-v3.pdf

Indigo and Iris

Purpose of case study: Indigo and Iris highlights the early-stage challenges for young entrepreneurs.

Location: Wellington

Date established: 2015

Turnover and number of employees: Not yet trading.

Legal structure/charitable registration: Indigo and Iris is a limited liability company seeking charitable status.

Social/environmental purpose: Curing treatable blindness and other needs in the Pacific is Indigo and Iris' goal, and supporting small producers in the Pacific through ethical supply chains. This will be achieved by distributing business profits to charities that support the needs of small Pacific communities.

Trading activity: Ethically-sourced organic mascara is in development, with other cosmetics planned.

Funding sources other than trading: Indigo and Iris is not yet trading, but has received a \$15,000 grant from Pacific Development and Conservation Trust, and free services from diverse companies that "get" the mission.

Impact/successes: Since receiving mentoring as part of Inspiring Stories' Live the Dream accelerator programme for young social entrepreneurs, Bonnie Howland has been working fulltime on establishing Indigo & Iris. She has been nominated for the Women of Influence awards 2015, selected by the United States' State Department to attend the 2015 Global Entrepreneurship Summit in Kenya, and won a Kiwibank Local Heroes medal.

Key challenges: Most advice for start-ups is geared towards tech entrepreneurship, not manufacturing and supply chain logistics. As a company it is difficult to donate to charities due to obligations on company directors to maximise returns to shareholders. A charity set up to trade products to support charitable donations would find this a lot easier.

Lessons: It's important to keep going, every day and every week, to overcome the reasons to stop. Accountability to a mentor is invaluable, such as through the Live the Dream programme. Overall, New Zealand does not support social entrepreneurship well, but has the potential to lead. New Zealand's small population, strong communities that are easy to reach out to, and a strong expat community (Kiwi Expats Abroad), are all features that could work in its favour.

For more information: www.facebook.com/indigoandiris

Kilmarnock Enterprises

Purpose of case study: Kilmarnock Enterprises is a successful organisation employing adults with intellectual disabilities.

Location: Christchurch

Date established: 1958



Turnover and number of employees: \$3 million turnover with 85 employees.

Legal structure/charitable registration: Kilmarnock has a charitable trust that owns its assets. A limited liability company with charitable status is the business arm.

Social/environmental purpose: Kilmarnock provides a supportive, dynamic and connected environment where adults with a range of abilities can access training and realise their individual potential as contributing members of their community.

Trading activity: Kilmarnock's services include: assembly work; collation of goods; food re-packing; shrink wrapping; carpentry; electronic waste recycling; and much more. Kilmarnock produces quality products and it gives employees satisfaction and confidence to know that contracts are won on merit. Core contracts include food packaging for PAMs; headset refurbishing for Air New Zealand; and packing of fluid analytical kits for Gough Gough and Hamer. It also produces woodwork fittings for boutique stores, furniture and haberdashery, and sell handcrafted children's toys and furniture from its toy store. Kilmarnock also has a contract with the Ministry of Social Development to provide employment services to people with intellectual disabilities.

Funding sources other than trading: Kilmarnock occasionally seeks small grants and community support for capital expenses and social projects.

Impact/successes: In the past few years Kilmarnock has won the Champion Charity and ACC Workplace Safety award at the Champion Canterbury Awards, and has been approached by ACC to collaborate with other major organisations to improve health and safety practices. It gained ISO9001 Quality and HACCP Food Safety certifications and is a leading contract manufacturer in Canterbury. Customers such as Fonterra, the Gough Group, Murdoch's Manufacturing and Air New Zealand use their services. Kilmarnock is changing attitudes of the community and of employers by showing the value and skills of people with intellectual disabilities.

Key challenges: A lack of understanding of social enterprise can cause confusion: businesses view Kilmarnock as a charity, and charities view it as a business. This is changing as social enterprise gains greater recognition for its ability to demonstrate business excellence and provide social value.

Lessons: Culture is key to the success of a social enterprise. Having the right team, and the right culture, is paramount to creating and sustaining a successful social enterprise. If you do not have that when things get tough, you can go under. Kilmarnock is passionate about people with disabilities finding their individual value and giving them the confidence and skills they need for success.

For more information: www.kilmarnock.co.nz

Loomio

Purpose of case study: Loomio is an example of innovative funding and international interest.

Location: Wellington based

Date established: 2012

Turnover and number of employees: \$250,000, 9 FTE

Legal structure/charitable registration: Loomio is a co-operative company.

Social/environmental purpose: Loomio exists to make inclusive decision-making easy by providing an online space that empowers groups to come together, build shared understanding, and agree a clear course of action. Loomio enables more resilient communities, more adaptive organisations, and more participatory government. An introduction to Loomio can be viewed at www.youtube.com/watch?v=ZipyebSY2Lo.

Trading activity: Loomio provides accessible decision-making software, with an ethical software-as-a-service business model. Customers pay a monthly subscription for using the hosted service. Community groups without a budget are supported by voluntary donations.

Other funding sources: Loomio raised \$400,000 in debt and philanthropic donations in the first three years of operations, including \$130,000 in crowdfunding. Issuing redeemable preference shares¹ in 2015 raised \$680,000 in new capital through 18 investors, including a lead investor in South Korea who recognised Loomio's social impact.

Impact/successes: Over 20,000 groups have used Loomio to make over 40,000 decisions. Loomio is being used in over 100 countries, and has been translated into 35 languages.

Key challenges: Loomio's key challenge was finding a funding mechanism aligned with both scale and social impact. Traditional venture capital was not a good fit for a company that authentically puts their social mission first. At the same time, traditional charitable funding doesn't operate at the scale or speed required for a globally scalable software company. Loomio met this challenge by designing an impact investment mechanism using redeemable preference shares, offering a fair rate of return while protecting the company's social mission.

Lessons: There are investors who will invest in mission-aligned investments that provide a fair return.

For more information: www.loomio.org

¹ Redeemable preference shares have a fixed maturity date and are redeemable by the issuer for cash on maturity.

New Zealand Housing Foundation

Purpose of case study: The New Zealand Housing Foundation (NZHF) is a mature and successful organisation providing affordable housing.

Location: Auckland, but undertakes projects across New Zealand.

Date established: 2003 (Trust Deed reviewed and new entity established 2007)

Turnover and number of employees: \$18.3 million annual turnover, with 3 full-time employees and 11 contractors.

Legal structure/charitable registration: NZHF is a charitable trust.

Social/environmental purpose: NZHF is a community housing provider helping low income New Zealanders by undertaking affordable housing developments. This includes long-term rental, rent-to-own, private ownership and shared equity options. Research and support is provided to other community housing providers, including iwi, to grow capacity in the community housing sector.



In 2011, the NZHF built homes at Robertson Rd, Mangere for 14 families to move into and begin their journey towards full homeownership. This development is a mixture of NZHF homes alongside Salvation Army homes. NZHF staff were invited back to celebrate in a new playground the residents of this community lobbied Council to build on an empty reserve.

Trading activity: Trading income is from the sale and rental of mixed tenure housing developments, including private sales, and a range of affordable programmes for low income New Zealanders.

Funding sources other than trading: NZHF was started through grant funding from the Tindall Foundation and then social impact investment over an extended period. It can now attract commercial finance through mainstream banks for some of its developments.

Impact/successes: Several large-scale affordable housing developments across New Zealand have resulted in almost 400 new homes, with another 400 planned. New Zealand's largest affordable housing project is currently being undertaken in partnership with iwi and other community housing providers at Weymouth (Waimahia) in Auckland, with 295 homes due for completion by the end of 2017.

Key challenges: The challenges include operating at sufficient scale to meet the increasing demand for products, accessing affordable land (especially in Auckland), and uncertainty in a changing policy and regulatory environment. Also, the limited capacity of the community housing sector in general affects private investor confidence, access to capital, planning, and ability to deliver solutions at scale.

Lessons: Long-term committed social impact investment is required to achieve the scale needed to make a real difference, and to get to the point where commercial funds can be secured. Significant business and social expertise is required to make social enterprises successful. NZHF has been able to maintain both a community and customer-focus and its business motivation to be a 'more than profit' organisation means it is able to leverage resources and reinvest.

For more information: www.nzhf.org

OOOOBY (Out Of Our Own Back Yards)

Purpose of case study: OOOOBY illustrates success in growing internationally.

Location: New Zealand hubs are in Auckland, Christchurch, Waikato and Matakana. Overseas hubs are in Sydney (Australia) and Fresno (California, United States).

Date established: 2010

Turnover and number of employees: \$70,000 per week across all hubs. It has a leadership team of seven, plus hubs mostly employing their own staff.

Legal structure/charitable registration: OOOOBY is a limited liability company majority owned by the OOOOBY Foundation Charitable Trust. OOOOBY operates a licensing model for new hubs, providing a software platform and support for new hubs.

Trading activity: Organic produce is sold through a well-developed software platform.

Social/environmental purpose: OOOOBY aims to foster the development of more self-reliant and resilient food networks through the sale of locally-sourced food boxes, mainly organic fruit and vegetables. This creates fairer local economies and improves health, environmental, community and social outcomes in local areas.

Funding sources other than trading: Initial funding was provided as a loan by the founding team of approximately \$58,000. A crowdfunding campaign in September 2015 raised \$284,756 from 155 investors. A donation of USD\$150,000 from the Schmidt Family Foundation enabled Food Commons Fresno to establish an OOOOBY food hub in the US.

Impact/successes: OOOOBY has enabled growers to continue and increase trading. Work on new overseas hubs is underway. OOOOBY contributes to reducing the carbon footprint of food transport and storage and food packaging. Over 125,000 boxes have been delivered to over 7000 homes.

Key challenges: It is challenging to deal with increased overheads during expansion with sales still growing.

Lessons: Access to the right low cost facilities to operate from and access to equipment is helpful for start-ups. Grants can be less helpful, as they are easily spent for little return. OOOOBY is amending its constitution to allow for standard dividends. Previously, dividends paid to certain types of shares could only be spent on new food hubs. This limited access to investment. Restricted dividends were a “belts and braces” approach, as the OOOOBY Foundation Charitable Trust’s majority voting rights was sufficient to protect OOOOBY’s social impact mission and principles.



Map shows expressions of interest in establishing an OOOBY hub to date

For more information: www.ooooby.org

Patu Aotearoa

Purpose of case study: Patu Aotearoa shows the value of capability-building, and also illustrates how the structure of a social enterprise can affect eligibility for grants and contracts.

Location: Wairoa, Napier and Hastings, with a mobile site in Hokianga.

Date established: 2012

Turnover and number of employees: \$181,000, 3 FTEs plus nine contractors. Profit in 2015/16 was \$65,000.

Legal structure/charitable registration: Patu is a limited liability company.

Social/environmental purpose: Patu is combatting social issues and health problems such as obesity in Māori and Pacific peoples by combining a high intensity fitness regime and healthy lifestyle education with te reo me ōna tikanga Māori (Māori language and customs). Its group exercise sessions are designed to make exercise a social activity for clients.



Trading activity: Registered whānau pay low weekly fees.

Funding sources other than trading: Patu has received over \$200,000 in grants or service contracts with agencies such as Department of Corrections, Te Puni Kōkiri, and Hawke's Bay District Health Board. Local businesses have provided donations of grocery vouchers and free web services to support Patu's mission. Patu has received grants totalling \$70,000 from JR McKenzie and Contact Energy.

Impact/successes: Patu won six months of business mentoring through Launchpad, a nationwide accelerator programme for social enterprise projects. Patu has successfully expanded from one site to four sites. Over 1000 whānau are now registered.

Patu clients describe a strong sense of whanaungatanga (relationship through shared experiences) with each other, and whole families attend in some cases. This has led to high retention rates (80 per cent), and improved outcomes for participants. For instance, one participant lost 100kg in 15 months with Patu.

Key challenges: A key issue is staying financially sustainable. Lack of an "asset lock" has been a barrier to gaining a contract with the Ministry of Health despite the potential savings to the Ministry from improved health outcomes. However, a contract would not have enabled Patu to grow, as it would have only funded a specific programme or activity rather than expansion.

Lessons: The for-profit business model has been a barrier to receiving grants, as philanthropic organisations risk losing their charitable status if they give grants to for-profit entities. While changing the business structure is an option, Patu's founders consider the for-profit model is necessary at this stage to attract investors who can enable Patu to grow and have a greater impact.

For more information: www.patunz.com

Te Whangai Trust

Purpose of case study: Te Whangai Trust illustrates the ability of a social enterprise to provide employment and training where traditional methods have not succeeded.

Location: Based in Miranda in the Firth of Thames, with locations in Pukekohe, Glenbrook, Aka Aka and Mount Roskill (opening in September 2016).

Date established: 2007

Turnover and number of employees: 1.4 million annual turnover, with 16 employees.

Legal structure/charitable registration: Te Whangai Trust is a charitable trust.

Social/environmental purpose: Te Whangai Trust assists at-risk people through ongoing mentoring in a structured and safe workplace, providing life and work skills as well as educational and employment opportunities. This helps participants to enter the full-time commercial market. It also addresses environmental issues through restoration and wetlands planting.



Trading activity: Native plants are sold through its nursery, and the Trust also runs a dairy and beef farm. Trading activity provides 70 per cent of Te Whangai's income.

Funding sources other than trading: Contracts from the Ministry of Social Development provide 15% of Te Whangai Trust's funding, with another 15% received from philanthropic funding for programme innovation and community collaboration. This includes income from business training for community groups and corporate partners.

Impact/successes: Te Whangai Trust provides a win-win situation for partners and investors, by providing training that enable beneficiaries to upskill in work and life skills. It also provides multi-agency advocacy and training for those excluded from other training programmes, due to barriers and narrowly-focused government contract outcomes.

Key challenges: Constraints can be created by contracts which attempt to remedy the symptoms, rather than address the root cause of problems. It is also challenging to gain acceptance of the whangai approach (which involves meeting community social needs, especially for the young, so they have opportunities to grow) as an alternative to welfare, and to facilitate change in intergenerational welfare-dependent whānau.

Lessons: Social enterprises must have diverse funding streams to avoid dependence on government contracts. The social sector relies on volunteers and goodwill to keep costs down. Social enterprises must involve all parts of the community, including the public, private, and philanthropic sectors, and the local community, if a long-term result is to be achieved.

For more information: <http://tewhangai.org>



Whale Watch Kaikoura

Purpose of case study: Whale Watch Kaikoura is a long-standing, successful example of a social enterprise that funds itself through trading.

Location: Kaikoura

Date established: 1987

Turnover and number of employees: An annual turnover of approximately \$9 million, with 60 employees.

Legal structure/charitable registration: Whale Watch is limited liability company and a registered charity.

Social/environmental purpose: The aim is to run a sustainable whale watching business, whilst seeking to minimise waste and the impact on marine life. Whale Watch promotes recycling, uses eco-friendly products, and seek to reduce the business' energy consumption and carbon footprint. Whale Watch also provides grants to charities in the education and training, environment and conservation sectors.

Trading activity: Whale Watch generates income from whale watching tours in Kaikoura and the Gold Coast, Australia.

Funding sources other than trading: Whale Watch also owns some land and an office building which it leases out for extra income.

Impact/successes: Whale Watch sees surviving its first few years of trading as its biggest success, as tourism was not a well-known enterprise in Kaikoura in the 1980's, and it did not receive a lot of support from the community during the early stages. Whale Watch has since emerged as one of the prime eco-tourism destinations in New Zealand. It has strong support from the local community, and has provided jobs and economic development in Kaikoura.

Key challenges: From a business perspective, Whale Watch depends heavily on the weather and natural resources for their business to succeed. The seasonality of the business also poses challenges, as the vast majority of trading occurs during the summer, with very little trading during winter. Getting the right people and upskilling them is also a challenge.

Lessons: During the early stages of setting up a social enterprise there are often those who think it will not succeed, as Whale Watch experienced. It is important during those times to stay committed to the vision and purpose of the social enterprise.

For more information: www.whalewatch.co.nz