



SPEN Toronto – Social Purpose Enterprise in the GTA
2010 Survey: preliminary findings, comparisons and analysis

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FINDING HIGHLIGHTS:

In May 2010, the Social Purpose Enterprise Network (SPEN) Toronto commissioned Carleton University's Centre for Community Innovation (3CI) to undertake research on social purpose enterprise (SPE) in the Greater Toronto Area (GTA). The purpose of the project was to investigate revenue, cost, human resource and growth patterns of SPEN members and other SPEs in the GTA.

Based on data gained from a survey of 33 social purpose enterprises within the GTA, the following was discovered:

Organizational Background

- Average age of SPEs in survey: 9
- Organizational purpose: 18% training, 21% employment, 58% hybrid
- Business types: 14 different types, most common – food and catering services
- Most common groups served: 1) immigrants 2) low income individuals 3) homeless
- Number of clients served: median of 18 clients served per training SPE and median of 6 clients served per employment SPE

Social Enterprise Financing

- Typical SPE Budget Size: \$200,000
- Typical percentage of SPE budget gained through earned income: 54%
- Typical percentage of SPE budget gained through external sources of funding beyond earned income: 45%
- Percentage of SPEs that require some form of external funding beyond earned income: 88%

Social Enterprise Costs

- Top costs identified by SPEs: 1) Staff salaries and benefits 2) Business operations costs 3) Rent
- Percentage of SPEs that receive free assets: 48%
- Percentage of SPEs that receive in-kind services: 58%

Human Resource Management

- Average number of staff per SPE: 3
- Manager training and employment background: 70% have business training, business experience or combination of both.
- 67% of managers believe their role as SPE managers differs from that of a similar for profit business.

- 81% of managers believe their SPE differs from a similar for-profit business

Social Enterprise Growth Patterns

- Highest SPE growth rates for SPEs occur between start-up and 5 years.
- 63% of SPEs see business growth and social growth as synonymous
- The study was unable to identify a relationship between revenue generated or budget size and the number of clients served by SPEs.

INTRODUCTION:

The Social Purpose Enterprise Network Toronto (SPEN) is a voluntary network of social purpose enterprise managers with a mission to “grow Social Purpose Enterprise in Toronto.” SPEN's objectives are to provide business development and peer support through collaborative action, networking and skills development. As the sector grows, the accumulation and dissemination of knowledge about social enterprise in the Greater Toronto Area (GTA) is vital.

Partially funded by SPEN and by a grant from the Social Sciences and Humanities Research Council, the purpose of this project is to investigate revenue, cost, human resource and growth patterns of SPEN members and social purpose enterprises in the GTA. Based on data gained from a survey of 33 social enterprises within the GTA, this report will explain and analyze the emerging patterns developing within this network of Social Purpose Enterprises (SPEs).

In a wider context, similar studies have been performed on Social Enterprises in British Columbia (BC) and Europe. Simon Fraser University's Centre for Sustainable Community Development produced the *BC Social Enterprise Study: Developing Community Capital*. This paper takes a sweeping look at the Social Enterprise sector and explores business structures, sources of revenue and human resource patterns of Social Enterprises in BC. This paper surveyed organizations with a variety of legal business structures including for-profit organizations. Laurent Gardin's *A Variety of Resource Mixes Inside Social Enterprises* analyzes the types of resources mobilized exclusively by Work Integration Social Enterprises (WISEs) in Europe. Gardin's study looked exclusively at financing methods and their comparisons across European countries.

The SPEN research project's focus lies somewhere in between the broad BC project and the narrower European study. In contrast to the BC study, the SPEN survey dealt with organizations exclusively operating under the non-profit legal form, more closely related in practice to European WISEs. Distinct from the European study and similar to the BC study, this study investigates multiple aspects of SPE operations.

This report has four sections. First, the methodology section will outline the project development process, the survey structure and relevant participant data. The second section will outline the aggregated findings of the survey, explain their relevance and limitations and provide additional analysis where applicable. The findings section has five subsections: 1) organizational background 2) SPE financing 3) SPE costs 4) human resource management and 5) growth patterns. The third section will outline the challenges and future steps for further research for SPEN. The fourth and concluding section will provide a summary of key findings and concluding remarks.

METHODOLOGY:

The research goals of this project were determined through a process of key informant interviews and discussions with members, advisors and stakeholders of SPEN and the Carleton Centre for Community Innovation (3CI).

From this basis, an initial survey template was designed from the key informant interviews and conducted with a pilot group of 10 participant SPEs. Following the pilot survey, an adapted survey was created that was modified slightly to improve the quality and standardization of responses. The adapted survey primarily changed the ordering and wording of certain questions.

Interviews for the survey were structured with predominantly closed ended questions and certain open ended questions that allowed for the collection of quantitative and qualitative data. Survey respondents were primarily the managers of the individual SPEs; however, in some cases, the managers of SPE parent organizations as well as additional SPE staff members also participated. Some surveys were not fully completed due to individual respondents' inability to access information. In addition, estimates of certain figures for the survey were accepted from respondents when data was not available.

In total, 33 interviews were completed between May 26, 2010 and August 1, 2010. Contact with individual enterprise managers was facilitated by SPEN steering group members and a consultant. Interviews were all conducted in English and lasted approximately 30 minutes. To ensure standardization of data, questions were centered on data from 2009, as end of year figures for 2010 were not available at the time of the survey.

All data has been collected in electronic format, and has been inputted and analyzed through the use of both Microsoft Excel and SPSS statistical analysis software.

FINDINGS:

This section outlines the overall findings from the SPEN survey. The subsections to be addressed are: 1) organizational background 2) SPE financing 3) SPE costs 4) human resource management and 5) SPE growth patterns.

Two core themes to be brought forward in the following subsections are the vast diversity and hybrid nature of the SPE sector as a whole and the strong similarities among organizations serving similar demographic groups.

ORGANIZATIONAL BACKGROUND:

This section of the survey was designed to:

- *Determine the age of SPEs.*
- *Determine the types of SPEs*
- *Determine the extent to which social SPEs are standalone or embedded in parent organizations.*
- *Determine missions and measurement of mission accomplishment of enterprises.*

Age of SPEs

Though the concept of Social Purpose Enterprise is relatively new, the average SPE age in the following table demonstrates that this form of organization is on the path to being well established in the GTA:

Age of Social Purpose Enterprises

Variable	Average	Median	Oldest (Max)	Youngest (Min)
Age of Enterprise	9.13	10	23	1

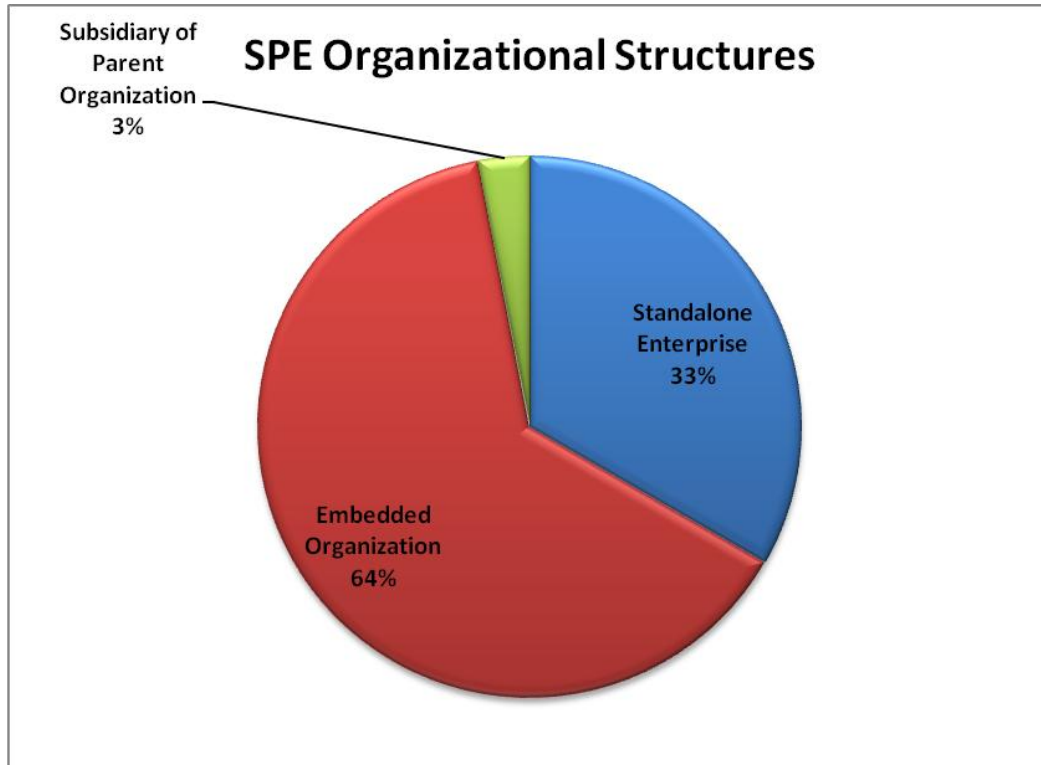
Organizations are on average 9 years old, with the oldest organization being 23, and the youngest in its start-up year. Though new SPEs are emerging, many organizations have been operating for a decade or longer. There is a balance between new and older enterprises within SPEN. This shows that SPEs in the GTA are maturing, while new SPEs are emerging.

Organizational Structure

The organizational structures of the SPEs in this sample have three broad forms: 1) as independent or standalone organizations 2) as enterprises acting as in-house programs or embedded within parent organizations and 3) as a subsidiary enterprise largely

independent from a parent organization. The proportion of organizational forms within the sample is demonstrated in the following figure:

SPE Organizational Structures



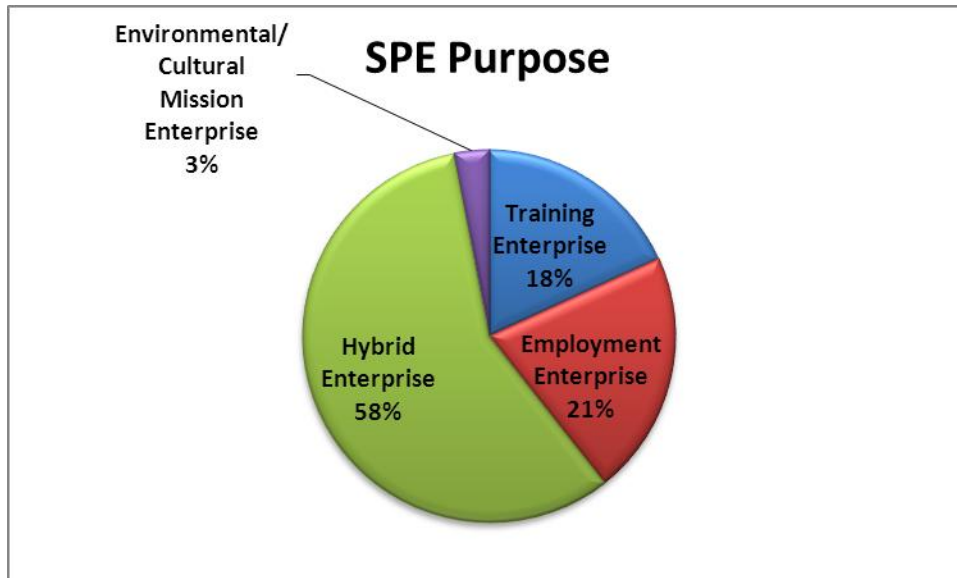
The above graph demonstrates that the vast majority of SPEs are structured as embedded enterprises, or as standalone businesses, while only one SPE identifies itself as a subsidiary of a parent organization¹. Within these two structures, however, there is variety. For example, some enterprises that are embedded in another nonprofit might share office space with the parent organization, but have an entirely independent staff and independent budgets, while other embedded enterprises have staff duties that overlap between the parent organization and the enterprise, along with joint budgets.

SPE Purposes

There are four primary and broad purposes for all of the organizations within this survey: training, employment, hybrid (a combination of training and employment) and environmental/cultural mission. The following table illustrates the breakdown of different organizational purposes:

¹ A subsidiary organization is a SPE that is controlled by a higher entity (such as a charity) but operates separately from that entity.

Organizational Purposes by Percentage

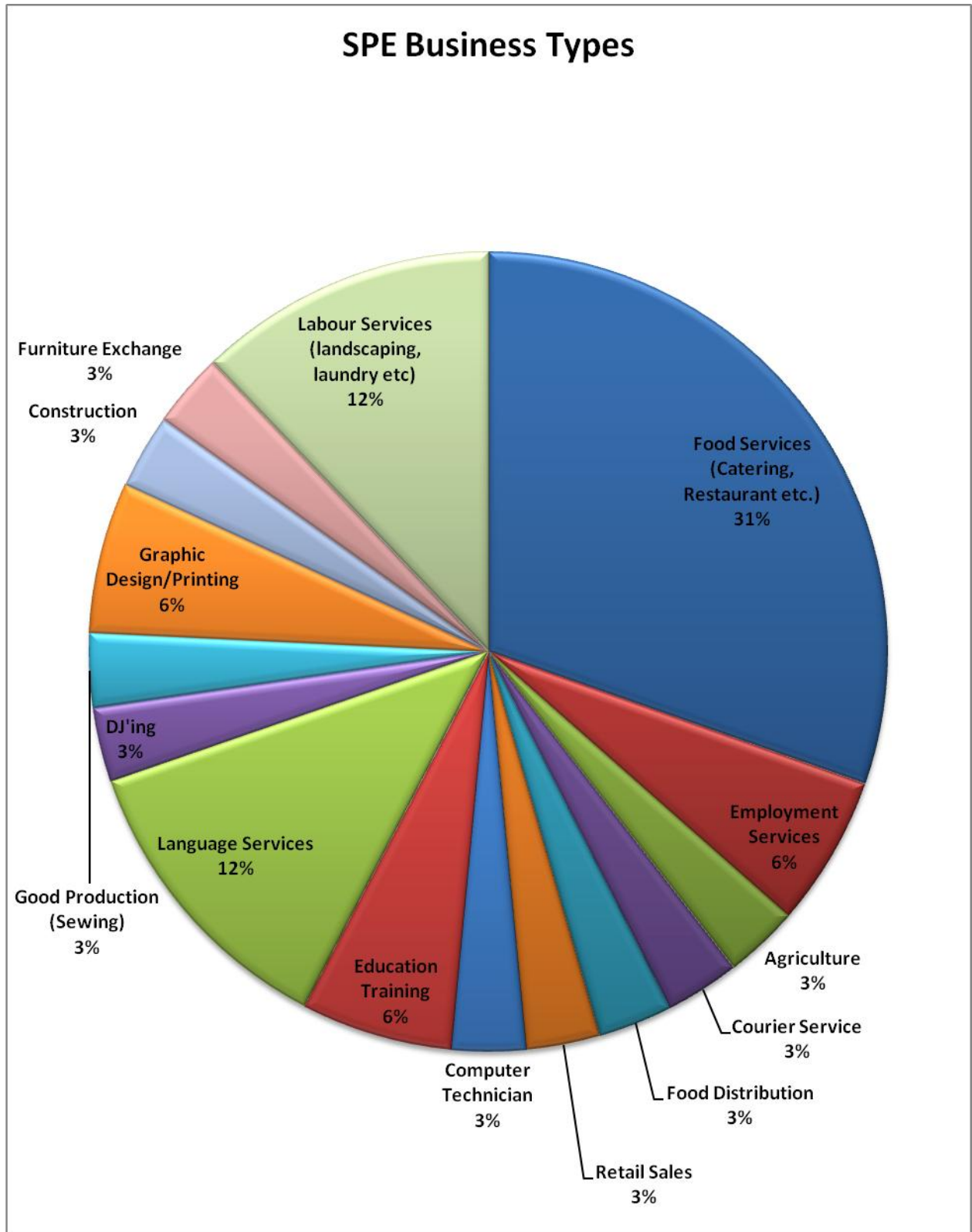


Hybrid organizations are SPEs that mix employment and training for their clients and are the most common SPE purpose. The similar proportions of employment-specific and training-specific organizations demonstrates that this sector is almost exclusively concerned with employing a given client base, training a given client base or doing a combination of both.

Though there are significant commonalities in the broad purposes of SPEs, there are a wide variety of organizational missions and measures of mission accomplishment. For example, one SPE explained that its mission is to provide pre-employment training to new Canadians and link them to other organizations for employment. It explained that they measure their success largely through individual client development, client integration into communities and client level of confidence after the program has been completed. This SPE has a clear social mission, and measures its success based on the qualitative outcomes of its clients. In contrast, another SPE described its mission as providing training to immigrant and refugee women to become professional language interpreters. This SPE measures its success in purely quantitative terms, by using the number of assignments and how much money their clients are receiving following training as baselines for success.

SPE Business Types

The diversity of the social purpose enterprises within this survey is further reflected by the types of businesses undertaken:

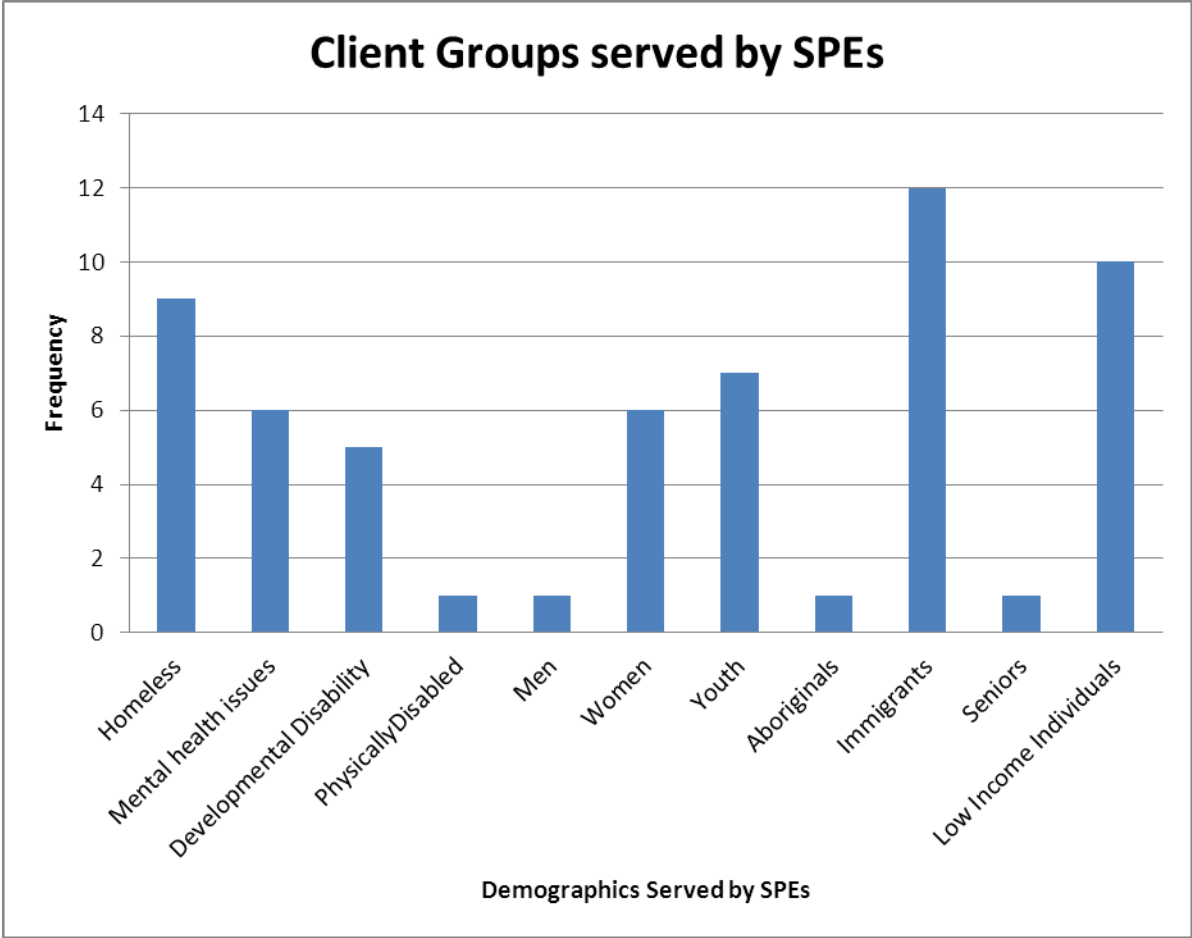


The chart above illustrates that there are a wide variety of business types. With 33 organizations participating in the survey, there are 14 different business categories identified. Food services (largely catering companies and cafes) are the most common business type, followed by labour-intensive services such as landscaping and laundry services. The largest forms of knowledge-intensive businesses are language service businesses which include translation services and training organizations.

SPE Client Demographics

The SPEs within this survey serve a broad range of clients:

Client Groups served by SPEs



Immigrants, low income individuals and the homeless are the most commonly served by SPEs surveyed in the GTA. Enterprises often serve more than one client group; for example, an enterprise may serve women who are immigrants, or youth who are either homeless or at risk of homelessness (thus classified as low income individuals) with mental health issues.

Number of Clients Served by SPEs

Aside from the variety in populations being served, there is a wide range in the number of clients served by individual organizations. The following table demonstrates the range of clients being served by SPEs:

SPE Client Training and Employment

	Average per enterprise	Median	Largest (Max)	Smallest (min)	Sample Total
Clients Trained	41	18	250	2	1111
Clients Employed (full-time, part-time and contract basis)	18 ²	5.5	600	3	1056

The table above shows that some organizations serve large numbers of clients (this is demonstrated by the maximum totals of clients trained and employed), while other enterprises are smaller. At one end of the spectrum, some organizations may provide short-term training to a large number of people while others may offer continuous employment to a few. Because of the high maximum and minimum totals in both the number of clients trained and clients employed (which distorts the calculation of average), the median is the more reliable statistic when determining typical training and employment levels for SPEs. As a result, a typical training-oriented SPE trains 18 clients per year, while a typical employment SPE employs 5 to 6 employees per year.

These findings must be interpreted with each SPE's context in mind, however. Some target populations require more staff attention than others which affects overall training and employment totals. For example, it is possible to train a larger group of people with the skills necessary to be a translator, in one large class in a few months, while it can take up to a year to teach a small group of people with developmental disabilities, kitchen skills. Employment levels also differ greatly based on the nature of employment. Some enterprises, such as language interpreting SPEs have a high volume of employed staff who are employed on a contract basis with individual contracts, while other organizations employ a small number of clients on a full-time basis. No data was collected on the number of hours or days worked or days of training offered. In short, some client groups require more attention than others for training, and SPEs have varying employment levels based on business needs.

Demographics Served Relative to Business Type

Through the use of cross-tabulation analysis³, the link between demographic groups being served and the dominant business types becomes clearer. For the purpose of brevity, the top three

² This high number relative to the median is a result of a social purpose enterprise that uses a roster of clients for sub-contracting as a source of employment. The averages of clients employed would be much lower if organizations that sub-contracted were not included in the survey.

demographic groups being served (immigrants, low income individuals and the homeless) will be analyzed.

Business Type and Immigrant Demographic Cross-Tabulation

Business Type	SPE group being served	
	(Immigrants and New Canadians)	
Food Services (Catering, Restaurant etc.)		4
Employment services		1
Food distribution		1
Education Training		1
Language Services		3
Goods Production (Sewing)		1
Furniture Exchange		1

The primary enterprises serving immigrant and ethnic groups are food service and language training (such as interpreting placement and training) businesses. These two business types reflect the use of the strengths of these populations, such as knowledge of other languages, or the use of skill sets that are labour intensive and are easier to adapt to when language is a potential barrier to job entry.

Business Type and Homeless Cross-tabulation

Business Type	SPE group being served	
	Homeless	
Food Services (Catering, Restaurant etc.)		4
Computer Technician		1
Goods Production (Sewing)		1
Furniture Exchange		1
Labour Services (landscaping, laundry etc)		2

The primary types of businesses serving the homeless population are labour intensive.

³ Cross-tabulation analysis is a data analysis technique that shows the relationship between dependent and independent variables.

Business Type and Low Income Individuals Cross- tabulation

Business Type	SPE group being served
	Low Income Individuals
Food Services (Catering, Restaurant etc.)	1
food distribution	1
Computer Technician	1
Education Training	2
Language Services	1
DJ'ing	1
Goods Production (Sewing)	1
Graphic Design/Printing	1
Furniture Exchange	1

Unlike the two previous cross-tabulations, there is no dominant social purpose enterprise that provides training, services or employment to the low income demographic. There are likely a wide variety of businesses assisting this population because of the possible breadth in the definition of this group, and the overlap in services for this group with other client populations.

SOCIAL PURPOSE ENTERPRISE FINANCING:

This section of the survey sought to:

- *Determine budget size of SPEs*
- *Determine the degree of reliance on external funding, in particular government funding, to sustain SPEs*
- *Determine sources of funding for these SPEs*
- *Determine the type and size of revenue generation for these SPEs*
- *Determine the extent to which debt financing strategies are used*

Budget Sizes of SPEs

The theme of diversity among SPEs is extended to the realm of financing. In this study, budget size refers to an organization’s budget based on a combination of earned income and external sources of funding. Budget sizes, earned income volumes and external sources of funding vary greatly. The following table highlights the wide range of budget sizes among SPEs:

SPE Budget Sizes

Variable	Average per SPE	Median	Largest SPE (Maximum)	Smallest SPE (Minimum)	Sample Total Budget (All SPEs combined)
Budget Size	\$380,983	\$200,000	\$2,000,000	\$1,500	\$11,810,500

The table above shows the high disparity of budgets among SPEs. A clear illustration of this is the difference between the largest budget of \$2,000,000 and the smallest budget of only \$1,500. Because of the large range between high and low budget sizes, it is more accurate to look at the median budget size⁴ as a measure of a typical SPEs budget size. Using the median measure, a typical SPEs budget size is \$200,000.

SPE Earned Income Generation

The operations of SPEs are generally thought to involve significant levels of earned income (i.e. the amount of money that they are generating through the sale of goods and services). The following table outlines the average, median, highest and lowest levels of earned income generation of surveyed SPEs:

SPE Earned Income

Variable	Average per Enterprise	Median	Largest Enterprise (Maximum)	Smallest (Minimum)	Sample Total Budget (All Enterprises combined)
Earned Income	\$225,813	\$100,000	\$1,500,000	\$400	\$6,774,400
Percentage of Budget Generated through Earned Income	54%	51%	100%	2%	N/A

⁴ Medians as a statistical measurement overcome the outlier effects of data more effectively than the use of averages

The table above shows the range of earned income among enterprises. Given the maximum and minimum values, some SPEs would appear to be self-sufficient, while others generate virtually no earned income. Despite this, the relative congruence of the median and average values of earned income percentages demonstrates that earned income levels of just over 50% are being attained by SPEs. This means that a typical SPE within the GTA is generating just over half of its budget's revenue from earned income.

SPE External Funding

Core to SPE operations are external sources of funding in the form of grants and donations. The following table outlines levels of external sources of income for SPE budgets:

External Funding Data

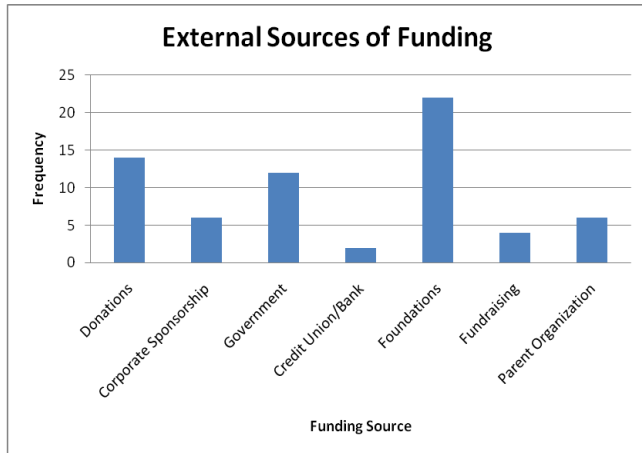
Variable	Average per enterprise	Median	Largest Enterprise (Maximum)	Smallest (Minimum)	Sample Total Budget (All Enterprises combined)
External forms of funding (Grants and Donations)	\$164,616.67	\$118,000	\$775,000	\$0	\$5,996,116
Percentage of Budget generated through external funding	45%	49%	98%	0%	N/A

The above table provides the inverse data of the earned income table. A typical SPE generates slightly less than 50% of its budget from external sources of funding. The majority of enterprises rely on some form of external funding, while a few do not use or may not have access to external funding.

Sources of External Funding

The majority of SPEs that receive some form of external funding receive funding from a variety of sources:

Forms of External Funding

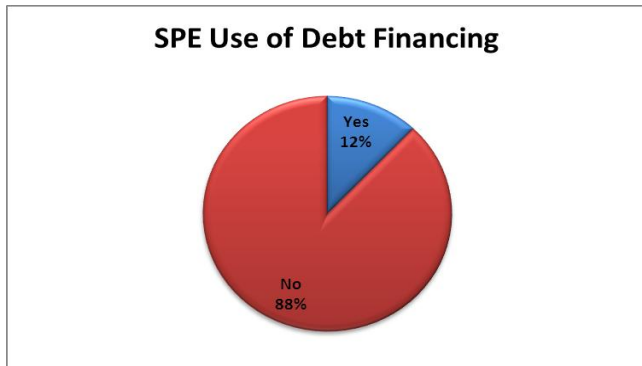


This graph demonstrates that enterprises often receive multiple sources of funding, the most frequent of which is through foundations (such as Toronto Enterprise Fund or United Way). Private donations (including philanthropists and individuals) and government (including government support of employment programs or operational funding, from federal and provincial levels) are the next most significant sources of external financing. That being said, the above chart shows that there are many approaches being used in practice by SPEs to supplement their earned income.

SPE Use of Debt Financing

Findings suggest that debt financing is not a common strategy among SPEs in the GTA:

Proportion of SPEs with Debt Financing



The vast majority of SPEs do not use any form of debt financing. Those that do, often make use of non-traditional forms of debt financing, such as loans from private donors with zero-interest rates. The other forms of debt financing cited include lines of credit to cover staff salaries or for the emergency purchase of goods. SPEs likely have a difficult time exploring debt financing options because of the significant proportions of external (and often unreliable) sources of funding that supplement their budgets. They may also be reluctant to assume debts for a variety of reasons.

SOCIAL PURPOSE ENTERPRISE COSTS:

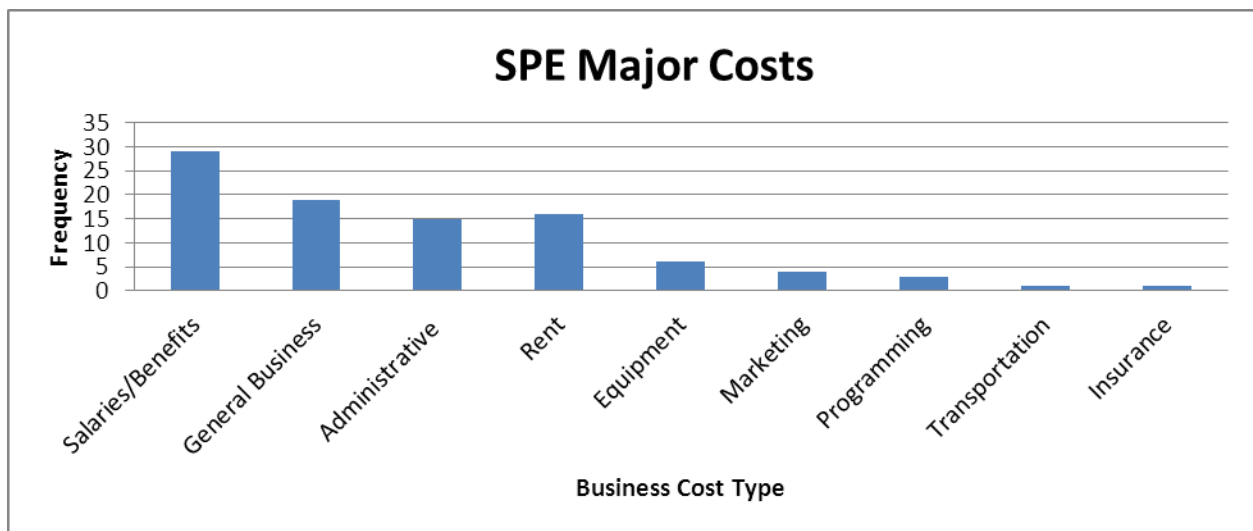
Stated Research Goals:

- Determine the major social and business costs for these enterprises
- Determine whether there are hidden or shared costs for these enterprises that may be absorbed by parent organizations

Major SPE Costs

The major costs faced by SPEs were identified as follows:

Major Costs Facing SPEs by Category

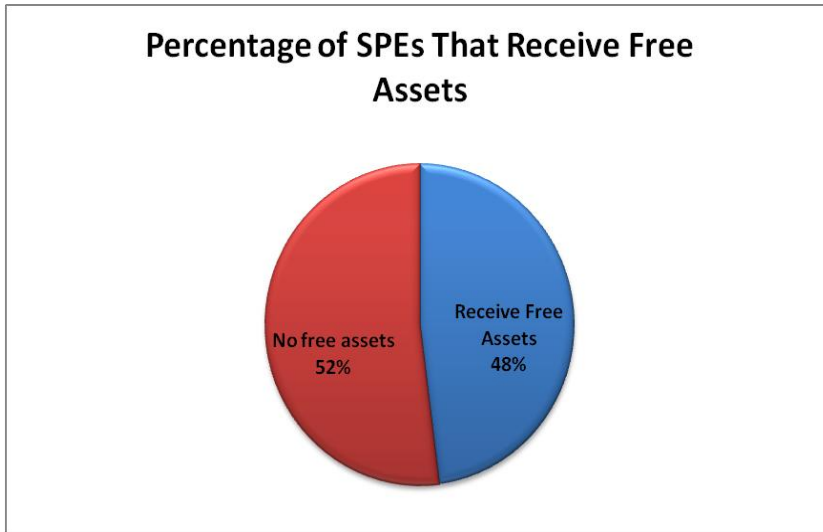


There are multiple major costs identified for SPEs, the major costs for businesses are primarily salaries and benefits, the rest of the costs vary greatly. Nearly all SPEs identified salaries and benefits as a major cost, while the variety in other costs can be attributed to the varying needs of the many different business types.

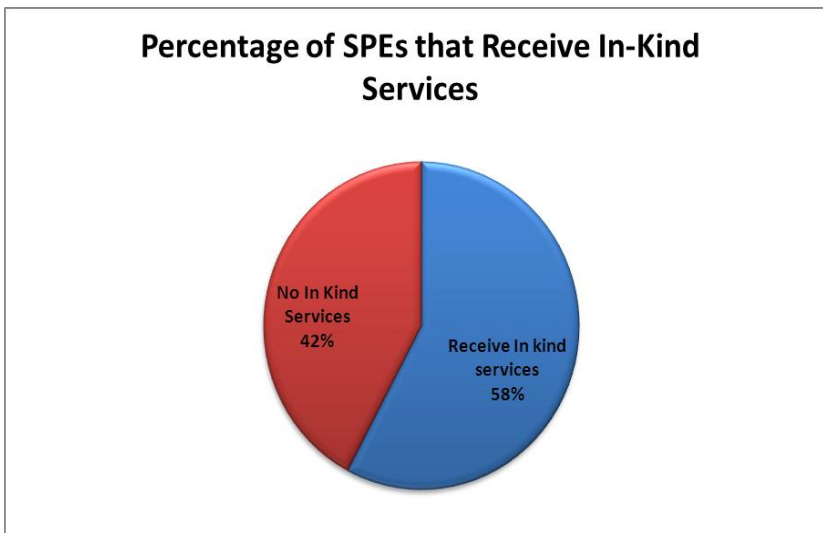
SPE In Kind Benefits

In kind benefits can easily be overlooked by SPEs. These can include the accumulation of free assets (such as machinery or furniture) and the availability of in kind services (such as subsidized rent or free administrative assistance). The following table outlines the percentage of SPEs that receive free assets and in-kind services:

Percentage of SPEs that Receive Free Assets



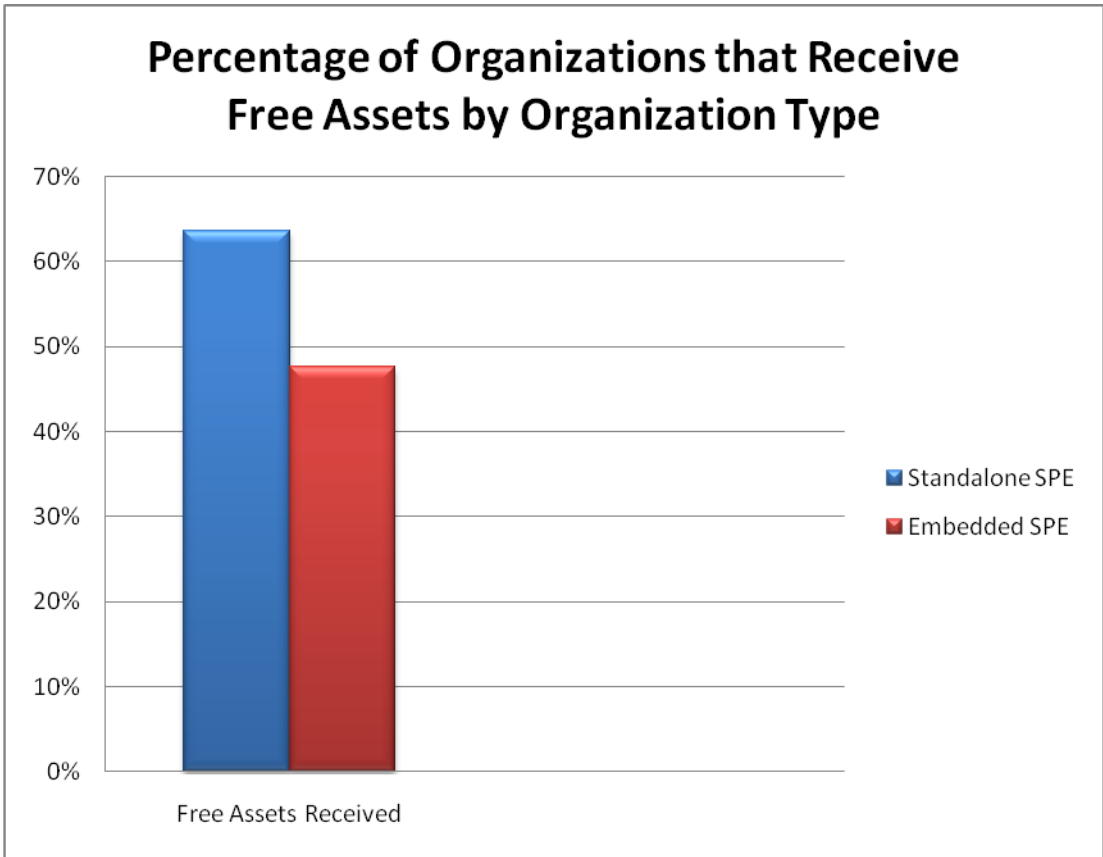
Percentage of SPEs that Receive In Kind Services



The above two tables demonstrate that nearly half of all SPEs in the sample received some form of free assets, while more than half receive some form of in-kind services.

Cross tabulation analysis in the following tables shows that standalone organizations receive free assets and in-kind services more frequently than embedded organizations:

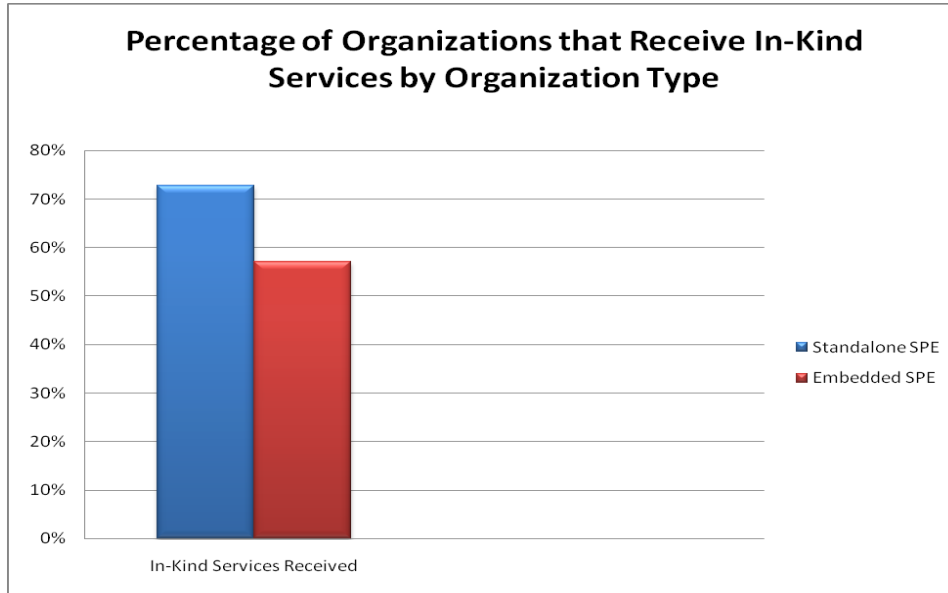
Cross Tabulation Analysis: Percentage of SPEs by SPE Type that Receive Free Assets



A higher percentage of Standalone SPEs (SPEs without parent organizations) receive free assets than SPEs that are embedded within parent organizations. 64% of standalone SPEs receive free assets, while 48% of embedded SPEs receive free assets. The one subsidiary enterprise in the survey did not receive any free assets, but did receive in-kind services.

In addition, a higher proportion of Standalone SPEs receive in-kind services than SPEs with parent organizations:

Cross Tabulation Analysis: Percentage of SPEs by SPE type that Receive In-Kind Services



Standalone SPEs’ ability to receive higher rates of free assets and in-kind services speaks to their ability to utilize connections outside of their organizations for their own benefit. These findings are somewhat surprising given that embedded enterprises are part of larger organizations making the sharing of resources seem more likely. This may mean that in-kind services for these embedded enterprises are overlooked and therefore were underreported.

The following table outlines the value of free assets and in-kind services being received by SPEs as well as the ratios of these hidden Benefits as a proportion of their overall budgets:

Social Purpose Enterprise Hidden Benefits (free assets and in-kind services)

Variable	Average	Median	Largest (Max)	Smallest (Min)	Sample Total (All Enterprises combined)
Free Assets	\$ 7,735	\$500	\$50,000	\$0	\$239,800
In Kind Services	\$24,135	\$4,900	\$149,000	\$0	\$748,200
Ratio: Free Assets /Budget	3%	0%	25%	0%	N/A
Ratio: In Kind Services / Budget	10%	10%	41%	0%	N/A

It is difficult to generalize the role of free assets and in kind services for organizations; some organizations have benefitted heavily from these free goods and services, while others report not having benefitted from them at all. The median statistic shows that the typical SPE does receive some form in-kind service and that these services are often valued at approximately 10% of its overall budget. Without the availability of free assets and in kind services, SPEs would in some cases have problems either getting off the ground, or maintaining operations.

HUMAN RESOURCE MANAGEMENT:

Stated Research Goals:

- Determine the amount of staff and volunteers employed by the enterprises
- Determine where the majority of management’s time and energy is spent

SPE Staffing

Much like the size of SPE budgets, human resources and staffing varies significantly. The following table outlines the number of full-time and part-time staff, and the number of volunteers used by SPEs (not including board of directors) and outside of the client group being served:

SPE Staffing and Volunteer Staff

	Average per SPE	Median	Largest (Max)	Smallest (min)	Sample Total
Staff Employed Full Time	3.8	2.25	20	0	114.5
Staff Employed Part-Time	1.5	1	10	0	47
Volunteers	19	1	325	0	589

This graph illustrates the diversity in size and scale of SPEs. Some organizations employ up to 20 full-time staff, while other SPEs that are in-house programs don’t require any full-time staff at all. In addition, some enterprises rely heavily on the use of volunteers, while many (as shown by the low median level of volunteers used in comparison to the average) use little or no volunteer support.

SPE Managers' Training and Background

The SPE Managers in this sample have a significant amount of business training and business sector experience within the fields their SPEs operate within. The following table shows the breakdown of SPE managers' training and employment backgrounds:

SPE Managers' Training and Employment Background

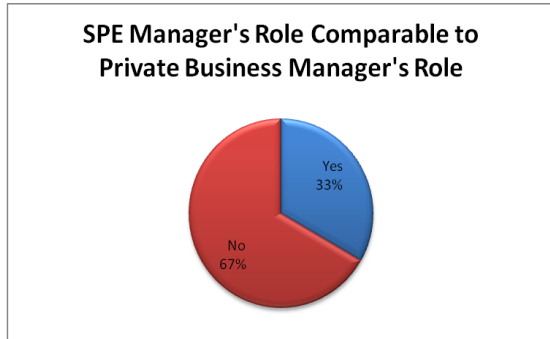


The chart above shows that 70% have some form of business training or experience, while 30% of SPE managers have no business training or previous experience in their SPE's field. The highest proportions of SPE managers have both business training and experience in their respective SPE's field. This indicates that SPEs are largely operated by managers with business training and private sector experience. One can assume that fundamental business practices and training are largely informing the operations of SPEs.

The Role of SPE Managers

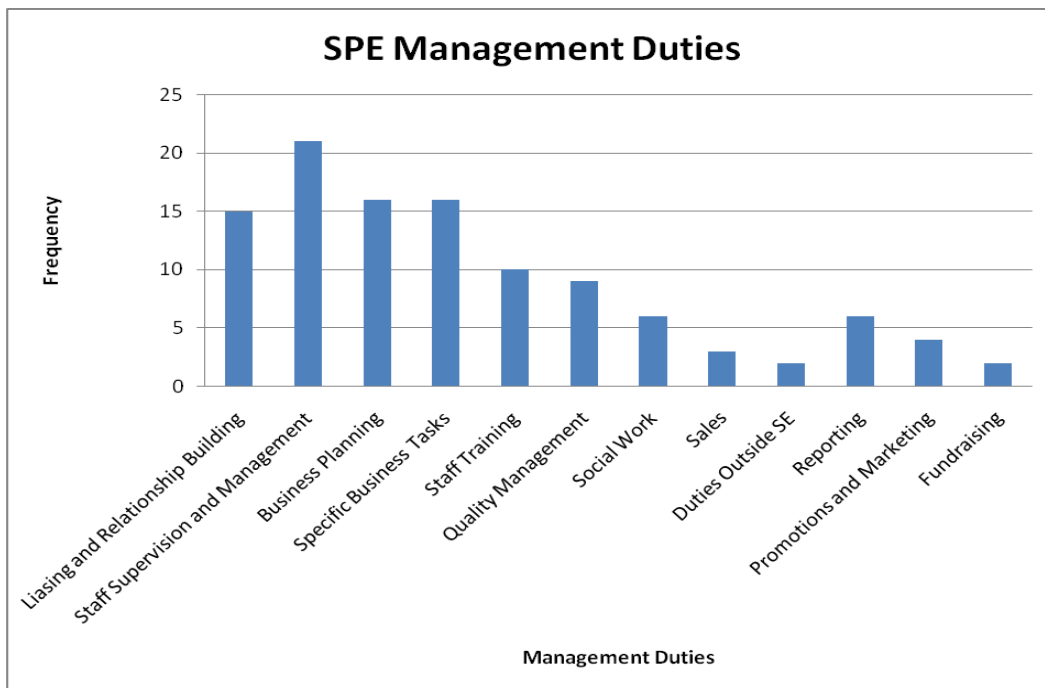
Despite the business experience and training of SPE managers, there is a strong perception that their role as managers of SPEs differ significantly from those of similar businesses without a social mission:

Social Purpose Enterprise Management Responsibilities in Comparison to a Similar Business Role



Two thirds of managers believe that their roles as SPE managers were different from those of a similar for profit business. This position is supported by the wide range of primary management responsibilities cited by SPE managers:

Primary Management Responsibilities

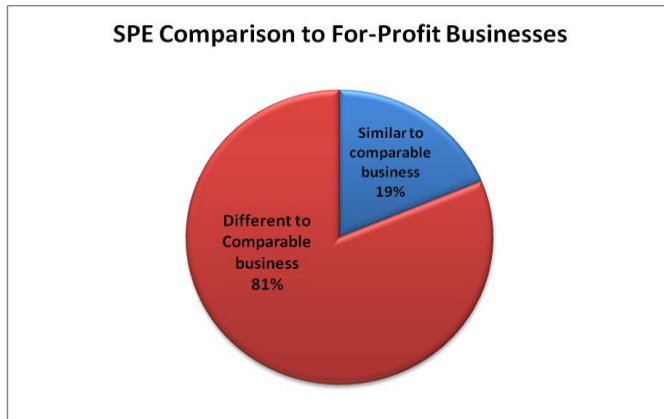


The most common management task is staff supervision and management. Aside from this, managers of SPEs often take on a multitude of other tasks. These range from typical not-for profit organizational tasks such grant seeking and reporting to funders, to typical business sector tasks such as sales, promoting and marketing. When put in the context of the numbers of staff employed on average by organizations (the median number of staff employed per organization is 2), it is no surprise that managers of SPEs have a wide variety of responsibilities.

SPE Comparison to For-Profit Business

There is a wide perception among SPE managers that SPEs do not compare to similar for-profit businesses:

SPE Comparison to For-Profit Businesses



Managers expressed the view that profit-maximization is often sacrificed in favor of the social mission of their SPE. One manager of a labour-intensive business aimed at employing and training the homeless and those at-risk of homelessness explained some core differences between their SPE and a similar for-profit business:

"Instead of 25 employees, we would have 6. They would be very different in terms of character, probably very young strong students. Most of our staff are middle aged and suffer from a variety of medical problems. We also do a lot more training than a typical business, extra customer relations training, communications training that a regular business wouldn't be doing... Pretty much everyone we employ is on Ontario Works, and no typical employer would tailor to the part-time employment niche like we do, and this comes with increased accommodation. We provide transportation money in order to get staff to and from the work site."

Though SPEs often provide a service that is similar to a for-profit business, the operations of that service vary greatly. More attention is paid to ensuring positive outcomes for the specific population groups served by SPEs. This decreases the ability of SPEs to maximize profit, and makes the majority of them fundamentally different to similar for-profit businesses.

SOCIAL PURPOSE ENTERPRISE GROWTH PATTERNS:

Stated Research Goals:

- *Explore growth patterns of SPEs*
- *Explore where growth is targeted, what growth priorities are.*
- *Determine how and if social enterprises are changing through the course of their life cycles.*
- *Explore the relationship between social impacts and profitability*

SPE Growth Rates

Budget growth has been studied as a key indicator of SPE growth. Determining growth patterns for SPEs is a difficult task. The two major obstacles in proper analysis of this subject are the significant age differences between organizations and the high proportion of missing data stemming from the interviews. Many of the enterprises did not have reliable data on the first five years of growth. Despite this, given data shows the growth rates at varying stages of SPE development:

*SPE Growth Rates*⁵

Variable	Start-Up Year⁶ Budget	Budget Growth Rate: year - Operating Years 1⁷ & 2	Budget Growth Rate: year - Operating Years 1 to 5	Budget Growth rate: year 5 - Present*
Average		452%	733%	59%
Median		50%	207%	11%
Max		4520%	4843%	483%
Min		-100%	-100%	-100%
Missing⁸Data		42% of sample	58% of sample	55% of sample

**Given the range in ages of the SPEs, this rate can vary over 0 to 18 years.*

The data above should not be interpreted as exact because of the high proportion of missing data and the high levels of difference between Average and Median values and Max and Min values. To

⁶ Start-up year is the first year an enterprise reported a budget.

⁷ Operating year 1 is the year immediately following the start-up year.

⁸ High rates of missing data can be explained by the unavailability of long-term financial information for SE managers, as well as the amount of turnover among SPE managers through the life of the enterprises.

guard against the high Max and Min Values, the median is the most representative statistic to be analyzed and does provide some broad lessons regarding the growth stages of SPEs.

Growth rates from year start-up to year 2 and growth rates from start-up to year 5 show that organizations are growing dramatically during their first years in existence. The median growth rate of 50% from start up to year 2 suggests that in their earliest stages, SPEs increase in size and scope. Over a slightly longer period, from start up to year 5, SPEs grow dramatically, with a median growth rate of 207%.

The growth rate from year 5 to the present is much lower than the growth rates in the initial phases of SPE development. The median growth rate between year five and the present is 11%, compared to median growth rates in earlier stages of development, this drop-off is steep. This could mean that it takes roughly five years for SPEs to reach their “full organizational capacity”, but saying this conclusively would require a richer and more complete data set.

Growth rate findings in these various stages are difficult to assess. High rates of missing data (as shown in the missing data row in the above table) makes generalizing the findings difficult. As a result, the most telling information on the growth rates can be seen in the rates of SPEs from start up to the present. In this measure, ¾ of SPEs were able to report accurate data. The median growth rate over a timeframe that represents the total life of all SPEs of differing ages is 150%. This indicates that the SPEs have continued to grow significantly from the time that they are established to the present.

SPE Growth Priorities

As SPE’s budgets grow, it is important to know what areas for growth are targeted. For some SPEs, growth is focused on expanding the business; for others growth means expanding the social impact, such as an increase in number of employees/trainees, increase in employment hours or increase in income of the employees. The majority of SPEs, however, view business and social impact growth as synonymous:

Growth Targets for SPEs

	Business Growth	Social Impact Growth	Business and Social Growth are synonymous
Number	5	6	21
Percentage	15%	18%	63%

63% of organizations see their social and business growth as synonymous; that is, that the growth of their business bolsters their social impact. This viewpoint can be attributed to the predominance of hybrid organizations in the sample. Such SPEs rely on the presence and strength of their business to expand their training opportunities for their client demographic.

As SPEs grow, their missions may change over times. Ten of 23 (30%) surveyed organizations reported a change in their mission since time of establishment. Changes in mission are often cited as increasing social or business services, and often involve the expansion of services. For example, one SPE explained that its emphasis on generating profit has decreased dramatically as its emphasis on client outcomes increased. The statistic shows that, though not all organizations are changing dramatically, adaptation within the sector is present.

Relationship between Social Impacts (Clients Served) and Earned Income

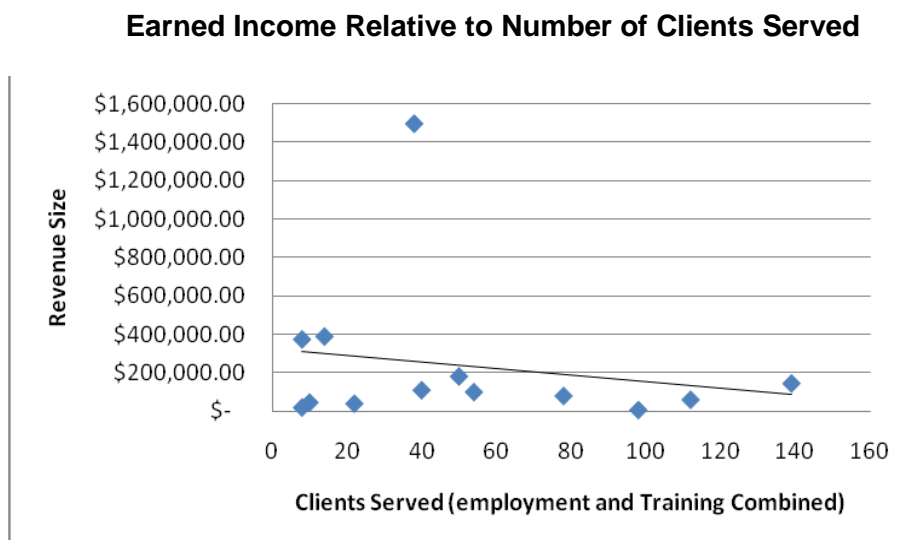
The relationship between social impacts and business profitability is difficult to determine due to the variety of organizational purposes and business types of SPEs. Defining the scope of a social impact is also inexact and measuring profitability is problematic for organizations that receive external funding. Therefore social impacts in this subsection will be measured as the number of clients being served by an organization and business profitability will be ignored in favour of earned income levels for SPEs.

Given that the majority of managers reported that business and social growth are synonymous, it was anticipated that there might be an increase in clients served as business revenues increase. This was not the case.

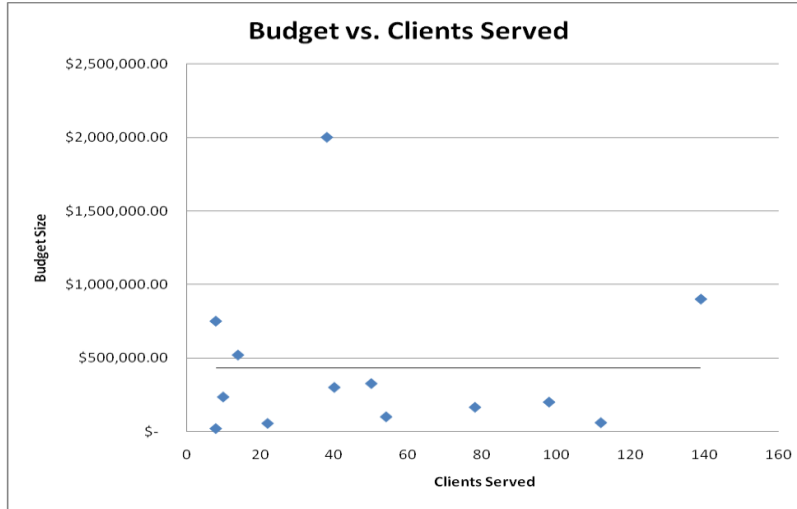
For an accurate assessment of the relationship between clients served and profitability, a case by case analysis and assessment would be necessary. A further study might also examine the relationship of additional factors such as business sector selection, types of SPE businesses (training verses employment focused), participants’ hours of work, participant demographics and enterprise purpose with social impact or clients served. Determining true impacts on clients would require Social Return on Investment (SROI) surveys with clients of SPEs.

The following tables demonstrate the lack of relationship between earned income levels and budget size and clients served:

Relationship between Earned Income and the Number of Clients Served



Similar findings are shown for the relationship/lack of relationship between budget size and clients served:



CONCLUSION

SPEs within the GTA have a variety of purposes, serve diverse client groups, measure their successes on an individual basis, and meet their goals through many different business strategies. This diversity makes analysis of the sector both enlightening and challenging. This research demonstrates that as Social Purpose Enterprise emerges as a sector distinct from non-profit and for-profit organizations, the need to acknowledge its nuances becomes essential.

Each finding section from the survey created valuable new information:

The Organizational Background section demonstrated that within SPEN:

- SPEs are maturing.
- SPEs focus on training, employment or a hybrid of both and a number of different client groups are served through many different business types.

The SPE Financing section demonstrated that:

- There is a wide scope in the budget sizes of SPEs.
- Earned income and external sources of income for SPEs are close to a 50/50 split.
- The vast majority of SPEs require some form of external funding for their operations.

The SPE Costs Section showed that:

- Free assets and in-kind services are significant to the lifeblood of SPEs.
- Some enterprises are receiving large amounts of free support to supplement their operations.

The Human Resource Management section showed that:

- The staffing of SPEs outside of client populations is quite limited, which often imposes a variety of tasks on SPE managers beyond those of a typical business manager.
- Most enterprise managers have some form of business training and experience and this experience is being applied within SPEs.
- SPEs are viewed by their managers as fundamentally different from for-profit business.

The SPE Growth Patterns section showed that:

- SPEs experience the most growth within their first five years in existence.
- SPE managers often see the growth of an SPE's business and social mission as synonymous.
- The study was unable to identify a general relationship between enterprise earned income or budget size and the number of clients served by SPEs. This is because the relationship

depends on other factors including client demographic, business sector selection, enterprise purpose and depth of interaction with clients being served and the study lacked the data for complete analysis.

The core challenge of the survey was the development of overall standard measures of a “typical” SPE. Variations in SPE purposes and business types made comparisons between SPEs and the development of representative baselines for the sector as a whole difficult. This project predominantly revealed the diversity of SPEs, and opens several new windows for further analysis:

Aggregation and Comparison of Data on SPEs in various Regions across Canada: data continues to be collected for additional enterprises in the GTA as well as for other regions in Canada, for example, the Ottawa region, Vancouver’s lower mainland, and Winnipeg. This data specifically for SPEs that train and employ those who are employment disadvantaged could then be compared, and/or aggregated to get valuable regional snapshots of SPE sectors, as well as to document the changing nature of the SPE sector and its impacts across regions.

Industry-Specific/SPE sub-sector Analysis: as the performance of an oil company or bank is determined relative to its competitors in the same sector, a future study that compares SPEs with similar missions, clients and businesses to one another could glean valuable information in the operations and success of SPEs. Such research might help to determine the scalability of specific SPE models within various subsectors. Such a study would require a revised survey and new analysis tailored to the specific conditions facing a specific sub-sector of SPEs. A study of this nature with industry-specific questions might be able to determine whether certain SPEs are achieving higher efficiency gains than others, and determine which strategies are most effective for achieving this.

In-Depth Case Studies: Future analysis could also come in the form of in-depth case-studies of leading and emerging SPEs within various sub-sectors. In depth-case studies could delve deeper in to the financial growth patterns and qualitative factors that lead to the growth of SPEs. This form of study could also possibly help to determine the effect of growth on reliance on external funding because it would allow for detailed analysis of financial data that was not possible in the completion of this project.

Detailed Study of one Aspect of SPE Operations: Because this study looked at several aspects of SPE operations, the depth and quality of information in each section of analysis could be bolstered. As mentioned in the introduction, Gardin’s *A Variety of Resource Mixes Inside Social Enterprises* analyzes financing methods of Work Integration SPEs in Europe; a similar study with an expanded survey that focuses solely on one aspect of SPE operations, such as SPE financing and sources, could provide even more insight into the SPE field.

Comparative Study of SPEs and Similar For-Profit Businesses: A useful tool for further policy analysis for the future of SPEs would be to examine, compare and contrast the operations of SPEs and similar businesses. Such a study could glean valuable information into the true social costs of operating an SPE.

