

EXECUTIVE SUMMARY OF FINDINGS

Introduction

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. Funding for the project was provided by SPEN and through a grant from the Social Sciences and Humanities Research Council.

Highlights of the preliminary research are summarized in this Executive Summary.

SPEN TO and Social Purpose Enterprise

The Social Purpose Enterprise Network, Toronto (SPEN TO) is a voluntary network of social purpose enterprise (SPE) 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 as well as networking activities and skills development for SPE practitioners. As the sector grows, the accumulation and dissemination of knowledge about social enterprise in the Greater Toronto Area (GTA) is vital.

For the purpose of this research, Social Purpose Enterprise is defined as follows:

A Social Purpose Enterprise¹ provides employment and training opportunities to marginalized, challenged, or very low income individuals while generating revenue through business operations.²

Methodology

In total, 33 telephone or in person interviews were completed between May 26, 2010 and August 1, 2010 with enterprise managers and/or staff of SPEs in the GTA. Contact with individual enterprise managers was facilitated by SPEN steering group members and their consultant. All interviews were conducted in English by 3CI researcher, Arjun Langford. Each interview lasted approximately 30 minutes. To ensure standardization of data, questions were

¹ A Social Enterprise is an organization or venture that advances its social mission through entrepreneurial, earned income strategies. Social Enterprise Alliance, www.se-alliance.org

² Toronto Enterprise Fund www.torontoenterprisefund.ca

centered on data from 2009, as end of year figures for 2010 were not available at the time of the survey.

Research Highlights

Based on data gained from the completed surveys, the following findings were discovered:

General Observations

- There is great diversity, and multiple hybrid models, within the SPE sector as a whole in the GTA. The diversity of the social enterprises is reflected in their missions, the target group populations and the types of businesses undertaken. The core challenge of the survey was the development of overall standard measures for a “typical” SPE.
- There are strong similarities between organizations serving similar demographic groups.
- Many enterprises in the GTA have been operating for a decade or longer, though new SPEs are emerging. This indicates that a significant portion of the SPE sector in the GTA is maturing, while new SPEs continue to emerge and innovate.
- The vast majority of social enterprises are structured as embedded enterprises within a parent organization (64%), while another third or 33% are standalone enterprises. There are very few SPEs that are subsidiaries³ of a parent organization.
- Given significant ages of some enterprises, changing staff, and differing data collection and reporting regimes, there was a high proportion of missing data on enterprise revenue and growth.

Organizational Background

- Average age of SPEs in survey: 9 years
- Organizational Purpose: 18% training, 21% employment, 58% hybrid (mix of employment, training, micro enterprise)
- 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 SE and median of 6 clients served per employment SPE

³ A subsidiary organization is an SE that is controlled by a higher entity (such as a charity) but operates separately from that entity.

Social Purpose Enterprise Financing

- Typical SPE Budget Size: \$200,000 (with highest at \$2 million and lowest at \$1500)
- 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%
- Enterprises often have multiple sources of funding, including funds from government grants, corporate and foundation support, individual donations and charitable fundraising. The most frequent source of external funds is foundations.
- Percentage of SPEs that require some form of external source of funding beyond earned income: 88%
- Debt financing is not a common strategy used by SPEs in the GTA to capitalize their businesses. Those that do seek financing often make use of non-traditional forms of financing, for example loans from private donors with zero-interest rates. The other debt-financing strategies cited were lines of credit to cover staff salaries or for the emergency purchase of goods.

Social Purpose Enterprise Costs

- Top costs identified SPEs: 1) Staff salaries and benefits 2) Business Operations Costs 3) Rent
- Percentage of SPEs that receive free assets (such as machinery or furniture): 48%
- Percentage of SPEs that receive in-kind services (such as subsidized rent or free administrative assistance): 58%

Human Resource Management

- Average number of FTE Staff per SPE: 3
- Average number of PT Staff per SPE: 1.5
- Manager training and employment background: 70% have business training, business experience or combination of both
- 67% of managers believe their SPE role differs from that of a similar for profit business manager
- Managers of SPEs often take on a multitude of tasks. These range from typical not-for profit organizational tasks such as reporting and seeking grants from funders, to typical business sector tasks such as sales, promoting and marketing.
- 81% of managers believe their SPE fundamentally differs from a similar for-profit business. More attention is paid to ensuring positive outcomes for the specific population groups served by SPEs.

- Some enterprises rely heavily on the use of volunteers, while many use little or no volunteer support

Social Enterprise Growth Patterns

- Highest SPE growth rates for SPEs occur between start up (year 0) and year 5
- 63% of SPEs see business growth and social impact growth as synonymous
- There is little relationship between revenue generated or budget size and the number of clients served by SPEs. This relationship is affected by a number of other factors including business sector, client demographics, and mission (training verses employment).

Conclusions

The SPEN 2010 Social Purpose Enterprise survey captures the diversity of SPEs in the GTA. While the research brought up many interesting observations, it points to the difficulty in establishing common benchmarks within a sector that continues to grow and innovate and the lack of common data collection and reporting approaches among enterprises.

The research confirms that many SPEs are generating a significant amount of income from earned revenue, yet the majority continue to seek out multiple sources of external funding and support, including grants and in kind and voluntary support, to offset the costs associated with their social missions. The social purpose of these enterprises means that SPE Managers have significantly different roles than those of their private sector counterparts.

This preliminary research opens new windows for further study and analysis including:

- Comparative study of SPEs and similar for-profit businesses
- Aggregation and comparison of data on SPEs in various regions across Canada
- Industry-specific/SPE sub-sector analysis
- In-depth case studies
- Detailed study of one aspect of SPE operations