



SPEN – Social Enterprise in the GTA

2010 Survey: findings, comparisons and analysis

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EXECUTIVE SUMMARY OF FINDINGS:

The purpose of this project is to investigate revenue, cost, human resource and growth patterns of SPEN members and Social Enterprises (SEs) in the GTA. This report explains and highlights in great detail the factors and explanations for the research findings.

Based on data gained from a survey of 33 social enterprises within the GTA, the following findings were found:

Organizational Background

- Average age of SEs 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 SE and median of 6 clients served per employment SE

Social Enterprise Financing

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

Social Enterprise Costs

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

Human Resource Management

- Average number of Staff per SE: 3
- Manager training and Employment Background: 70% have business training, business experience or combination of both.
- 67% of managers believe their role as SE managers differs to that of a similar for profit business.

- 81% of managers believe their SE differs to a similar for-profit business

Social Enterprise Growth Patterns

- Highest SE growth rates for SEs occur between year 0 and 5.
- 63% of SEs see business growth and social growth as synonymous
- There is little relationship between revenue generated or budget size and the number of clients served by SEs.

INTRODUCTION:

The Social Purpose Enterprise Network, Toronto 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 as well as networking activities and skills development for Social Enterprise practitioners. As a growing leader in the field, the accumulation and dissemination of knowledge on the Social Enterprise sector within 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 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 Enterprises (SEs).

In a wider context, similar studies have been performed on SEs in British Columbia (BC) and Europe. Simon Fraser University's Centre for Sustainable Community Development produced a paper called the *BC Social Enterprise Study: Developing Community Capital*. This paper takes a sweeping look at the SE sector and explores business structures, sources of revenue and human resource patterns of SEs in BC and 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. This study looks exclusively at financing methods of SEs (as shown in the research findings subsection “SE financing”) 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. In distinction to the European study that provides a detailed examination of SE financing alone, the SPEN project is similar to the BC study as it investigates multiple aspects of SE 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) SE financing 3) SE 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 SEs. 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 SEs, however, in some cases, the managers of SE parent organizations as well as the occasional participation of additional SE staff members. In some cases, surveys were not fully completed based on individual respondents' inability to access information. In addition, estimates of certain figures for the survey were accepted from respondents when given 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) social enterprise financing 3) social enterprise costs 4) human resource management and 5) social enterprise growth patterns.

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

ORGANIZATIONAL BACKGROUND:

This section of the survey was designed to:

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

Age of SEs

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

Age of Social Enterprises

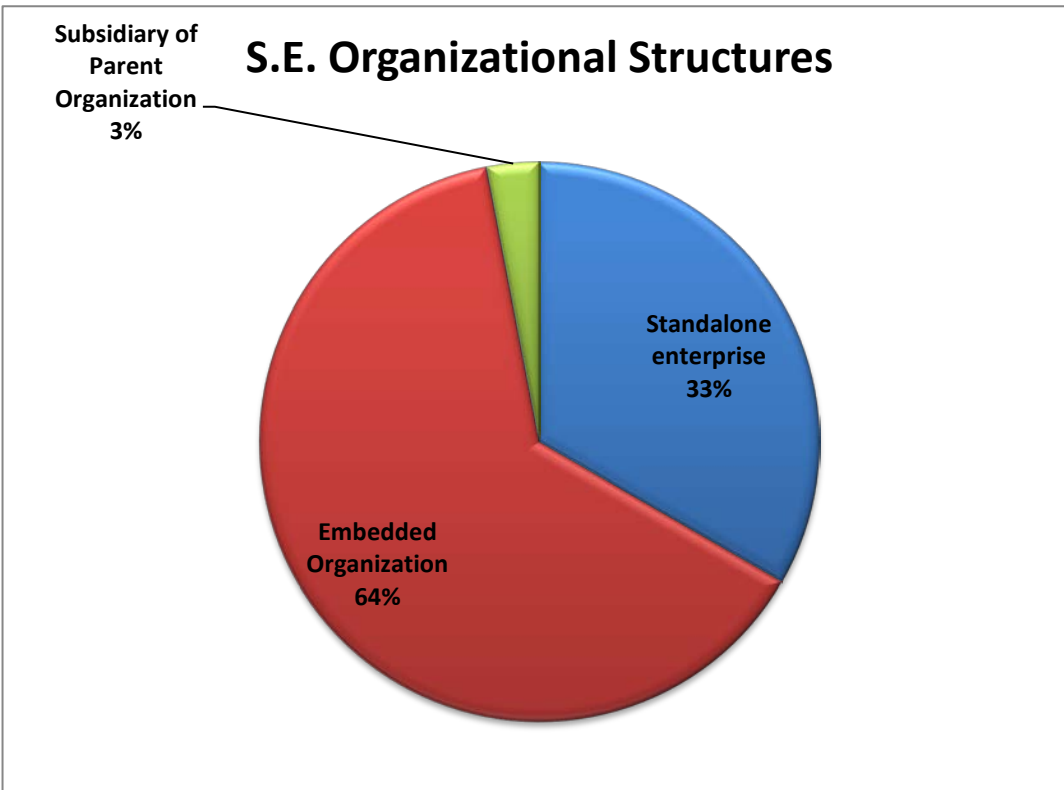
Variable	Average	Median	Oldest (Max)	Youngest (Min)
Age of Enterprise	9.13	10	23	1

Organizations are on average 9 years old, with the oldest organization being 23, and the youngest being 0. Though new SEs 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 SEs within SPEN are maturing, while new SEs are emerging.

Organizational Structure

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

SE Organizational Structures



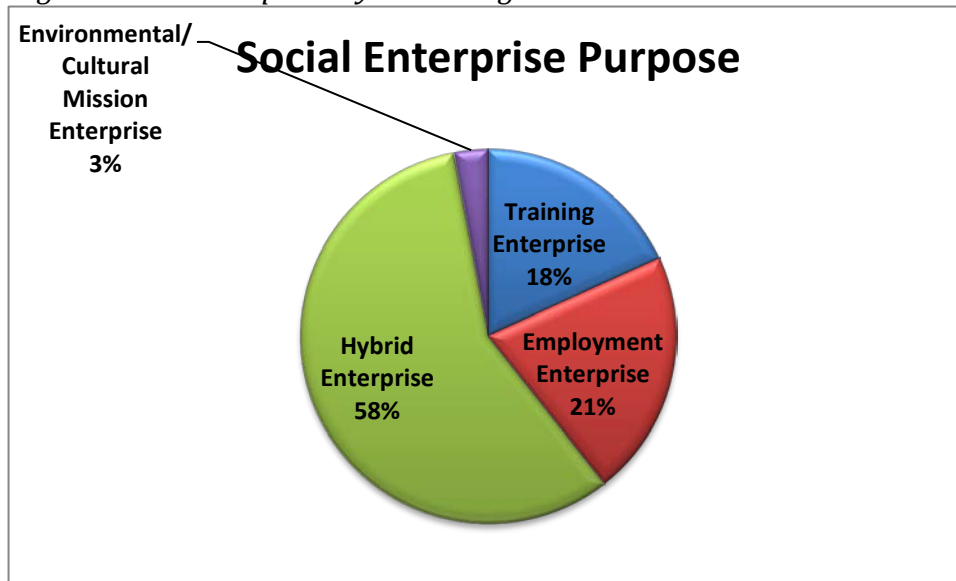
The above graph demonstrates that the vast majority of social enterprises are structured as embedded organizations, or as standalone organizations, while only SE identifies itself as a subsidiary of a parent organization¹. Within these two structures, however, there is variety. For example, some organizations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

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

Organizational Purposes by Percentage



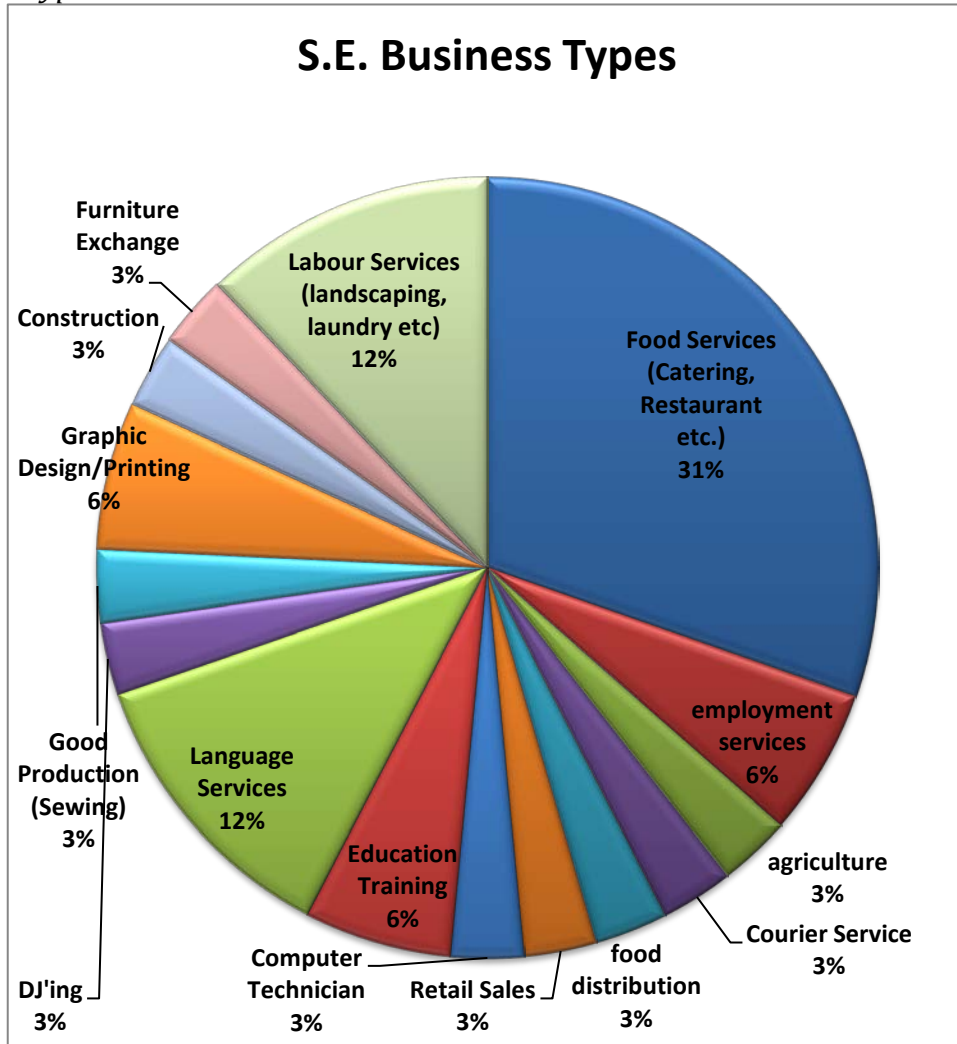
Hybrid organizations are SEs that mix employment and training for their clients and are the most common SE purpose. The similar proportions of employment-specific and training-specific organizations demonstrates that this sector is almost exclusively concerned with employing a given client base, training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

Though there are significant commonalities in the broad purposes of SEs, there are a wide variety of organizational missions and measures of mission accomplishment. For example, one SE 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 their level of confidence after the program has been completed. This SE has a clear social mission, and values its success based on the qualitative outcomes of its clients. In contrast, another SE described its mission as providing training to immigrant and refugee women to become professional language interpreters. This SE measures its mission in purely quantitative terms, by using the number of assignments and how much money their clients are receiving after receiving training as baselines for success.

SE Business Types

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

SE Business Types

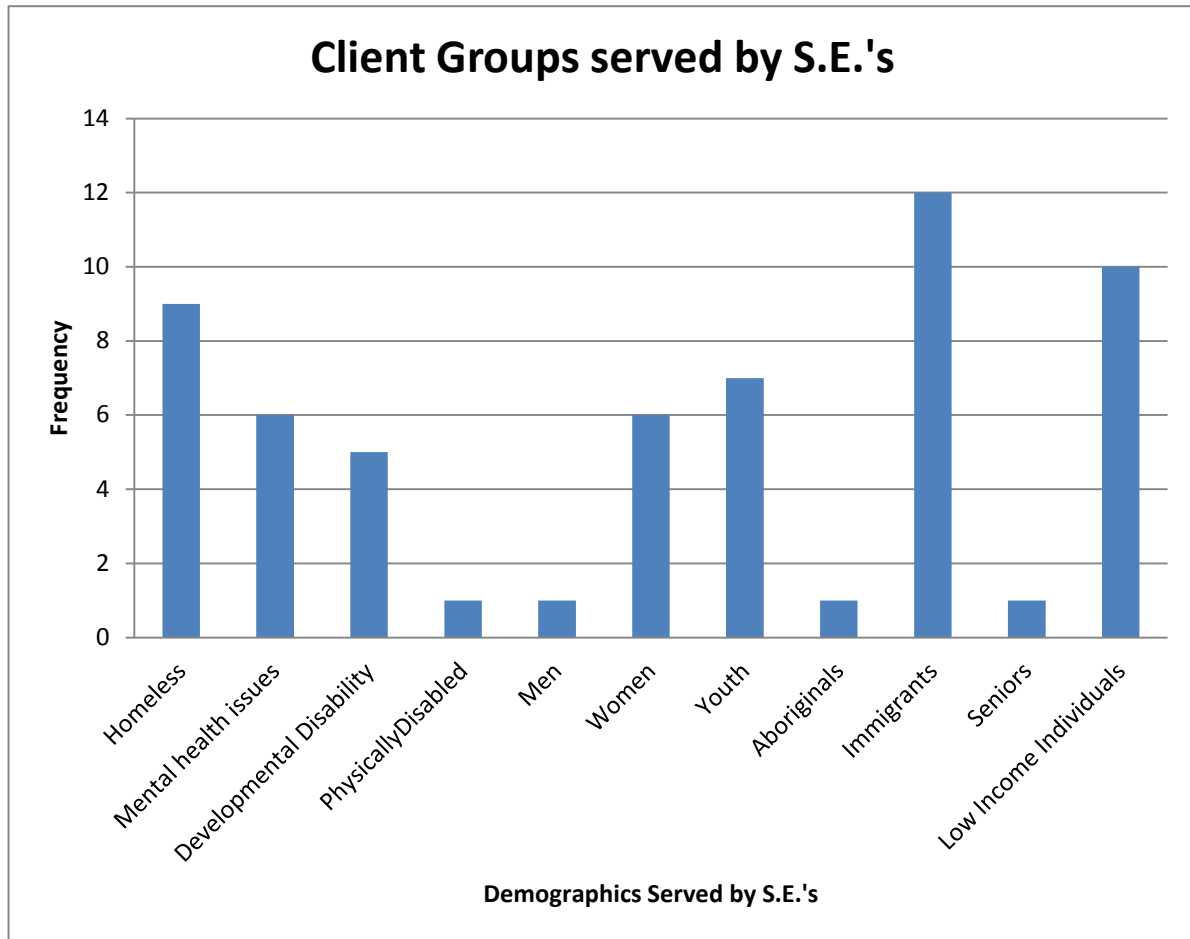


The chart above clearly illustrates that there are a wide variety of business types. With 33 organizations participating in the survey, there are 14 different business categories identified. Food services (largely catering companies and cafes) are the most common business type, followed by labour-intensive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

SE Client Demographics

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

Client Groups served by SEs



Immigrants, low income individuals and the homeless are the most commonly served by SEs surveyed in the GTA. Organizations largely serve more than one client group, for example, an organization may serve women that are immigrants, or youth that are either homeless or at risk of homelessness (thus classified as low income individuals) with developmental disabilities and mental health issues.

Number of Clients Served by SEs

Aside from the demographics 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 SEs:

SE 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 are capable of serving very high numbers of clients (this is demonstrated by the maximum totals of clients trained and employed), while other organizations are small, or serve a niche market and thus serve far fewer clients. 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 SEs. As a result, a typical training-oriented SE trains 18 clients per year, while a typical employment SE employs 5 to 6 employees per year.

These findings must be interpreted with each SEs 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 organizations, such as language interpreting SEs have a high volume of employed staff that are employed on a contract basis with individual contracts, while other organizations employ a small number of clients on a full-time basis. In short, some client groups require more attention than others for training, and SEs 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 demographic groups being served (immigrants, low income individuals and the homeless) will be analyzed.

² This high number relative to the median is a result of a social 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.

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

Business Type and Immigrant Demographic Cross-Tabulation

Business Type	SE 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
Good Production (Sewing)		1
Furniture Exchange		1

The primary organizations 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 this demographic's strengths, 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	SE group being served	
	Homeless	
Food Services (Catering, Restaurant etc.)		4
Computer Technician		1
Good Production (Sewing)		1
Furniture Exchange		1
Labour Services (landscaping, laundry etc)		2

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

Business Type and Low Income Individuals Cross- tabulation

Business Type	SE 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
Good Production (Sewing)	1
Graphic Design/Printing	1
Furniture Exchange	1

Unlike the two previous cross-tabulations, there is no dominant social 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 ENTERPRISE FINANCING:

This section of the survey sought to:

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

Budget Sizes of SEs

The theme of diversity among SEs is extended to the realm of financing. Budget sizes, earned income volumes and external sources of funding vary greatly. The following table highlights the wide range of budget sizes among SEs:

SE Budget sizes

Variable	Average per SE	Median	Largest SE (Maximum)	Smallest SE (Minimum)	Sample Total Budget (All SEs 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 SEs. 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 high range between high and low budget sizes, it is more accurate to look at the median budget size⁴ as a measure of a typical SEs budget size. Using the median measure, a typical SEs budget size is \$200,000.

SE Earned Income Generation

The operations of SEs are generally thought to involve significant levels of earned income (ie. 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 SPEN SEs:

SE Earned income

Variable	Average per organization	Median	Largest Organization (Maximum)	Smallest (Minimum)	Sample Total Budget (All Enterprises combined)
Earned Income (Revenue)	\$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 organizations. As is shown by the maximum and minimum values, some organizations are completely 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 SEs. This means that a typical SE within SPEN is generating just over half of their budget's revenue from earned income.

SE External Funding

Another core piece of SE financing comes through external sources of funding, which are generated through grants and donations, rather than earned income through the sale of goods and services. The following table outlines levels of external sources of income for SE budgets:

Alternative sources of revenue data

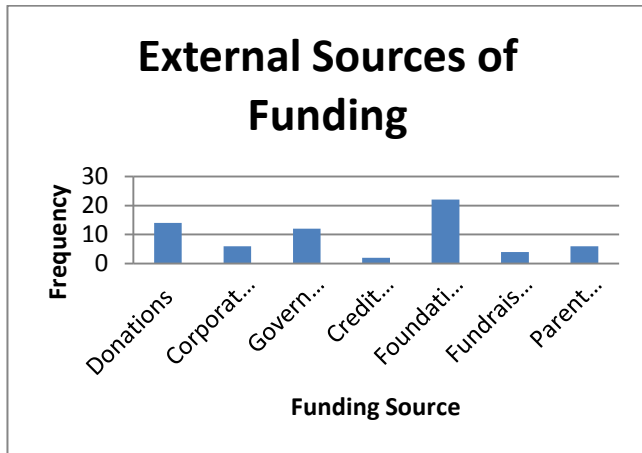
Variable	Average per organization	Median	Largest Organization (Maximum)	Smallest (Minimum)	Sample Total Budget (All Enterprises combined)
External forms of funding (Grants and Donations)	\$164,616.67	\$118,000	\$775,000	\$0	\$5,996,116
Percentage of Budget generated through external funding	45%	49%	98%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

The above table provides the inverse data of the earned income table. A typical S.E. generates slightly less than 50% of its budget from external sources of funding. The majority of organizations rely on some form of external funding, while a few do not make use of them at all. The following tables demonstrates this fact:

Sources of External Funding

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

Forms of External Funding

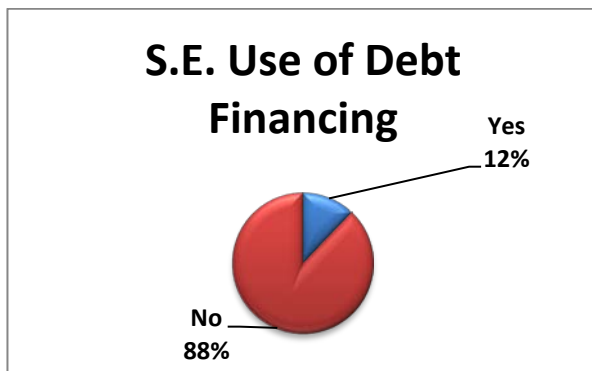


This graph demonstrates that organizations often receive multiple sources of funding, the most frequent of which is through foundations (such as Toronto Enterprise Fund or United Way). Private donations (including philanthropists and individuals) and government (including government support of employment 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 SEs to supplement their earned income.

SE use of Debt Financing

Findings suggest that debt financing is not a common strategy among SEs:

Proportion of SEs with debt financing



The vast majority of SEs do not use any form of debt financing. Those that do, often make use of non-traditional forms. For example, loans from private donors with zero-interest rates. The other forms of debt-financing cited were lines of credit to cover staff salaries or for the emergency purchase of goods. S.E.'s 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.

SOCIAL ENTERPRISE COSTS:

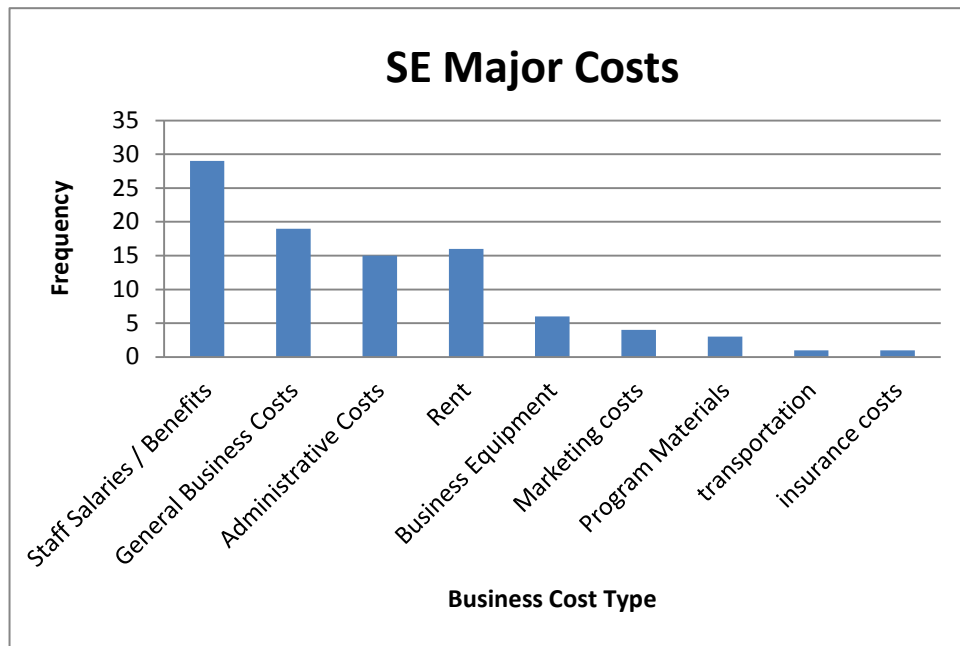
Stated Research Goals:

- 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 SE Costs

The major costs faced by SEs were identified as follows:

Major Costs Facing SEs by Category



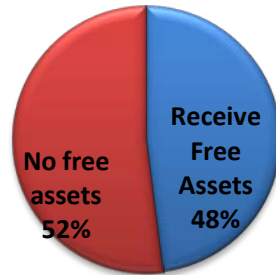
There are multiple major costs identified for SE's, the major costs for businesses are primarily salaries and benefits, the rest of the costs vary greatly. Nearly all S.E's identified salaries and benefits as a major cost, while the variety in other costs can be attributed to the varying needs of the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

SE In Kind Benefits

In kind benefits can easily be overlooked by SEs, such hidden costs 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 tables outlines the percentage of SEs that receive free assets and in-kind services:

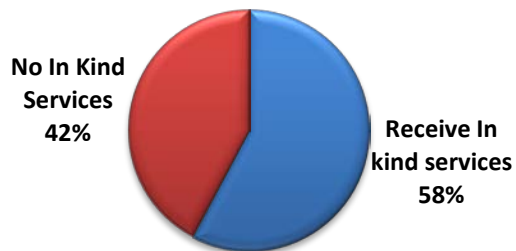
Percentage of SEs that Receive Free Assets

Percentage of SEs that Receive Free Assets



Percentage of SEs that Receive In Kind Services

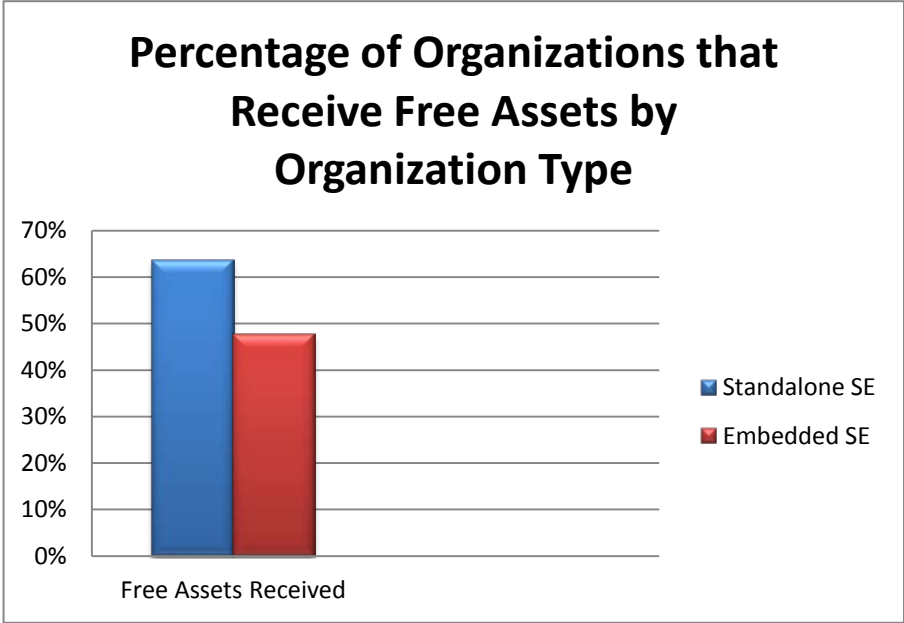
Percentage of SEs that Receive In-Kind Services



The above two tables demonstrate that nearly half of all SEs 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:

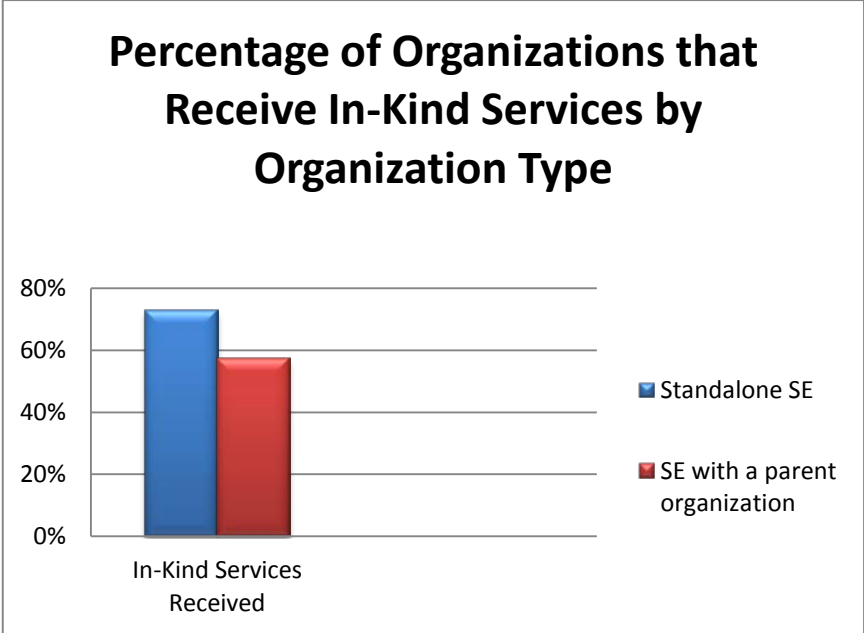
Cross Tabulation Analysis: Percentage of SEs by SE type that Receive Free Assets



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

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

Cross Tabulation Analysis: Percentage of SEs by SE type that Receive In-Kind Services



Standalone SEs' 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 organizations are part of larger organizations making the sharing of resources seem more likely.

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

Social 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 have not benefitted from them at all. The median statistic shows that the typical S.E. does receive some form in-kind service and that these services are often valued at approximately 10% of their overall budgets. Without the availability of free assets and in kind services, SEs 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

SE Staffing

Much like the size of SE 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 SEs (not including board of directors) and outside of the client group being served:

SE Staffing and Volunteer Staff

	Average	Median	Largest	Smallest	Sample
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	per SE		(Max)	(min)	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 re-iterates the diversity in size and scale of SEs. Some organizations employ up to 20 full-time staff, while other SEs that are in-house programs don't require any full-time staff at all. In addition, some organizations rely heavily on the use of volunteers, while many organizations (as shown by the low median level of volunteers used in comparison to the average) use little to no volunteers.

SE Managers' Training and Background

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

SE managers' training and employment background



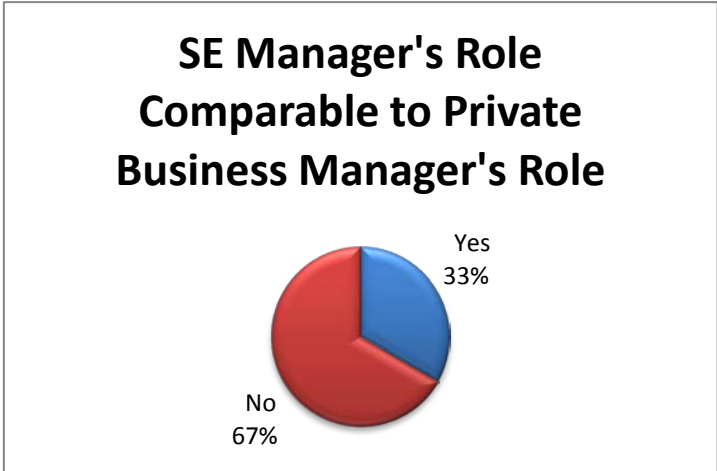
The chart above shows that 70% have some form of training or experience, while 30% of SE managers have no business training or previous experience in their SE's field, while. The highest proportion of SE managers have both business training and experience in their respective SE's field. This shows that SEs are largely operated by managers with business training or have experience in

the private sector. As a result, that fundamental business practices and training are largely informing the operations of SEs.

The role of SE Managers

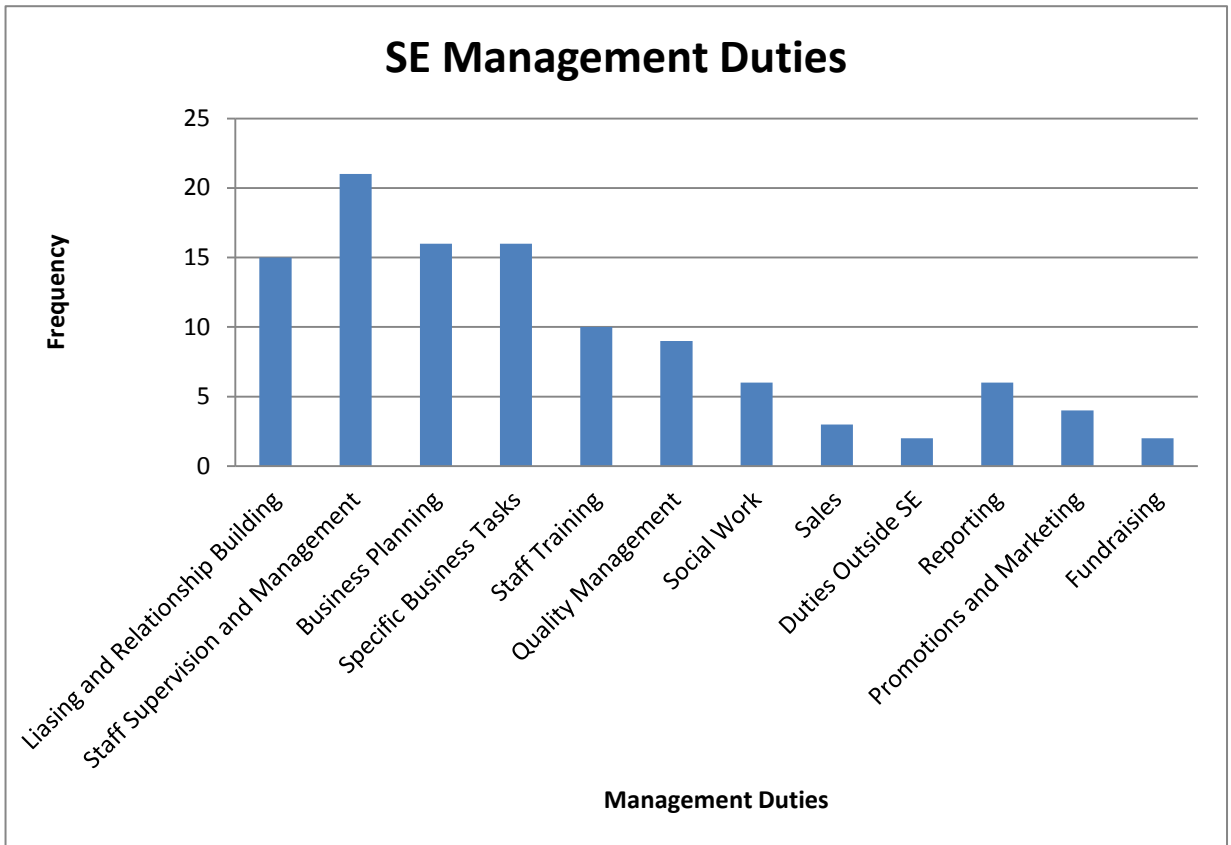
Despite the business experience and training of SE managers, there is a strong perception that their role as managers of SEs differ significantly from those of similar businesses without a social mission:

Social Enterprise management responsibilities in comparison to a similar business role



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

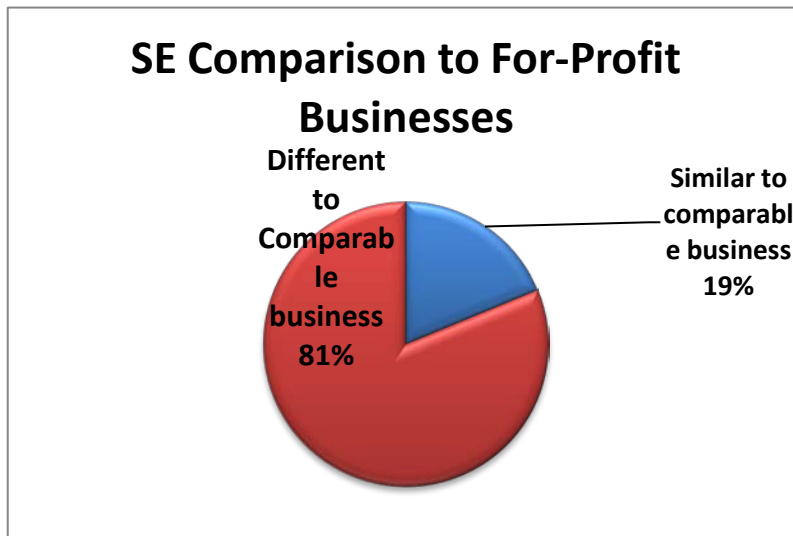
Primary Management Responsibilities



The most common management task is staff supervision and management. Aside from this major task, managers of SEs often take on a multitude of other tasks at once. These tasks 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. 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 SEs are undertaking a wide variety of tasks at such high frequencies.

SE comparison to For-Profit Business

Much as the roles of SE managers differ from those of for-profit managers, there is a wide perception that SEs do not compare to similar for-profit businesses:



Managers predominantly see SEs as fundamentally different than similar businesses. When explaining this viewpoint, managers often explained that profit-maximization is often sacrificed in favor of the social mission. One such manager of a labour-intensive business aimed at employing and training the homeless and at-risk homeless explained some core differences between their SE and a similar for-profit business:

“Instead of 25 employees, we would have 6. They would be very different in terms of character, most of our staff are middle aged and sick, we would probably have very strong young students instead. 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 Employment 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 SEs often provide a similar service as a typical for-profit business, the operations of that service vary greatly. More attention paid to ensuring positive outcomes for the specific population groups served by SEs. This decreases the ability of SEs to maximize profit, and makes the majority of them fundamentally different to similar for-profit businesses.

SE GROWTH PATTERNS:

Stated Research Goals:

- Explore growth patterns of SEs
- 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

SE Growth Rates

Determining growth patterns for SEs 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. Despite this, given data shows the growth rates at varying stages of SE development:

SE Growth Rates

Variable	Growth Rate: year 0 - 2	Growth Rate: year 0 - 5	Growth rate: year 5 - Present*	Growth Rate: year 0 to Present**
Average	452%	733%	59%	495%
Median	50%	207%	11%	150%
Max	4520%	4843%	483%	2054%
Min	-100%	-100%	-100%	-100%
Missing Data	42% of sample	58% of sample	55% of sample	24% of sample

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

*** Given the range in ages of the SEs, this rate can vary over 1 to 23 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 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 SEs.

Growth rates from year 0 to year 2 and growth rates from year 0 to year 5 show that organizations are growing dramatically during their first years in existence. The median growth rate of 50% from year 0 to year 2 suggests that in their earliest stages, SEs increase in size and scope. Over a slightly longer period, from year 0 to year 5, SEs 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 fazes of SE 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

⁵ 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 SE managers through the life of the enterprises.

takes roughly five years for SEs 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 must be taken with a grain of salt, however because of high rates of missing data (as shown in the missing data row in the above table), which makes generalizing the findings difficult. As a result, the most telling information on the growth rates can be seen in the growth rates of SEs from year 0 to the Present, in this measure, ¾ of SEs were able to report accurate data. The median growth rate over a timeframe that represents the total life of all SEs of differing ages, is 150%. This means that for the most part, SEs are growing significantly from the time that they are established to the present.

SE Growth Priorities

As SEs grow, it is important to know where growth is being targeted. For some SEs, growth is focused on expanding the business primarily, for others expanding the social impact, while for the most part, SEs see business and social impact growth as synonymous:

Growth Targets for SEs

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

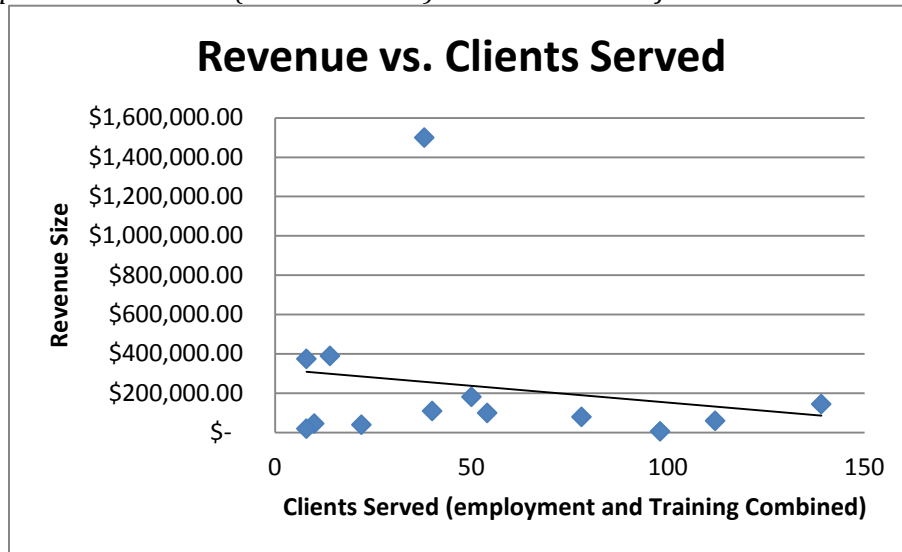
63% of organizations see their social and business growth as synonymous, that the growth of their business bolsters their social impact. This means that growth of the business will lead to a larger social impact. This viewpoint can be attributed to the predominance of hybrid organizations in the sample.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

As SEs grow, mission change is present in the development of SEs. 10 of 23 (30%) of 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 SE 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 and profitability

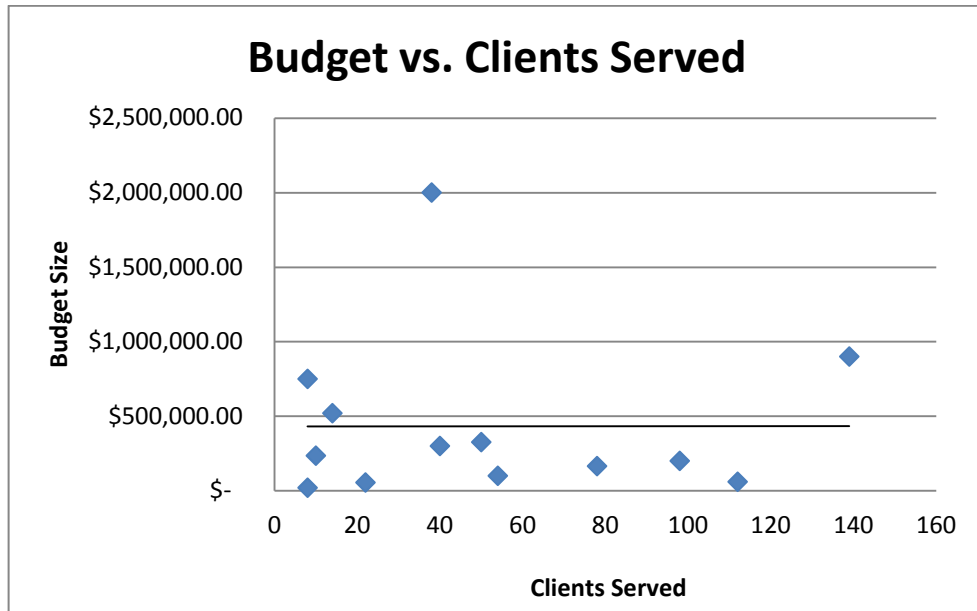
Determining the relationship between social impacts and profitability is a difficult task. Because of the variety of organizational purposes and business types, a true measure of this relationship is difficult to assess. As an illustration of this, a kitchen with a very high level of earned income, might have a limited number of staff, while an educational training organization that provides a high number of clients every year does not generate significant income because of the nature of its business. The following table demonstrates the relationship between earned income levels and clients served:

Relationship between revenue (earned income) and the number of clients served



The above table's negative sloping trendline shows that there is no link between profitability and clients served. If there was a relationship between profitability and clients served, the slope would be sloping upward from bottom left to top right, instead of downward from left to bottom right. As mentioned previously, the variety of business types and organizational purposes makes an overall assessment of the relationship between social impacts and profitability very difficult to assess. For an accurate assessment of this relationship, a case by case analysis and assessment would be necessary.

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



The above table shows that bigger budgets have little to do with how many clients are served. Determining true impacts on clients would require Social Return on Investment (SROI) surveys with clients of SEs program, rather than obtaining information from SEs themselves.

CONCLUSION

SEs within SPEN have a variety of purposes, serve a wide array of clients, 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 Enterprise immerges 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:

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

The SE Financing section demonstrated that:

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

The SE Costs Section showed that:

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

The Human Resource Management section showed that:

- The staffing of SEs outside of client populations is quite limited, which often imposes a variety of tasks on SE managers typically outside that of a typical business manager.
- Most enterprise managers have some form of business training and experience and such practices are being brought to SEs.
- SEs are largely viewed as fundamentally different to for-profit business.

The SE Growth Patterns section showed that:

- SEs experience the most growth within their first five years in existence.
- The growth of an SEs' business and social mission or most often seen as synonymous.
- There is little relationship between revenue generated or budget size and the number of clients served by SEs. This is because of the different missions and depth of interaction with clients being served.

The core challenge of the survey was the development of overall standard measures of a “typical” SE. Variations in SE purposes and business types made comparisons between SEs and the development of representative baselines for the sector as a whole difficult. For a survey that looks at the SE sector as a whole, overcoming the wide variety of organizations to determine standard baselines is not possible. This project predominantly showed the diversity of SEs, and opens several new windows for further analysis:

Industry-Specific/SE 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 SEs with similar missions, clients and businesses against one another could glean valuable information in the operations and success of SEs. Such research might help to determine the scalability of specific SE 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 SEs. A study of this nature with industry-specific questions might be able to determine whether certain SEs 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 SEs 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 SEs. 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 SE Operations: Because this study looked at several aspects of SE 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 looks exclusively at financing methods of Work Integration SEs in Europe; a similar study with an expanded survey that focuses solely on one aspect of SE operations, such as SE financing and sources alone could provide even more insight to the SE field.

Comparative Study of SEs and Similar For-Profit Businesses: A useful tool for further policy analysis for the future of SEs would be to examine, compare and contrast the operations of SEs and similar businesses. Such a study could glean valuable information in to the true social costs of operating an SE. This could also help to determine “fair” values of subsidization for SEs.