

- Parkinson, C., & Howorth, C. (2007). The language of social entrepreneurs. *Lancaster University management school working paper*, 32, 1–45.
- Perrini, F. (Ed.). (2006). *The new social entrepreneurship: What Awaits Social Entrepreneurial Ventures?* Cheltenham, UK: Edward Elgar Publishing.
- Pestoff, V. (2009). Towards a paradigm of democratic participation: Citizen participation and co-production of personal social services in Sweden. *Annals of Public and Cooperative Economics*, 80(2), 197–224.
- Schott, T., Spear, R., & Hulgard, L. (2009). Organizing social enterprise in Denmark. In T. Schott (Ed.), *Social and commercial entrepreneurship in Denmark* (pp. 111–24). Denmark: University of Southern Denmark.
- Selos, C., & Mair, J. (2005). Social entrepreneurship: Creating new business models to serve the poor. *Business Horizons*, 48, 241–46.
- Skoll World Forum. (2010). About Skoll. Retrieved from <http://www.skollworldforum.com/about>
- Spear, R. (2000). The nature of social entrepreneurship – some findings. *ISTR Conference Working Papers* (pp. 1–9). Dublin.
- Spear, R. (2006). Social entrepreneurship: A different model? *International Journal of Social Economics*, 33(5&6), 399–410.
- Spear, R. (2009). Social entrepreneurship in co-operatives. In I. McPherson & E. McLaughlin-Jenkins (Eds.), *Integrating diversity with a complex heritage*. Victoria: New Rochdale Press.
- Spear, R. (2010). Religion and value-driven social entrepreneurship. In K. Hockerts, J. Mair, & J. Robinson (Eds.), *New trends in social entrepreneurship*. Basingstoke, Hants: Palgrave MacMillan.
- Spear, R., Cornforth, C., & Aiken, M. (2007). *For love and money: Governance and social enterprise*. Research Report for the Governance Hub and Social Enterprise Coalition.
- Spear, R., & Hulgard, L. (2006). Social entrepreneurship and the mobilisation of social capital in European social enterprises. In M. Nyssens (Ed.), *Social enterprise, public policy and civil society* (pp. 85–108). Abingdon, Oxon: Routledge.
- Sullivan, M.G., Weerawardena, J., & Carnegie, K. (2003). Social entrepreneurship: Towards conceptualisation. *International Journal of Nonprofit and Voluntary Sector Marketing*, 8(1), 76–88.
- Simpson, J. (2002). The world of the social entrepreneur. *International Journal of Public Sector Management*, 15(5), 412–31.
- Sillace, B. (2005). Exploring the meaning(s) of sustainability for community-based social entrepreneurs. *Social Enterprise Journal*, 1(1), 78–89.

## 10 Exploring Social Transformation, Financial Self-Sufficiency, and Innovation in Canadian Social Enterprises

TESSA HEBB, JUDITH MADILL,  
AND FRANÇOIS BROUARD

Writings in the field of social entrepreneurship often use concepts and terms such as social enterprise and social venture (Borzaga & Defourny, 2001). However, in keeping with the nascent status of the field, a review of the literature on those topics suggests that definitions of these terms are still being developed and are by no means agreed upon (Certo & Miller, 2008). Some academics define social enterprises by their legal form (Alter, 2006; Dart, 2004; Mendell & Nogales, 2008), however, while such definitions neatly encapsulate social enterprise, they do not fully capture the hybrid nature of many such organizations. This chapter defines social enterprise as organizations created to pursue social missions or purposes that operate with a degree of income self-sufficiency, regardless of ownership or legal structure.<sup>1</sup>

We will explore the defining characteristics of social enterprise, drawing on our experience and knowledge of the field as three academics familiar with these topics. Our research promotes a deeper understanding of social enterprise and its contribution to communities and society broadly. Social enterprises must have an integrated enterprise approach to their mission. We acknowledge that such a definition encompasses a wide variety of organizations, ranging from traditional not-for-profits to ventures that operate as for-profit businesses, yet are social mission centric. Further, we suggest that there are three defining characteristics of social enterprise: social transformation, financial self-sufficiency, and innovation.

While social purpose businesses are growing rapidly, in most jurisdictions they operate without a separate legal structure as small and medium sized enterprises.<sup>2</sup> Many social enterprises are embedded within nonprofit corporations as a form of diversified revenue for the sector.

Although a number of social enterprises within this sector, such as the Salvation Army's thrift shops, have existed for many years, there has been rapid recent growth in the quantity, type, and societal impact of social enterprises throughout the world. In 2003, it was estimated that there were 161,000 Canadian nonprofit corporations and trusts responsible for approximately 7 per cent of the GDP, with total revenue of \$112 billion and earned revenues of \$39 billion (Hall et al., 2005; Statistics Canada 2006). In 2008 in the United States, more than 1.4 million nonprofit organizations generated \$1.36 trillion in total revenue, constituting at least 5 per cent of the GDP (Rangan, Leonard, & McDonald, 2008). In 2006 in the United Kingdom, there were 870,000 civil society organizations with a total income of £116 billion, and the total turnover of social enterprises was estimated at £27 billion, with an estimated contribution to the GDP of £8.4 billion (UK Government, 2006).

Due to growing social needs and social problems in most parts of the world, accompanied by reduced government ability to provide the funding necessary to effectively combat these social problems, social enterprises will likely continue to grow both in number and importance (Christie & Honig, 2006; Dees, 1998b; Rangan et al., 2008).

In spite of current growth in new social enterprises, academic research has been undertaken only relatively recently and has largely been case-based and anecdotal. Much of the developing literature has focused on defining what exactly is meant by social entrepreneurship and social enterprise (Dees, 1998a; Douglas, 2008; Mair & Marti, 2006; Martin & Osberg, 2007; Peredo & McLean, 2006) and much of it has focused on three dimensions considered key to social enterprises – social transformation, financial self-sufficiency, and innovation (Austin, Stevenson, & Wei-Skillern, 2006; Brooks, 2009; Dees, 1998b; Mair & Marti, 2006; Massarsky & Beinhaker, 2002). It is widely recognized that social enterprises, in contrast to commercial enterprises, are established with the primary mission of positive change through helping disadvantaged people and solving social problems. Social transformation is directly linked to the mission of the social enterprise. In effect, the output, outcome, and impact of the social enterprise result in social transformation. The challenge for most social enterprises, and those who research them, is measuring these outputs and larger impacts on society.

This notion of social transformation is embedded in most definitions of social enterprise and the closely related concept of social entrepreneurship (Alter, 2006; Alvord, Brown, & Letts, 2004; Brooks, 2009). For

example, Mair and Marti give one definition of social entrepreneurship illustrating the central role of social transformation as:

a wide range of activities: enterprising individuals devoted to making a difference; social purpose business ventures dedicated to adding for-profit motivations to the nonprofit sector; new types of philanthropists supporting venture capital-like 'investment' portfolios; and nonprofit organizations reinventing themselves by drawing on lessons learned from the business world. (2006, p. 1)

As the definition further suggests, social enterprises are also differentiated from traditional nonprofit enterprises in that they seek alternate forms of financing. In contrast to traditional nonprofit organizations, which rely primarily on grants and donations to achieve their social goals, social enterprises often engage in revenue earning activities in order to fund their social missions and gain a form of financial self-sufficiency (Austin et al., 2006; Boschee, 2001; Thompson & Doherty, 2006). Lastly, social ventures are frequently described as innovative, in that they represent new organizational forms and seek new ways to accomplish social change and finance their missions (Brooks, 2009; Mair & Marti, 2006).

To assist in addressing current gaps in empirical research, this chapter investigates social enterprises in Canada along the dimensions of social transformation, financial self-sufficiency, and innovation. We explore these characteristics through interviews with twenty social enterprises in Canada. This research builds on our earlier work on these dimensions (Madill, Brouard, & Hebb, 2010).

The next section of this chapter provides a brief review of existing literature concerning the three focal dimensions of social enterprises and provides a theoretical perspective for approaching the research. Following the literature review, we describe the study methodology. We then present and discuss the research findings, and conclude by drawing conclusions and implications in the context of the strengths and weaknesses of the research.

### Social Enterprises: Background Literature

Even at the basic level of defining social enterprise, there is considerable variation and no commonly held, well-accepted definition used by all social enterprise and social entrepreneurship researchers and writers. However, it is widely agreed in the literature that social enterprises are

innovative organizations established to address social needs and or problems; the social mission is central and explicit; and assets and wealth are used to create community benefit (Austin et al., 2006; Babos, Clarence, & Noya, 2007; Dees, 1998a, 2001; Dees & Anderson, 2003; Douglas, 2008; Haugh, 2007; OECD, n.d.; Thompson & Doherty, 2006; Shaw & Carter, 2007; Sullivan Mort, Weerawardena, & Carnegie, 2003). While considerable concurrence exists in highlighting these basic tenets of social enterprises, there are important differences among the ways that researchers conceive of social enterprises along the basic dimensions of social transformation, financial self-sufficiency, and innovation.

#### *Social Transformation in Social Enterprises*

Social transformation refers to the impact of the social change desired or achieved by a social enterprise. Much of the literature concerning social enterprises contrasts social entrepreneurs and business entrepreneurs and underscores the major difference between the two as the social change emphasis of the social entrepreneur. Sharir, Lerner, and Yitshaki summarize this common view: The main difference between entrepreneurs operating in the business sector versus those in the nonprofit sector is that social contribution, in the sense of mission and service, becomes the main goal of social entrepreneurs, and not just profitability or financial gains (2009, p. 75–6).

Martin and Osberg (2007) use the term 'transformative benefit,' while Alvord, Brown, and Letis (2004) refer to societal transformation. The impact of social transformation can involve the number of persons affected, the scope of change, the importance of the change, the strategy, and transformation leverage (cultural, political, or economic) (Alvord et al., 2004). Social enterprises are established to address social needs and alleviate social problems, and so virtually all social enterprises seek to attain social change or social transformation (Austin et al., 2006; Babos et al., 2007; Dees, 1998a, 2001; Dees & Anderson, 2003; Haugh, 2007; OECD, n.d.; Thompson & Doherty, 2006; Shaw & Carter, 2007; Sullivan Mort et al., 2003).

Social enterprises are frequently described in terms of different levels of social transformation (Alvord et al., 2004; Martin & Osberg, 2007). The pragmatic issue of balancing the double or triple bottom-line paradigm (most often financial and social returns, and sometimes environmental returns) is frequently discussed in the literature (see for example, Neck, Brush, & Allen, 2009). The assumption is that most effective social

enterprises demonstrate healthy financial and social returns, rather than high returns in one area and lower returns in the other (Thompson & Doherty, 2006). For example, as discussed in Neck, Brush, and Allen (2009, p. 17), KickStart International summarizes its social transformation on its website:

KickStart International ([www.kickstart.org](http://www.kickstart.org)) is an enterprising nonprofit that sells micro irrigation pumps in Africa, which in turn has created thousands of agricultural entrepreneurs. KickStart metrics are both economic and social, with greater focus on the impact the pumps have made on lives touched. By early 2008, KickStart featured the following statistics on its website:

- 45,000 pumps are in use by poor farmers.
- 29,000 new jobs have been created.
- The pumps generate \$37 million per year in new profits and wages.
- More than 50% of the pumps are managed by women entrepreneurs.
- 4 manufacturers produce the pumps.
- Over 400 retailers are selling the pumps throughout Kenya, Tanzania, and Mali.

#### *Financial Self-Sufficiency in Social Enterprises*

Financial self-sufficiency refers to the ability of a social enterprise to gain financial autonomy through generating profits from income generating activities. This is often discussed in comparison to traditional nonprofit organizations that rely primarily on grants, sponsorships, and donations in order to meet their social goals. Many writers argue that earned income or financial self-sufficiency/sustainability is an essential aspect of social enterprise (Boschee, 1995, 2001) and the key characteristics defining social enterprises. Alter (2006) identifies two forms of financial self-sufficiency: cost recovery (discrete) and earned income (ongoing). While Boschee (2001) indicates a distinction between financial sustainability and self-sufficiency, he finds that sustainability can be achieved through philanthropy, donations, grants, government subsidy, and earned income, but self-sufficiency can only be achieved through reliance on earned income.

The phenomenon of applying business expertise to earn income is extensively discussed in the social enterprise literature and is used in many definitions of social enterprise and social entrepreneurship (Austin et al., 2006; Boschee, 2001; Thompson, 2002). For some researchers,

social enterprises must be engaged in the production and or selling of goods and services in a market place (Thompson & Doherty, 2006).

#### *Innovation in Social Enterprises*

In many definitions of social enterprises (and the related concept of social entrepreneurship) (Austin et al., 2006; Dees, 1998a, 2001; Dees & Anderson, 2003), social enterprises are characterized by innovation. Brooks (2009) and Mair and Marti (2006) see social enterprises as using innovative behaviour to achieve social objectives. Weerawardena and Sullivan-Mort (2001) support this contention, and note that the nonprofit literature is dominated by discussion of non-technological innovation. Social enterprises themselves are seen as innovative structures to solve social problems (Fowler, 2000). Mair and Marti view social enterprise as the outcome of social entrepreneurship. In turn, social entrepreneurship is seen as innovative in that it is a 'process of creating value by combining resources in new ways,' and 'involves the offering of services and products but can also refer to the creation of new organizations' (Mair & Marti, 2006, p. 37). For example, Austin, Stevenson, and Wei-Skillern (2006) state:

Common across all definitions of social entrepreneurship is the fact that the underlying drive for social entrepreneurship is to create social value, rather than personal and shareholder wealth (e.g., Zadek & Thake, 1997), and that the activity is characterized by innovation, or the creation of something new rather than simply the replication of existing enterprises or practices.

The term social entrepreneur is regularly used to describe individuals who initiate and run social enterprises and they are frequently characterized as innovative individuals:

Ashoka, a premier organization that invests in social entrepreneurs, defines a social entrepreneur as an individual with innovative solutions to society's most pressing social problems. Similarly, The Skoll Foundation, which also invests in social entrepreneurs for systemic change, identifies social entrepreneurs as society's change agents: pioneers of innovation that benefit humanity. (Neck et al., 2009)

Associated with innovation, social enterprises are often described as exhibiting significant levels of social opportunity recognition,<sup>3</sup> proactiveness, and risk tolerance (Sullivan Mort et al., 2003).

#### **Theoretical Approach: Development of Research Objectives**

Theory concerning social enterprise is at an early stage. As noted above, even at the most basic level, a common definition of social enterprise has not been achieved. Robinson, Mair, and Hockerts (2009) 'do not prescribe to the notion that there is one meta-theory of social entrepreneurship but that there are many theories that explain and frame the activities of social entrepreneurs' (p. 3). Several of the theories that have been proffered to explain long-term survivability of social ventures include resource dependency, institutional and social capital and network theories, the resource-based view of the firm, and human capital (Sharir et al., 2009).

This research adopts the resource dependency view of social enterprises in guiding the formation of the research objectives. The resource dependency view suggests that organizations look to gain resources and minimize their dependence on the environment (Astley & Van de Ven, 1983). This theoretical approach recognizes that managing social ventures is more complicated than business ventures for two main reasons. First, social enterprises are exposed to higher resource dependence in their environments and frequently have depended heavily on financial resources obtained from governmental grants, donations, and volunteers. Second, the goods and services of social enterprises may not have easily definable commercial value (Roper & Cheney, 2005; Sharir et al., 2009). Using a resource dependency point of view focuses on understanding what resources are acquired in social enterprises to achieve social transformation. Understanding the extent to which Canadian social enterprises have diversified streams of revenue resulting in reduced dependency on government sources (financial self-sufficiency), yet still strive to achieve the social transformation goals of the enterprise, is essential to improving our understanding of resource dependency in Canadian social enterprises. Focusing on innovation also follows from resource dependency theory, in that it appears to be a key dimension that allows social enterprises to achieve both social transformation and financial self-sufficiency.

To summarize, the bulk of the literature on social enterprises is frequently case based or discussion based, with limited empirical data. Current literature suggests that both resource dependency theory and the extant literature highlight the importance of social transformation, financial self-sufficiency, and innovation. Given that importance, the current research is aimed at deepening our understanding of Canadian social enterprises along these dimensions.

## Methods

As part of a larger project on social enterprises, the researchers developed a dataset of 742 social enterprises in Canada from which they selected a sample of sixty and conducted a web site analysis study (Madill et al., 2010). The research used qualitative methods (Denzin & Lincoln, 1994) and draws on Grounded Theory (Strauss & Corbin, 1998) in its approach to deepening understanding of social enterprises in Canada.

In this chapter, we briefly summarise our findings of earlier research drawn from an examination of the three defining characteristics of social enterprise using sixty publicly available profiles of social enterprises. We then discuss the results of our follow up methodology based on telephone interviews with twenty social enterprises drawn from the sixty profiles in the sample (one-third of the sample). The qualitative interviews were conducted to gain greater depth of understanding because websites may or may not reflect the reality of the organizations. For example, the focal social enterprises may have simply failed to list their accomplishments or update their websites. We interviewed the most senior member of the staff who was also most familiar with the development and mission of the enterprise. Telephone interviews were approximately half an hour in length, and were semi-structured with a set of open ended questions received by the interviewee in advance. Detailed notes were taken by the interviewer on each interview. The results of the telephone interviews reported here deepened our understanding of Canadian social enterprises along the three focal dimensions of social transformation, financial self-sufficiency, and innovation. For the purposes of this research, the three central dimensions are defined as follows:

- Social transformation is the extent to which the enterprise changes lives for the better
- Financial self-sufficiency is relying on some portion of earned income as opposed to only grants and contributions
- Innovation is utilizing new processes or behaviours to accomplish the enterprise mission

## Findings and Discussion

In order to set the context for the telephone interviews reported on in this chapter, we will summarize briefly the results of the web site portion of the study published elsewhere (Madill et al., 2010). The results showed

that almost one-third (31.7 per cent) of the sample enterprises were deemed to be high in social transformation. Fewer than half (41.7 per cent) were judged as exhibiting low social transformation. The findings also showed that about one-half (51.7 per cent) of the sample enterprises were high in financial self-sufficiency, defined as over 50 per cent revenues from income generating activities. About one-quarter exhibited low financial self-sufficiency. Lastly, less than one-fifth (18.3 per cent) were highly innovative. Almost two-thirds exhibited low innovation (65 per cent).

## *Expanding Understanding of Social Enterprises: Interview Results*

### BACKGROUND ON SOCIAL ENTERPRISES INTERVIEWED

The twenty enterprises interviewed operated primarily in the service sector, ranging from fair trade coffee houses to courier services. The one exception was in light manufacturing, using hard-to-employ populations in packaging assembly. Eight of the enterprises focus on food, and of those, seven engage hard-to-employ populations as their primary mission. One uses renewable energy, and another uses an innovative financing structure. The enterprises provide products or services that form the core of their mission (for example producing and distributing a board game designed to educate children on environmental issues). The twenty enterprises interviewed covered a variety of legal forms: sole proprietorships, for-profit corporations, nonprofit structures, charities, and businesses embedded within nonprofits.

Most of the interviewees described their organizations as social enterprises, though two indicated that their work supported other social enterprises, for example: 'My mission is to support social enterprise, to create an environment where social enterprises and community enterprises can flourish.' All interviewees with one exception were able to describe their mission in detail. While some felt their mission combined social and economic factors, most described their mission as social: 'The mission is entirely social. The courier business is just the way to accomplish it,' said one interviewee. 'Our entire purpose is social. Construction is just a means to an end. We could be in any industry. Our mission is to create quality jobs,' said another.

### EXPANDED UNDERSTANDING OF SOCIAL TRANSFORMATION

While the interviewees were able to easily identify their mission, questions about degree of social transformation were the most difficult to

answer, particularly if the organization in question had either very broad societal impacts or facilitated other social entrepreneurs to achieve their mission. In one form or another they all hoped they were achieving social transformation; as one said, 'We hope we are making an impact.' However, many did not measure the impacts of their enterprise and could not point to specific social transformation as a result of their work. For many, social transformation was aspirational and ranged from 'peace in Palestine' to 'increased environmental awareness' to 'good healthy food for all.' For some, identifying their degree of social transformation meant restating the mission of the organization or the growth of the organization itself rather than the direct impacts on others that resulted from the social enterprise activities.

The interview results showed that enterprises that targeted hard-to-employ populations more readily identified their degree of social transformation and quantified it with the number of individuals whose lives had been directly impacted by the social enterprise. For example a British Columbia-based social enterprise that employs individuals with developmental disabilities in a packaging facility, uses a set of metrics called *Demonstrating Value: A Shared Framework for Assessing the Performance and Impact of Social Enterprise*. Conversely, those enterprises that affected large numbers of people or even society as a whole in a small way most often restated their mission or their degree of social transformation and were not able to provide concrete ways in which their impacts were measured. For example, one enterprise that focuses on environmental awareness impact indicated, 'Yes, it is difficult to measure, our impact is not huge but we still see the environment is being looked at by schools and other organizations, we'd like to think we play a part in supporting it.'

The measurement of social impacts varied across all interviewees. No one measurement or tool kit was referred to with any consistency. Most interviewees indicated the difficulty of measuring social transformation. Some used annual reports and published those reports on the Internet, writing that: 'To measure it, we have annual reports for the store, from a business perspective, business, sales, ongoing evaluation with store participants to see how it is working from a store perspective, meeting with customers, making changes as needed.' Others tracked numbers of participants:

We have both quantitative and qualitative measures for our programs. In terms of quantitative measures, we look at targets met for number of trainees, number of employment hours, number of training workshops, type

of training workshops, number of participants who move on to other employment or training. In terms of qualitative measures we look at feedback from participants [and] observable changes in participants increased productivity at work; increased eye contact, confidence, self-esteem; increased hope about the future; increased support networks; able to demonstrate new skills in the workplace.

Another enterprise serving hard-to-employ populations also discussed social transformation in terms of numbers of individuals impacted: 'We have employed over 1,800 people (survivors) over the last twenty-one years. We look at things like decrease in number of hospital days, an increase in income, and feelings of self-esteem. If income is going up and wages [are] going up, then we're meeting our mandate.' However, they also looked at downstream transformation: 'We are one of the best examples of anti-discrimination. We put a different face on mental illness. It's not just the guy ranting on the street corner. That's a huge impact when people see our couriers on the streetcars.'

In spite of the small use of standardized quantitative measures, our interviewees suggest that standardized measurement tools for social impacts are increasingly common. Enterprises that use social return on investment (SROI) instruments were able to easily answer the questions on their degree of social transformation: 'In terms of job placements, we know how happy our employers are, we know we have the highest satisfaction and retention rate in the city, so we are measuring it, and we're getting better at doing that and being trained to do that.' But more often interviewees expressed a need for standardized tools and instruments to measure impact, even for those enterprises that publish detailed annual reports and track the number of individuals served by the enterprise: 'If they don't design a way where it's easy for someone to do impact analysis, it's going to be a problem because they don't have the time. Anyone running a social enterprise is over-the-top busy.'

#### EXPANDED UNDERSTANDING OF FINANCIAL SELF-SUFFICIENCY

All interviewees were able to easily answer questions on the degree of financial self-sufficiency within their organization. While all social enterprises must have some degree of earned revenue, these diversified revenue streams can range from a small percentage of the total revenue to 100 per cent. Social enterprises often are funded from a mix of grants, donations, and earned revenues. Seven enterprises in

our sample were in the 35 to 65 per cent self-funded range. Four enterprises operated primarily with external grants and donations with only a small amount of earned revenue, seven were 100 per cent self-sufficient based on the earned revenue of the organization, and the remaining two were at the 85 per cent to 90 per cent range. These responses indicate that social enterprises themselves are well aware of their degree of financial self-sufficiency as part of their defining characteristics, but that the degree can vary from low to high within the range of organizations. The data also indicate that an external assessment can easily determine the degree of financial self-sufficiency within a social enterprise.

#### EXPANDED UNDERSTANDING OF INNOVATION

Most respondents reported that their enterprises are innovative. Of the twenty interviews, fifteen enterprises indicated that they were innovative; five enterprises did not answer the question. Not surprisingly, given the self-reporting nature of the interview, no enterprises said that they were not innovative. For some the whole sector is innovative as it constantly changes to meet social and community needs: 'Community development and social enterprise is inherently innovative, you are blending two aspects to make change. You are seeing people as assets in the community. Our programs are designed to give them access to do that, employment is an innovative approach to achieve this.' Interviewees themselves did not distinguish between types of innovation, such as whether their enterprise used a new process, developed a new product or whether such a social enterprise had been in existence somewhere else or over a long period of time. For some respondents the lack of competing businesses reflected innovation: 'There are very few businesses that are managed by and employ "psychiatric consumer survivors."<sup>4</sup> So, it is an empowerment model, a recovery model. I think the model remains innovative.' Others felt that if the enterprise was innovative at the beginning, it remained innovative today: 'Back in the 1980s, it was such a new concept and the building of this huge network of social entrepreneurs that stay in the network for life is quite innovative.' Several organizations indicated a degree of innovation in achieving financial self-sufficiency, while others indicated the problems for social enterprises when using traditional financial instruments to achieve scale: 'We try to stay away from loans. Because the last thing you want to do is getting everything up and running and you're starting from a negative balance. You're always trying to catch up to make the loan payments.'

#### Summary, Discussion, and Implications

This chapter presents data examining the three major dimensions noted as important but under-researched in the existing literature on Canadian social enterprises: social transformation, financial self-sufficiency, and innovation. This study builds on earlier research that examined these dimensions using a website analysis only. The analysis of the web based profile results (Madill et al., 2010) showed that approximately one-third (31.7 per cent) of the sample enterprises were judged as being high in social transformation; 41.7 per cent were judged as exhibiting low social transformation. The interview results confirm the website analysis results, which demonstrated that many social enterprises did not formally assess achievement of social transformation. Virtually all interviewees noted that social transformation was their enterprise mission and hoped they were achieving it, but most could not provide concrete measures or evidence in support of this achievement. The researchers recognize that this study may in fact understate the extent of social transformation, as the research reveals that many social enterprises do not attempt to assess social transformation themselves. Moreover, assessing their social impact is of importance to stakeholders (including funders and others).

The web profile results showed that approximately half of Canadian social enterprises sampled (51.7 per cent) are highly self-sufficient, and by diversifying their streams of revenue are less reliant than in the past on government grants, as well as donations and volunteers for the resources necessary to accomplish their social missions (Madill et al., 2010). The profile results showed that one quarter of the Canadian social enterprises sampled are low in financial self-sufficiency and still very dependent on such traditional funding. The interviews support the profile assessments. Most interviewees are aware of their enterprise's degree of financial self-sufficiency, and similar to the profile results, approximately half of the enterprises interviewed reported that earned income is greater than 50 per cent of their total revenue. Over half of the social enterprises sampled have found ways to attract resources in the form of earnings from the sale of various products and services, ranging from the sale of various food items, to provision of snow clearing and building services.

Future research is required to fully understand how these organizations manage and market their products and services within these social ventures. As well, future research is needed to investigate whether social enterprises that have a high degree of financial self-sufficiency might

also have high degrees of innovation or social transformation. Testing such relationships would contribute to the development of resource dependency theory in that one can begin to understand interrelationships among key dimensions of social enterprises.

A major divergence between the interview results described in this chapter and profile assessment results published elsewhere (Madill et al., 2010) centred around the innovation dimension of social enterprises. The findings from the web-based profiles show that less than one-fifth of the sample social enterprises (18.3 per cent) were judged by the four researchers coding the data (the three paper authors and a research assistant) as highly innovative. Almost two-thirds exhibited low innovation (65 per cent). However, a high proportion of the interviewees viewed their social enterprises as innovative because they were part of a social enterprise and in their view social enterprises are by definition innovative. This self-assessment does not fit with the traditional definition of innovation and suggests that future research is required to examine what it means to be innovative in social enterprises. It may not be desirable to assess all social enterprises as innovative simply because they are social enterprises. Social enterprises competing both with other social enterprises and with traditional for profit enterprises in a sector such as catering, for example, may need to consider that simply being a social enterprise caterer is insufficient to be considered 'innovative.' However, it is recognized that for the social enterprises themselves, business type revenue generating activities are new and therefore seen as innovative within the organization.

#### *Implications for Managing Social Enterprises*

Given that relatively few social enterprises were able to provide evidence of their social transformation missions, it is important that Canadian social enterprises improve both their measurement of and their ability to demonstrate social transformation. Increasingly, sets of uniform metrics are being established that capture social return on investment (SROI). Such metrics need to be better understood and integrated into ongoing practice by social enterprises (Monitor Institute, 2008).

With regard to increasing financial self-sufficiency, bringing a market or marketing orientation to social enterprises may improve their ability to sell goods and services. A market orientation requires, first, a focus on understanding what consumers want, and second, communicating effectively with those consumers and bringing the appropriate product or

service to the market in a form and place where it is most likely to be purchased by targeted consumers (Zeitlow, 2001). A marketing orientation also focuses on undertaking competitive analyses in order to better survive in the market. Accordingly, it is important to recognize that the literature concerning marketing in not for profit organizations may be helpful here. However, there is a lot left to learn concerning adapting marketing thinking to social enterprises. For example, future research is needed on positioning and branding in social enterprises. Do social enterprises emphasize positive social change in their branding, or downplay it? What should they be doing? How important is this to key target markets?

As discussed earlier, social enterprises frequently describe themselves as innovative, often simply because they are social enterprises. However, many compete with businesses and other organizations that operate in similar business sectors, such as landscaping, printing, or catering. Many such sectors are considered mature industries. Marketing approaches may assist social enterprises with remaining innovative by offering knowledge and guidance on both developing and introducing new products to such marketplaces. In turn, research is needed concerning how social enterprises have successfully developed new products and introduced them to the market – such research will build knowledge of marketing in various types of organizations and environments.

#### *Strengths and Limitations of the Research*

The findings from this study provide useful research on Canadian social enterprises. The authors recognize that the small sample size limits ability to generalize from the findings. The qualitative research approach utilized in this study suggests several approaches to be taken in future research to achieve more precise operational definitions. For example, the findings concerning social transformation point to three major sub-dimensions that should be further explored. The first is a deeper understanding of the goal of social transformation versus the evidence of achievement. This field lacks the ability to measure not just the outputs of social enterprises but the broader impacts of social enterprises that more closely align the mission of the organization with its transformative goals. Second, we need to gain a deeper understanding of social transformation that affects a few individuals in a major way versus social transformation that affects many individuals in a minor way. Several of the social enterprises in our sample study have deeply impacted the lives of a few individuals, while others in the study have made small changes



across large populations. We find that organizations that provide opportunity for hard-to-employ populations have a profound impact on these individuals; in contrast, providing fair trade products has a smaller effect on a larger population. When examining social enterprises and their dimensions, judging the relative values of such diverse outputs is difficult and should be further explored.

Finally, we feel a distinction should be made between social enterprises that focus on upstream (employee or supplier) transformation versus downstream (client or customer) transformation. Upstream transformations appear to be easier to quantify. Future research needs to explicitly recognize which sub dimensions of social transformation are being researched and focused on (Emerson, 2003; Haugh, 2005). As well, it is critical for future research to explicitly state whether it is seeking to assess the extent of the 'goal' of social transformation or evidence of the 'achievement' of social transformation. It will be critical to begin to look at social enterprises in a more granular fashion, sub-dividing the type of social enterprise with greater emphasis on the metrics used in evaluating their impact and the comparability of those metrics across the diverse field of social enterprises.

However, given the need for both qualitative and quantitative empirical research to contribute to theory development in the field of social enterprise, the current study was designed to take an important preliminary step in this research on the Canadian scene.

## NOTES

- 1 The authors gratefully acknowledge the financial support of the Telfer School of Management, the Spratt Centre on Social Enterprises, and the Carleton Centre for Community Innovation. We thank Robert Mittelman for excellent research assistance.
- 2 The exception with regard to legal structure is the United Kingdom's Community Interest Corporation (CIC) and United States' Low-Profit Limited Liability Company (L3C).
- 3 Social opportunity recognition is a term used when business ideas and technological ideas come together to serve human needs. Serving these needs can be for profit or nonprofit. Such recognition of human needs is a key part of the social entrepreneur's tool kit.
- 4 The term 'psychiatric consumer survivors' is a term used by the organization to refer to post-psychiatric patients who are the social enterprise's employment target.

## REFERENCES

- Alter, K. (2006). *Social enterprise typology*. Retrieved from <http://www.virtueventures.com/setypology.pdf>
- Alvord, S., Brown, D., & Letts, C. (2004). Social entrepreneurship and societal transformation. *Journal of Applied Behavioral Science, 40*(3), 260–82.
- Andreassen, A.R. (2006). *Social marketing in the 21st century*. Thousand Oaks: Sage Publications.
- Astley, W.G., & Van de Ven, A.H. (1983). Central perspectives and debates in organization theory. *Administrative Science Quarterly, 28*(1), 245–73.
- Austin, J., Stevenson, H., & Wei-Skillern, J. (2006). Social and commercial entrepreneurship: Same, different, or both? *Entrepreneurship: Theory & Practice, 30*(1), 1–22.
- Babos, P., Clarence E., & Noya, A. (2007). *Reviewing OECD experience in the social enterprise sector*. An OECD LEED Centre for Local Development international seminar held in conjunction with the Third DECIM Roundtable, November 15–18, Trento, Italy. Retrieved from <http://www.oecd.org/dataoecd/22/58/38299281.pdf>
- Borzaga, C., & Defourny, J. (Ed.). (2001). *The emergence of social enterprise*. London: Routledge.
- Boschee, J. (1995). Social entrepreneurship. *Across the board, 32*(3), 20–3.
- Boschee, J. (2001). Eight basic principles for nonprofit entrepreneurs. *Nonprofit World, 19*(4), 15–18.
- Brooks, A. (2009). *Social entrepreneurship: A modern approach to social value creation*. Upper Saddle River, NJ: Pearson-Prentice Hall.
- Certo, S.T., & Miller, T. (2008). Social entrepreneurship: Key issues and concepts. *Business Horizons, 1*(4), 267–71.
- Christie, M.J., & Honig, B. (2006). Social entrepreneurship: New research findings. *Journal of World Business, 41*(1), 1–5.
- Cullen, E.T., Matthews, L.N.H., & Teske, T.D. (2008). Use of occupational ethnography and social marketing strategies to develop a safety awareness campaign for coal miners. *Social Marketing Quarterly, 14*(4), 2–21.
- Dart, R. (2004). Being 'business-like' in a nonprofit organization: A grounded and inductive typology. *Nonprofit and Voluntary Sector Quarterly, 33*(2), 290–313.
- Dees, G. (1998a). *The meaning of social entrepreneurship*. Retrieved from [www.gsb.stanford.edu/services/news/DeesSocentrePaper.html](http://www.gsb.stanford.edu/services/news/DeesSocentrePaper.html)
- Dees, G. (1998b). Enterprising nonprofits. *Harvard Business Review, 76*(1), 55–65.
- Dees, G. (2001). *The meaning of social entrepreneurship*. Center for Advancement of Social Entrepreneurship. Retrieved from [http://www.fuqua.duke.edu/centers/case/documents/dees\\_SE.pdf](http://www.fuqua.duke.edu/centers/case/documents/dees_SE.pdf)

- Dees, J.G., & Anderson, B.B. (2003). For-profit social ventures. *International Journal of Entrepreneurship Education*, 2(1), 1-26.
- Denzin, N., & Lincoln, Y. (Eds.) (1994). *Handbook of qualitative research*. Thousand Oaks: Sage.
- Douglas, H. (2008). Creating knowledge: A review of research methods in three societal change approaches. *Journal of Nonprofit & Public Sector Marketing*, 20(2), 141-63.
- Emerson, J. (2003). The blended value proposition: Integrating social and financial returns. *California Management Review*, 45(4), 35-51.
- Fowler, A. (2000). NGOs as a moment in history: Beyond aid to social entrepreneurship or civic innovation? *Third World Quarterly*, 21(4), 637-54.
- Hall, M., de Wit, M.L., Lasby, D., McIver, D., Evers, T., Johnston, C., et al. (2005). *Cornerstones of community: Highlights of the national survey of nonprofit and voluntary organizations*. Ottawa: Statistics Canada.
- Haugh, H. (2005). A research agenda for social entrepreneurship. *Social Enterprise Journal*, 1(1), 1-12.
- Haugh, H. (2007). Community-led social venture creation. *Entrepreneurship: Theory & Practice*, 31(2), 161-82.
- Jesson, J. (2009). Household waste recycling behavior: A market segmentation model. *Social Marketing Quarterly*, 15(2), 25-38.
- Kotler, P., & Lee, N.R. (2008). *Social marketing influencing behaviors for good*. Los Angeles: Sage Publications.
- Madill J., Brouard F., & Hebb T. (2010). Canadian social enterprises: An empirical exploration. *Journal of Nonprofit and Public Sector Marketing*, Special Issue on Social Entrepreneurship, 22.
- Mair, J., & Marti, I. (2004). *Social entrepreneurship: What are we talking about? A framework for future research*. IESE Business School, University of Navarra, working paper #546.
- Mair, J., & Marti, I. (2006). Social entrepreneurship research: A source of explanation, prediction, and delight. *Journal of World Business*, 41(1), 36-44.
- Mair, J., Robinson, J.A., & Hockerts, K. (2006). *Social entrepreneurship*. London: Palgrave Macmillan.
- Martin, R.L., & Osberg, S. (2007). Social entrepreneurship: The case for definition. *Stanford Social Innovation Review*, Spring, 29-39.
- Massarsky, C.W., & Beinhecker, S.L. (2002). *Enterprising nonprofits: Revenue generation in the nonprofit sector*. New Haven, Connecticut: Yale School of Management.
- Mendell, M., & Nogales, R. (2008). *Social enterprises in OECD Member Countries: What are the financial streams?* Alliance de recherche
- Social Transformation, Self-Sufficiency, and Innovation 241
- universités-communautés/Réseau Québécois de recherche partenariale (ARUC-RQP) Working paper C-08-2008.
- Monitor Institute, The. (2008). *Investing for social and environmental impact: A design for catalyzing an emerging industry*, pp. 1-84. Retrieved from [http://www.monitorinstitute.com/impactinvesting/documents/InvestingforSocialandEnvImpact\\_FullReport\\_005.pdf](http://www.monitorinstitute.com/impactinvesting/documents/InvestingforSocialandEnvImpact_FullReport_005.pdf)
- Neck, H., Brush, C., & Allen, E. (2009). The landscape of social entrepreneurship. *Business Horizons*, 52(1), 13-19.
- OECD. (n.d.). *The social enterprise sector: A conceptual framework*. Paris: Organisation for Economic Co-operation and Development (OECD) / Local Economic and Employment Development Programme (LEED). Retrieved from <http://www.oecd.org/dataoecd/43/40/37753595.pdf>
- Peredo, A.M., & McLean, M. (2006). Social entrepreneurship: A critical review of the concept. *Journal of World Business*, 41(1), 56-65.
- Rangan, V.K., Leonard, H.B., & McDonald, S. (2008). *The future of social enterprise*. Harvard Business School Working Paper. Retrieved from <http://www.hbs.edu/research/pdf/08-103.pdf>
- Robinson, J.A., Mair, J., & Hockerts, K. (2009). Introduction. In Robinson, J.A., Mair, J., Hockerts, K., (Eds.), *International perspectives on social entrepreneurship* (pp. 1-6). London: Palgrave Macmillan.
- Roper, J., & Cheney, G. (2005). Leadership, learning and human resource management: The meanings of social entrepreneurship today. *Corporate Governance*, 5(3), 95-104.
- Rogers, E. (1995). *Diffusion of innovations*. New York: Free Press.
- Sharir, M., Lerner, M., & Yishaki, R. (2009). Long-term survivability of social ventures: Qualitative analysis of external and internal explanations. In Robinson, J.A., Mair, J., Hockerts, K., (Eds.), *International perspectives on social entrepreneurship* (pp. 75-96). London: Palgrave Macmillan.
- Shaw, E., & Carter, S. (2007). Social entrepreneurship: Theoretical antecedents and empirical analysis of entrepreneurial processes and outcomes. *Journal of Small Business and Enterprise Development*, 14(3), 418-34.
- Stater, K.J. (2009). The impact of revenue sources on marketing behavior: Examining web-promotion and place-marketing in nonprofit organizations. *Journal of Nonprofit & Public Sector Marketing*, 21(2), 202-24.
- Statistics Canada. (2006). *Canada's nonprofit sector in macro-economic terms*. Satellite account of nonprofit institutions and volunteering. 13-o15-XWE. Ottawa: Author.
- Strauss, A., & Corbin, J. (1998). *Basic qualitative research: Techniques for developing grounded theory*. Thousand Oaks: Sage.

- Sullivan Mort, G., Weerawardena, J., & Carnegie, K. (2003). Social entrepreneurship: Towards conceptualization. *International Journal of Nonprofit & Voluntary Sector Marketing*, 8(1), 76-88.
- Thompson, J.L. (2002). The world of the social entrepreneur. *International Journal of Public Sector Management*, 15(5), 412-31.
- Thompson, J., & Doherty, B. (2006). The diverse world of social enterprise - A collection of social enterprise stories. *International Journal of Social Economics*, 33(5/6), 361-35.
- UK Government. (2006). *Annual small businesses survey 2006/2007*. Department of Business, Innovation and Skills, UK Government. Retrieved 19 October 2011 from <http://www.bis.gov.uk/policies/enterprise-and-business-support/analytical-unit/research-and-evaluation/cross-cutting-research>
- Weerawardena, J., & Sullivan-Mort, G. (2001). Learning, innovation and competitive advantage in not-for-profit care marketing: A conceptual model and research propositions. *Journal of Nonprofit & Public Sector Marketing*, 9(3), 53-73.
- Zadek, S., & Thake, S. (1997). Send in the social entrepreneurs. *New Statesman*, 126(June).
- Zeitlow, J. (2001). Social entrepreneurship: Managerial, finance and marketing aspects. *Journal of Nonprofit & Public Sector Marketing*, 9(1), 19-43.

## 11 Education for the Social Economy

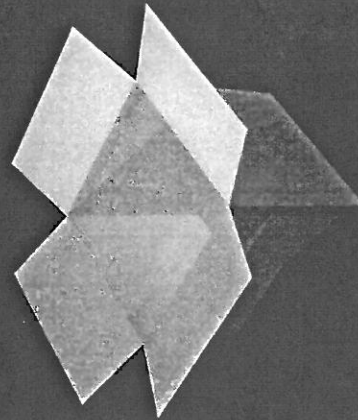
JOHN R. WHITMAN

This chapter focuses on education concerning the economic or business management dimensions of an organization that operates in the social economy in areas that overlap with the public and private sectors. This includes such social economy businesses as social enterprises, co-operatives, and community economic development enterprises. While the focus of this chapter is on education for those preparing to work in the social economy, it is important to note that there is also a need to educate policymakers and the public at large about the social economy and its distinct advantages for creating both social and economic value.

As the logic of the social economy gains strength and breadth worldwide, it is timely to reflect on the role of education for the social economy from several perspectives: to improve the collaborative and competitive performance and sustainability of social economy businesses in a time of globalization; to promote critical, academic examination of the various forms of enterprise that constitute the social economy; and to offer propositions for how education might more effectively advance the social economy. This chapter begins with a general scheme to categorize the main dimensions of education for the social economy as formal, non-formal, informal, incidental, and hybrid. I then briefly review a number of significant educational programs that address nonprofit organizations, social entrepreneurship, co-operatives, community economic development, and other educational programs in several venues - mostly in Canada, Germany, Spain, and the United States. Following this review, I will offer several suggestions for strengthening education in each of the main dimensions of education, and conclude with considerations for policymakers and entrepreneurial educators. The result suggests that now is an opportune time not only to introduce compelling and

# BUSINESSES *with a* DIFFERENCE

Balancing the Social  
and the Economic



*Edited by*  
**LAURIE MOOK, JACK QUARTER,  
and SHERIDA RYAN**

MOOK, QUARTER, and RYAN

BUSINESSES WITH A DIFFERENCE

'This book is a valuable source of information about a viable alternative to the market and government in the delivery of goods and services. An important addition to the literature, it will be of interest to faculty and students of business, non-profits, and public administration, as well as to managers and board members who work with or in social economy organizations.'

YVONNE HARRISON, ROCKEFELLER COLLEGE OF PUBLIC AFFAIRS AND POLICY, STATE UNIVERSITY OF NEW YORK AT ALBANY

'*Businesses with a Difference* is a major contribution to research. I learned a great deal from its fascinating and very informative chapters.'

THOMASINA BORKWAN, DEPARTMENT OF SOCIOLOGY, GEORGE MASON UNIVERSITY

## CONTRIBUTORS

François Brouard  
Mikel Cid  
Sheila Cruner  
Greg Halseth  
Jennifer Hann  
Tessa Hebb  
Manuel Larrabure  
Greg MacLeod  
Ian MacPherson  
Judith Madill  
Edmund Metatawabin

Laurie Mook  
Ana María Peredo  
Jack Quarter  
Jean-Paul Restoule  
Sherida Ryan  
Laura Ryser  
Daniel Schugurensky  
Jorge Sousa  
Roger Spear  
Marcelo Vieta  
John R. Whitman

Cover illustration: Kariv / iStockphoto



UNIVERSITY OF TORONTO PRESS

utoronto.com

© University of Toronto Press 2012  
Toronto Buffalo London  
www.utppublishing.com  
Printed in Canada

ISBN 978-1-4426-4264-5 (cloth)  
ISBN 978-1-4426-1147-4 (paper)



Printed on acid-free, 100% post-consumer recycled paper with vegetable-based inks.

---

**Library and Archives Canada Cataloguing in Publication**

*Businesses with a difference: balancing the social and the economic* / edited by Laurie Mook, Jack Quarter, and Sherida Ryan.

Includes bibliographical references.

ISBN 978-1-4264-5 (bound.) – ISBN 978-1-4426-1147-4 (pbk.)

1. Nonprofit organizations – Canada.
  2. Cooperative societies – Canada.
  3. Social entrepreneurship – Canada.
  4. Economics – Canada – Sociological aspects.
  5. Nonprofit organizations – Case studies.
  6. Cooperative societies – Case studies.
  7. Social entrepreneurship – Case studies.
  8. Economics – Sociological aspects.
- I. Quarter, Jack, 1941– II. Mook, Laurie III. Ryan, Sherida, 1949–

HD2769.2.C3B852012 306.30971 C2012-900209-7

---

University of Toronto Press acknowledges the financial assistance to its publishing program of the Canada Council for the Arts and the Ontario Arts Council.



Canada Council  
for the Arts

ONTARIO ARTS COUNCIL  
CONSEIL DES ARTS DE L'ONTARIO

University of Toronto Press acknowledges the financial support of the Government of Canada through the Canada Book Fund for its publishing activities.

# Businesses with a Difference

## *Balancing the Social and the Economic*

EDITED BY LAURIE MOOK, JACK QUARTER,  
AND SHERIDA RYAN

UNIVERSITY OF TORONTO PRESS  
Toronto Buffalo London

# Contents

<i>Preface</i>	vii
Introduction	3
Laurie Mook, Jack Quarter, and Sherida Ryan	
1 Historic Changes in the Canadian Credit Union Movement	19
Ian MacPherson	
2 Non-financial Co-operatives in Canada: 1955 to 2005	40
Jack Quarter, Laurie Mook, and Jennifer Hann	
3 Leaving and Entering the Social Economy: Factors Associated with the Conversion of Organizational Form	64
Jorge Sousa	
4 The Difference Culture Makes: The Competitive Advantage of Reciprocal, Non-monetary Exchange	87
Ana María Peredo	
5 Community Business Development	111
Greg MacLeod with Mikel Cid	
6 Social Businesses in Twenty-First Century Latin America: The Cases of Argentina and Venezuela	132
Marcelo Vieta, Manuel Larrabure, and Daniel Schugurensky	
vi Contents	
7 Challenges for Engaging Social Economy Businesses in Rural and Small Town Renewal	161
Laura Ryser and Greg Halseth	
8 Land, Self-Determination, and the Social Economy in Fort Albany First Nation	182
Jean-Paul Restoule, Sheila Gruner, and Edmund Metatawabin	
9 Social Entrepreneurship: A Comparative Perspective	202
Roger Spear	
10 Exploring Social Transformation, Financial Self-Sufficiency, and Innovation in Canadian Social Enterprises	223
Tessa Hebb, Judith Madill, and François Brouard	
11 Education for the Social Economy	243
John R. Whitman	
<i>Contributors</i>	267