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Social Entrepreneurship: an Alternative Means of Funding in the Settlement Sector?

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SOCIAL ENTREPRENEURSHIP: AN ALTERNATIVE MEANS OF FUNDING IN THE
SETTLEMENT SECTOR?

by

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A Major Research Paper
presented to Ryerson University

in partial fulfillment of the requirements for the degree of

Master of Arts
in the Program of
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Jaskiran Sahota
Master of Arts, 2012
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ABSTRACT

Canada's settlement sector underwent substantial changes in December 2010. Settlement agencies experienced significant cutbacks from the federal government, which has created a climate of uncertainty as to how these agencies will sustain themselves if cuts continue to occur. This paper aims to analyze a model of funding that has gained popularity in recent years. I analyze the concept of social entrepreneurship, which brings together the private, voluntary, and public spheres and allows agencies to become less reliant on government funding. After a deep investigation I explore whether this concept is a possible solution to deal with the consequences of funding cuts.

Key words:

settlement agency; funding; social entrepreneurship; social enterprise

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CHAPTER ONE: INTRODUCTION

1.1 Background

The effects of government cutbacks in December 2010 have caused settlement agencies to experience difficulties in funding their organizations. Additionally, the continued impacts of the economic crisis have created an increased need for services commonly utilized by marginalized groups, including immigrants. Recently, there has been a rise in interest in social entrepreneurship in Canada which partially can be attributed to these factors. Social entrepreneurship is an innovative activity which brings about social change and emphasises the impact of the program. This innovation is frequently tied to generating a financial outcome, though the activity does not necessarily have to achieve this financial outcome (Meinhard et al., 2006). However, within this Major Research Paper (MRP), I focus on social entrepreneurship that does have an element of income generation tied to it. Aside from Quebec, social enterprise for the most part has not been given much attention in Canada as an alternative funding model. The model has been used informally for several years by non-profits, but the term itself has not gained formal recognition in English Canada, unlike jurisdictions such as the United States, Western Europe, or Quebec.

1.2 Intro to Methodology

This MRP has an applied focus rather than an academic one. Papers in the applied category answer *how* questions and are practical in nature. This paper includes a macro analysis which aims to create widespread policy change. In addition, it includes an ethnographic study of a specific settlement agency interested in the model of social

entrepreneurship in order to address its internal challenges. The agency chosen was the Riverdale Immigrant Women's Enterprise (RIWE), a non-profit organization beginning to implement the concept of social entrepreneurship. This particular organization was chosen as an example because of a need that arose by the organization to find methods that will allow it to succeed in its ventures. Research in the field of social entrepreneurship, including the challenges and benefits experienced by other social enterprises and examples of key success factors used by them, can provide RIWE insight on how to steer its own ventures.

1.3 Riverdale Immigrant Women's Centre

RIWC is a non-profit organization that came into existence in 1982 and is located in the eastern side of Toronto. It serves women, many of whom are immigrants, and uses a collaborative approach with various government and community partners to address the multiple socio-economic barriers these women face. RIWC provides various services to these women including: settlement assistance; violence against women and children; youth empowerment; community economic development; and volunteer and placement services.

The Riverdale Immigrant Women's Enterprise (RIWE) is a separate organization founded by RIWC in 2000 that runs entrepreneurial ventures. Ideally, this enterprise component will eventually be able to create a stream of funding for RIWE services. RIWE has been experimenting and becoming familiar with community economic development projects for quite some time and is now ready to embark on some new social enterprise initiatives. Projects that RIWE has been involved in, in the past include: *The Riverdale Natural Health Practice* in 1998; the *RIWE Tutoring "ITTs in School"* in 2003; and *Youth*

Employment Action Café in 2007. Currently, the revenue generating enterprises RIWE is working on include: the Global Pantry; the Fair Trade Café; the rental of retail, office, and event space; and the community kitchen. These initiatives will be further discussed in chapter five of this report. Through these social enterprises, RIWE hopes to generate enough income to sustain itself and continue the provision of services for its clientele (Riverdale Immigrant Women's Centre).

1.4 Research Purpose

The purpose of this particular study is to examine the model of social entrepreneurship in the settlement sector. This model will be of interest to members of various settlement agencies due to recent funding cuts in the settlement sector. Through the analysis of RIWE as well as discussions with experts in the field and secondary research, this MRP will discuss the elements that make social enterprises successful/unsuccessful and the challenges and benefits they typically experience.

CHAPTER TWO: BACKGROUND

2.1 Shift in Paradigms

Redistribution of wealth, government responsibility to take care of those who require assistance and levelling the playing field to access opportunities, are all key features of the former welfare state. However, the 1980s and 1990s experienced a major cultural shift towards a different structure of governance. This period saw the decline of the welfare state and the rise of neo-liberalist policies, which promoted individual responsibility as opposed to collective solutions to concerns faced by society (Evans, Richmond & Shields, 2005). Neoliberal views such as the market having control over political, social, and economic decisions have become common beliefs in North America. Everything is for sale under neoliberalism and making profits is the primary objective. Excessive power now resides with corporations and the wealthiest individuals due to this new perspective (Giroux, 2005).

Neoliberalism attacks the social contract, which seeks to expand the public good and access to social services such as health care, employment and transportation. Under neoliberal policies, “financial investments, market identities, and commercial values take precedence over human needs, public responsibilities, and democratic relations” (Giroux, 2005, p. 6). Neoliberal policies reduce the responsibility of the government, decrease tax and wage costs, and devolve more social costs to civil society and the family. These policies also create a culture that is very difficult for the poor, immigrants, dissenters, and any other marginalized group. This neoliberal culture favours wealthy corporations and the rich while making life incredibly difficult for the economically and socially marginalized.

Consequently, the gap between the rich and the poor in countries such as the United States has been the widest since 1929 (Giroux, 2005).

A further difference between the two ideologies can be seen in terms of how the non-profit sector is funded. In the welfare state “funding was long-term and stable which enabled [non-profit organizations] to build institutions that became embedded in communities...” (Evans, Richmond & Shields, 2005, p. 76). In the neoliberal era, however, this funding is short-term and unstable, thus a need for alternative methods of funding has arisen.

Settlement services are one of the targets of the neoliberal agenda. Evidence of this can be seen from the significant funding cuts in the sector by the federal government over the 2010 holiday season. Decreased funding for settlement services translates into reduced services available for recent immigrants. Thus, funding settlement services has become an issue needing attention.

2.2 Methods of Funding

Before moving onto the different methods of funding, it is important to note the significant players in the funding economy. “The presence of a range of funders is important, because it creates a more diverse and vibrant funding economy, a broader spectrum of funding and financing options” (Scott and Struthers, 2006). Having a wide range of funders available will create more financing options for non-profits to choose from. Various sources of funding include: government; corporate; individual; foundations; banks etc.

Giving:

Giving is a method of funding whereby funds are transferred to a non-profit organization without any expectation of return. In other words, accountability requirements are minimal and non-profits have a great deal of leeway as to how they utilize these funds. It creates a flexible environment where non-profits can freely innovate. Giving is thus a very important method of funding for non-profits today, however the value of it has diminished and a rise in a different type of funding known as Shopping can be seen (Scott and Struthers, 2006).

Shopping:

Starting in the 1980s this more contractual method of funding began to be commonly used. Within this method, funds are linked to specific outcomes and are highly monitored. Accountability standards are high and are subject to government audit. There is often less flexibility and uncertainty due to competitive bidding for project funding. One major drawback of this type of funding occurs when projects are only given enough funds for the project itself, not taking into account the funds needed to keep operations running (Scott and Struthers, 2006).

Investing:

A newer approach to funding, known as investing, looks at how funds can benefit a non-profit in the long run. Funders are highly involved in the operations of the non-profits, which allows for a more participatory method of funding. The goal here is to build equity in the organization and sector, create assets, and spur growth. As well, this method of funding aims to provide more flexibility to non-profits by allowing them to generate their own

earned income through the use of loan financing. Investing is the type of funding that is commonly used by a social enterprise (Scott and Struthers, 2006).

2.3 Introduction to the Social Enterprise

Over the last decade the social entrepreneurship model has gained increased attention among scholars. Due to the recent economic downturn, non-profits are finding that funding from governments and foundations is on the decline (Scott and Struthers, 2006). This shift is especially evident for Canadian non-profits. In 2007 their reliance on earned income was up to 48%, on government funding was at 39% and on private donations was at 12% (Baldwin, 2009). As mentioned above, in the settlement sector government cuts were seen for agencies providing recent immigrants with language training, employment services etc. The federal government announced a 10% cut in funding for settlement agencies in December 2010. This cut was mainly concentrated in Ontario, which is home to many new arrivals (UFCW Canada, 2011). As such, some of these organizations will have to take on the added responsibility of discovering alternative methods of generating funds.

Some organizations are experimenting with social entrepreneurship to provide a sustainable source of income to achieve the organizations' social objectives. As noted earlier, a social enterprise is an innovative activity which creates social change. "[T]he primary characteristic of social enterprise is an innovative, pro-social activity focussing on the impact of the program. It may or may not involve financial gain for the organization..." (Meinhard et al., 2006). This should not be confused with a commercial venture, which is a similar concept that is often confused with a social enterprise. "Commercial ventures refer

to activities by non-profit organizations designed to earn money for the organization in a way that is related to its mission” (Meinhard et al., 2006). Hence, while commercial ventures must have a financial component to them, social enterprises must have an innovation component to them. There are examples of both of these concepts within this MRP, although the focus of this paper is on the social enterprises that do generate income.

The definition stated above is only one of the various definitions of social enterprise that currently exist. There is still confusion and disagreement on what the definition should entail. Roy Thurik explains this conundrum: “Despite the growing attention to social entrepreneurship and similarities between various theories, no agreement exists on what it is or is not. It is a multiinterpretable concept, and although the use of the label is widespread, its meaning often varies” (Thurik, 2010, p. 2). This flexible meaning can become difficult when applying various policies and laws to social enterprises. The vague and variable definitions are one of the primary issues practitioners in the field are currently aiming to address. If a common definition is agreed upon across Canada and even internationally, then the legal and regulatory framework surrounding social enterprises will become much clearer and easier to navigate through. As will be discussed in a latter section of this report, creating a friendlier legislative environment is necessary for social enterprises to thrive.

2.4 Critique of Social Enterprise

A common critique of social entrepreneurship is the idea of mission drift. Because a non-profit engaging in entrepreneurial activities is redirecting some of its resources away from its primary mission of providing a social service towards income generating activities,

naturally the amount of time devoted to the provision of service declines. Mission drift occurs when too much focus shifts away from the primary goal of addressing a social issue. When this occurs the purpose of the organization becomes questionable. As a result, the public and other funders may begin to question whether the non-profit is meeting its social objectives. Therefore, the non-profit must ensure it continues running according to the service delivery principle it was founded upon instead of developing into a profit seeking organization that strays too far away from its primary mission (Dees and Anderson, 21).

A second critique of the social entrepreneurship model is that it would reduce the Canadian government's responsibility over the settlement sector. This issue has been discussed in other jurisdictions that are more experienced with the social economy sector. In a European report analyzing this issue, the authors argue that the social enterprise movement threatens basic universal rights, which create cohesive communities. Specifically the authors state, "it is inappropriate to apply models of risk and entrepreneurship to the provision of welfare services" (Cook et al., 2001, p. 3). While this critique is completely valid, the aim of this paper is not to propose replacing the traditional methods of funding with the social enterprise model. The aim is to acknowledge that cuts are already occurring in the sector and Canada is gradually becoming a more neo-liberal society; thus the government is likely to continue demonstrating reduced responsibility regardless of whether this model is implemented on a wide scale or not. This model merely provides a wise alternative to deal with the consequences of these cuts. This may not be ideal for some settlement agencies as they might be forced into starting up these social enterprises because traditional methods of funding are becoming scarcer. However, it provides an option for them to generate enough funding to remain in existence. Therefore,

the social entrepreneurship model can be an effective way for agencies to provide settlement services in a time when government funding is being reduced.

2.5 The Model

Social entrepreneurship uses innovative and sustainable business concepts to create social change. The entrepreneurial methods used in this business model differentiate themselves from traditional philanthropy, which tends to focus on donations dedicated to certain causes. This differentiation is important because donations do not provide a sustainable source of income in the long run unless they are endowed. If donations halt, then achieving the social mission can become difficult. Social entrepreneurship tries to overcome this issue by finding other sources of income in addition to donations. It uses business strategies to sell products and services which generate income to sustain the organization. However, rather than this profit being distributed to shareholders which for-profit businesses typically do, it is used to provide services to achieve social objectives (i.e. providing language training and employment services for new immigrants). This difference in the distribution of profits distinguishes a social enterprise from the majority of for-profit companies. As such, the model creates something known as a “double bottom line,” i.e. it generates income allowing economic growth for the organization, while simultaneously providing lasting social change for society (Baldwin, 2009).

However, the model also imposes significant demands on the organization and forces it to determine alternative sources of revenue, manage its costs, and deliver measurable results (Baldwin, 2009). This high pressure environment is necessary to

ensure the organization remains competitive and is able to bring in funds to sustain itself, but it also creates a demanding atmosphere for its employees.

Several terms require further definition:

Social Economy:

The social economy is composed of many different types of organizations such as non-profits, not for profits, community interest companies, community development corporations, and social enterprises (Evers and Laville, 2004). This economy emerges out of market failures such as income gaps, structural unemployment, and social exclusion and tries to reduce the negative impacts of these inequalities. In terms of economic systems, the social economy fits somewhere in between the state, the market, as well as the informal sector which includes trade that is not taxed or regulated by authorities (Karapilllis, 2010). Appendix A shows this intersection of economies that frame the social economy (Pestoff, 1992

Social Enterprise:

Social enterprises are organizations within the social economy that use market based strategies to achieve a social mission. They aim for a “double bottom line” to achieve a financial as well as a social bottom line (Goldenberg, 2009). A social enterprise can exist in a variety of industries including: forestry, food services, technology, etc.

Social Entrepreneur:

Social entrepreneurs are the individuals who apply practical, innovative, and sustainable approaches to benefit society. These individuals share the common value of improving society and a passion to make things happen. (John Howard Society of Alberta,

2008). These leaders are the backbone of the social enterprise and provide inspiration and guidance for it to succeed.

Social Entrepreneurship:

Social entrepreneurship refers to the act itself or the work completed by a social entrepreneur (Webster's Online Dictionary, 2011). This is the practice of starting up a new business for a social cause. Similar to for-profit entrepreneurship, social entrepreneurship is a risky endeavour. The majority of new businesses fail in their first few years of operation and because social entrepreneurship has additional barriers, a higher failure rate is expected. The concept of social entrepreneurship has been in practice for several years in Canada, but is recently gaining much more attention. Canada is currently in a position to learn from other jurisdictions around the world that have a more established social economy (Karaphillis, 2010).

2.6 Practical Experiences

Social entrepreneurship has had a chance to develop more thoroughly in certain regions both outside and within Canada. Internationally, the sector has been well established in the United States and Europe. However, there are notable differences in how the sector has developed within these two jurisdictions. Domestically, social entrepreneurship has been able to develop in the province of Quebec and has been supported by its provincial government for several years.

Europe:

Within Europe social entrepreneurship is regarded as belonging to the social economy or the third sector. Social benefit is also the main focus in European countries.

Ensuring the enterprises are governed in a socially responsible manner and the missions of the organizations have a social focus is stressed. As well, European (excluding the United Kingdom) social enterprises commonly provide employment or specific care services which follow a cooperative or association legal structure (Kerlin, 2006).

The unique way that social entrepreneurship has developed in Europe is due to several historical reasons. In Western Europe social enterprise was focused on jointly improving social services and broadening the revenue sources of the third sector. Europe began experiencing a decrease in economic growth and high rates of unemployment during the 1970s to the 1990s. In addition, welfare state retrenchment policies led to the cutback of social services. As such, a need for social service provisions arose, which the third sector took on through the use of social entrepreneurship. There tends to be less variety of social enterprises in Europe as compared to the United States because European social enterprises gravitated towards providing social services that the state retreated from, whereas American social enterprises included any market activity with a social purpose (regardless of whether the state was already providing the service or not) (Kerlin, 2006).

The institutional environment for social entrepreneurship in Europe is also unique. It has a government/social service focus as opposed to a private/business one. In terms of research, Western European social entrepreneurship research is conducted mostly in social science departments, although business schools are beginning to explore the topic more heavily now (Kerlin, 2006).

United States:

Notable differences in how social entrepreneurship has developed within the United States can be seen. In the United States the concept of the social economy is not used,

rather social enterprises are considered members of the market economy. There is a large business focus in this region because the enterprises compete in the market economy with other for-profit businesses. A large focus is on whether the enterprise follows the non-distribution restrictions of non-profits. A social enterprise in the United States could mean any type of non-profit organization that generates income (Kerlin, 2006).

Historically, in the United States social entrepreneurship has been in practise since the country was formed. However, the term itself came only into existence during the 1970s. During the 1980s, a period when non-profits were being targeted by government cutbacks, social entrepreneurship began to gain more recognition. It was predominantly used as a method to fill the gap left in funding due to these government cuts (Kerlin, 2006). The concept continued to develop however and eventually included nearly any market activity that was used to meet social objectives. As such, there tends to be a large variety of social enterprises existing in the United States. (Kerlin, 2006).

The institutional environment for social entrepreneurship in the United States differs from Europe. It has a private/business as opposed to a government/social service focus. The way the sector is researched reflects this as well. In the United States, business schools study the subject as much as social science departments unlike the European model above (Kerlin, 2006).

Several insights can be learned from these two jurisdictions. In the United States, some particular practices of social entrepreneurship (i.e. the fee-for-service model, which charges fees to clients in exchange for services they require, but may not be able to afford) may actually marginalize the very groups they are trying to assist. This causes an obvious challenge as it defeats the social purpose of the organization. Concerns in Europe revolve

around the limited range of services supported by social entrepreneurship. Europe's history in providing employment and specific personal care services by social enterprises has limited its use in other third sector areas. The model is thus underused and can be extended to other areas of the social economy (Kerlin, 2006).

Quebec:

Many Canadian provinces can learn how to develop the social economy from a jurisdiction closer to home. Quebec has a long history of the social economy dating back to at least 1789. As such, the social economy has been able to develop significantly in this area. Cooperatives, which are a component of the social economy, have been long established in Quebec. During the 1980s, Quebec saw an increase in many other forms of social economy organizations such as community economic development corporations. This was a time of high unemployment in Quebec, which these organizations tried to address. One conservative estimate of the size of the social economy in Quebec today is over 6,250 enterprises, creating more than 65 thousand jobs (Loxley et al., 2007).

The social economy in Quebec developed a sense of unity in 1996 at the *Summit on the Economy and Employment*. The Chantier de l'économie sociale brought together social economy activists to represent their views and advocate for policies promoting the social economy. The Chantier has also helped generate funding for the social economy by creating the financial institution, *Reseau d'investissement social du Quebec (RISQ)*, which raised 10 million dollars from various private and public parties. This institution lends out funds to social enterprises in order to cover the various financing costs associated with launching a business venture. In addition to this source of funding, there exist various other loan

programs in Quebec such as the *Social Economy Fund*, which is a five-year \$225 million fund created by the provincial government (Loxley et al., 2007).

In terms of policy, the provincial government of Quebec has been a key player in promoting the social economy within the province to try and resolve societal problems (Loxley et al., 2007). Quebec has been supporting the social economy for over 100 years and officially introduced it into its public policy in 1996 (Karaphillis, 2010). In the 1990s various plans were implemented for the “development of strategic industrial sectors, the creation of greater regional autonomy, long-term employment and economic development, and the development of workforce professional skills” (Loxley et al., 2007, p. 16). These plans all revolved around social economy objectives. Quebec has also created many favourable regulatory conditions such as tax credits for various organizations in the social economy. It also changed its law to allow its investment arm to provide loan guarantees to social economy enterprises. Policies in some industry sectors are also tied to promoting the social economy. For example, Quebec has voiced its support for daycare services to be provided by non-profits rather than private companies or the state. Other sectors that the social economy is actively involved in due to policy changes are elder care, recycling and social housing. Lastly, Quebec has led the way in terms of policy for the social economy sector because it involves the sector in policy discussions. It works with partners such as the Chantier to create legislation that is favourable to the social economy and will allow it to thrive in the long run (Loxley et al., 2007).

Unfortunately, “Outside of Quebec, the social economy, typically is treated as a set of disparate projects rather than a viable sector worth significant financial support by government and private investors” (Torjman, 2008, p. 5). This attitude, which does not

show any faith in the sector, is prohibiting the social economy from realizing its full potential in other parts of Canada. Until the government and private investors view the social economy as a viable area to conduct sustainable business ventures in, instead of an area where organizations depend on handouts from donors, the social economy cannot flourish.

CHAPTER THREE: METHODOLOGY

3.1 Brief Outline of Study

This Major Research Paper examined the viability of the entrepreneurial model of settlement service delivery. As mentioned above, this model uses business concepts to generate income for a non-profit organization. This profit is then reinvested back into the organization to provide settlement services for new immigrants (Baldwin, 2009). The goal of the project was to determine whether this model is viable in Canada's settlement sector and what aspects determine the success or failure of the enterprises. The initial stance of this paper was in favour of the model's viability in the Canadian settlement sector as there have been successful applications of the model in the past.

Ethnographic research was the primary methodology used for this project. The specific site analyzed, as discussed above, was the non-profit organization in East Toronto called the Riverdale Immigrant Women's Enterprise (RIWE). This non-profit was chosen because it is an immigrant serving agency that is implementing the model of social enterprise. RIWE has experimented with community economic development projects in the past thus it already has experience with managing business ventures.

The very nature of this study was practical. Unlike papers with an academic focus which answer '*to what extent*' or '*why*' questions, this paper aimed to answer a number of '*how*' questions. It provided RIWE with practical recommendations to overcome its internal challenges as well as real life insights learned by other social enterprises. RIWE is ready to launch its additional social enterprises and required my assistance to: gain knowledge on the social enterprise model's challenges/drawbacks; learn from the key success factors of

other social enterprises; and apply my findings to allow its enterprise components to sustain the organization in the long-run.

Below I outline what ethnographic research entails and discuss the specific evidence gathering methods I used throughout the study. Following this, is an examination of the advantages and drawbacks of conducting ethnographic research on one specific case.

3.2 Ethnographic Research

The ethnographic researcher may use many approaches to explore a social group or a cultural tradition; irrespective of the methods used, the aim is to conduct the research in the 'natural context'. Ethnography seeks to enhance our understanding of the real world: it takes into account the flaws, restrictions and opportunities that encompass the lives of the participants. (Serrant-Green, 2007)

For this project ethnographic research was conducted to examine a specific organization implementing various social enterprises. The purpose was to gain an understanding of how the organization operated internally and recognize its various advantages and drawbacks. Once this understanding was gained, recommendations were made to the organization on how it could create successful social enterprises in the future.

Regular visits to the site were made from June to September 2011. Informal discussions were conducted with three staff members and formal interviews were held with one staff member at RIWE. Detailed notes were taken for the formal interviews, which were analysed and compared with the secondary research I conducted as well as with the responses from key informants. As well, observations were made on how staff interacted

with each other and how the organization operated on a daily basis when I visited RIWE. I volunteered at RIWE as well in order to immerse myself in the organization and acquire an understanding of what kinds of issues staff members encounter on a daily basis.

3.3 Evidence Gathering

In terms of evidence gathering, John Gerring mentions that in addition to completing a study on a specific case, a larger analysis of several cases using secondary data is beneficial when using this type of method. For this study this approach was taken. The ethnographic study examined the RIWE, to uncover and understand the organization's culture. I travelled on site, participated in the daily activities, and analyzed company documents which provided insights into how the organization ran internally (Gerring, 2000). But in addition to this field research, secondary data was also collected on similar social enterprises to supplement the primary research. A list of similar social enterprises was generated from internet searches. Further internet research was then conducted on each organization on the list. This secondary data acted as a point of comparison to the data obtained from the primary site.

Additional points of comparison were made with interviews from key informants in the social entrepreneurship sector. A total of three semi-structured interviews were held from June to August 2011. Interviews were held with a social entrepreneur, an individual familiar with the policy realm regarding this area, and a member of a funding organization. A list of questions regarding challenges and benefits in the sector; funding issues; new developments within the sector etc. was prepared. These were used as a base point for discussion and as discussions progressed, new questions were added to the initial list.

Detailed notes were taken during each interview. Throughout the analysis phase, the notes were compared to existing literature before conclusions were drawn.

The findings from secondary research and key informants has allowed RIWE to learn from this research and enrich its future decisions. The information obtained from conducting ethnographic research at RIWE, secondary research, and key informants has provided a more holistic analysis of social entrepreneurship and its effect on settlement service delivery.

3.4 Advantages and Drawbacks of Ethnographic Research

Causal Insight:

The strength of analyzing only one organization can be seen as allowing “one to see a variable ‘x’ and variable ‘y’ interact” (Gerring, 2007, p. 45). It explains the reasons for these correlations, rather than just simply showing how variable ‘x’ affects a variable ‘y.’ Field work in particular, which was conducted for this project, allows a researcher to actually see the general relationships play out in front of him/her. “The field worker literally sees [these relationships] occur” (Gerring, 2007, p. 45). This focused analysis of causal mechanisms is insightful when completing a micro-level analysis, such as the one completed on RIWE. Although the issue of representativeness and applicability to a wider population is questionable in this method, this was not the aim of this portion of the study. This is why I conducted additional secondary research and interviews with key informants. Having these additional points of comparison allowed for my research to be applicable to a wider range of agencies.

Deep Scope of Proposition:

Whether one wishes to take a deep or broad approach will impact the method of choice. Analyzing one case tends to complete an 'intensive' or narrow scope analysis. This is a primary benefit of this method because it has a great amount of depth in its research and aims to explain features of the variables interacting. It is a detailed, rich, and holistic analysis (Gerring, 2007).

Strong Causal Strength:

Causal strength is the magnitude and consistency of variable x's impact on variable 'y.' Gerring explains that weak causal relationships are very difficult to detect in the analysis of one case. For example, if a weak relationship exists between two variables, the likelihood of detecting this relationship is unlikely if only one case is being examined. Analysing one case therefore is generally only useful when a strong causal relationship exists (Gerring, 2007).

3.5 Summary of Methodology

This method, as discussed above, had several advantages and disadvantages. The aim of the study was to see whether the entrepreneurial model of settlement service delivery was viable. Observing the internal workings of a specific organization was a very effective method to learn about what allows it to succeed or fail. Insights learned from this deep analysis of findings allowed the organization to see what practices it should continue or discontinue.

CHAPTER FOUR: ANALYSIS AND RESULTS

4.1 Benefits of Social Enterprises

Sustainable Income Generation:

Sustainable income generation is one of the most attractive aspects of the model. Organizations that are dependent on government funding constantly have to worry about government cuts. Reliance on government funding could result in an organization's demise if this funding is removed. This causes unnecessary stress for individuals running the agencies and is damaging for individuals using the organization's services who have become reliant on them. The social entrepreneurship model tries to mitigate this risk by reducing the reliance on government funding. Thus, if funding cuts occur the organization is still able to survive and continue providing its services.

However, as voiced by interviewees, there seems to be a lack of growth potential for social enterprises. Income generation often is just at a break-even level. As compared to for-profit companies that plough a portion of their profits back into the organization to allow it to grow, a social enterprise uses this profit to provide its services. As such, its operations often remain at a level where it is just covering its expenses. As pointed out by one interviewee, social entrepreneurs are trying to find ways to resolve this issue of a lack of growth because many are finding their operations capping out at a certain level. This prevention of growth forces social enterprises' operations to remain at a smaller scale rather than allowing them to expand to create large scale social change. It is unclear why this lack of growth potential exists. The interviewee in collaboration with other social entrepreneurs has recently brought this up as a challenge in the field and is seeking solutions to allow social enterprises to expand their operations.

More Efficient Use of Government Resources:

A substantial benefit of this model is more efficient use of governmental resources by investing in non-profits that are able to generate their own income and become more independent (Baldwin, 2009). Governments are continuously searching for ways to become more efficient. By aiding social enterprises become resourceful, innovative and self-sufficient, through the use of market strategies the government's long-term funding costs may actually decline because of more cost efficient strategies used by non-profits. As well, additional savings will be realized because investing in agencies that aid newcomers integrate into Canada will reduce other governmental costs such as unemployment or healthcare costs (these will be expanded upon in the following section).

Governments will have to fund the start-up costs for these enterprises to allow them to launch themselves and will have to provide continual support for them. As such, these enterprises should be viewed as long-term investments. Governments cannot be under the impression that they will eventually not have to fund these enterprises. Discussions with interviewees made it evident that ongoing support is necessary to sustain these organizations. Thus, funding requirements will be reduced for governments but cannot be eliminated.

Achievement of Social Mandate:

One of the fundamental benefits of social entrepreneurship is its positive societal impact. Society produces numerous inequalities and forces many individuals into disadvantaged positions. The goal of many social enterprises is to reduce this inequality and give disadvantaged individuals a chance to improve their lives. In particular settlement agencies using a social enterprise strategy are able to provide many beneficial services

such as language training, social skills, job search methods, job experience etc. for new immigrants.

Not only does the model of social entrepreneurship allow for the provision of these short term services, but it also allows for the alleviation of long-term societal challenges. For instance, by providing newcomers with Canadian work experience and aiding them with integration into Canadian society, many long term consequences such as deterioration of psychological or physical health, chronic unemployment, stress etc. can be avoided.

A critique of this model as mentioned earlier is that it takes an organization's focus away from providing some of these essential services towards generating income (mission drift). Discussions with an interviewee revealed that this has not been a significant challenge for this particular social enterprise. As stated by the interviewee, the entire concept of a social enterprise revolves around balancing service provision and income generation. Thus, before the organization even attempts to set up an enterprise, it must create a strategy on how it will achieve this balance. This may not have been an issue for this particular social enterprise, however all social enterprises must keep a close watch on maintaining this balance between income generation and service provision, as potentially straying too far away from the primary mission of the organization is a common drawback of the model (Dees and Anderson, 21).

Employment Opportunities:

In Canada the non-profit sector (excluding hospitals, universities, and colleges) accounted for 2.5% of the country's GDP in 2007 and this percentage is growing at a higher rate than Canada's overall GDP. This sector also employs one million people. Social enterprises require the skills of a wide range of professional levels in order to succeed and

hence provide a valuable source of employment to Canadians (Baldwin, 2009). Economies grow through innovation and successful new business ventures. Therefore, if social business ventures accumulate enough resources to expand their enterprises, then they will create not only large scale social change but also employment opportunities for Canadians.

Social enterprises can be an excellent employment source and skill developer for disadvantaged groups. For example, settlement agencies using this model can hire recent immigrants to run entrepreneurial ventures which can build a variety of skills such as communication skills, service delivery, budgeting etc. These immigrants can then use the skills to build a comprehensive resume when applying for future jobs. This gives them the confidence and Canadian experience that employers tend to look for. Recent immigrants typically experience numerous barriers in the job market, but because social enterprises specifically target improving the lives of disadvantaged groups, these immigrants are more likely to find stable employment through these enterprises.

One interviewee reemphasized the benefit of valuable work experience gained by immigrant clients served by their social enterprise. Clients were able to get involved in various ventures, be remunerated for their efforts, and most importantly gain work experience. This experience has given clients the confidence to work in the Canadian labour force and to feel comfortable participating in job interviews with companies.

However, another interviewee pointed out a risk that this method of employment may pose. If a social enterprise is only able to pay recent immigrants a low wage, it runs the risk of trapping these new immigrants in low income jobs. Rather than assisting them to develop the skills needed to move up in ranks in the workforce, it may unintentionally create an atmosphere where new immigrants become locked into on low income jobs.

4.2 Drawbacks of Social Enterprises

Legislative Barriers:

Interviewees shared the concern of a need for a legislative environment that allowed more flexibility for social enterprises. This sector is largely unrecognized legally. There are no laws or acts which govern the social economy, which makes it difficult for social entrepreneurs to manage their enterprises. Social enterprises commonly become entangled in legal jargon more appropriate for charities or other non-profits and often find these laws to limit their ability to express their entrepreneurial ideas. For example, the chart below lists the common legal structures available to social enterprises, including the benefits of each, but also several drawbacks of these legal forms. This lack of legal recognition is a significant barrier for the social economy to gain status as a viable sector (Karaphillis, 2010).

Examining the federal legislative environment, Bill C-4(the Canada Not-for-profit Corporations Act) attempted to modernize the Canada Corporations Act in order to reflect issues faced by non-profits. However, the act does not mention anything regarding social enterprises. In terms of the provincial legislative environment, various legislative improvements are underway within Ontario (Chung, 2010). Specifically, the *Partnership Project* lead by the Ministry of Citizenship and Immigration is recognizing the importance of this sector and has recommended changes in the legislative environment to make it easier for social entrepreneurs to operate their ventures (Ontario Trillium Foundation, 2011). For now, under current Ontario law, the most common forms of legal structures available for social enterprises include the following:

For-profit: A social enterprise may use this structure if it expects to have many profit making activities that generate as much or almost as much income as regular enterprises.

Pros	Cons
Flexibility in activities entered into	No tax deductible donations as funding
Attracts traditional equity and loans	Restricted from receiving government funding
	As shareholders change, mission may change

Charity: A social enterprise may use this structure if its venture meets the definition of a 'related business' to the charities purpose. As well, more than 90% of individuals employed by this venture must be volunteers.

Pros	Cons
All assets used to achieve social goal	Limitations on business activities entered into
Can issue tax receipts for donations	Limitations on who is employed (volunteers)
Eligible for government grants	Do not grow to their full potential
Does not pay income tax	Limited access to share capital
	Risk aversion to borrowing
	Cannot accumulate profits for future use

Not-for-profit: A social enterprise may use this structure if its activities are compatible with the not-for-profit objectives and is an innovative organization that wants to achieve scale, it may consider this option.

Pros	Cons
Accumulation of excess profits may be permitted	Cannot issue tax receipts for donations, which may impact funding
Generally tax-exempt if purpose is not profit	Will not be able to attract share capital
Not generally restricted from borrowing money	If financially successful, may lose tax-exempt status if profits are beyond what CRA believes is required or if they are for the purpose of funding future capital projects

Co-operative: A social enterprise may use this structure if it wants to provide a set of services to members who have a say in how the organization is run and activities will be run on a cost recovery basis rather than a profit making one, it may consider this option.

Pros	Cons
Structure is well-established	Only suited to a member-run initiative
Reflects concept of benefit to community	Lose status if affairs are not conducted on a co-operative basis
	Lose status if for three years or longer, it has conducted 50% or more of business with nonmembers
	Not necessarily tax exempt

(Chung, 2010)

Lack of Initial Funding:

It is difficult for entrepreneurs to receive financing from financial institutions to fund their ventures. However, at least the option of selling shares to investors to obtain

funding is available to them. Social entrepreneurs normally do not have the advantage of gaining funding through shares because their enterprises are typically incorporated as not-for profit organizations and are legally prohibited to sell shares (Industry Canada, 2011). As well, banks hesitate to fund social enterprises because their organizations commonly run into issues regarding “low profitability, lack of security and personal equity, reliance on grants, low finance expertise, and incomplete business plans” (Karaphillis, 2010). Thus, the barriers to obtaining funding are amplified for social entrepreneurs in comparison to other entrepreneurs making it difficult for their businesses to get underway.

Due to this dilemma, the area of social finance has drawn attention. “Social finance refers to capital that is used to finance social enterprise and social enterprise activities” (Ontario Trillium Foundation, 2011, p. 30). This area of funding allows social enterprises to have access to a range of traditional methods of financing, which are typically not available to non-profits. Social finance includes various instruments such as micro-lending, debt and equity financing, community bonds, etc. (Causeway, 2009).

Another social finance instrument discussed with an expert in the social finance field is known as Social Impact Bonds. This type of financing attracts investors looking for a social as well as a financial return on their investment. It is an agreement between government, private investors, and social service agencies. This financial instrument resembles more of an equity investment rather than debt security. Investors fund agencies and rely on these agencies to meet their social goals in order to realize a return on investment. If the social goals are not realized then investors must absorb the cost of the investment. However, if the social goals are achieved and have saved the government funding costs, the government will pay the investors the amount of the investment with a

return on their investment. The cost savings of this method of financing come from prevention strategies. The prevention of many societal problems may cost a significant amount more upfront, however, in the long-term it leads to cost savings. Social Impact Bonds would provide the upfront funding necessary to pay for prevention strategies that could create long-term societal benefits. As quoted by this key informant, additional drivers that may realize cost savings include the following:

- Funding upfront (provided by private investors) provides the flexibility for the service provider to alter the program if things do not go as planned. This has the potential to lead to cost efficiencies.
- Because the trigger payments (returns) are aligned to a specific outcome metric, investors, government and service providers are motivated around constantly improving the program in an effort to meet or exceed these social outcome targets and cost savings.
- Potentially, using an intermediary to manage the strategy could be more cost efficient than government running or managing the program themselves.
- The increase in funding for the strategy will offer an opportunity to grow a proven prevention model to its full potential. By reaching more target population, cost savings should be realized.
- If/when the prevention model has been proved through the model, government can alter their current funding regime to acknowledge its success and fund what works now, rather than what used to work. This would reduce costs and increase cost efficiency. shift the cost curve.

An additional source of initial financing is a pool of government resources devoted to social enterprises. Quebec has something similar to this already in place. It has created a 10 million dollar government backed capital pool, known as RISQ, which is dedicated to social economy ventures (Karaphillis, 2010). The Ontario government's *Partnership Project* has also examined this method of financing. One of the recommendations of the project was to set up a social innovation fund which could support new ideas and spur innovation amongst non-profits. If implemented, this would provide a significant amount of necessary financing for social entrepreneurs and would spur innovation in the social economy (Ontario Trillium Foundation, 2011).

Lack of Business Expertise:

A concern highlighted during interviews was the lack of business expertise of non-profits who wish to take on social ventures. Non-profits have traditionally been skilled at providing services to vulnerable populations and not at running a business. A recent study examined the perceived business expertise that financial institutions had of social entrepreneurs. It concluded that over 40% of surveyed financial service providers noted that social enterprises tended to have inadequate business plans and finance backgrounds. As well, over 31% had concerns over the management abilities of social entrepreneurs (Karaphillis, 2010).

A limited number of organizations do exist that advise social entrepreneurs with financial and management expertise for little or no cost. MaRS and the Social Economy Centre are two such charitable organizations. They provide social entrepreneurs with the advice they need to create a successful business. MaRS helps entrepreneurs bring their ideas to the marketplace by providing them with business services such as networking,

financing, and legal advice. This is all provided for free and is funded by a combination of private and public resources. Social entrepreneurs go through an online application process to ensure they are eligible for these services and if approved are granted an opportunity to meet with MaRS advisors to obtain business support (MaRS, 2011). The Social Economy Centre provides workshops on various issues related to the social economy and also disseminates research and policy analysis on the sector (Social Economy Centre, 2011). However, these organizations are too few and cannot support every social entrepreneur who needs assistance. As such, a large service gap still exists in the sector.

4.3 Key Success Factors of A Social Enterprise

Key success factors allow a social enterprise to be considered successful. These include: creating social impact; generating income; being innovative; sustainability; networking ability; and considering the business environment.

Creating Social Impact:

Social impact is an important and necessary requirement for a social enterprise to be considered successful. This aspect is central to the purpose of a social enterprise. These organizations have come into existence due to the various social inequalities that exist and their aim is to alleviate some of these gaps. The organization must bring about some sort of benefit to the community or society at large whether it be supporting local artists, aiding new immigrants integrate into Canadian society, or helping people with disabilities obtain employment. This aspect of the organization is commonly part of the social enterprise's vision, thus it must be satisfied. An example of a social enterprise creating widespread social change is the Montreal based non-profit organization Renaissance, which focuses on

improving the lives of socio-economically disadvantaged groups (including new immigrants, unqualified youth, social assistance recipients, and persons with disabilities). Renaissance employs individuals from these groups in its boutique chain of thrift stores, called Fripe-Prix, to provide them with occupational training and a source of stable income. The organization also provides these groups with social and employment training for up to two years after they enter the training program (Renaissance, 2011).

Generating Income:

The ability to generate income to become less reliant on government funding is another important necessity for a social enterprise to be considered successful. Whether it is through the sale of goods/services or through a fee for service structure, the enterprise must bring in revenues to become sustainable in the long run. By diversify its revenue streams by bringing in income from multiple sources, a social enterprise can mitigate risk in case one of these streams is eliminated. Seeking stable sources of revenue, which are collected at regular intervals, further adds to the sustainability of an organization. St. John's bakery—a bakery offering premium organic breads and employing disadvantaged groups such as refugees, people with mental illness, and people struggling with addictions—is an example of a social enterprise marketing its product to a variety of customers. It markets its organic breads not only to the general public directly, but it also markets them to farmer's markets, cafes, and various other retailers. By having multiple customers to sell its products to, it is able to diversify its income sources and hence improve its sustainability (St. Johns Bakery, 2011).

Being Innovative:

Successful social enterprises have the ability to be innovative and flexible in today's market economy (Thurik, 2010). Similar to for-profit ventures, being innovative allows social enterprises to consistently generate new ideas and become competitive. Innovation is a key aspect of entrepreneurship and is especially needed for social enterprises trying to find unique solutions to persisting social problems. Innovation also assists the organization with sustainability as it allows for the generation of new ideas to bring in income. These new income generating ideas can bring in multiple sources of revenue, rather than relying on a single source of government funding. An example of an innovative social enterprise using a unique approach to address social issues is the event Timeraiser. Timeraiser brings together various emerging artists, volunteers, and NGOs in order to promote volunteerism and support the emerging artists' work. It holds an art auction where art work is sold to volunteers in return for volunteer hours that are completed at an NGO rather than in exchange for money. The artists are also paid market value for their work by the organization. The idea is an extremely original and exciting way that brings many stakeholders together to promote volunteerism as well as support emerging artists (Framework, 2011).

Sustainability:

Sustainability is an important requirement for a social enterprise to succeed in the long run. Becoming less dependent on government funding, donors, and/or volunteers allows the social enterprise to be self-sufficient. As such, social enterprises must plan for the future and choose a business venture that will be viable for several years. More independence from governments and funders would also allow the social enterprise to

have greater control over how it runs its operations. This freedom would allow it to become more innovative as well since it would not be constrained by funder requirements. Long-term sustainability is not only important for social enterprise staff members—in terms of preserving their jobs—but is also vital for clients who depend on these services, such as recent immigrants.

Networking Ability:

A significant asset that can allow a social enterprise to be successful is its ability to build a network (Thurik, 2010). Its ability to market itself to donors, customers, and the public will bring more awareness to the organization's mission and help build its clientele. If the income generating ability of the organization depends on selling goods/services to the public, then networking is vital for the social enterprise's success. An extensive network allows an organization to come in contact with more opportunities that it can take advantage of. The importance of building social capital is commonly discussed on an individual level; however, it is also extremely important on an organizational level. Taking advantage of organizations like MaRS can increase a social enterprises network. MaRS provides various resources to social entrepreneurs including, "people, programs, physical facilities, funding and networks," (MaRS, 2011). These services connect social entrepreneurs to various people and networks that can be of use to them in the future to build clientele or expertise.

Considering the Business Environment:

This aspect is beyond the social entrepreneur's control, but should be considered when choosing what type of social enterprise to set up. Ensuring there is a market for what the social enterprise intends on selling is necessary for its success. Ensuring there is a

policy environment set up that supports social enterprise will also contribute to how well it does. A supportive environment may “fulfil an intermediary function by providing training, technical advice, networking or financial planning to compensate for the social entrepreneur’s limited knowledge and expertise” (Thurik, 2010, p. 30). Having a government that supports the field and organizations that promote social entrepreneurship will allow multiple resources to be accessible to the social entrepreneur. Also, ensuring that there is an acceptance of the idea of the social venture undertaken is important (Thurik, 2010). If funders do not agree with the business venture or the cause or do not see the link between the venture and the cause, it may pose difficulties for the social entrepreneur to gain initial funding.

CHAPTER FIVE: EXAMPLE CASE—RIVERDALE IMMIGRANT WOMEN'S ENTERPRISE

5.1 Background

Riverdale Immigrant Women's Centre is a non-profit organization serving immigrant women and is located near Gerrard India Bazaar in East Toronto. It caters primarily to South Asian and Chinese speaking women due to the initial concentration of these groups within this area. The organization has 15 paid staff in addition to several volunteers. Riverdale Immigrant Women's Enterprise is a separate organization that focuses on the development of social enterprises providing hands on placement training to immigrant women. Once successful these enterprises will sustain RIWE services through the generation of income. These ventures are detailed below. However, it should be noted that some of these activities are actually commercial ventures rather than social enterprises. RIWE is where businesses are initiated, organized, and implemented to allow a sustainable source of income to be generated. It has a total of 5 casual staff members in addition to its numerous volunteers.

5.2 The Enterprises

Currently, the revenue generating enterprises RIWE is working on include: the Global Pantry; the Fair Trade Café; the rental of office and event space; and the community kitchen. These initiatives will be located at RIWE's 1326 Gerrard Street East Toronto location, known as "The HUB." The HUB has recently undergone several renovations and will be a space where newcomer women can practice their skills within the enterprises in order to gain work experience. It is an environmentally friendly building which will be used for community, environmental, health and social development projects.

Global Pantry:

This venture allows marginalized women to strengthen their culinary, budgeting, and marketing skills through a catering service. This venture is currently in operation.

Fair Trade Café:

This venture, similar to the *Global Pantry*, assists marginalized women develop various skills, but in a different format—a café. It is not running as of yet, but should begin operations in January 2012.

Rental of Retail, Office, Event Space:

RIWE currently owns its building (“The HUB”) and will rent out parts of the building to generate income. The rental of retail, office, and event space would have a social element tied to it because tenants related to RIWE’s social mission would be considered for the space. This venture is currently functioning as a number of events have already been held on site and tenants are being sought for the rental of retail and office space. It should be noted, however, that this particular venture falls under the category of a commercial venture rather than a social enterprise.

Community Kitchen:

The community kitchen is another rental initiative. Various community events or gatherings that require the use of a kitchen can rent the *Community Kitchen* for the period required. Workshops and cooking classes will also take place here. This venture is currently not running, but should begin operations by January 2012.

5.3 Challenges

Challenges that the RIWE face are consistent with many of the concerns that social enterprises in general experience. The first main barrier the organization has encountered is a lack of funding. This lack of funding has delayed the launch of some of the enterprises for several years now. Funding is still required to finish construction and pay for the organization's capital costs, which is delaying the launch of the enterprises. A lack of funding is also the reason for the closure of some of RIWE's previous enterprises. For example, Copy Chai, one of RIWE's past enterprises, provided printing and photocopying services. This enterprise however, has to operate intermittently based on funding. The second main barrier the organization experiences is a lack of business expertise possessed by staff. Staff are trained in the social services sector and have expertise in providing these services but not on running a business. As such, when given the task to run a social enterprise a skills mismatch occurs. Methods to close this gap are needed in order to ensure the right staff are in place to run the social enterprises. Another need related to business expertise is more thorough business planning for all the enterprises. Currently business plans exist for only a few of the enterprises RIWE intends on running.

The organization would like to determine what new methods of funding are available to it as well as how it can increase the business knowledge of its staff (i.e. advertising, managing, networking) in order to ensure the enterprises' succeed.

5.4 Alternatives

Funding:

There are several alternatives that RIWE can consider in terms of improving its access to financing. These include:

- Private Institutions

Private institutions such as banks or trust companies might be a viable option to consider. As discussed in interviews with RIWE, the majority of capital costs for the organization have already been covered. This is a unique advantage that many social enterprises do not have; thus it would be viewed favourably by banks or trust companies and hence they may be more willing to lend money to RIWE.

- Alternative Methods of Financing

Alternative methods of financing such as social impact bonds which were discussed earlier in this report could be considered. Investors specifically looking at funding social enterprises are rare, but they do exist and should be consulted as a financing option.

- Traditional funders

Traditional funders must also be considered. Various foundations, government agencies, etc. are becoming more interested in social enterprise and are showing interest to fund them. Further, the policy environment is in transition for the social enterprise sector. As already discussed, the *Partnership Project* lead by the Ministry of Citizenship and Immigration has proposed many recommendations that would be favourable for RIWE and other social enterprises (i.e. a social innovation

fund). Close attention should be given to this report to see whether it translates into policy changes which expand funding options within the next few years. Appendix C lists several possible funding organizations that RIWC may wish to contact.

Business Expertise:

RIWE's second challenge is a lack of business expertise among staff members. Options the organization has include:

- Workshops

Seeking the assistance of organizations such as The MaRS Centre or Social Venture Partners that assist social entrepreneurs gain knowledge of business practices would be beneficial. Organizations such as these offer workshops for social entrepreneurs to give them the strong business understanding to run a start-up. Some of these organization's services are free of charge making it financially feasible for RIWE to use their services.

- Post-Secondary Partnerships

RIWE should continue building partnerships with universities and seek the advice of business students. Allowing students to study RIWE as a case study aids the students in meeting their university requirements and benefits RIWE obtain free business advice. Currently, RIWE works closely with a handful of post-secondary schools; expanding their network to the range of colleges and universities near it would be advantageous.

- Hiring Practices

Strategic hiring practices would also be beneficial. Hiring staff that have a proven business background and knowledge of the various aspects required to run a

business is important to ensure that social enterprises are a success. Marketing positions at RIWE to two particular groups would be useful.

The first of which are new immigrants with a strong proven business background. Because many new immigrants encounter difficulties in having their credentials recognized and often require Canadian work experience, RIWE would be an excellent opportunity for them to gain this experience. This would also be consistent with RIWE's mandate in aiding new immigrants.

Secondly, marketing positions to business students at business schools as opposed to on general employment sites would narrow down the pool of candidates. Business students are a valuable resource to tap into as many are exposed to all aspects of a business during their studies rather than just one functional area such as Marketing or Accounting. Salary expenses was brought up as a concern during interviews with RIWE, however, current students or very recent grads may be willing to take a lower salary to get experience in the field.

CHAPTER SIX: RECOMMENDATIONS

6.1 Recommendations for Social Economy Sector

Many of the recommendations coming out of this report are being acknowledged by the Ministry of Citizenship and Immigration's report on the *Partnership Project*. This project was a collaborative eight month initiative launched on March 8th 2010 bringing together the viewpoints of the non-profit sector, funders, the public and a number of other key stakeholders. The focus of the project was to determine ways to improve the relations between the government and the non-profit sector, create policy and legislative changes, find new approaches to financing non-profits, and create more effective policy and research coordination (Ontario Trillium Foundation, 2011). The final report was published earlier this year and is consistent with some of the recommendations this study is proposing. The following are my recommendations which I feel are needed to improve the social economy sector in Ontario to make it more viable for social enterprises:

Community Enterprise Act:

Social enterprises typically are not able to reap the full benefits of entrepreneurship because they are legally restricted by their corporate structure. Some are classified as charities which limit their ability to seek funding from sources such as shares. As my analysis revealed, social enterprises commonly are either formed as for-profits, charities, non-for-profits, or cooperatives. A new legal framework for social enterprises, which can be governed by a Community Enterprise Act such as the one recommended by MaRS for the province of Ontario, would allow social enterprises in the settlement sector to have more freedoms such as access to share capital and tax shelters. This proposal by MaRS was

issued in 2010 and is currently being examined by the Canada Revenue Agency (Karaphillis, 2010).

The *Partnership Project* has also recommended legislative and regulatory barriers to be removed in order to create a friendlier business environment for social entrepreneurs. It did not go as far as recommending an Act, but did recognize that there are serious policy barriers that need re-evaluation. The barriers it is targeting would aid social entrepreneurs gain access to financial capital in order to launch their start-ups (Ontario Trillium Foundation, 2011).

National Social Enterprise Council:

This is a body that can coordinate social enterprises and can advocate for the social economy. It would likely be the connector between the government and social entrepreneurs. Having this council would allow for coordination in the social economy sector because all matters (funding, regulation changes, etc.) related to social entrepreneurship would be dealt by this single body. Currently, there are a number of non-profits representing social enterprises, which creates a patch work of voices in the sector (Canadian CED Network, 2007). The present lack of unity and focus in the social economy is prohibiting it from growing into a viable sector. As such, the sector would benefit from one organization managing and overseeing its growth.

A national social enterprise council would have various divisions, one of which would be responsible for social enterprises in the settlement sector. This would create a managing body that focuses on specific issues encountered by settlement agencies deciding to set up a social enterprise. This division would have individuals familiar with business practices as well as issues in the settlement sector in order to ensure they have a complete

understanding of what agencies in the settlement sector are likely to encounter when setting up a social enterprise.

This recommendation is consistent with the *Partnership Project*. The project recommends setting up a coordinating body for the non-profit sector within government in order to break down the various silos between ministries. This body would address issues relevant to the non-profit sector including issues regarding social entrepreneurship (Ontario Trillium Foundation, 2011).

Investment to Cover Start-Up Costs:

The Ontario government should set aside funds for the social economy sector to assist social entrepreneurs in launching their businesses. Lack of start-up financing is a common concern shared by social entrepreneurs and is a primary reason their social enterprises fail. If a social economy government fund exists such as the one in Quebec, it would mitigate some of the initial risks taken on by social entrepreneurs (Canadian CED Network, 2007). Governments will have to provide ongoing funding for social enterprises, however they will realize cost savings in the long run. Their funding commitments would be reduced (not eliminated) when the social enterprises begin to generate their own income.

Within the *Partnership Project*, a non-profit sector innovation fund was discussed. This would be a fund encouraging innovation that would nurture new ideas. The project also discussed various other funding issues such as connecting social enterprises with social finance initiatives (i.e. community bonds, social impact bonds, interest-free loans) as well with the financial sector as a whole (Ontario Trillium Foundation, 2011).

Social Enterprise Workshops:

To resolve some social entrepreneurs' lack of financial and management expertise, workshops which educate them should be offered. This will provide these individuals (who may have excellent ideas) the business background to make their innovations become a reality (Canadian CED Network, 2007).

A common method businesses use to learn about successful and unsuccessful experiences of other organizations is the case study approach. This approach analyzes best and worst practices used by organizations so that mistakes are not repeated. These analyses should be integrated into the workshops so social entrepreneurs are able to apply the learning to their own businesses (Canadian CED Network, 2007).

Universities may participate in providing some of these workshops as they are already equipped with resources such as business professors and classrooms. These workshops could be offered by business departments, which already provide some of this information to their students. Workshops would have to be practical and applicable to individuals running actual businesses and would also have to consider the tight schedules of the social entrepreneurs. Post-secondary institutions such as the *University of Waterloo* are already showing their support for the field by teaching various courses on social entrepreneurship and conducting research on the sector (University of Waterloo). Thus, offering practical courses for social entrepreneurs themselves would compliment this initiative.

These universities could go a step further and provide classes tailored towards specific industries. For example, classes on social entrepreneurship in the settlement sector would be more useful for settlement agencies rather than a general class on social

entrepreneurship. If there is not enough demand to run these classes, however, than a class on social entrepreneurship can be offered which has weeks devoted to discussing specific industries (i.e. the settlement industry).

The *Partnership Project* briefly touches upon the idea of implementing programs to educate social entrepreneurs with business expertise. This recommendation was made by the Social Finance Task Force in December 2010 and was aimed at all levels of government as well as the financial services sector, in order to assist social entrepreneurs to “to open, operate and scale their business ideas” (Ontario Trillium Foundation, 2011).

The *Partnership Project* has acknowledged many of the issues that are causing barriers for social entrepreneurs in operating their organizations. The report was recently published, thus an implementation plan is yet to be seen. This report is however, a positive demonstration of the commitment by the Ontario government to the promotion of social entrepreneurship. If these recommendations are implemented, the environment for social enterprises will become significantly easier to navigate through. The recommendations the report is proposing will allow Ontario to follow the paths of the United States and European models. Hence, Ontario will be able to learn from the best practices of these other jurisdictions, in order to allow its social economy sector to flourish.

6.2 Recommendations for RIWE

RIWE should not limit itself to only one of these alternatives. These are all valuable recommendations and the more RIWE implements the more likely it will be able to obtain funding and increase the business knowledge within the organization. RIWE may not have

the resources to implement all of the alternatives fully, but it should try and implement as many as it sees feasible.

This is especially true in the case of funding options. Applying to a diverse range of funders will increase the chances of securing the funds it requires to launch its enterprises. It will also build relationships with various financiers, which may prove to be useful in securing future funds. Thus, RIWE should apply to all three methods of financing mentioned above in order to broaden its sources of funding and mitigate the risk of being denied funding by certain sources.

In terms of expanding business expertise, RIWE should send its existing staff to business workshops to expand their expertise on how to run social enterprises. Gaining this basic understanding of business practices will improve their managing, budgeting, marketing etc. abilities which are all necessary requirements in running a business.

RIWE should also revise its hiring practices and aim to hire immigrants with strong business backgrounds and practical experience in running a business. This would be consistent with its mandate to aiding new immigrants integrate into Canadian society and would provide the necessary skilled labour that RIWE requires.

CHAPTER SEVEN: CONCLUSION

The social economy sector is gradually gaining recognition by key stakeholders in English Canada and will hopefully receive the same attention as it does in Quebec, Europe, and the United States. It is gaining recognition through large scale awareness campaigns such as the National Summit of Social Entrepreneurship which was held in Toronto in 2007; through university programs educating students about the model; and through private organizations advocating for the sector. Because the sector has only recently gained popularity in many parts of Canada, it is experiencing several policy and legal changes. These changes need to address issues such as more support for the sector from the government, a more stable initial funding pool, and more educational opportunities for social entrepreneurs. Once these issues are addressed and the social economy becomes established, the sector can learn from its successes and failures to ensure it remains a viable place to conduct business in. The *Partnership Project* is a step in the right direction and is a signal that many of these issues may soon be addressed.

Specifically for the settlement sector this is a hopeful strategy to provide an additional source of income for settlement agencies. Due to the recent cuts in government funding for this sector many settlement agencies require innovative methods to remain in business. Even though many of these organizations are not-for-profits they still require a stable source of income to provide their services. If the government is not willing to be this stable source of income then social entrepreneurship can take its place. Social entrepreneurship will enable these settlement agencies to provide services to recent immigrants and may even offer them an opportunity to become involved with

entrepreneurial ventures enriching their skills and increasing their employability in the future.

With respect to RIWE, social entrepreneurship can assist the organization tackle the constant funding dilemmas it has struggled with over the years. Once the initial challenges of obtaining financing to complete construction at “The Hub” and ensuring that all staff are properly trained with business knowledge are met, RIWE can confidently embark on its new ventures. It can use the insights learned from other social enterprises and experts in the field, which were summarized above to ensure its ventures flourish. Staff members at RIWE have remained very confident throughout this study in their ability to create social enterprises which will have long term success. They recognize that once the initial hurdles have been addressed, their social enterprises will generate a stable source of funding that they have desired for several years now.

APPENDICES

Appendix A



(based on Pestoff, 1992)

Appendix C

	List of Potential Funders
1	Ashoka Foundation
2	Atkinson Foundation
3	Canadian Community Investment Network
4	Centre for Sustainability
5	Community Futures Development Corporations
6	Enterprising Non-Profits
7	Harbinger Foundation
8	Heritage Canada
9	JW McConnell Family Foundation
10	Muttart Foundation
11	Samuel and Saidye Bronfman Family Foundation
12	Social Capital Partners
13	Social Innovation Generation
14	Social Venture Partners
15	The MaRS Centre
16	Toronto Community Foundation
17	Toronto Enterprise Fund
18	Trillium Foundation
19	United Way
20	VanCity Community Foundation

(Ontario CED Event, 2011)

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