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**GOING BEYOND THE BEST INSUFFICIENT OPTION: AN  
EXPLORATION OF SOCIAL ENTREPRENEURSHIP INITIATIVES  
WITHIN TWO NON-PROFIT SOCIAL WELFARE ORGANIZATIONS IN  
ONTARIO**

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GOING BEYOND THE BEST INSUFFICIENT OPTION: AN EXPLORATION OF  
SOCIAL ENTREPRENEURSHIP INITIATIVES WITHIN TWO  
NON-PROFIT SOCIAL WELFARE ORGANIZATIONS  
IN ONTARIO

By

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BSW, University of Pretoria, 2010

THESIS

Submitted to the Faculty of Social Work  
in partial fulfilment of the requirements for

Master of Social Work

Wilfrid Laurier University

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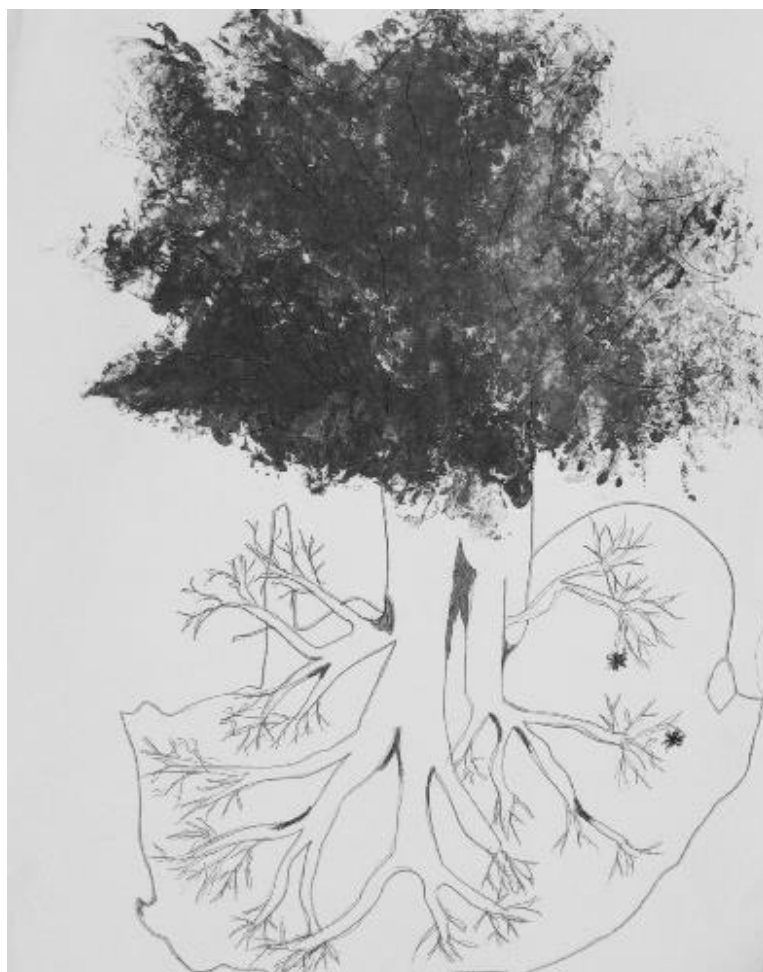


Figure 1: A depiction of my journey from my work experience to my research topic

The figure above is an illustration of my research journey. The outline around the roots of the tree is a geographical representation of South Africa. The roots of the tree have been drawn within the illustration of South Africa, as this is where my journey started. What looks like the roots in this picture are actually the branches of a Baobab tree, which is seen more clearly when the picture is inverted. The Baobab looks like an upside-down tree, with its roots sticking up out of the ground. Baobab trees are enormous trees indigenous to Africa, growing in arid soil in the savannahs. Baobab trees contain great nutritional value and mystical healing properties and therefore are often used in medicines to treat various ailments (Rahul et al., 2015). I felt this African depiction was a good representation of where my journey began. The Baobab tree then flows into the Canadian Maple tree, symbolizing my journey from South Africa to Canada. This represents my growth and transformation through my learning process in Canada (p2).

## Abstract

Facing a backdrop of decreased government funds and an increasing need for services, social service non-profit organizations are struggling to survive and provide services to their communities. One proposed solution to this financial struggle is to generate revenue through social entrepreneurship and social enterprise. Two non-profit organizations in Ontario have engaged in social enterprise and they form the basis for this case study. Adopting a hybrid social enterprise model, Organization X and Housing Corporation A receive revenue from three main sources: government funding, private donations, and profits created through social enterprise activities.

These organizations have managed to broaden their service offering through their social enterprise initiatives and thus provide resources and services for their clients which might not otherwise have been available. Social enterprise has provided these organizations with financial stability, ensuring sustainability for their organizational operations. In this study, the impact of social enterprise on the sustainability of the hybrid social enterprise model is explored through the perceptions and experiences of the leaders in these organizations. The relationship between government and non-profit organizations engaged in social enterprise is also explored, with a particular emphasis on the support and challenges provided by the state. Furthermore, the interplay and tensions between the three sources is explored and analysed.

This study contributes to satisfying the need for research into social enterprise case studies within a Canadian context, attempting to address the research gap as outlined by Cave (2016). During my research, I explore philosophical tensions and moral dilemmas pertaining to the social services sector, the use of social enterprise and the effectiveness of the hybrid social enterprise organizational model.

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To my husband Larry, thank you so much for your endless love, support and encouragement. Thank you for keeping me going through all those tough times, late nights and early mornings. I love you! Your belief in me kept me moving forward. You inspire me to always be better, to push harder and be more.

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To my sister, Ruth, and my brother, Keith, thank you so much for keeping me going throughout the year. Your support meant so much to me. You were a little piece of home I could carry with me in a foreign land. Thank you to all my friends and family back home. You are all forever in my heart. Suid Afrika, jou lekker ding!

To Annie and Tony Shuttleworth, thank you for all your physical, emotional and spiritual support. Your love and generosity has been overwhelming. Thank you!

To Kathy, thank you so much for all your financial and emotional support this past year. My studies were possible because of you. You're the best!

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To all my participants, thank you so much for giving me your time and insights into your experiences. You made this research possible.

To God Almighty, I give you all the honour and the praise for this thesis. You provided me with the means to study, the capacity to write and the strength to push through. I praise your Holy name.

I dedicate this work to my parents, Tony and Pippa, who have sacrificed so much to give me my education and to mould me into the person who I am today. You have both been such a source of love, hope, encouragement and inspiration.

To the love of my life, Larry, who has been my constant encouragement and support.

To all social workers who are willing to go beyond the best insufficient option, to strive for more and do more, I dedicate this work to you.

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## **CHAPTER 1: INTRODUCTION**

### **1.1. Researcher's Perspective**

My journey to this research topic began in my home country: South Africa. After working as a statutory social worker in the foster care sector for four years, I became extremely frustrated with government bureaucracy. I felt that my clients were not able to receive the level of care they needed from me as their social worker. This was, in part, due to the high number of clients on my caseload and, in part, due to the mandated service delivery areas. I felt the government programs were inadequate to meet the needs of the clients. Most clients needed interventions in more than one area and I was only able to provide assistance in one or two, depending on the urgency of their needs. Knowing that I was not meeting the needs of my clients and was not equipped with the necessary tools or programs to do so resulted in feelings of helplessness, inadequacy and failure on my part as a social worker. I would often have to settle for the best inadequate option when assisting my clients.

My frustration and feelings of inadequacy and failure led me to look for alternatives to working within the government system. I began to consider non-profit organizations (NPOs), as an entity which could supplement government services and assist them in meeting the high demand for services. While NPOs appeared to be a good option, their struggle to attain funding was disappointing and disheartening. Many NPOs in South Africa are very reliant on government funding. This heightens the expected accountability, and decreases the discretionary capacity of agencies to direct funds toward emerging issues. About three years ago, a large governmental funding body decided to withdraw funding from certain well-established, NPOs in South Africa in order to fund smaller, alternative NPOs (Ndaliso, 2017). The funding body had been funding the well-established organizations for a number of years.

This caused these organizations to close offices and decrease their provision of services, as they were heavily reliant on this funding body for support.

The predominant reliance of NPOs on external bodies for funding became a concern for me, as service delivery to clients was so heavily affected. Social entrepreneurship was a method I came across during my search which seemed to provide an answer to the funding dilemma. A social entrepreneurial or social enterprise model could decrease the dependence of NPOs on government and external funding bodies, while continuing to provide a regular source of revenue. The social entrepreneurship and social enterprise funding models thus became a very attractive option for me to create sustainability in a non-profit organization, so I decided to focus my research in this area.

The picture on page ii is a depiction of my journey from my work experience to my research topic. The outline around the roots of the tree is a geographical representation of South Africa. The roots of the tree have been drawn within the illustration of South Africa, as this is where my journey started. What looks like the roots in this picture are actually the branches of a Baobab tree, which is seen more clearly when the picture is inverted. The Baobab looks like an upside-down tree, with its roots sticking up out of the ground. Baobab trees are enormous trees indigenous to Africa, growing in arid soil in the savannahs. Baobab trees contain great nutritional value and mystical healing properties and therefore are often used in medicines to treat various ailments (Rahul et al., 2015). I felt this African depiction was a good representation of where my journey began. The Baobab tree then flows into the Canadian Maple tree, symbolizing my journey from South Africa to Canada. This represents my growth and transformation through my learning process in Canada.

As my research stems from a desire to help struggling NPOs become more financially sustainable, I recognise my personal bias and subjectivity with regards to this subject matter. Throughout this research process I have been reflexive of my bias and as such have held

myself accountable to my research participants and the members of my thesis committee by journaling and deconstructing the multiplicity of ideas which have emerged from this research project.

By studying social entrepreneurship in a Canadian context, I hope to gain knowledge and experience that I can share with friends and social workers in South Africa in order to further their knowledge about a possible model for creating financially sustainable organizations. The hybrid model can then be evaluated in a South African context in order to determine if it would be a suitable option to use or not.

## **1.2. Outline of the research study**

In this study, I explore and analyse a case study of a social entrepreneurship organizational structure in Ontario, paying particular attention to the ways in which social entrepreneurship might enable financial sustainability. I analyse the advantages and disadvantages of this legal structure, the support and challenges provided to NPOs by government, the relationship between government and NPOs, and the implications of this model for policy and practice.

Moreover, I explore the moral dilemma of providing added services to clients through funding generated by social enterprise but which contributes to diminished state responsibility for social services. I note that the social welfare structure and system within which NPOs have been established in Canada is ill-equipped with financial tools for sustainability. In my study I wrestle with the philosophical tension of whether the welfare system should be more structured according to a hybrid model, thus allowing access to resources such as greater capital and debt, or whether such a structure would in fact be detrimental to the system, causing more harm than good.

## CHAPTER 2: LITERATURE REVIEW

### 2.1. Introduction

As governments have scaled down, cut back and decentralized services, NPOs and communities have had no choice but to accept increasing responsibility for addressing ongoing, complex social problems (Shier & Handy, 2016). The literature explores the challenges that non-profits face in attaining their objectives while being exposed to a challenging landscape. Within this review the terms non-profit and not-for-profit organizations will be used interchangeably. With an increased demand for social services, the pressure on NPOs has been compounded by funding cuts from government, and private donors, and reductions in granting programs by many large funding organizations and family foundations, as well as stock market declines severely impacting endowment funds built by NPOs (Social Planning Network of Ontario, 2009).

Another aspect with which NPOs struggle is providing for staffing and administrative costs. Due to unpredictable program funding and decreased core funding, organizations are less capable of providing stable jobs, compensation and benefits for their employees (Cave, 2016). This problem is made even more complex with minimum wage legislation in a number of Canadian provinces; a win for employees but a real challenge for non-profit employers. As a result of challenges with funding, charities and NPOs have sought ways to generate new revenues and expand their fundraising base (Social Planning Network of Ontario, 2009).

In the face of decreased funding, I explore social enterprise as a resource to help NPOs increase their funding and sustain their programs. I also explore the definitions of the terms social entrepreneurship, social enterprise and social innovation, I explore the impact of NPOs

incorporating social enterprise within their organizational models on the self-sustainability of NPOs, and investigate the interplay between NPOs and government.

## **2.2. Social Entrepreneurship, Social Enterprise and Social Innovation**

A number of macrostructural factors, such as unemployment, decrease of public funding and increasingly unmet social needs have been identified in the literature and in response have given rise to social enterprise initiatives by NPOs (Brouard, 2007; Defourny, 2009). These factors, in combination with the delegation of responsibility to implement social services, namely from government to NPOs, often without adequate funding according to Goldenberg, Kamoji, Orton and Williamson (2009) have led to NPOs looking for additional funding options in order to remain sustainable. Social enterprise is often seen as an innovative response to the problem of insufficient funds which NPOs frequently experience, especially in the face of decreased government and foundation grants and private donations (Defourny, 2009).

Not only does social enterprise offer additional funding but a secondary benefit exists. This additional funding allows NPOs to be less dependent on government. In addition, less reliance on government funds means that organizations can be more innovative and creative with social programs (Nandan, London, & Bent-Goodley, 2015). Sliva and Hoefler (2016) echo this sentiment and indicate how social enterprise is being used more frequently by NPOs to create new avenues for funding in the wake of decreasing government funds. As a result of the increasing demand for social services, the increase of government delegating responsibility, and the decrease in government funding, NPOs are finding that they can be more innovative and better meet the need by incorporating social enterprise initiatives.

Having worked for the South African provincial government for four years, I found the bureaucracy and the reporting requirements to be arduous and extremely time consuming. This became a great source of frustration to me as I felt a great deal of time and resources



spent on reporting could instead be better spent on directly servicing the clients. From my interviews with participants, it would seem that many of them have had a similar experience in working with government in Canada. The financial benefits of social enterprise appealed to me and presented as a good option for spending more money directly on clients. However, I also feel that government still has a role to play in providing social services to clients, and I thus explored a model which would make provision for the role of government as well as social enterprise.

A definition of social entrepreneurship is provided for the purposes of this study. Nandan et al. (2015) refer to social entrepreneurship as the creation of innovative initiatives to bring about social change and social value. According to Gonzales (2007) social entrepreneurship provides a different perspective from which to understand the ability of NPOs to cope with the opportunities and challenges posed by modernization and globalization. In this way, NPOs can be seen as active change agents who form and design solutions to social problems, adapting and restructuring the ways in which they respond to social problems (Shier & Handy, 2016).

Social entrepreneurship is a form of social innovation. Social innovation is defined as any new idea with the potential to improve a person's quality of life (Shier & Handy, 2016). Another form of social innovation is collective impact. Collective impact is defined by Collaboration for Impact (2017) as being a framework for solving complex and deeply embedded social problems through a creative and innovative, yet structured method for collaborating with partners across various different sectors in order to achieve substantial and long-lasting change.

The term social entrepreneurship is closely linked to the term social enterprise and they are often used interchangeably. However, they differ in important ways. According to Anderson (2014), social entrepreneurship should be viewed in terms of implementation

processes which involve the combination of new, innovative approaches to service delivery, attention to the sustainability of programs, and the implementation of comprehensive business principles in planning and management. Anderson (2014) finds social entrepreneurs to be similar to business entrepreneurs in that they both aggressively take advantage of opportunities and engage in calculated risk for novel purposes. Social entrepreneurs typically engage in commercial activities for social purposes, to drive social change or create social value for underprivileged or marginalized populations, as opposed to purely making profit (Anderson 2014). An example of social entrepreneurship was developed by Kailash Satyarthi, co-recipient of the 2014 Nobel Peace Prize with Malala Yousafzai. After identifying a social need to stop the inhumane practices of child labour used by rug makers in South Asia, Satyarthi founded the non-profit organization, GoodWeave. GoodWeave uses a certification to label rugs manufactured without child labour (Martin & Osberg, 2015).

Although the two terms, social entrepreneurship and social enterprise are slightly different from one another, the terms are often used interchangeably because they both use business for a social mission. Similarly to social entrepreneurship, which is the act of creating a business through an innovative approach to a social problem, social enterprise looks at the operation of a business for a social mission.

According to Phills, Deiglmeier and Miller (2008), social entrepreneurship “focuses on the personal qualities of people who start new organizations, and it celebrates traits like boldness, accountability, resourcefulness, ambition, persistence, and unreasonableness,” (p.36). Social enterprise on the other hand, tends to focus on organizations, with most research on social enterprise focusing on “commercial activities, earned income, and for-profit ventures that give financial and operational support to traditional social service programs” (Phills, Deiglmeier & Miller, 2008, p. 37).

The term social enterprise forms part of a broader, inter-related family of concepts and is often used interchangeably with terms including ‘business for social purpose’, ‘social economy’, and ‘third sector organisations’ amongst others (Czischke, Gruis, & Mullins, 2012). Social enterprise has also been used to refer to NPOs that make use of earned income strategies (Dees, 1998). The beneficiaries of a social enterprise are often an economically disadvantaged or marginalized group of society who do not have the resources to transform their social or economic circumstances without assistance (Martin & Osberg, 2015).

An example of a social enterprise is the Canadian adventure travel company G Adventures. The founder of G Adventures established the Planeterra Foundation, an NPO, which supports marginalised women, youth and indigenous communities through projects in small business creation, healthcare, conservation and emergency response (Planeterra Foundation, 2016). The Foundation receives an annual contribution from G Adventures to support their administrative and operating costs, as well as part of their project costs (Planeterra Foundation, 2016).

According to Czischke et al. (2012) the structure of a social enterprise includes organizations that can be placed along a continuum, from purely profit-driven businesses, to dual-purpose businesses, and NPOs. This can be seen clearly in Figure 2 below.

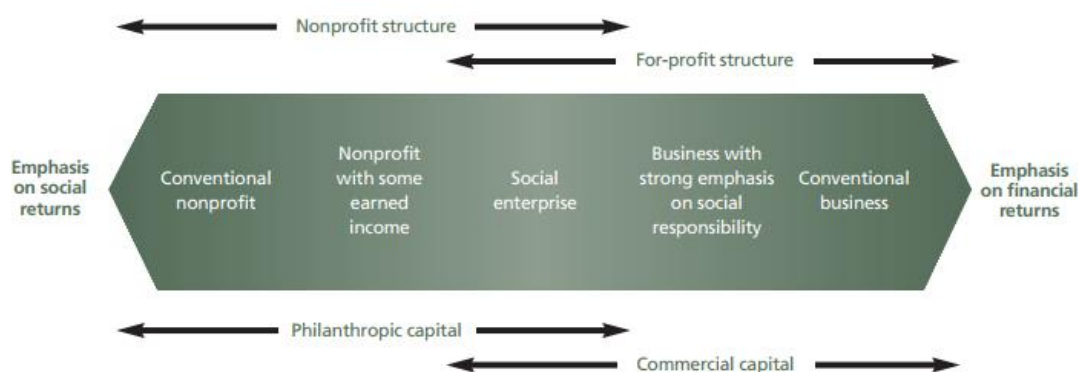


Figure 2: Spectrum of Social and Financial Returns (Chertok, Hamaoui & Jamison, 2008. p.47).

Unlike NPOs, profit-driven businesses often participate in socially beneficial activities like corporate social responsibility or corporate philanthropies but their main mission is to drive profit. These structures are found on the right side of the spectrum or continuum. Interestingly, there has been a shift towards primarily for-profit businesses using a balance scorecard and a corporate social responsibility approach. Increasingly, companies are seen as playing a larger role in society, rather than purely providing profit for shareholders (Sundin, Granlund & Brown, 2010). Purely charitable NPOs operate on the opposite end of the continuum. NPOs engaged in commercial activities that support their mission, also called social purpose organizations, are positioned in the middle of the continuum. Dual-purpose businesses that facilitate profit goals along with social objectives operate between the two extremes and are sometimes known as hybrids (Czischke et al., 2012). This is the area in which social enterprises operate.

Williams and Nadin (2011) refer to the abovementioned continuum as including extremely social entrepreneurship on the one end and extremely commercial entrepreneurship on the other end of the same continuum, rather than two separate entities. As an organization, this continuum is useful in finding a balance between helping clients and remaining self-sustainable as an organization, especially in a capitalist society where government resources are declining. According to Williams and Nadin (2011) most entrepreneurs have both social and financial goals, instead of purely one or the other. The extent to which social entrepreneurship initiatives are able to balance social and financial obligations is crucial to better understanding their contribution to the community and as such, more in depth research is needed in this area (Gonzales, 2007).

### **2.3. Hybrid Organizations and the Third Sector**

Hybrid organizations are entities which combine both for-profit and non-profit principles which results in organizations that conduct business activities with a mission to

address a social need. A similar continuum to Figure 2 above, was developed by Crossan (2007), which Czischke et al. (2012) interpret as implying that social enterprises are hybrid institutions which combine values and activities from government, the market economy and community organizations to various extents. Social enterprise and social entrepreneurship are classified by Mertens (1999) under the encompassing notion of the ‘third sector,’ defined as “a collection of organizations which are neither capitalist nor run by the state” (p. 502). Evers (2005) used the phrase ‘welfare mix’ which portrays the welfare providers of the third sector as operating within a context surrounded by government welfare, non-profit welfare systems and market welfare. This is clearly depicted in the figure below.

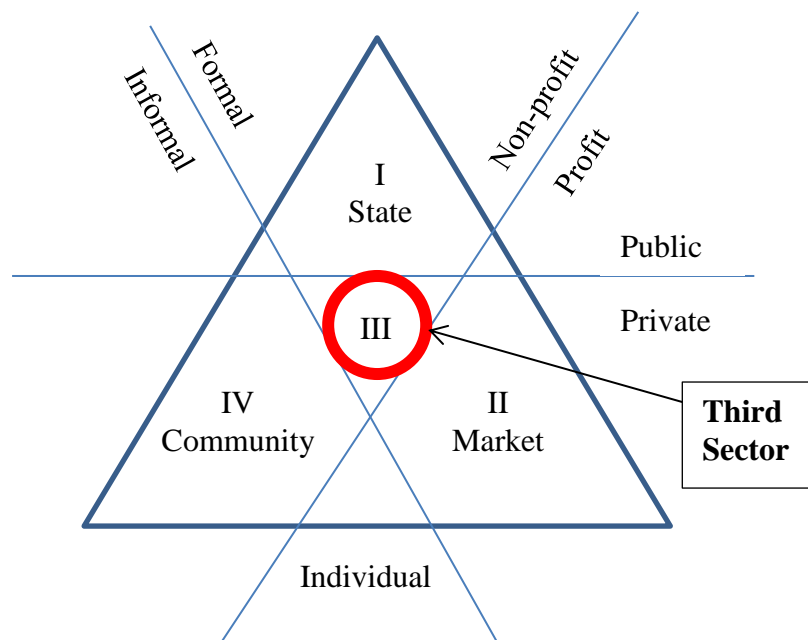


Figure 3: Positioning of the Third Sector. Adapted from Brandsen et al. (2005, p.752).

Figure 3 depicts the ‘third sector’ situated within the intersecting realm of the state, community organizations like NPOs and the market economy. The third sector is characterized by formal, private and non-profit ownership but the boundaries between the sectors are slightly blurred (Czischke et al., 2012). In my opinion, this is what enables third sector organizations to receive funding from all three of the remaining sectors; namely

government funding from the state, profits generated through social enterprise or the market economy, and private donations from the community. NPOs making use of a hybrid model to obtain funding, are located within the third sector and are further explored in this case study.

#### **2.4. The Conflicting Role of Non-Profit Organizational Advocacy**

NPOs play an important role in providing services to the community and advocating for community members. This role needs to be carefully managed as NPOs receive government funding for their services. Shier and Handy (2016) refer to two types of advocacy by NPOs for social change. The first is advocacy for social benefits, in which the government's sense of moral obligation to its citizens is emphasized. NPOs advocate for government to fund social services for service users. The second is advocacy for organizational benefits, in which organizations emphasize adequate and stable funding to support program delivery and to enhance client outcomes.

Shier and Handy (2016) expand on the dichotomous roles which NPOs play with regards to the two types of advocacy. The first role is seen in the advocacy for social benefits. In order to provide services to citizens and meet their moral obligation for the high demand for services, government enlists the services of NPOs to assist them. NPOs in effect, act as an extension of government in this regard, providing services to citizens with funding allocated to them by government. If a population group is not receiving adequate services, NPOs will advocate for government to provide them with the required services. The second role is seen in the advocacy for organizational benefits, where NPOs appeal to government for increased funding in order to provide improved services to clients.

Both roles and both types of advocacies are important to the social service sector but can be difficult to navigate when advocating against one's funding provider. When we look at these two advocacies, it is clear that NPOs and government are very closely linked. It is as a

result of this interplay that makes advocating for both social and organizational benefits a challenge.

## **2.5. Linking Welfare Networks to Government Systems**

According to Bosworth et al. (2016) continued research in linking broader government networks to smaller welfare networks is necessary, especially to guide the construction of policies that illuminate the value of social innovation in a world dominated by economic models of policy evaluation. Gonzales (2007) agrees with Bosworth et al. (2016) suggesting that more research is needed in the realm of linking welfare networks to the government systems in which they are embedded. In addition, Gonzales (2007) asserts that more analysis is needed around the role that government plays in connecting large-scale structural change to the small-scale everyday activities of non-profit social welfare organizations. This links with what Cave (2016) mentions regarding the application of macro level thinking in the daily operations of organizations.

Social Innovation Generation, McConnell Foundation, and the MaRS Centre for Impact Investing have demonstrated strong thought leadership on a sector-wide level, but many organizations are looking for support and resources to apply social innovation tools and concepts on a smaller scale to improve their day-to-day operations and strategic planning. Case studies and success stories are important in demonstrating impact, and in 2016 non-profit leaders and policymakers will continue to seek Canadian examples, models, and templates to help embed social innovation tools in their day-to-day work (Cave, 2016, n.p.).

While a portion of the research and literature on social enterprise was located in a Canadian context (Social Enterprise Council of Canada, 2017; Government of Canada, 2016a), the overwhelming majority of the literature was based on research in either the United States or Europe. According to Goldenberg, Kamoji, Orton and Williamson (2009) most leaders interviewed in their study implied or directly stated that Canada was lagging in terms of social enterprise developments in comparison to other countries. For example, it was

noted that none of the levels of the Canadian government has an office for the purposes of social innovation as a cross-cutting issue. Others suggested that perhaps poorer countries may display a greater cognizance of social enterprise as a vehicle to solve social problems and to create social change.

Goldenberg, Kamoji, Orton and Williamson (2009) and Cave (2016) demonstrate a need for additional research on social enterprise within a Canadian context. Cave (2016) demonstrates a need for additional research case studies on social enterprise within a Canadian context, while Goldenberg, Kamoji, Orton and Williamson (2009) indicate the need which social enterprises are expected to fill through breaching gaps in government service provision. They reveal that “Non-profit organizations, along with social entrepreneurs, social enterprises, and social economy organizations, continue to be a major source of social innovation in Canada, and they are increasingly called upon to fill gaps left by recent government devolution of responsibilities” (Goldenberg, Kamoji, Orton & Williamson, 2009, p.39). I attempt to address this research gap with my study of social enterprise in a Canadian context, as well as explore the relationship between government and NPOs employing social enterprise initiatives.

## **2.6. A Collaborative Approach**

Social entrepreneurship can have a number of benefits on a community but a collaborative approach to problem solving needs to take place. Westley, Zimmerman & Patton (2006) highlight the importance of relationships and collaboration in social innovation and social enterprise initiatives. A collaborative approach between local communities and decision makers is promoted by Bosworth et al. (2016) to identify valuable processes and outcomes for solving social problems. Their study indicates that when rural communities have the space and power to act, they can be innovative. This provides hope for the numerous community initiatives exploring solutions to community problems.



## 2.7. Financial Sustainability

Martin and Osberg (2015) state that social ventures or endeavours must be financially sustainable to be effective. The financial sustainability of an organization is an important factor to consider. Financial sustainability can be defined as the ability to meet financial commitments and service delivery requirements both now and in the future, without continuously causing debt to rise (International Federation of Accountants, 2014; Navarro-Galera, Rodríguez-Bolívar, AlcaideMuñoz, & López-Subires, 2016). It includes the ability to finance services at present without compromising the capacity to do so in the future and to continue providing the same services while maintaining their quality (International Institute for Sustainable Development, 2013; Navarro-Galera, et al., 2016).

According to Martin and Osberg (2015) sustainability is provided through ensuring the benefits of the venture do not depend on a constant flow of subsidies from the state or charitable donations. Sustainability thus refers to the extent that an organization is independent of external resources. Furthermore, the generation of sustainable sources of income reduces the organization's dependence on contributions and grants (Lyons, Joseph, Ann, & Tanya, 2010).

According to Das (2015), financial sustainability is of paramount importance for the successful operation of a social enterprise and is an essential factor in organizational sustainability. Sustainability indicates the capacity of an organization to secure adequate resources to consistently manage its activities and ensure the continuation of organizational survival (Cannon, 2002). To achieve sustainability, the costs of an enterprise should decrease as the number of its beneficiaries increases, permitting the venture to reduce its dependence on charitable or governmental support as it grows (Martin & Osberg, 2015). Social enterprise can support the long-term business success of the organization through the achievement of

financial self-sufficiency (Das, 2015). Financial sustainability in NPOs is thus important to ensure service delivery endures and remains continuous.

Foy Connor and Bent-Goodley (2016) refer to entrepreneurial efforts which contribute to poverty alleviation through asset building, promotion of economic sustainability and human capital development. Financial sustainability and the creation of assets and infrastructure is thus an important part of entrepreneurship and should play a similarly important role in social entrepreneurship and social enterprise. Owning real estate and accumulating assets can be vital to positively impacting an NPO's financial sustainability. Models for property ownership and economic independence can be seen as substitutes for financial empowerment (Roy & Chaudhuri, 2008).

Financial sustainability in NPOs can also lead to community development and sustainability. Community sustainability is defined as the actions of a society to develop solid infrastructure in social, cultural, political and economic development centred on creating long-lasting positive impacts for upcoming generations (Allen, Hetherington, Manyama, Hatfield, & van Marle, 2010). It therefore follows that NPOs with a goal of community sustainability should develop strong economic infrastructure in order to assist their communities in creating sustainability.

## **2.8. Two Opposing Views**

The literature I reviewed offered contrasting views of the benefit of social enterprise and social entrepreneurship in relationship to meeting the needs of society. Pollack and Rossiter (2010) view entrepreneurial endeavours as detrimental to the government's responsibility to meet the needs of the population. They note that entrepreneurship entrenches citizens in social problems by holding the state less accountable for meeting the needs of citizens. Pollack and Rossiter (2010) postulate that neoliberal governments put the responsibility for change on the affected individuals instead of viewing social conditions as a

collective problem to be dealt with by the state. Stark (2010) addresses the view of poverty from a neoliberal perspective as one of fate brought upon by oneself; individuals are seen as responding ineffectively to their own problems instead of the state properly regulating business practices and employment regulations or standards.

According to Pollack and Rossiter (2010) when social problems are viewed from the perspective of individual causes and remedies, the state is held less accountable for providing for the people, focusing on an economic agenda instead of the welfare of its citizens. The state thus fails to provide for its citizens physical and social welfare due to its focus on the economy, free-markets and the maximization of profits (Stark, 2010).

Ferguson (2016) proposes an alternative to the often disparaging view of markets and market forces by social workers in suggesting that social entrepreneurship and supported employment should rather be viewed as resources and tools for social work interventions. Employment and social entrepreneurship could instead be viewed as tools to promote economic well-being and positive mental health. Foy Connor and Bent-Goodley (2016) refer to social entrepreneurship as a distinct form of entrepreneurship with the goal of gathering resources to address social needs. From this perspective, social enterprises contribute to the market economy and provide their own revenue, instead of holding the government accountable or being dependent upon government for the provision of their funding.

While the neoliberal system has many flaws, I am of the opinion that social workers need to be practical and engage in solutions for assisting clients by using the tools at their disposal. Social entrepreneurship is one such tool which can be used to supplement the income of NPOs. While government has a responsibility to provide for its citizens, I do not believe that NPOs should be totally reliant on government for funding. I feel that NPOs should be financially self-sustainable, receiving some funding from government but supplementing this through other means as well.

The social welfare system does not enable NPOs to succeed financially as the system is not designed to assist organizations with tools such as capital, assets and infrastructure. Given the tools to succeed in a neoliberal system, I believe NPOs would be more effective in service delivery to clients as more funding would be used for service provision and less would be focused on administrative purposes. However, the resultant decreased state responsibility remains an issue. The moral dilemma presented here is further explored in this study.

### **2.9. Conclusion**

The terms social entrepreneurship and social enterprise have been defined. According to Phills, Deiglmeier and Miller (2008) social entrepreneurship places an emphasis on the people who start new organizations, while social enterprise places an emphasis on the organization and the commercial activities that support social service organizations. Furthermore, the positioning of social enterprise within the third sector has been explored, making reference to a hybrid social enterprise model which is further explored in this study.

Two very opposing views regarding social entrepreneurship and social enterprise have been expressed in the literature. On the one hand, social entrepreneurship and social enterprise ventures are viewed as a positive force for change (Ferguson, 2016; Foy Connor & Bent-Goodley, 2016) while, on the other hand, they are seen as a detrimental force, further decreasing the responsibility of government in providing services for its citizens (Pollack & Rossiter, 2010; Stark, 2010). If social enterprise leads to diminished state responsibility, as mentioned by Pollack and Rossiter (2010) this raises the possible dilemma of whether NPOs engaged in social enterprise ventures are actually assisting their clients. If social enterprises are holding the state less accountable for meeting the needs of their clients, how are clients benefitting in the long term? To further explore this tension, this study examines the perception and the role of the government, the role of NPOs and the relationship between the government and NPOs involved in social enterprise.

## **CHAPTER 3: CONCEPTUAL FRAMEWORK: INFORMING THEORY AND RESEARCH QUESTION**

### **3.1. Introduction**

While exploring the experiences of NPO leaders, I focus on the specific context in which the hybrid social enterprise model in this case study operates. As this context is influenced by players such as government and the community, the interaction between government and community organizations is analysed. I want to understand the perspectives of the participants with regards to their experiences of social enterprise, the organizational model's relationship to financial sustainability and how this has influenced their delivery of services to their communities.

I have a keen personal interest in the relationship between social entrepreneurship, social work and sustainability, which I want to explore in my research. However, I recognize my own biases and subjectivities with regards to my subject matter, in that my personal, cultural and historical background and experiences will shape my interpretation of the data (Creswell, 2014). This subjectivity demands that I pay attention to the political and social implications of my research, holding me to a high ethical standard. I expect social entrepreneurship to have a positive impact on the self-sustainability of NPOs, and as a result, I will need to ensure that I hold myself accountable for this bias through introspection and honest communication with my thesis committee, ensuring I present both sides of the argument.

### **3.2. Informing Theory**

According to Babbie and Benaquisto (2010) a theory is a set of methodical interconnected statements used to explain an aspect of social life; it aims to explain what we see through the paradigm we use. Pierre Bourdieu's theory of practice is used as the

theoretical framework for this study. In his theory of practice, Bourdieu refers to the logic of the field, also known as field theory. A field is defined as a field of practice (Bourdieu, 1998; English & Ehrich, 2015) or the social structure which surrounds subjects (Dicks, 2010).

Wacquant (2010) refers to Bourdieu's location of non-profit social services within the bureaucratic field, defined as "a splintered space of forces vying over the definition and distribution of public goods" (Wacquant, 2010, p. 200) or in this case, services. It is within this field that non-profit actors seek funding resources and fill gaps in service provision (Woolford & Curran, 2012). NPOs seeking funding through social entrepreneurship or social enterprise are situated within the bureaucratic field of practice. Social service practice and non-profit social enterprise initiatives are thus structured and formed by the boundaries and conditions of the bureaucratic field (Woolford & Curran, 2012).

With the assessment standards of a field of practice being in constant competition, the bureaucratic field is not a fixed area (Woolford & Curran, 2012). Competition over what standards and practices are to be valued within the field takes place (Woolford & Curran, 2012). This competition can be seen in the social services sector through the debate between those in favour of social enterprise and those against it. Any changes as a result of this competition have consequences for the nature of habitus, as parties draw on their dispositional resources to maintain or challenge the new boundaries of the field (Woolford & Curran, 2012).

Two key concepts of field theory are discussed in this section - 'habitus' and 'doxa.' Habitus and doxa are defined by Bourdieu in relation to the field of practice. Habitus refers to a set of "dispositions acquired through experience," also known as one's "feel for the game" (Bourdieu, 1990, p. 9) that allow one to react to situations in the field of practice almost instinctively. Woolford and Curran (2012) liken the operation of the nature of habitus to a

toolset that practitioners can unconsciously draw upon to find success within their environment.

Habitus is a product of one's class background, which according to Bourdieu consists of the power or capital one possesses in terms of one's economic, social, cultural, and symbolic position in society (Bourdieu 1987; Bourdieu & Wacquant, 1992). Various political agencies and actors continuously try to increase their influence in the field of practice of social services through acquiring different forms of capital (English & Ehrich, 2015). With regards to social enterprise, this capital can take the form of knowledge, skills, infrastructure or funding.

Contained within a field of practice is a set of beliefs, referred to by Bourdieu as the concept of doxa or 'the arbitrary rules of the game' (Bourdieu, 1998; Dicks, 2010). According to Bourdieu (1998) a doxa is "a right, correct, dominant vision which has more often than not been imposed through struggles against competing visions" (p. 56). In any field, doxa is seen as being in a constant struggle for legitimacy (Bourdieu, 1998), which implies that it is always being questioned and challenged. This also implies that the entity is constantly using practices to enhance their legitimacy; just as social enterprise is seeking legitimacy as a legal entity through dialogue with government.

Using Pierre Bourdieu's concept of habitus, practices of management by social enterprise organizations can be understood as adaptations in habitus, shaped to a specific and changing field of social practice (Woolford & Curran, 2012). This changing field is the neoliberal restructuring of social services within the bureaucratic field towards a more commercial, business-like and managerial approach (Woolford & Curran, 2012). Bourdieu's theory of practice is used in this study in order to better understand the changing societal context in which hybrid social enterprise organizations operate.

### **3.3. Purpose of the Study, Research Question and Research Objectives**

#### **3.3.1. Purpose of the Study**

Governments, businesses and NPOs have far to go in solving today's complex and wicked problems. The economic recession of 2007 revealed a significant decline in public and private support for social services (Pitt-Catsouphes & Berzin, 2015). Despite decreased funding and increased demand for services, NPOs have had to continue with service provision. This struggle has forced NPOs to seek innovative solutions to survive, especially as decreased funding and an increased social need has created an extremely competitive environment between NPOs (Sigasa, 2015).

According to Statistics Canada (2007) total expenses for the core non-profit sector increased 3.9% in 2007, "reaching \$68.2 billion, up from \$32.4 billion in 1997. Outlays for the overall non-profit sector grew at a faster pace (+6.3%) topping \$159.8 billion in 2007" (p.26). In addition, from 1997 to 2007, "expenses of the core non-profit sector (+7.7%) grew at a faster pace than hospitals, universities and colleges (+6.7%)" (Statistics Canada, 2007, p.28). The expenses of the non-profit sector thus grew more than those of the medical and educational institutions which receive a greater percentage of government funding (Statistics Canada, 2007). In addition, the core non-profit sector relies on a broader group of revenue sources than hospitals, universities and colleges, including corporate donations, donations from households, and membership fees (Statistics Canada, 2007).

In his study, Sigasa (2015) shows that the challenge of accessing funding for social enterprises has an impact on their sustainability. Social enterprises have adopted a hybrid nature in recent years, combining their social change mission with a profit-making mission. This has allowed them to investigate other sources of funding which are normally only open to business enterprises (Sigasa, 2015).



While I acknowledge that system change is needed in the present neoliberal society, and that social enterprise contributes to decreased state responsibility, I am primarily interested in searching for new ways to assist clients in the current reality of decreased funding and increased competition. This creates tension between trying to assist clients through social enterprise and contributing to diminished government responsibility. While this tension is of concern, the hybrid model which the organizations in this case study are using seems to mitigate this challenge to a certain extent. One of the three sources of funding in the hybrid model is government grants. Government support is thus still evident in the hybrid model and is supplemented through social enterprise. Thus government still has a major role to play within this model.

In order to make sense of the relationship between NPOs and government in a social work context, I decided to conduct an in-depth exploration of two non-profit, social service organizations that use social enterprise models; to determine the effect of their hybrid nature on their self-sustainability. As a social worker coming from a country plagued by poverty and inequality, financial sustainability is a very important concept for me. If NPOs can achieve economic sustainability, their services will be more stable and their ability to meet the needs of their clients will improve. I thus decided to explore whether this model would provide financial sustainability or not.

The aim of this study is to analyse the current role of the hybrid social enterprise model and its impact on NPOs, especially with regards to its three main sources of funding. I am interested in exploring non-profit organizational leadership and key informants' perspectives on how social enterprise contributes to achieving their mission to help clients and how it impacts their relationship to government funding and private donations. I am interested to understand if this funding model poses any dilemmas for them and how they make sense of these relationships. I am interested in exploring whether social enterprise has impacted the

financial sustainability of their organizations and whether it has changed their organizational funding trajectories. I will explore how service delivery has changed as a result of social enterprise. This will be done through the exploration of the advantages and disadvantages that a social enterprise model provides to a non-profit organization.

### **3.3.2. Research Question and Objectives**

My research seeks to answer the question: How does social entrepreneurship impact the self-sustainability of non-profit social welfare organizations? My research objectives are aimed at answering this question and include the following: First, to analyse the role of social entrepreneurship within this particular type of model, second to evaluate and explore the perspectives of non-profit organizational leadership and key informants on the advantages and disadvantages of a social entrepreneurship model within a non-profit environment, third, to evaluate the supports and challenges provided by government funding for NPOs, fourth, to evaluate the interplay between government and non-profit social welfare organizations, and last, to consider possible policy implications for social work and social workers. By addressing the above objectives, I will be able to determine whether the hybrid social enterprise model is a suitable option for NPOs seeking to create financial sustainability through social enterprise.

## CHAPTER 4: METHODOLOGY

### 4.1. Research Design

A qualitative research design with a case study approach was used for this study, which was subject to approval by the Wilfrid Laurier University Research Ethics Board. The study focused on two non-profit social welfare organizations in Ontario, Canada. According to Creswell (2014) as well as Babbie and Benaquisto (2010) a case study is a design of inquiry found in many fields, especially evaluation, in which the researcher develops an in-depth analysis of a case or occurrence of a social phenomenon, often a process, event, community, organization, or one or more individuals. According to Babbie and Benaquisto (2010), the main purpose of using a case study approach is to provide rich data for study, focusing on the details of the case. In a complex social phenomenon involving many people, it can be very beneficial to spend a larger amount of time and energy on a single case, permitting a more intensive investigation (Babbie & Benaquisto, 2010). A deep, intensive investigation lends itself well to my study, as it enables me to provide a thorough analysis of social enterprise in a non-profit context.

According to Sharan (1998), through concentration on a single case or phenomenon, the interaction of significant factors characteristic of the case will be uncovered. The purpose in using a case study approach is to formulate a comprehensive understanding of the organizations in the study and to find similarities in the organizational legal structure and practice.

I conducted semi-structured interviews with the leaders of organizations and certain key informants, as this allowed me not only to gather rich data and personal experiences but also to guide the discussion points. I encouraged the interviewees to share their perspectives, narratives and experiences regarding social enterprise within their particular hybrid

organizational model (Wahyuni, 2012). I analysed and explored if and how NPOs can create financial sustainability through social entrepreneurship or social enterprise ventures. This was done by analysing the funding models and legal structures within two organizations in Ontario that focus on social enterprise in a non-profit context. These organizations were chosen for the case study because they had similar successful organizational models. Two organizations were chosen in order to increase the size of the sample pool, as there were a limited number of available participants in leadership positions within one organization.

I analyse two similar social enterprise models in this case study. The first consists of Organization 1 and Housing Corporation A as depicted in Figure 4. Organization 1 is a non-profit organization that delivers care and support services to its clients. Housing Corporation A is the social enterprise which was developed to build, own and manage the affordable housing created for clients serviced by Organization 1. Funds generated through Housing Corporation A, are allocated to Organization 1 for increased service delivery to clients.

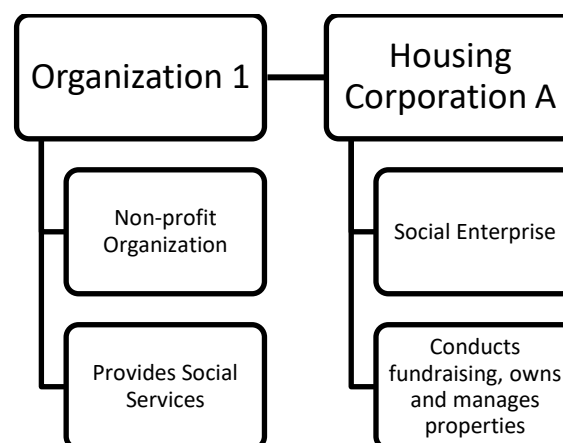


Figure 4: An illustration of the relationship between Organization 1 and Housing Corporation A

The second model consists of Organization X, Organization Y and Foundation Z (Figure 5). Organization X is a hybrid non-profit organization that delivers a broad range of social services to clients. Organization Y is also a non-profit organization but is part of

Foundation Z legally speaking and is managed by them. Organization Y is the social enterprise portion of the model and generates the funds used for programmes and projects through providing for-profit accommodation. Foundation Z is “the fundraising arm of the organization” (Participant 7) as they are responsible for fundraising, collecting funds from Organization Y and allocating funds for projects to Organization X.

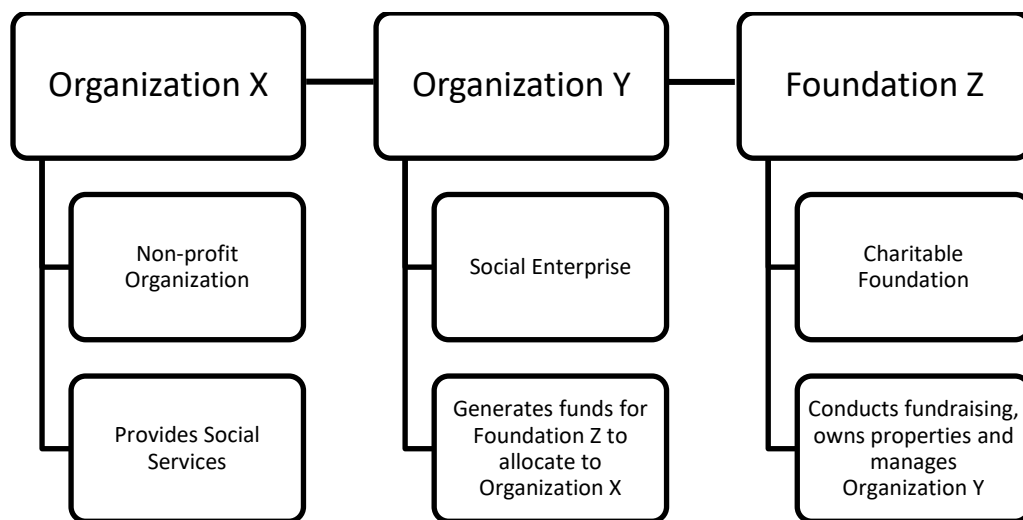


Figure 5: An illustration of the relationship between Organization X, Organization Y and Foundation Z

The above funding models are explained in further detail in Chapter 7.

#### 4.2. Research Sample

A judgment or purposive sampling method was used to select the sample as only specific organizations use a hybrid social enterprise model in Ontario. The sample consisted of key informants, staff in leadership and managerial positions like CEOs, Executive Directors, managers and members of the Boards of Directors, as only employees in leadership positions had access to the financial and legal structures required for the study. A total of fifteen participants were interviewed; five participants from Housing Corporation A, five participants from Organization X, and five key informants.

With backgrounds in business, the non-profit sector, academia, accountancy and social work, the key informants brought a depth of knowledge to the interviews as well as a critical lens through which they interpreted the interview questions. Being removed from the organizations in the case study, they were able to provide a constructive critique of the organizations. The remaining ten participants from the organizations had various backgrounds and professions, which provided a cross-section of information from a number of different sources. Participant's professions included law, academia, finance, business, construction, and psychology. These participants included executive directors, managers, administrators of the NPOs, and members of each organization's board of governors. Of the fifteen participants, ten were males and five were females. Fourteen of the participants were Caucasian, with one person of Colour. Participant's ages were grouped into categories, as shown in the table below:

<b>Age Range (years)</b>	<b>Number of Participants</b>
35 – 40	1
40 – 50	3
50 – 60	4
60 – 70	6
70 – 80	1

Table 1: Table Representing the Age Range of Participants

Limitations of this sampling method include the exclusion of individuals from the sample population due to the judgemental sampling technique and the possible exclusion of rich data from other participants who were not at the management level in the organizations. Furthermore, the homogeneity of the gender, age and race of the research participants, resulted in a non-representative sample.

### **4.3. Data Collection**

#### **4.3.1. Inviting and Recruiting**

Participants were invited to participate in the study via email correspondence. I contacted the CEO or Executive Director of each organization, informed them of my research purposes and requested permission from them to conduct the study. Once permission was obtained, the Executive Director of Housing Corporation A sent out an email to a number of board members asking if they would like to participate in my study. I then followed up with these board members individually and set up appointments to conduct the interviews. With Organization X, the Executive Assistant to the CEO gave me a number of possible participants to contact within their organization, as well as their email addresses. I then contacted each person individually to set up appointments. Suggestions for key informants came from my research supervisor and community members. The key informants were also contacted via email.

#### **4.3.2. Conducting Interviews**

Detailed information from participants was gathered through individual semi-structured interviews. Interviews took place at the organizations in question, in board rooms and offices. Interviews with key informants took place at the Wilfrid Laurier University, Social Work campus in Kitchener, in an interview room or in the office of the key informant. Three telephone interviews were also conducted. I introduced participants to the informed consent document, went through it with them and asked them to sign it (see Appendix 1). Participants were requested to keep any identifying information about other participants or the organizations confidential. The interviews were recorded using an audio recorder and transcribed using Sony Sound Organizer. The voice recorder was checked prior to each interview to ensure it was working and a spare recorder was used in the event the first one failed to record.

Each interview took 60 to 90 minutes to conduct. Participants from Organization X and Housing Corporation A were interviewed using the interview guide for organizations (Appendix 2) and participants who acted as key informants were interviewed using the interview guide for key informants (Appendix 3). As the principal researcher, I conducted and transcribed all the interviews personally. The audio files were removed from the recording device and saved on an external memory stick.

After completion of the transcripts, they were checked against the tapes for accuracy. Member checking was performed and all fifteen participants were asked to review their transcripts to confirm the data was correct and trustworthy. Two participants requested revisions to their transcripts, which have been made. Identifying information concerning the participants or organizations in the transcripts was changed to retain confidentiality, and kept in a separate location to the code key. The audio files were then destroyed and only the transcripts were retained. The transcripts were stored on a password protected memory stick and placed in a locked drawer in the Manulife Centre for Community Health Research office at the Faculty of Social Work. The transcripts from this study will be stored for three years and then deleted or destroyed by one of the employees of the Manulife Centre, who has graciously agreed to delete the files in 2020. The memory stick has been marked with the date and instructions for the destruction of the data.

#### **4.3.3. Data Analysis**

Once the interviews were transcribed, I used NVivo 11 software to analyse the data. The data was organized according to the questions asked and then coded for key words, phrases and commonalities. The data was then categorized into a number of themes and sub-themes, according to patterns and similarities and later categorized again into broader themes. The themes were developed into broad patterns, which were then supported by participants' personal experiences and existing literature on the topics (Creswell, 2014).



#### **4.3.4. Ethical Considerations**

There was minimal risk associated with this study as participants were not exposed to risks greater than the risks that they encountered in their everyday lives. As I interviewed upper-level management and members of the board, there was no risk of stigmatization of participants. Participants were interviewed in their offices or the boardroom, so the interview seemed like an everyday meeting for them. The privacy and confidentiality of the participants was ensured through the removal of all identifying information from the transcripts. The names of the NPOs and the research participants have been kept confidential and participants were requested to keep information regarding other organizations or participants confidential as well. Identifying information was coded and kept in a separate location to the code key and data. The transcripts were safeguarded through a password protected memory stick and kept in a secure location.

Participants were requested to sign a consent form to prove that I had received their informed consent. As the principal researcher, I reviewed the informed consent document with them in order to make sure they understood all the benefits and risks of the research before they signed. I informed participants that they could withdraw from the study at any time as their participation was voluntary. Approval to conduct the interviews was also obtained from both organizations in the case study in order to ensure that they agreed to the interviewing of their staff and the use of their organizational information in the case study.

The benefit of the study is the contribution of knowledge to the social work community. A potential benefit is the adoption of proposed policy recommendations and a financially sustainable legal framework by NPOs. There was no perceived harm associated with the participants involved in the study. In conclusion, the benefits of the study far outweigh any potential harm that might have been caused to the organizations and the participants involved

in the study. Approval from the Wilfrid Laurier University Research Ethics Board was obtained for this study.

## **CHAPTER 5: THE RELATIONSHIP BETWEEN GOVERNMENT AND NON-PROFIT ORGANIZATIONS**

### **5.1. Introduction**

NPOs have a challenging time maintaining financial security. They are often reliant on government funding to provide resources and services to their communities but this does not come without its challenges. One of the challenges is that many NPOs have not received an increase in government funding for the past six to ten years, according to participants. This has become increasingly problematic in the aftermath of the global economic crisis, as they are struggling to survive. A gap in funding is emerging and will continue to grow as governments decrease social spending (Emmet & Emmet, 2015).

Another challenge is that while trying to work with government and partner with them in providing services to the community, NPOs are often required to manage onerous reporting requirements, as well as cope with other adversities. These challenges lead to a strained relationship with government and a negative outcome for the social services sector and its service users as a whole. According to Scott, Tsoukalas, Roberts and Lasby, (2006) “two-thirds of Ontario organizations in receipt of external funding reported that ‘reductions in government funding’ was a problem (68%); four in ten (40%) claimed that it was ‘a serious problem’” (p. 45).

However, some NPOs have taken another approach to generating income for their organizations. In the face of decreased government funding, a number of NPOs have taken a social enterprise approach to increase their revenue. Through this approach, they have diversified their income streams and applied a hybrid or combined funding model. This model consists of revenue generated through three sources, namely social enterprise, private donations, and government funding. While earned income activities have done well,

increasing as a percentage of charitable revenues over the last few years, it is questionable whether they can be expected to fill a gap which is emerging and which will grow as governments cut back on social spending. This is especially true in Canada where charities' efforts to increase earned income are constrained by legislative and regulatory barriers (Emmet & Emmet, 2015). The various sources of funding mentioned in the hybrid model are thus essential for NPOs to remain operational.

Through my research I explore the hybrid funding model as well as the role which social enterprise plays in NPOs. I also explore the relationship between government and NPOs using this funding approach, make suggestions for improvement, and reflect on how it impacts both policy and practice. I begin by providing a broad description of the organizations in this case study. Thereafter, I present each of the themes found in my analysis, namely; the relationship between government and NPOs, the power of language, a sustainable social enterprise model, the interplay between government funding, private donations and social enterprise, and suggestions for an improved working model between NPOs and government.

## **5.2. General Challenges for Non-Profit Organizations**

While speaking to a number of participants, I learned that NPOs face a variety of challenges in operating effectively. These challenges include financial and administrative challenges. First, financial issues include: fundraising of private donations, donor fatigue, and government fatigue or limited interest in supporting NPOs by investors. Additionally, decreased funding resources and a resultant increase in competition between non-profits for the same funding, is a challenge for NPOs. However, not only are NPOs competing amongst each other for funding, they also compete with hospitals, universities and colleges.

“Typically, throughout the period, as much as 81.2% of all government transfers destined for the non-profit sector went to hospitals, universities and colleges, with 60.4%

going to hospitals alone. The remaining nearly one-fifth was received by the core non-profit sector” (Statistics Canada, 2007, p.18). The non-profit sector is thus marginalized in terms of funding but is still expected to deliver services to clients in an effective manner. Furthermore, difficulty accessing debt by NPOs, and no return on investment for investors or debtors presents further challenges. Participants explained that it is difficult to access capital from the banks or investors as NPOs offer a lower rate of return in comparison to for-profit companies.

Second, administrative issues include finding and maintaining a good board of governors/directors, and policy compliance. An issue with policy is that there are loopholes in charitable status law, which make it difficult to know exactly how to comply with the policy. Charitable status laws are quite complicated and unclear in this regard.

### **5.2.1. Difficulty Accessing Debt**

Due to the scope of these different challenges, I have decided to concentrate on the difficulties non-profits have in accessing debt. While debt can be risky, it also increases an organization’s capacity and allows organizations the ability to invest in large projects which require a lot of capital. Building or buying a building, for example, is very difficult to do if an individual or an organization does not have access to capital. While accumulating debt is often thought to be unwise, many businesses have a different perception of debt in my opinion and see it more as a tool to leverage resources, rather than something to avoid. Participant 6 highlights the financial tools that are at the disposal of the private sector. He then contrasts this to limitations that the NPOs face.

In the private sector as I watch what happens there, I find you can issue shares, issue equity, you can issue debt by bonds, you can do all kinds of things. You can find partners who have money, you can go to the bank and just get a loan of some sort, what do you do in the non-profit sector? It’s not equipped to get money to invest in your “business” in quotation marks, so that you can keep progressing and

that's been a repeated and serious challenge throughout my career.  
(Participant 6)

While the private sector is able to access debt, the non-profit system is neither equipped nor able to leverage debt. On one hand banks are often reluctant to loan large sums to NPOs because they often have few assets and no revenue stream to borrow against. Furthermore, NPOs have a difficult time accessing loans from the banks because they earn a low return on investment. Participant 10 expressed his concern:

Banks and venture capitalists will not invest in these guys, in the social entrepreneurs either, because they cannot return, bring the same rate of return on the investments. ROI (return on investment) is much lower because they reinvest money into the organization itself rather than take the money out. (Participant 10)

NPOs which are unable to secure loans from the larger banks may be more successful when approaching smaller financial institutions to secure the necessary funding to complete large projects.

Participant 3 shared his organization's difficulty in securing funds from large banks. He explained that Housing Corporation A struggled to access debt from large institutions, due to their smaller size, but found credit unions to be more amenable to loaning money to NPOs.

Without this financial security acquired through being able to access debt, either from banks or individuals, it is challenging for NPOs to be able to meet all of their financial commitments. NPOs will continue to face challenges in completing projects which require large amounts of funding until they are able to better access and leverage debt.

### **5.3. Challenges with Government**

Participants expressed numerous challenges in working with government. This is seen

in “backbreaking” administration and burdensome reporting requirements, and a large amount of bureaucracy. Furthermore, there are constraining rules and regulations, decreased funding, and a lack of communication between the levels of government. In addition, government shows a lack of vision and leadership, a slow ability to change, and little recognition for social enterprise. Finally, government exposes non-profits to vulnerability due to the associated risk created for organizations when working with government.

### **5.3.1. “Backbreaking” Administration**

NPOs spend a lot of time on fulfilling administrative reporting requirements established by the government. The process of obtaining funding is expensive, which results in less time and money being spent on service users. Three participants share their views on working with government. Each participant outlined what they felt to be costly administrative requirements. Participant 4 reiterates how the more a non-profit organization depends on government funding, the more time the NPO must spend on reporting to government.

The more you’re dependent on government funding, the more you tend to look like government. And what does government look like? Government is incredibly risk adverse, which means government accountability metrics are all over the place. And the more that you rely on government funding, the more you have to report, the more time is actually spent on administration overheads and the less experimental you can be with your program. I think that’s a challenge about relying on government funding. (Participant 4)

While participant 4 outlined the correlation between relying on government funding and the increase in administration overhead expenses, Participant 9 focused on the extensive monitoring and measurement expectations that governments place on NPOs.

We’ve experienced this almost backbreaking administrative challenges that the reporting, monitoring and measurement

expectations of some of the government programs. You know, backbreaking metrics and reporting requirements. (Participant 9)

Participant 13 clearly outlines the high cost an organization must pay when applying for government funding.

It's hard and expensive to get the government funding, so you're chewing up all this money and that kind of stuff and then you have to have audited statements and you need all these requirements that you have to meet to get the government funding a lot of the times. So like for my community service organization, we spend about \$8000 a year on an audit. So you get a \$50 000 grant. I don't know, I don't know if that makes a lot of sense. (Participant 13)

Participants' comments regarding the administration required to secure funding from the government, call into question the benefit of NPOs approaching government for funding as a result of the administrative challenges that accompany the funding. In the face of these challenging administrative requirements, government will need to consider lessening the administrative responsibilities, or NPOs will be required to explore alternative methods to allow them to meet their financial goals.

### **5.3.2. Decreased Funding**

NPOs struggle financially and yet government funding continues to decrease. While it is possible that government recognizes the struggle of NPOs, they have been unable to determine how to balance the provision of funding with accountability and reasonable expectations. Participant 15 shares her experience of decreased government funding with Organization X and outlines the staffing challenges that the decreased funding has caused her organization.



The challenges are either shrinking resources or no increase in resources and higher expectations for lower costs, more accountability, higher targets and sometimes, unrealistic expectations for targets. So our best asset, our most important asset at Organization X are our staff because it's the staff who work shoulder-to-shoulder with the clients that are in distress. So if you can't pay your staff, well you can't keep good staff, the more you want to keep good staff but when you don't get any kind of raise from your main funder, it's harder and harder. (Participant 15)

Organizations struggle to retain good staff members because they are unable to offer adequate and/or competitive compensation, a major challenge for NPOs. Changes in legislation and funding have a large impact on NPOs and their ability to pay their staff.

Government is attempting to improve public service through initiatives like Blueprint 2020, which is a vision for a world-class public service equipped to serve Canadians (Government of Canada, 2016b). While a program like this will allow the government to remain engaged, and improve service delivery, more needs to be done to assist NPOs with the financial challenges they face as a result of changes in legislation like the pay equity initiative and minimum wage.

While dealing with a decrease in funding, the labour laws continue to require organizations to increase their financial contributions to benefit packages, pay equity and minimum wage adjustments. The federal and provincial governments appear to be doing little to offset the negative effect that the additional labour requirements are having on NPOs. Participant 1 draws attention to the consequences caused by the labour laws, and outlines the challenges posed by the pay equity initiative and the escalating benefit program that NPOs must offer.

Over the last six years, we've received NO increase in our operating funding. Our cost of doing business is dramatically affected by the pay equity initiative here in Ontario that's like fifteen years old. The cost of this organization is \$60 000 a year. Ok. We've received no

money to offset that cost. So in the last six years, that's \$360 000 alone that I've had to find. My benefit program that we provide to our employees goes up on average ten to fifteen thousand dollars a year over that time period; that's another \$100 000. Cost of insurance, cost of gas, cost of utilities, etcetera, etcetera, etcetera, so you can see where I'm going with this. Probably our costs have increased over half a million dollars, in that time period. And I've received no new money to manage. 88% of my cost is salaries and benefits. So where else can I find the efficiencies then in salaries and benefits? So any elasticity I had in my budgets, any fat that I had is long gone. (Participant 1)

Participant 1 refers to the difficulty he faces in trying to cut costs in his organization, especially with a large expense like salaries and benefits.

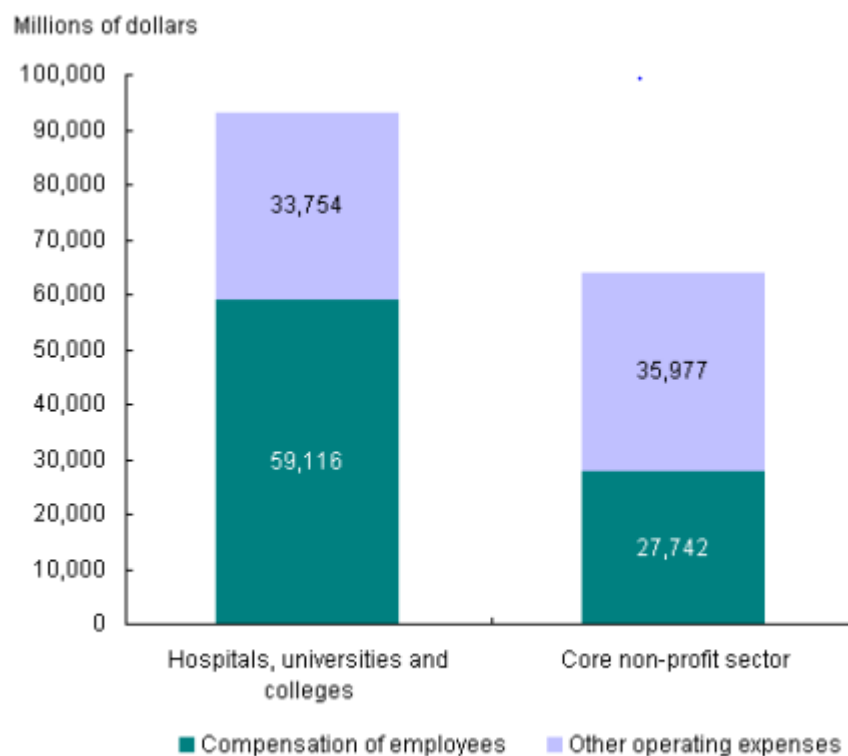


Figure 6: Compensation of employees and other operating expenses (Statistics Canada, 2007, p.28).

Figure 6 shows that the compensation of employees is one of the largest expenses for the core non-profit sector. This expense is difficult to manage with decreased funding for services. Participant 8 also refers to a lack of funding in Organization X:

I don't think we've seen an increase in our funding to our services for more than eight years. So that's significant. (Participant 8)

As evidenced by the participants' comments, NPOs are being exposed to a disconcerting trend. The cost of operating an organization is steadily increasing, while they are not receiving an increase in funding to allow them to meet these elevated costs. Organizations, such as Housing Corporation A are placed in a precarious financial position. Organizations have very little financial flexibility. The decrease in government funding and the increase in the cost of operating a business offer other examples of how NPOs are being strained financially.

### **5.3.3. Constraining Rules and Regulations**

Government often makes NPOs comply with a number of rules and regulations in order to receive government funding. This is particularly true for those NPOs with charitable status. Participants stated that they understood the need for accountability with funding, especially as government funding comes from tax payers. However, they also felt that there were too many regulations in place, and reporting requirements were too complex and incredibly costly in terms of time and money spent by organizations to produce them.

There are the strings attached. So that's number one, number two is the actual amount of work that needs to be done to satisfy our government requirements. So usually you have interim reports, you have final reports and you'd be surprised if your organization's doing any type of significant type of work, putting together that documentation can take weeks, which costs money. It's not free money... you will have a set of requirements as to how you're supposed to work. Second is how you're going to use the money, so what you can use the money for. If for this program, doesn't matter if you finished it and you've achieved some savings, you cannot take the money and use it on another project. It has to stay within the designated fund. (Participant 10)

Extensive documentation may take significant time, which costs money for the organization, in terms of staff salaries. In addition, organizations are unable to spend the money in ways that they feel are appropriate. This concern was reiterated by participant 14, who drew attention to an additional financial concern caused by the constraining rules and regulations. Organizations often struggle to fund their overhead expenses and operating costs. These operating costs are compounded by the government's funding approach. Participant 14 voiced her displeasure with the government being unwilling to fund overhead expenses or capacity building projects for the organization. NPOs thus struggle to invest in their staff through good compensation and training.

The other piece too with government funding is they don't necessarily fund, they fund projects. They don't fund overall overhead or capacity building for the organization so, if an organization is heavily reliant on government funding, there's just not that source of reinvesting in the organization and building that organization's capacity. You're continually doing these projects but you're not actually growing your people or your staff or your team or that sort of thing. So that's the other challenge with receiving just that source. (Participant 14)

Faced with the constraining rules and regulations, NPOs display creativity to allow them to meet their needs. When needing to meet strict requirements for government funding, a participant mentioned how some organizational leaders are savvy, form relationships with government and "create wiggle room for themselves by virtue of how smart they are, knowing how to make a business case, how to position things" (Participant 5). Leaders of organizations must be able to advocate for their organizations and they should consider how their organizational objectives align with that of governments' and present them in a way that is appealing to government.

### 5.3.3.1. Mission Drift Relative to Funding

Five participants mentioned the danger of mission drift when applying for government funding as it can entice organizations to focus on providing services that are not in line with their organizational mission. Non-profits can sometimes warp their organizational mission in order to align it with the goals of the funding for which they can apply.

As an organization receiving government funding, you are sort of beholden to them, so you contort yourself to meeting the goals and objectives of that government funding and sometimes that can lead you down a path of mission drift. So you have to manage that appropriately. (Participant 14)

This sentiment was echoed by Participant 10 who also alluded to mission drift.

Because organizations are so hungry for money, they will take whatever comes. So they see something that has something to do with their mission and vision and they will just apply for it because you can apply to fifteen, twenty programs and you might get one or none. So everybody's trying for everything. The problem with that is that you lose track of your mission and vision. (Participant 10)

The less targeted approach with which NPOs apply for government funding was noted by Participant 10. The desire to increase revenue causes NPOs to apply for funding which would lead them to participate in projects which may not align with their mission. Federal and provincial governments do not provide adequate funding for organizations and as a result they feel pressured to apply for all available government grants. The comments shared by the participants illustrate the problem at hand; namely mission drift, which is a serious concern for NPOs. The dependence of an organization on any dominant funder, such as government, may cause mission drift (Cornforth, 2014, Jones, 2007). NPOs have been created with a specific mission in mind. Rather than pursue funding which does not align with their

organizational goals, NPOs should ensure that they apply for funding which will allow them to meet their mission.

Social enterprise enables organizations to have autonomy over their revenue, whereas government funded organizations are held accountable to government. Government funded organizations are required to comply with government administrative requirements in order to access funds which could potentially distract them from their mission. This is counterintuitive, as these organizations are spending time and money on activities which do not directly benefit their organizations. In contrast to the government funding model, organizations that spend time on social enterprise activities would generate revenue without spending time on additional reporting requirements.

#### **5.3.4. A Slow Ability to Change**

Governments have a slow ability to change, according to participants, which negatively impacts their relationship with NPOs. NPOs will often think of new processes, models or systems which they can implement relatively quickly within their own organizations but when they need to partner with government, any change required is slow and frustrating. Participant 5, a government employee shared insight into the speed with which a government is able to adapt. “We are slow to change, we are so big that we don’t change easily” (Participant 5). She continued by saying “How long will it take us to change our culture, it’ll take some time” (Participant 5).

A government culture which takes a long time to change, clashes with the culture of NPOs which are always trying to change, improve and adapt to survive. In comparison to government, NPOs are able to change relatively quickly due to their small sizes. An additional barrier to change is that government offices are often attractive places to work because they pay well and provide good benefits to their staff. Unfortunately, due to this, employees do not want to leave, and so there are no new people coming in. This makes the

process of change even more difficult as government employees become complacent; set in their ways and resistant to new processes.

Furthermore, the state tends to be sluggish with their administration and implementation. Participant 3 mentioned that “if you talk about the government body they tend to be slow,” especially with regards to administrative processes and the transferring of funds. This is compounded with the issue of bureaucracy and the number of people who are needed to sign off on a decision.

Participant 7 introduced risk aversion as an additional reason for the state’s slow ability to change. Government is often concerned about implementing too many changes, as this could upset voters and decrease their chances of winning the following election.

The government funders, they’re really risk averse. So making changes is, they work, they’re very slow at implementing change like I say because they’re risk averse, because they have an election to worry about every few years. (Participant 7)

A number of participants alluded to government leaders’ concerns regarding elections and how they are often so focused on getting re-elected that they would rather not implement changes which could reflect poorly on them. This dynamic juxtaposes the culture of NPOs which are often ready and willing to make changes quickly for the good of their service users, making it difficult for NPOs to work effectively with the state.

### **5.3.5. A Lack of Recognition for Social Enterprise**

Federal and provincial governments have shown limited support for social enterprise, according to participants, failing to recognize the contribution social enterprise makes to the social services sector. Two participants mentioned that they felt that the government does not understand the social enterprise model. They indicated that the government does not understand or recognize the challenges that they face as a non-profit organization. In

addition, Housing Corporation A shared its model with government officials, explaining how the model could potentially save the government money. Although the model initially received praise from government, this gradually waned and communication between government and the Housing Corporation ceased. Participants indicated that this could be due to the government not properly investigating their model. Failing to investigate the model, may prevent the government from being able to recognize the potential impact that social enterprise can have on communities.

Not that the government has been critical, but to date, there has been little discussion with government officials on how our model might potentially benefit other similar agencies. (Participant 2)

Organization 1 has developed a housing model, which allows their clients to live in an apartment at a lower cost than the comparable government programs. The social enterprise model has allowed Organization 1 to meet their objectives at a much lower cost. Although, a seemingly more effective model that government could easily adopt, Participant 2 indicates that the discussion with government regarding the possible wide-spread adoption of the model has ceased.

I believe that if governments are not willing to spend time investigating potential ways to save government funds and improve on existing models of service delivery, service users are potentially losing out on benefits. This money could be better spent by NPOs that have found more beneficial, cost-effective models of operating their organizations. Government has a responsibility to its citizens to spend public funds appropriately and ensure that models of operation which could save millions of dollars are properly examined, in order to be more widely used.



### 5.3.6. Exposure of Non-Profits to Vulnerability

Participants exposed various risks that NPOs who work with the government should be weary of. Two common points that were mentioned were the instability and temperamental nature of government, and the associated risk created for organizations when working with government. Ten participants alluded to how government is unstable, inconsistent and changing. Governments display their instability during a time of election. When an election takes place and a new party is elected, often the philosophies will change as well. With a change in philosophy often comes a change in funding. The funding will follow the social services which the new government prioritizes, and the priorities are often determined by the philosophy of the political party in power. This is illustrated through Participant 14 below:

Both the organization I ran and ones I've been involved in, they get grants from different levels of government to deliver value to people. And I think that model in particular isn't going to go away, however it's also inherently risky because governments change. So you have to, overnight sometimes I've seen this happen where new government comes in and then these programs are shut down and what does that organization do? So there is a lot of vulnerability in that. (Participant 14)

Participant 14 alludes to the vulnerable position that NPOs face when working with the government, especially with regards to the electoral cycle. NPOs often operate projects for which they depend on a grant from the government. However, once a new government comes to power, they may have different projects which they would like to fund. They may decide to end the funding to the one organization and give it to a different organization. Ultimately, this would place NPOs in a very difficult position, as they will be required to generate the necessary funding which they had previously received from the government.

Moreover, instability for organizations is created by government changing modes of intervention that come into favour and go out of favour again. Participant 9 showed how vulnerability can be created for NPOs in a political atmosphere that is constantly changing.

And of course, governments come and go, priorities change, that's the huge issue is that what might be a priority and trending today, can change totally and government priorities change....The whole fiscal situation could change totally. So there's real vulnerability there.  
(Participant 9)

Participant 9 explains the vulnerability for NPOs when government priorities change. In my opinion, NPOs create strong relationships with their communities when they are able to prove themselves as consistent. This becomes extremely challenging when their funding for programs is inconsistent, the policies surrounding those programs is constantly changing and the various programs themselves are re-prioritized every few years when a new government comes into power.

The changing nature of the government makes it difficult for NPOs to work with them. Participant 6 highlights the difficulty of working with the government, but he underscores the conflict that NPOs face, as the government is the main funder for many NPOs. The inconsistency of government is illustrated by Participant 6 in the following excerpt:

Government is inconsistent, government has become dumber than ever, they say one thing and they do another, they cater to I don't know what, I don't know what they cater to. Doing a deal with government is just so fraught with risks that it's getting to be almost, they're beginning to be almost impossible to work with but we have to work with them because they're our main funder. (Participant 6)

NPOs would prefer not to have to work with such an inconsistent partner, but must do so to ensure they receive the necessary funding.

Not only are governments difficult to work with because they change regularly, but governments slow down the progress of a project as a result of their inconsistent decision-making. Participant 6 stated that when working on a project with government, “they changed the deal” and “they pull[ed] the rug out” from under them. Partnering with an inconsistent partner can thus be counterproductive.

The second main point mentioned by participants, under this theme, was the risk of working with government. This point links very closely to the changing and unstable nature of government, as it is risky for NPOs to invest in projects that they might not be able to follow through on due to changes in government policy. The amount of risk for organizations working with government is evidenced by participant 6.

Just a myriad of risk when you're working with government. (Participant 6)

NPOs are exposed to vulnerability through exposure to high risk. This risk pertains to financial and staff resources. When dealing with large amounts of money, organizations often need to carry the cost of borrowing that money from government. This is a risk for an organization as they often need to pay builders and suppliers out of their own pocket before government pays them out. This is illustrated below:

We built this affordable housing. The government body agreed to give us thirty percent of the total amount towards the build of that. The building's done, it's occupied. I just got a portion of my money, about two thirds of it about a month ago and I'm still waiting on, more than twenty-five percent of the money promised. So who's carrying the cost of that borrowing? I am. (Participant 1)

Many NPOs are only able to afford the building of a new property by borrowing from financial institutions. NPOs that do borrow money from banks or credit unions while waiting for government to repay them are liable for the interest owed to the banks. The organization loses this money, as the government funds that the organization receives, do not cover the cost of borrowing that money. Furthermore, additional staff time may be required while waiting for the government. However, the organization is unable to recover costs for staff time and work conducted on projects.

The inconsistencies in government, and the exposure of NPOs to risk, account for a great deal of vulnerability which NPOs need to manage. The cost of carrying interest rates for money borrowed from the bank, changes and inconsistencies in government and government priorities all contribute to the vulnerability of NPOs working with government.

#### **5.4. Perception of Government**

When asked about the challenges and supports provided to NPOs by government, very few participants mentioned supports provided by government. Challenges in working with government were the main focus of their responses and far outweighed the number of supports. However, most participants mentioned that they perceived the non-profit – government relationship as a partnership, rather than perceiving NPOs to be in competition with government or as an extension of government.

It's a partnership for sure. And I believe that it's a community-based initiative but I think there's a leadership issue for government, it has to identify what those things are that it feels need to be provided in the community but then it, and it sets the policy or the guideline and provides funding for it to happen but then it becomes the responsibility of those community-based organizations to do that work. But I also think that communities and organizations have a responsibility to add to their operations the ability to provide beyond what they're funded, through a more social entrepreneurial or a more business-like undertaking. (Participant 1)

Communities have a role to play in providing services to the broader community and were seen by participant 1 to be responsible for providing funding over and above what the state provided. However, the state was still seen to be the main provider of social service funding. Participants felt strongly that government had a responsibility to provide funding for NPOs.

I see government more as the funder, as the enabler, financially, and as the policy board kind of, if you look at it in a governance model in terms of what they expect. But then once you've done that, then stay out of our business. Let us operate. That's what you've hired us to do and don't set policy and legislation that hampers or hinders us to do the job. And I said it earlier, that really the solution is in a community based model as opposed to a provincial or broader government model, that's a bureaucratic approach to it as opposed to, they enable community based organizations to do it...I think you need to look at this type of grass-roots, type of organizations that are part of the community, whose employees, whose boards are made up of members of the community. There's a far greater benefit, in many ways to operating that way. (Participant 1)

I think that there's an element of responsibility that the government has to ensure these services are delivered. We're already doing the work at a lower rate than what they would do. (Participant 8)

As evidenced above, government is responsible for empowering community organizations through funding and supportive policy, enabling a community approach to service delivery as opposed to a broader government approach. Participant 1 felt strongly that a community based approach to social services was the best approach as community organizations, residents and community members are directly involved in service delivery.

Participant 5 compared the resources in government to the resources which community organizations have to work with. The federal, provincial and municipal governments pay

their employees well and hire well educated employees, thus diminishing the capacity or pool of expertise for NPOs.

In community based organizations, the government tells us you need outcomes, you need measurables, the world has changed tremendously and for the most part, I think they're generally less well equipped from a resource and expertise standpoint to be able to do those things. So it's almost like they're in a no-win situation.  
(Participant 5)

NPOs need additional resources to be able to deliver the outcomes which governments require. A collaborative effort and a strong partnership between government and NPOs is needed to provide holistic, integrated services to community members. While participants reported that their organizations needed more funding from government, they are at least receiving some support in this regard. Government has also provided other supports to organizations. As a government official, Participant 5 mentioned a few changes that government is making to support NPOs. Convening a data sharing platform was one way in which Participant 5 was leveraging government resources to support community organizations.

A second way in which provincial government is making changes to support community organizations is through the collaboration happening within the provincial ministries in Ontario. According to Participant 5, great strides are being made to align and integrate the work of various Ministries so that they are no longer working in separate silos but are working together and communicating better. Government officials are also being given a little more freedom to innovate and take more risks, which enables them to do the same with community organizations.

A third support provided by government and a solution that they are in the process of improving is the process of NPOs receiving funding from a number of different government

departments and ministries. A government body is working on a solution to integrate this service, as mentioned by Participant 5. Organizations which have different contracts for various departments, with different accountabilities and requirements within each contract, will be able to have one contract, incorporating all requirements.

Our ideal state would be we have one contract. Within those contracts, we need to be more flexible in terms of how we allow organizations to meet the individual needs, at the same time requiring some accountabilities and some outcomes. (Participant 5)

By simplifying numerous contracts into one, NPOs will experience greater efficiency and increased administrative support from government. However, governments are not the only entity in this partnership experiencing challenges. A challenge which the regional government deals with, and which impacts on their ability to serve the community, is the lack of funding which they themselves receive from a higher level of government. This is explained in the quotation below:

They (NPOs) would tell you that we don't provide funding at an appropriate level and we'll say the same thing. So the community organizations would say it about us, we'd say it about the level of government above us; you don't understand how much work we have, you're not flowing enough funding for us to do that, so the demands increase and the actual funding stays pretty static, which actually means that they're decreasing. (Participant 5)

Certain smaller levels of government feel they are doing their best to serve the community with the resources they have. Unfortunately, many local governments are dealing with many of the same challenges as NPOs, and cannot do more without additional funding from the provincial government. A strong partnership between the various levels of

government, as well as a strong partnership between government and community organizations is thus needed in order to effectively deliver services to clients.



## CHAPTER 6: THE POWER OF LANGUAGE

### 6.1. Introduction

Defining terms is an important practice, as people will often interpret meanings differently, with the same term meaning different things to different people. Participants were asked to define the terms, social entrepreneurship and social enterprise. Most participants seemed to understand the two terms, 'social entrepreneurship' and 'social enterprise' as having the same meaning. According to Czischke, Gruis, and Mullins (2012), the term social enterprise is used within a family of related concepts and is used inconsistently with terms such as 'business for social purpose' or 'social economy enterprises', often as a result of varying national institutional and legal frameworks. It then follows that the term social enterprise is often used interchangeably with other similar terms such as social entrepreneurship. However, a few definitions given by participants stood out from the rest and a clear distinction was made between the two terms by two participants.

### 6.2. Defining Social Entrepreneurship

A business-like approach is often used to define social entrepreneurship. Participant 7 described the term in relation to an innovation and learning culture. Participant 4 perceived the two terms, social entrepreneurship and social enterprise, as distinct but related and defined social entrepreneurship as actually encompassing social enterprise. He too defined social entrepreneurship from an opportunistic, business-like lens that is often used to define entrepreneurship in the business sector. It is worth noting that Participant 4 refers to a social entrepreneur, during his definition of social entrepreneurship, as someone who engages in social entrepreneurship.

Social entrepreneurship I actually think is a bit broader, in terms of its application. I view that as being entrepreneurship with the intention of advancing social or ecological goals. And the reason I

say that's a bit different is because I think that a very problem oriented social entrepreneur is one who's going to look at the landscape of opportunities in front of them and will behave accordingly to where the best possible way of advancing their cause is, which could be starting a new organization, could be increase in the capacity of an existing organization, could be going directly to try and do public policy change. So a committed social entrepreneur is one who is going to go through the process of trying to discover where the best opportunities to make their desired social change are and act upon those, not necessarily as someone who wants to start or adapt an enterprise and so that it is both, for-profit and also able to achieve a social outcome. That might be an approach that they want to take but it's not necessarily the approach. (Participant 4)

Participant 4 emphasizes that a social entrepreneur is someone who sees what opportunities are available for business creation and selects the best opportunities for their purposes. This may involve starting a new business or adapting an existing one for the purpose of carrying out social change. This is similar to how Anderson (2014) defines social entrepreneurs where he states that they are similar to business entrepreneurs in that they both aggressively take advantage of opportunities, and they engage in calculated risk to create social value.

In contrast, Participant 14 mentioned that social entrepreneurship emphasizes the importance of the end goal, which aims to make an impact on an environmental or social problem. In addition, Participant 14 suggested which activities would need to be arranged in order to bring about this impact on a problem.

When faced with a question like this and trying to define it, I really try and put the emphasis on "what's the end goal here?" in terms of what are we trying to achieve? So by social entrepreneurship I think that that is very much a mind-set. It comes down to, I see that in my students every day, they're driven by these core set of values of wanting to make a significant impact on a pressing environmental or a societal problem. And so social entrepreneurship is a mind-set for them to start bringing forward that change in whatever form that change might take. So it can be the whole range of different types of ventures or it could end up being campaigns, projects, policy

changes as well. So I believe in diversity (laughs) and the end goal on that. I think it can take many paths. (Participant 14)

While social entrepreneurship might take on many different forms, participants also defined social enterprise differently. Some participants really struggled to define the term but again, it was found to have a variety of meanings. This is also common in the literature that I explored. Anderson (2014) too comments on the fact that the term social entrepreneurship does not have one definition, describing it as being “loosely and variably defined.” Judging by what Participant 4, Participant 14 and what Anderson have said, there is no uniform definition of social entrepreneurship.

### **6.3. Defining Social Enterprise**

Six participants gave definitions of social enterprise that had three elements in common, namely the revenue it generates, the sustainability it provides and the social or environmental impact it has on the community. These elements are evident in the quotes below:

I see social enterprise as an organization, that has a, fundamentally a social or environmental mandate that they are trying to fulfil and are open to fulfilling that mandate using means that often involve the selling of goods and services in a way that can keep the organization economically sustainable as well as something that is positive social and environmentally too. (Participant 4)

I really love that term social enterprise or social business because to me, very simply it means doing two things; being very committed to achieving and advancing a social mission and at the same time, being profitable and making money and sustainable but doing both together is my definition of social businesses or social entrepreneurship or social enterprises. Both seeking to achieve a social mission or doing good and being profitable or making money together. (Participant 9)

Participants 4 and 9 emphasized the importance of sustainably making money in

combination with making a social impact in their definitions of social enterprise. Similarly, Participant 6 gave a definition that had the three common elements of profits, impact and sustainability described above. However, his definition of social enterprise was rather unique and specific to Organization X.

It's a difficult term to describe because I find it can be something small, it can be something big, it's an all-encompassing term. But the way we've come to understand it, it's a way of, in our case beginning, starting a business or a practice which does serve society in some useful and real way. Hopefully in a way that can be classed as a charitable act or from the definition of, from a legal point of view so that you know you're truly a charity. But also has a return on investment but not just a return on investment, one which is substantial enough to be useful to you. Which is worth, in other words, in quotation marks "profits" or surplus or economic rent is big enough, large enough that it can sustain you and is net of all the efforts that you put into it. That's the part that isn't understood very well, it's got to be a net gain for the organization. (Participant 6)

In his definition, Participant 6 demonstrated the importance of ensuring a return on investment and a net gain to the organization from a social enterprise. In other words, income that is able to sustain the organization once all the expenses have been deducted. Another common definition included the independence from government that social enterprise provides in the sense that an organization is not totally dependent on government funding. This is evidenced by Participant 3.

To me it would be going out now and figuring out ways to make these organizations work without having to rely a hundred percent on government funding, that's the whole thing. Being self-sustainable, coming up with unique ideas, unique ways to fund so that you're not relying on government funding. (Participant 3)

Participant 3 mentioned the importance of being self-sustainable as an organization and finding creative ways to generate funding, so as not to be totally dependent on the government for funding. This reveals the entrepreneurial mind-set of those engaging in social enterprise, through searching for new, innovative approaches to make money for an organization.

When defining social enterprise, Participant 14 referred to the social enterprise continuum, as explained by Czischke, et al. (2012) above. Some businesses have a very profit-driven focus, as shown when slightly right of the centre on the continuum (see figure 2), while others have more of a social or environmental focus, as shown when slightly left of the centre. However, both of these elements were important in the business' mission, which was emphasized by Participant 10.

In addition, Participant 14 referred to the tension and the challenges of defining a social enterprise and posed the question of whether a big business or superstore that has an impact on the community can also be defined as a social enterprise? This is also an issue which is debated in Czischke, et al. (2012). I am of the opinion that such superstores should be defined as businesses with a sense of corporate social responsibility and do not fit the definition of a social enterprise, as driving profit is their first priority and making a social impact is more of a by-product instead of a core part of their mission.

The motives and priorities of an enterprise are fundamental to determining whether it is a social enterprise. According to Diochon and Anderson (2011) traditional business has the primary motive of generating a profit, whereas social enterprises use a profit mindset to achieve altruistic purposes. Social enterprises thus use the knowledge, skills, and attitudes of a traditional business mentality for social and environmental purposes. Diochon and Anderson capture the essence of the difference between business and social enterprise and reveal the importance of the purposes for which profits are used.

#### 6.4. The Term Non-Profit

I found it interesting that two participants mentioned they did not like the term 'non-profit' or 'not-for-profit,' preferring instead to use terms like 'social benefit organizations' or 'social businesses' or the 'social sector'. This was mainly due to the connotations of the term and revealed that these participants were in favour of a business-like approach to non-profit work, as they valued the profit-creation aspect of an enterprise in order to create social value.

I don't like the name "non-profit" (laughs). I think that's a very huge, it's a legacy name obviously. But I think it also weighs down the sector in terms of its mind-set on how it can be innovative and how it can look at its business models and generate revenue. Because it has to generate forms of revenue in order to have a sustained impact over time. So I really, I just detest (laughs) the word "non-profit" and I know we use it for legacy reasons as well but I've seen other words like "social benefit organizations" or these sorts of things.  
(Participant 14)

Participant 9 mentioned a similar dislike for the term:

I don't even like the term not-for-profit, I prefer to use, to call businesses, business like they're social businesses or social enterprises or just the social sector. (Participant 9)

Both of these definitions refer to how the terms 'non-profit' or 'not-for-profit' limit the social sector in terms of revenue generation strategies. I believe that the capacity of NPOs should be improved through policy, in order to generate forms of revenue which will assist them in delivering services to the community. Improved policy will thus remove limitations for social enterprises and ensure better regulations for revenue generation.

## 6.5. Conclusion

The terms ‘social entrepreneurship,’ ‘social enterprise,’ and ‘non-profit’ have been examined and defined in this chapter. I find the definitions mentioned by participants to be reflective of my own opinions and definitions of the three terms. First, social entrepreneurship is the activity in which a social entrepreneur engages, through selecting the best opportunity for advancing their particular social mission. Second, I feel it is important for social enterprise to encompass the three elements of revenue generation, sustainability and social impact, in order to have a continuous impact over time. Third, I also agree that the term ‘non-profit’ is limiting in its application and that enhancements need to be made in the social service sector in order to improve the impact which NPOs can make in their communities.

The following chapter examines the hybrid social enterprise model used by the organizations in this case study.

## CHAPTER 7: A SUSTAINABLE SOCIAL ENTERPRISE MODEL

### 7.1. How the Model Works to Generate Revenue

Both organizations included in this case study use a hybrid social enterprise model. By this I mean that they rely on a combination of funding streams to support their organization's activities. These organizations rely upon government funding, private donations, as well as 'profits' or revenue generated through social enterprise. Below is a description of how the model works.

Participant 1 gave a detailed description of how Organization 1's social enterprise model works and how Housing Corporation A fits in.

We realized that if we, if the association built this place, government policy said that where you're a transfer payment agency receiving funds from the government, if they were to have built this place, then any of the revenues that came in had to be put against the subsidy to operate the services provided in it. So in other words, the association would have spent all of its money on building this place but that would have been the end of the investment. They would have seen no return on it. So the alternate model was to create the not-for-profit housing corporation, total separate, apart, with a mandate that supports the housing need, and then the revenue's retained. So in essence then what happened was the association created the new corporation and then once the new corporation was established, the association loaned its 1.7 million to the new housing corporation to build the assisted living centre. So that was the start of the business model. And so then a mortgage is held between the two corporations and the profits of the housing corporation go back to Organization 1 to pay against the mortgage. So that is the business model. The business model is you create the housing and your source of revenue is from the rents and typically the rents are in excess of what it cost to operate the housing because the housing corporation does not deliver service, it only provides the housing. So at the end of the day, there's a net profit from the operation of the buildings that is yours to keep, like in any business. If you built an apartment building, it would be the same deal. My rents exceed the cost to operate the mortgage to pay the debt and to operate the building and so after all that's done, this is mine. And that's the model. It's that simple. And then of course the more housing we create, the more rent revenue you generate, the



more profit there is after cost to operate. It's really that simple.  
(Participant 1)

The model thus works through the integration of two NPOs. Housing Corporation A generates revenue through the creation of affordable housing units which they rent out to service users. After costs are deducted from the revenue, the 'profits' are then used to pay back the debt loaned from Organization 1 and to reinvest it in programs and services. Additionally, Organization 1 pays rent for office space to Housing Corporation A, which enables these funds to remain within the model.

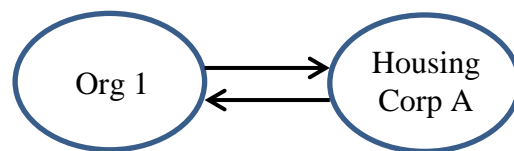


Figure 7: The Flow of Funds in Organization 1

Figure 7 illustrates the flow of funds from Organization 1 to Housing Corporation A in the form of a loan for the buildings of Housing Corporation A and for rental income for office space. The funds generated through the social enterprise model of Housing Corporation A are then flowed back into Organization 1 in the form of products and services.

I was interested to find out why a separate non-profit association needed to be set up to run the social enterprise (Housing Corporation A), instead of the first NPO already in existence (Organization 1) performing the social enterprise. A separate housing corporation needed to be established in order for the organization to retain their investment in the property.

According to Participant 1, policy states that any rental income created by the building would need to be used to offset the total cost to operate Organization 1 and could not be used to pay staff salaries or a mortgage. Government would consider the rental income as part of the total cost needed to operate Organization 1 and they would thus decrease their government funding or subsidy. If, however, the rental income went into Housing Corporation A instead, Organization 1's government subsidy would not be decreased. This would then allow Housing Corporation A to invest in its infrastructure and resources and leverage the extra income it created to grow its financial resources to further support Organization 1. An illustration is given by Participant 1 below:

The cost of operating this building, let's say it was a million dollars a year and it brought in \$100 000 in rent, then they would give me 900 000 and that other 100 000 would have to go offset the balance of the cost. The other way is, is it doesn't affect my subsidy because let's say the subsidy that they gave me at the time to serve all of those people was a million dollars and I needed a million dollars, they'd go 'No, no, no, no, no, no, we're renegotiating here. What's the rent? Well its 100 000. Ok, we're now giving you 900 000 because the 100 000 completes the million that you need. Thank you very much for building this beautiful building and giving me back \$100 000'. No, we're not going to do that. Not only that, but the wealth is gone. We've invested one time. This way, the money keeps returning.  
(Participant 1)

NPOs find themselves in challenging situations financially. Government funding has decreased over the past few years but any revenue that is generated by the NPO, whether through social enterprise or other means, is placed against the total cost to operate the organization. This means that organizations are disadvantaged on both fronts. The government funding has decreased and any funding generated by the organization is generally unable to be retained by the organization for further use.

NPOs will often think of creative solutions to problems in their community and take on the financial risk to implement them. However, once extra income or savings are created, government is very quick to take those savings and divert them elsewhere. If a non-profit organization is able to invest in itself, grow its income and increase its resources, is it not acting as a good steward of those financial resources? Why then would government neglect to reward such organizations and invest in them further since they have clearly been faithful with the resources they have been given? This was the attitude that came through very strongly in my interview with Participant 1.

A comparison is drawn by Participant 1 between the transfer payment agency model and the hybrid social enterprise model which has been implemented through Housing Corporation A. This comparison relates to the broad number of government, business and community partners which were included in the social enterprise model.

And so it started out as two partners, Organization 1 and the new housing corporation, Housing Corporation A, which is the entrepreneurial arm. And now, it's broadened to a government body, two universities, a family trust foundation, benefactors to education, a car manufacturer, we got a whole new realm of partners that never existed, we didn't have any outside partners, our only other partner prior to that was the government of Ontario and us. That was it. Now look at the difference in the entrepreneurial model created versus that traditional, two partner transfer payment agencies. (Participant 1)

While drawing attention to the collaboration between community partners, the above quote also refers to the financial sustainability created through the social enterprise model. If the money keeps returning, as explained by Participant 1, then the investment in the building is retained and the rent revenue generated can then sustain some of the operating costs of the organization.

When asked to explain more about the profit creation side of the model, Participant 12 showed the true social entrepreneurial nature of Housing Corporation A, in that any profit generated is put back into the organization to assist clients.

We don't have any profit-driven strategic plan or profit-driven philosophy if you will. The only thing that provides a profit is in fact our model and any profit that is generated is put back into the model to support its operating costs or to be set aside for expansion of the physical plans and thus the expansion of the model. So in the pure sense we don't, we have no desire to make money, we only think that once in order to continue our model, we need to have some profits to look after outstanding debts but there is no need to generate a profit mission. (Participant 12)

Participant 12 contrasts the profit focus of a typical business with the mission of Housing Corporation A, which focuses on generating revenue strictly to support the organization's social mission. It is important to note that revenue generated through the social enterprise is used for the social mission, not for staff gain.

Participant 3 explains in more detail, the necessity for creating a separate non-profit organization, in order to keep the money generated through the social enterprise within that entity.

The idea was to be more independent and be more self-sustaining than they may have been otherwise and to build this model where we in fact, we being the organization owned the land, owned the property and then built the buildings, which is, almost unheard of. And attracting the residents after that and then it becomes, the rent is used to, the rent, which I guess is driven mostly by the government (through social assistance supports to the residents), would be used to support the buildings and eventually even become a little bit of a profit centre, if that, although that's not the mandate but at least to break even. (Participant 3)

Participant 3 draws attention to the need of Organization 1 to be self-sustainable. Through the creation of Housing Corporation A, Organization 1 would ensure the continued provision of funds through the rent revenue. Additionally, the social enterprise would ensure the ownership of assets, infrastructure and economic capital. According to Bourdieu the more capital one possesses, the more successful they will be in that field by drawing on the resources of their personal ‘toolbox’ (Woolford & Curran, 2012). Increasing the economic capital of Organization 1 through the creation of Housing Corporation A thus contributes to its economic success.

A similar hybrid model is used by Organization X, in that it also has two separate entities. The reason for this was explained by Participant 15, who shared about the philosophy of the founding leaders of Organization X. Organization X wanted to be less dependent on government funding and protect themselves from the risk and inconsistency associated with relying on government. Out of this thinking, Organization Y and the social enterprise model was developed. Funding from a social enterprise would allow Organization X to be more sustainable, relying on government funding to a far lesser degree. While explaining the model, Organization Y was referred to as “a strategic business unit” by Participant 7.

When you think of social entrepreneurship model with Organization X, you think of Organization Y as an economic engine for the organization. (Participant 7)

The capacity of Organization X to provide for their service providers was increased by the creation of Organization Y, but again, the funds created needed to be placed into a separate organization in order to prevent it from being subtracted from the government

provided funding. Foundation Z was developed to manage the funds created through Organization Y and retain the capital generated from the social enterprise. Participant 7 went into greater detail about the role of Foundation Z by saying:

The Foundation not only does the fundraising for the organization but the Foundation also manages the assets of the organization. So the Foundation owns and develops lands and buildings for, on behalf of the whole organization. (Participant 7)

The revenue from Organization Y is used to maintain the buildings and infrastructure of Organization Y, as well as to enhance the programs offered by Organization X. As Organization Y provides for-profit accommodation, the expenses to run the organization need to be deducted before the profit can be placed into Foundation Z.



Figure 8: Flow of funds in Organization X

Figure 8 illustrates the funds from Organization Y flowing into Foundation Z. The funds from Foundation Z are then given to Organization X, in the form of a grant, to be used for programs and services. Additionally, Organization X pays rental income for office space to Foundation Z, which again ensures that the funds remain within the model, and are not paid to a third party.

Participant 10 gave an overview of the mechanics of the cash flow through the social enterprise model:

Well the foundation side of things, it's an old trick that not-for-profits, around the country are using, it's not something new and it has nothing to do with social entrepreneurship. The foundation is basically a vehicle through which the organization can raise funds, without strings attached. Usually government and everybody else, will fund projects with very stringent rules as to how the money can be used and it's very, very hard to come about how money that are not spoken for, that you can use how you feel. That you can use to grow, to support your infrastructure, things that usually governments do not pay for. So, the trick that not-for-profits use is basically, they're allowed rent for example, so you'll see the majority of foundation owning their, all the real estate property that the company, organization owns. So they could go to the government to pay rent, the rent will go to their foundation, the foundation will give them the money back with no strings attached. So suddenly you take money that have strings attached and convert them into money without strings attached. Now ideally you wouldn't have to do that but that's the reality. (Participant 10)

The organizational models which Organizations 1 and X are using, have similar morphed structures due to government funding policies and legislation created by the Canada Revenue Agency. Instead of conducting all their practices in one organization, NPOs are pressured into using legal structures which will allow them more flexibility in terms of the use of their funds. These legal structures comply with legislation but complicate matters unnecessarily. Legislation regarding these matters needs to be simplified and improved in order to support NPOs to retain their funding. The income generation aspect of the model is expanded on in the following section.

### **7.1.1. Revenue Generation**

Both Organization Y and Housing Corporation A use housing and real estate to generate revenue as identified by Participant 13. The revenue generation of each organization is further examined in this section. Organization 1 receives funding in the way of government grants and private donations. With regards to Housing Corporation A, income is provided through the rent from the buildings, from private donations and capital funding from

government. Government does not provide them with ongoing financial support, as evidenced below:

The government funding is only capital funding to build. It's not for ongoing operating. (Participant 1)

Participant 1 explained that a government body receives money from the province for affordable housing. The government body then gives capital funding to organizations who apply for the funds, through an application process. The funding is given for a certain number of affordable housing units. Once awarded the funding, the association must agree to use the units for affordable housing for a stipulated number of years. The units cannot be used for other rental purposes and government has control over which tenants are placed in those units. Once the stipulated number of years is up, the government feels it has recovered its investment into the building and this is how the mortgage is deemed to be settled or paid off. Once the initial capital investment is made by government, Housing Corporation A is able to sustain its activities through social enterprise, and no further investment is needed by government for that structure.

The primary revenue that not only creates the operating revenue for the organization and the capital resources to continue to build and continue to extend the model is one that in fact is generated by the model itself. That is, it's self-sustainable from the point of view that once the structure is put in place or it is, once the capital structure, the capital resources are there to put the structures in place, then the model runs by itself. (Participant 12)

The model is able to sustain itself through the continued revenue received from the rents of the apartments. Participant 12 also mentioned that there were no staffing costs associated with the model, as only the executive director is a paid employee. The Housing



Corporation only provides accommodation and does not provide support services for the population they serve, as support services are provided through Organization 1. In this way, the staffing costs are eliminated and mainly repair and maintenance costs, which are covered by the rental income, remain.

Organization Y uses much the same model as Organization 1 to generate revenue for the organization. Organization Y uses real estate to generate revenue, without relying completely on assistance from the government.

So that board built Organization Y, which really is, I think, the social entrepreneurship model that is our strongest one and the one that's really served us well in terms of feeding back into the general service, you know, organization and providing some revenue. I look at other, so other charities or other foundations that are a similar size to us who have similar fundraising goals and we all share the same struggles and new donors, new dollars, how many events do you do? How many direct mail appeals? How many campaigns? And looking at the cost per dollar raised and being under that scrutiny, none of them have what we have, which is the Organization Y model. So I can say our foundation revenue currently is half fundraised dollars and half comes from the property and investments. This is a wonderful position to be in. We've been able to build up that asset, that equity, it helps us sustain infrastructure, it helps us just provide the support to Organization X services that we couldn't do otherwise. If we totally relied on pure fundraised dollars and had to take the fundraising expenses off, we wouldn't be able to give Organization X as much money as we do right now. So it's a really good model. (Participant 15)

The hybrid nature of Organization X can be seen above, as they have the advantage of receiving funds from Foundation Z supplied through the social enterprise activities of Organization Y. The ownership of the infrastructure results in the building up of the equity and the asset growing in value, which translates into a profitable investment for the social entrepreneurship.

The following statements further explain the nature of the relationship between Organizations X, Y and Foundation Z. Funding for Organization X is received from a number of sources, including government funding. Moreover, the sources of revenue in Foundation Z

are described. Foundation Z makes a significant contribution to the total revenue of Organization X through three different avenues, without government funding. First revenue is created through private donations, as evidenced by Participant 15.

In the Foundation, we create half the revenue again from fundraised dollars and in a nutshell we're asking individuals, corporations, foundations, community groups for money every day through all the typical fundraising strategies. (Participant 15)

Second, revenue is generated through profits created by the real estate belonging to Foundation Z, and through the sale of units and rent produced through the leasing of office space. This was shared by Participant 15.

The other half of the revenue of the Foundation is money that flows through from the sale of the units at Organization Y, which is the social enterprise. (Participant 15)

The manner, in which the leasing of the office space is arranged, is further explained by Participant 15.

The Foundation owns buildings that Organization X rents from us. So those buildings, we can use that to create revenue for the Foundation and then give back to Organization X, rather than Organization X paying rent to some landlord somewhere. (Participant 15)

By renting office space to Organization X, Foundation Z is able to retain the revenue received from the rent, instead of the payment going to a third party.

Last, revenue for Foundation Z is generated through investments in equities and bonds that yield a monthly return or dividend. Participant 6 has experience in this increase in investments.

And then the final stream we want to develop is investments. We've got a little bit of investment money but we want to turn that into a practice that has some, you know, good amount of money in it so that's a stream of income forever. (Participant 6)

To understand the value of the growth of these investments, and the importance of these investments to Organizations X and Y, Participant 6 also made a point of noting that Foundation Z does not receive any government funding. Government funding is only received by Organization X.

On the Foundation side, there is no government money, it's all money from customers. (Participant 6)

On the other hand, in spite of Organization X charging a fee for service for some of their programs, government funding supports the majority of the programs and operations of Organization X.

So Organization X has a lot, a certain amount of government funding from all these different, local, provincial, federal funding bodies and contracts. (Participant 15)

Revenue generation is a key element of the hybrid model which the organizations in this case study use to their advantage. Various sources of funding are generated by social enterprise activities, including the rent and sale of units, the building up of equity and investments, fundraising, and funding from government. In addition, the diversity of revenue streams gives the organizations financial security.

### **7.1.2. Revenue Diversification**

Another key element of the hybrid social enterprise model is the diversity of revenue streams it affords organizations. These organizations are thus not only reliant on one revenue

stream, but on multiple streams from a variety of sources. The benefits of having diverse revenue streams allow organizations to moderate their risk and increase their funding, as explained below:

The main benefit is a risk mitigation one. If you have multiple sources of funding coming in at the same time and one of them dries up, then you can weather that particular short-term barrier. And that can be very good, particularly if you have a lot of investments in material or human capital. Because if an organization goes under, those can be lost, if they don't move elsewhere in an elegant way. (Participant 4)

Multiple sources of funding ensure that an organization can endure times of economic uncertainty. If one source of funding decreases, then organizations are able to supplement their activities with the other sources. Participant 14 shared how important diverse revenue streams are in an uncertain economic climate.

Two things on this, one being, "Don't put all your eggs in one basket." Having a financial model where you're adding value in different ways. I think having that strength in diversification is hugely important in today's world right. Because things can change on you quite quickly so having that mind-set and that overall approach I think is good. (Participant 14)

Changes in economic climate can result in the vulnerability of NPOs. Organizations which are able to adapt to these changes through an entrepreneurial mind-set will be able to mitigate their vulnerability. Participant 7 referred to changes in the political climate and the negative effect this can have on an organization. A decrease in reliance on government funding was ensured by Organization X, through the creation of their social enterprise, Organization Y.

Well the rule of thumb for many years has been a sixty-forty goal, so sixty percent funded directly by the government and forty percent other revenue sources. Revenue diversification was an idea that was sprouted, again well before Organization Y was built, in having ways of finding resources for the

organization so that it could be succinct, sustainable. That was, Participant 6 talks about that being the year when they realized that ninety-seven percent of their funding was directly from the one ministry that funded their services and they decided that was a risky place to be given possible changes in politics and government. (Participant 7)

Changes in government policies can increase the risk of an organization receiving funding from government, as different parties have different funding priorities. If government funding is decreased or discontinued, then organizations are left stranded, with very little ability to provide for service users. Participant 14 goes as far as saying that the success of an organization depends on its ability to create multiple sources of funding.

It's a continual challenge in that space, to see how you can generate revenue but at the same time the organization's success really relies on having diverse revenue streams. (Participant 14)

Organization X further demonstrated their ability to diversify their revenue through the diversification of their government funding. Instead of receiving funding from one government ministry, Organization X applied for funding from various government ministries and departments. Further revenue sources were also mentioned.

So different funding sources within that government structure and then of course, Organization Y provided a whole new economic foundation. As well as the fundraising, they really got Foundation Z going and making sure that they were reaching out to donors both individual and corporate and outside paid resource... fee for service type programs. (Participant 7)

Participant 7 illustrates three sources of funding for Organization X; government funding from various ministries, social enterprise, and private donations. As evidenced

above, diverse revenue streams are beneficial for NPOs in today's changing political and economic climates, as the risk of relying on one source of funding, which could decrease or discontinue, is minimized. Social enterprise offers NPOs another source of funding, allowing them to further diversify their revenue.

## **7.2. Advantages of Social Enterprise**

Participants listed a number of benefits that the social enterprise model provided them. These ranged from financial benefits to more social and community, or organizational oriented benefits.

### **7.2.1. Financial Stability and Surplus Funds**

One of the greatest advantages that social enterprise offered organizations was the increase in their financial stability and surplus funds. Increased revenue enhanced organizations' sustainability and gave them more control over the spending of those funds. This increased revenue was experienced by Participant 12, and Participant 1.

The surplus allows us to continue, sustain any capital costs that the organization might have going forward. (Participant 12)

Well the benefit for the organization is that it ensures its ongoing success obviously. We're less dependent on government so we have more control over our operations and our ability to respond to what we consider to be our community, not what the government considers is our community. (Participant 1)

Increased revenue and sustainability has also created financial flexibility for an organization, described by Participant 10, as evidenced below:

Well everybody wants to be sustainable, so you have various levels of, I call it liquidity, the more flexibility you have, financial flexibility you have in your organization, the better you are. That means you can do whatever you need,

whenever you need to do it. So it's good to have enough margin, when I talk about margin it's enough cash and available funds to do whatever you need to do to support your constituents, the beneficiaries of your organization. So absolutely it's a great goal to be financially sustainable and not, we wish that for our own lives and organization. (Participant 10)

Not only have excess funds created financial flexibility, but excess funds have ensured that the organizations can contribute towards their operational costs and provide additional programs and services, without government assistance, as evidenced by Participant 2.

It will help because at some point if you want to stop, we're at the point where, in our current model, it, the amount of money that is generated, will certainly start to accrue. So, it just simply goes back to Organization 1 and so it goes back into programming and to assisting the clients or providing vans and other things that are not paid for by the government. So if you need a generator for the building because it's a cold winter and the furnace broke down, we are responsible, not the government. (Participant 2)

As has been illustrated above, this increase in financial stability and surplus funds, without government assistance, has given these organizations more sustainability, more control of what they would like to use those funds for, and more choice as to whom they may assist.

### **7.2.2. Donor Attraction**

Private donors are attracted to the social enterprise model because an organization, using this model, does not fully rely on government funding and is self-sustainable. Some donors give generously to organizations that use this social enterprise model.

The interesting benefit of attracting donors was mentioned by one participant. This participant mentioned how a number of private donors, that he and his team had approached for funding, were quite impressed by the social enterprise element to their model, the financial sustainability it would provide them, and their independence from the traditional government model.

How social entrepreneurship affects donors and attracts donors to an organization is a really important part of the discussion because what we heard when we went out to people, like a major corporate donor gave us \$100 000. That's the first time to our knowledge that any organization like ours has ever been able, they tend to go more hospital and bigger, bigger benefactor, for the bigger, broader advertisement. We're pretty small potatoes for them. But what they liked about it was all of the different things that it employs; that contributing towards education piece, the broader element of housing, the broader element of the people it includes, how it operates but that it's independent of government and self-sustaining. And they saw the business model that we shared with them and they wouldn't necessarily donate to an organization like ours, Organization 1. They liked that and we had five donors at 100 000 or more and what everyone, and they're all private philanthropists or business people and what attracted every one of them was that social entrepreneurship, independence of government and self-sustainability. (Participant 1)

According to Participant 1, private donors liked the fact that Housing Corporation A was not reliant on the tax payer for their income and that their model was sustainable. This attracted private donors and encouraged them to donate large amounts of funding towards the building of the organization's properties.

### **7.2.3. Creates Space for Innovation and Flexibility**

Given the various challenges that NPOs face, in order for NPOs to operate effectively, they should be innovative. We see some NPOs displaying this innovation through partnerships and working alongside one another.

So they need to be as innovative as possible. (Participant 10)

Three participants, Participant 14, 6, and 5 mentioned that social enterprise creates an opportunity for innovation within the organization. One of these participants, Participant 14, mentioned how it enables an organization to think creatively and to think bigger.



Not only can you increase your impact, obviously, but I think it just allows the organization to be more creative. If they're not fighting the day-to-day struggle of making payroll (laughs) and they actually have a reserve, and some sense of security, they can think bigger. And they can start to think, ok how do we, I mean that's the great thing with non-profits is there's a mandate to reinvest revenue in your mission right. (Participant 14)

Another participant, Participant 6, illustrated an opportunity for innovation in their organization by mentioning an innovation fellowship that they are hoping to create, as a result of having extra funds from the social enterprise. When asked what advantages social enterprise provided Organization X, Participant 6 mentioned the following:

Flexibility, innovation. You want to try something, we can try it. We got our own money. Right now we're talking about innovation. How do we work with the, do you know the hub? The, the hub is a place where all the high-tech companies are, the universities are there and they're creating like crazy and have really become known across Canada as the place to create companies and create products. We want to be partners with them and create services for kids like software that, an example, we got a piece of software that we're trying to do that'll help kids and we want to go to the hub and how do you, where do you get the money to do that? It's going to cost money. Well we've got money, so we're going to ask for innovation money from the Foundation this year that we can do innovation fellowships. If you work at Organization X and you give us a really good idea of how to help a kid using technology, we'll give you money to do that, it's like a fellowship and we'll give it to your team and your team can develop this product and work it through. Well you can't do that if you don't have your own money or you're using government money. So there's lots of ways that you can really kick start innovation and look at your future in a way that others cannot. So that's a very good thing. (Participant 6)

Participant 6 revealed the benefits of flexibility and innovation from funds generated through social enterprise. As a result of ownership of the funds, Organization X was able to experiment with the creation of new products and services for clients. Participant 5 worked in a government office, and mentioned the benefit that innovation creates for an organization with respect to partnering with government. Innovative partners are seen as creative problem solvers, who are willing to work with government.

I know that in some ways, social entrepreneurship is innovative right. So, we see it as, when I look at it, I'm like wow, you're innovative, you're flexible, trying to find different ways to do things. So that would be seen as a big advantage in a community but I think certainly from a funding perspective, we want to partner with organizations that are really broad in their thinking and look for solutions because again it's the same for all of us. No pot of money is ever going to be big enough. The pot we get isn't big enough, the pot we give you isn't big enough so we need to be innovative and flexible so I think that you position yourself nicely from that perspective, when you are innovative. (Participant 5)

The importance of partnering with solution oriented NPOs was underscored by Participant 5. The amount of money received from government for service provision is seldom perceived to be large enough. Participant 5 thus emphasizes the value of partnering with NPOs which are able to find creative ways of making the allocated funds stretch further.

Examples of thinking creatively, and thinking in a more expansive way, are seen in the responses of participants. This innovative thinking is made possible because the organization is financially secure. Innovative thinking was shown to lead to the creation of partnerships with other organizations, which would benefit the beneficiaries. With the organization being not only financially secure, but innovative and creative, the social enterprise organization can focus more on successfully fulfilling its mission, and having a long lasting impact on its beneficiaries.

#### **7.2.4. Increased Focus on Impact and Mission**

When asked about advantages that social enterprise affords organizations, six participants referred to how it provides an increased ability to focus on the impact and mission of the organization. Due to increased financial control over the funds generated and less time focused on report writing, the organizations are able to have a greater focus on the impact and mission of the organization.

They have the freedom. They're kind of in control of their own mandate then because they've got enough money to support their programs. (Participant 13)

Participant 13 referred to the control that social enterprise affords organizations over their mandate. As a result of this control, organizations are able to respond to the specific needs of the community they serve. The advantage of an increased focus on impact and mission was also mentioned by Participant 15, in relation to Organization X.

The revenue raised from that model helps us support the, just helps Organization X fulfil its mission. (Participant 15)

Similarly to Housing Corporation A, Organization X was better able to achieve its mission due to funding generated through social enterprise activities. While referring to Organization X and the work they have been able to achieve, Participant 9 mentioned how the social enterprise model has been a core reason for the ability of the organization to succeed and focus on achieving their social mission.

Quite simply, its focus on social enterprise, social entrepreneurship has been a key reason why it has been able to excel consistently at achieving its social mission. (Participant 9)

All four participants, Participants 13, 2, 15, and 9, have emphasised how Organization X and Housing Corporation A have been successful in their missions because of the freedom and control of their mandates, which have been created by using the social enterprise model. Funds generated through this model have therefore enabled an increased focus on the social impact and mission of each organization.

### **7.2.5. Transfer of Knowledge and Skills to Other Areas**

The knowledge and skills acquired through social enterprise have proved valuable in other areas of service provision for Organization X and Housing Corporation A. Participant 7 relates the learning of social enterprise skills and the transferring of those skills to other areas of service in an organization to improve its social impact.

So getting good at building buildings, getting good at running a strategic business unit like this and being able to translate those skills to other areas of the organization. So understanding the business model and the financial model and translating that over to programs or areas of service that you don't usually find much business savvy in. Social workers aren't known for their business skills. (Participant 7)

Participant 6 elaborates on this topic:

Those business skills don't exist in non-profits but we've had to develop them. I've made sure that I circulate really smart people that are at the most senior levels, I've made sure they do a stint at Organization Y for five years because there your business skills will determine whether we live or die, literally. In five years you can do a lot of damage to that place or in five years, you can grow it and that's where we test the business skills, keep them sharp. Everything you learn, you transfer back into the non-profit. Customer service, you want to be sharp at customer service. Well, why can't you do that with families and kids? (Participant 6)

Participant 6 illustrates the deliberate manner in which the senior staff members in Organization X are given an opportunity to develop business knowledge and skills at Organization Y. The knowledge acquired through this experience is then transferred into the non-profit sectors of the organization, in order to continually improve on service delivery.

### **7.2.6. Increased Financial and Physical Resources and Services**

Social Enterprise has afforded the organizations in this case study the benefit of increasing their resources; namely their financial resources and funding, as well as increased

equipment and housing for clients. An increase in financial resources is mentioned by Participant 10.

Obviously everybody's hoping for the financial side of things. (Participant 10)

Participant 15 mentions the additional resources provided for Organization X by the revenue generated through Organization Y.

The revenue raised from that model helps us support the, just helps Organization X fulfil its mission because the money flows right back to help Organization X with paying for salaries, infrastructure, specific positions, it just helps Organization X do its work. (Participant 15)

Participant 15 refers to the additional staff Organization X has been able to hire as a result of the funding generated through the social enterprise, the programs they have been able to fund and the infrastructure it has provided them. When asked what social entrepreneurship has afforded Housing Corporation A, Participant 1 mentioned the following:

It's certainly a greater ability to serve our community. (Participant 1)

Participant 1 referred to the increased capacity social enterprise has provided their organization as well as the increase in services they have provided to their clients.

We've broadened the offering of our organization, in this case, in terms of housing and the broader benefit to the community itself that we have, or historical community that we serve and provide services to. (Participant 1)

An example of the enhanced service provision of Housing Corporation A is the contribution towards the education of individuals they have been able to offer, as a result of

the increase in revenue due to social enterprise. Furthermore, the revenue generated through the social enterprise has provided Organization 1 the ability to purchase new equipment to transport their clients to and from their programs. This is a service which government does not fund, which would ordinarily be very difficult for an organization to provide due to a decrease in government funding over the past six years and which is especially difficult in the outlying, rural areas as there is little public transport.

We're doing our part but I have a van on the road at least two hours a day. The cost to provide that service is around 20 000 a year; cost of driver, cost of gas, cost of insurance. If I wasn't able to purchase those vehicles on behalf of the government, would they have given me \$500 000 for new vans? No. Their policy is we don't fund vans. Well then how do you create inclusion? Oh it's only for people in urban centres? (Participant 1)

Participant 1 continued by comparing the vast public transport networks in urban areas and the resultant ease with which clients can get around, to rural areas with little public transportation. He shared his frustration at the lack of resources in his community compared to the resources provided in urban areas.

It is frustrating. But all the more reason to be as entrepreneurial as you can and self-determining as you can because can you imagine how frustrated this community would be if we hadn't have been able to create this community? (Participant 1)

Participant 1 shared his view that NPOs need to be as entrepreneurial as possible in order to assist communities, before frustrations from a lack of service provision arise. Another example of how Housing Corporation A's services were expanded due to the social enterprise revenue is mentioned.

To broaden the offering that you have, in our case, we broadened the housing. And we've done other things that are other examples of, for example, we

created a service, initially that no one was doing in the province and we did it completely without any funding for the first year. (Participant 1)

Participant 1 explained that Housing Corporation A rented a space and funded the project themselves because of the perceived benefit to their service users. The funds for this service, again, came from revenue generated through social enterprise, similarly to the funds for the service of affordable housing. Participant 12 mentioned the affordable housing that Housing Corporation A has been able to create for clients to ensure that they are serviced quicker.

We've been able to provide a quality of life for individuals who might simply be on a wait list for housing for many years to come. So if they were reliant on government to provide that housing, it won't happen unless people become entrepreneurial and look for new ways of providing housing supports. (Participant 12)

Increased financial resources have resulted in affordable housing for service users in a much shorter time frame than what government is currently able to provide for them.

Social entrepreneurship has provided the advantage of increased financial and physical resources for Housing Corporation A and Organization X, enabling them to enhance the capacity of their service provision to beneficiaries. The provision of additional staff, the infrastructure, the contribution towards education programs, the vehicles, and the affordable housing were mentioned as additional resources provided by revenue generated through social enterprise.

#### 7.2.7. Less Reliance on Government Funding

Participants alluded to the independence from government that social enterprise afforded them, as well as the ability to have more control over the way they run their programs.

I believe that with our shift to a more entrepreneurial model that we've broken out of that traditional dependency on government. (Participant 1)

Participant 1 referred to the entrepreneurial model enabling Housing Corporation A to be less dependent on government for funding. Participant 2 referred to the control that government exerts over NPOs through their funding regulations:

Government funding often has stipulations attached, meaning, there is not much opportunity to use funding that deviates from what the government intends the use of the funds. (Participant 2)

Participant 2 showed that programs receiving government funding are limited by government's regulations regarding the use of that funding. Conversely, funds generated through social enterprise enable the organization to use them as they see fit, without having to follow regulations regarding the use of those funds.

Social enterprise provides a certain amount of control over the manner in which funds are spent. Participant 11 referred to how social enterprise assisted the organization in making relatively quick decisions so that things could get done. He compared the advantages of Housing Corporation A, which is a social enterprise to Organization 1, which receives government funding, and is required to follow a lot of procedures and reporting requirements.

We can meet the needs of the people at a grass-roots level, with a minimum amount of structure and organization to keep the costs under control because if we'd ever have to follow all the procedures that we do in the Organization 1 side, most of the advantages that are experienced now would soon disappear. So it's a very simple model but it's very practical and it works and it provides for the needs of the people that we're called to serve. (Participant 11)



Participant 11 referred to the minimal structure and procedures surrounding the social enterprise model and the advantage this has for meeting the needs of service users in a cost-effective manner. Consistent with an increase in control, Participants 13 and 8 referred to the freedom and independence that funds generated through social enterprise provide:

I think if you have financial sustainability, it's huge because then you're able to run the organization exactly how you want to run it. Because the trouble is if you're getting government grants or money from other sources or whatever, then it's always on their terms, it's never on your terms. (Participant 13)

We're able to do what we want with no strings attached when it comes to our own funds. (Participant 8)

They have the freedom. They're kind of in control of their own mandate then because they've got enough money to support their programs. (Participant 13)

Participant 13 mentioned that social enterprise has the advantage of providing control over achieving an organization's mission, as they have adequate funding to support their own programs and services. Participant 15 illustrates one reason why NPOs desire control over their financial resources, by referring to an incident in Organization X's history where a large portion of government funding was withdrawn. This incident compromised the ability of the organization to pay its operating costs, and in response, the leadership at the time mentioned the following:

We need to be more in control of our own destiny. We can't just rely on government dollars, we can't be vulnerable to just government sways and whims and Organization X was the, not victim but, at a point in time where a

big chunk of government money was withdrawn and then what do you do?  
(Participant 15)

The vulnerability created for NPOs which rely on government funding is illustrated by Participant 15.

The decreased reliance on government funding in comparison to the increased control of funds generated through social enterprise was a large motivating factor for Organization X and Housing Corporation A. The ability to spend funds generated through social enterprise provided increased freedom in spending, decreased reporting requirements, and more cost-effective services.

As mentioned by Participant 11, the decreased structures and reporting requirements for funds generated through social enterprise ensure more cost-effective service delivery. With simpler processes and less bureaucracy in non-profit social enterprise organizations, it is my opinion that services are provided in a shorter time span. Practically, assisting clients effectively in a shorter time frame than other NPOs required to report back to government, can create an effective impact for service users. However, this presents a dilemma. While social enterprise enables NPOs to rely on government funding less, government has a responsibility to provide services to citizens and should be held accountable for this.

#### **7.2.8. Enhanced Capacity to Plan for the Future**

Social enterprise enhances the capacity of organizations to plan ahead. Participant 6 referred to the challenge of not being able to plan ahead when working with government. Conversely, the control over funds generated through social enterprise, benefits an organization in allowing them to plan independently from government.

You can't plan ahead, that's the biggest one. You can try to plan ahead, just like talking to the wall. It changes, it's inconsistent, there's no vision in government anymore. (Participant 6)

Participant 6 underscores the inability to plan ahead when working with government, as they are constantly changing, inconsistent and unresponsive. In contrast, Participant 1 referred to how Housing Corporation A was able to plan ahead for the needs of their community, through the use of funds generated through social enterprise.

When all is said and done, it's likely that, when we've built what we're planning to build at this point in time, our annual revenue after cost will be let's say arguably somewhere between \$130 (thousand) and \$140 000 a year, after cost, after investment, putting away for a rainy day, just free money. Think of what that can do and how it can help. It's not huge dollars but it's better than nothing. Think about where this community would be without all of the housing.  
(Participant 1)

Social enterprise enabled Housing Corporation A to create infrastructure which would benefit service users for years into the future. The ability to plan ahead and rely on funds, over which the organization knows they have control, has the potential to enhance service provision. In my opinion, the ability to plan ahead creates stability for an organization, which translates into consistent and reliable service provision for service users.

### **7.2.9. Capacity to Scale and Leverage Resources**

The capacity to scale and leverage resources was an important advantage attributed to social enterprise. Participant 7 mentioned the importance of owning their own building and alluded to how this has an impact on an economy of scale.

Advantages would be for example, building and running this place or even going back to when Organization X first started, first decided that if they owned their own building, then they could have an economy of scale and pay rent to themselves and thereby have more resources for the clients.  
(Participant 7)

The value of owning property, increasing their revenue and retaining the investment of the rental income within the organization is mentioned by Participant 7. It is important to note the effect of increased resources due to property ownership. Ownership of the buildings enabled Organization X to grow and scale, as well as increase their resources for service provision through the ability to retain their investment in the buildings. The leadership of Organization X mentioned that if Organization Y owned and rented out office space to Organization X for programs and services, the money could be retained in the organization. As accommodation or rental fees form a large portion of an organization's monthly expenses, I think that the ability to maintain those funds decreased Organization X's property expenses a great deal.

Participant 4 also referred to Organization X and the economies of scale which they are able to take advantage of because of their social enterprise.

I think that Organization X's model seems to be very effective and able to generate new sources of revenue and I think really greatly helps Organization X maintain its financial stability. I think being able to have that financial stability makes it easier for Organization X to invest in its talent and to invest in capital, to invest in facilities, which are often things that non-profits in general and charities in particular struggle with. Which means that they can be much more effective with donations, volunteers, talent that they have, to the point that they are able to operate on such a scale where they can do things like bidding on government contracts, they can basically do solid fee for service work, not just something that you consider more charitable in orientation. All of which is really good for Organization X being able to operate at scale, take advantage of economies of scale. (Participant 4)

Social enterprise has enabled Organization X to invest in their physical and human resources, increase their effectiveness and take advantage of economies of scale. The organization has thus been able to save on costs due to an increased level of service provision. Consequently, they are able to effectively bid on government contracts with the knowledge that they can provide the service at a cheaper rate than smaller NPOs.

The value of scalability was explained by Participant 10, who stated that scalability provides sustainability and that “like with any business, if you don’t grow, you die.” The ability of a social enterprise to grow and scale will thus ensure its continued existence.

Participant 4 referred to the value of making an impact that scales through social entrepreneurship.

I think if it’s social entrepreneurial, not in the sense of running a social enterprise but socially entrepreneurial in the sense of trying to have an increased awareness of the different opportunities that are available to advance a particular mission or cause, then there’s a lot of real advantages in being able to have impact that really scales and can really leverage in a way that more constrained charitable operations can’t. So, for example, if you are looking at an organization that is able to run, do a really new interesting way of providing a service, so say Organization X is in their work able to figure out, is able to go, you know we’ve actually developed a really interesting home care model where, not only are we able to do some interesting things with the assets who live in our communities but we’re also able to provide an entry to some community health care work, that is more efficient, produces better outcomes than a lot of other models that are out there. Then if Organization X is just taking and going cool, well why don’t we just continue expanding this? That’s fine but I’d say a really entrepreneurial approach would say, what we’ve actually done is uncovered a model that can be useful elsewhere and a model that could be enabled by, through replication in other communities, so, not just holding to the intellectual property that they have developed but actually sharing that with other organizations around the province and can also probably inform government policy makers at the municipal or provincial or national level. And can say, if you had some minor changes, not all, like we would be a little more effective in what we’re doing but you could actually promote this sort of work in a thousand different communities across the country and have a really, really large scale, successful impact. I think that’s where real entrepreneurial, social entrepreneurial, not just social enterprise can be really impactful. (Participant 4)

Contributing towards collective impact and making change on a broad scale through social entrepreneurship was mentioned by Participant 4 to be really impactful. The sharing of intellectual property which is valuable to a number of NPOs has the potential to produce a collective impact. This appears to be what Housing Corporation A is trying to implement through sharing their social enterprise model

with government. Wider implementation of Housing Corporation A's social enterprise model would benefit the broader Ontario community, thereby making a larger impact on service users.

Collective impact has the potential to take advantage of economies of scale in a broader sense. Through the combined efforts of a number of NPOs, effectively acting as one large organization, a large scale impact can be made in a more effective manner. The capacity of social enterprises to scale and leverage resources is an advantage which could make an effective impact in communities.

#### **7.2.10. Alternative Mind-Set and Organizational Culture**

Participant 1 referred the increased capacity social enterprise has afforded their organization and the positive, collaborative spirit of taking initiative to solve a problem in the community. This reflects a different type of thinking than organizations which are totally dependent on government funding as their capacity to take initiative with government funding is diminished by the rules and regulations surrounding the funds.

It's certainly a greater ability to serve our community and then it's a circle, and then that attracts more people, more interest in your organization, that willingness to help because you are actually doing something. 'Well, we could do this, this and this if the government gave us money.' So you all sit there and go 'Oh poor is me, woe is me.' Let's do something. (Participant 1)

Participant 1 reflects an action-oriented approach to solving community problems. Participant 6 mentions something similar. He mentioned Organization X's opportunistic thinking versus a more negative approach.

Oh, it's 2000, oh my god, it's so bad, we're never going to get any money, there's a huge recession, nothing's going to happen. Or you empower yourself to think, where's the opportunity in this? (Participant 6)

Participant 6 reveals a proactive approach to funding issues through an attitude of empowerment and searching for opportunities. Participant 14 mentions the importance of an entrepreneurial mind-set and the strength it provides an organization.

And you do have organizations like the two case examples that you've mentioned that have embraced the entrepreneurial mind-set which is huge but there's still very, there's tons that haven't (laughs) and they're struggling. (Participant 14)

Participant 14 shares that adopting an entrepreneurial mode of thinking can contribute to the success of an organization. The mind-set of continuously making an effort to advance an organization and its service users by adding value to their lives is an important way of thinking evident in the social entrepreneurial model, as mentioned by Participant 14.

It's all about doing good things better. So with an entrepreneurial model, you have that mind-set of continually trying to improve and add value, which I think is, that's important for any organization. And then the social side is really driving home the end goal, the impact piece on how we make the world a better place, so that's huge. (Participant 14)

Participant 14 felt strongly about businesses embracing a social entrepreneurial way of thinking, of making an impact while generating a profit.

Then you've got existing businesses that have been around for a hundred or more years and how do we help them embrace this mind-set as well? Or do we just wait them out and wait till they (laughs) phase out? So you do have, again on the continuum there, that's a whole other challenge when you've got these organizations that have been around for many, many years, how do you start to infuse this into their everyday operations and their culture and their mind-set and again it's a set of change projects basically. But can you call a bigger business, a well-established business like a corporate franchise, a social

enterprise (gasps)? How can we embrace this mind-set across all these domains because I think it's absolutely necessary? (Participant 14)

Participant 14 emphasized the importance of embracing a social entrepreneurial mind-set across various fields. Participant 5 referred to how times are changing in the social services sector. Multiple funding streams and creative thinking are now needed for organizations to survive.

The organizations that are able to think as diversely as possible about how to create income streams are the ones that are going to survive. So these are examples of just really outside of the box thinking. Because the days when you could count on one funder to flow you all of the dollars that you needed, those days are absolutely gone. (Participant 5)

The importance of creative thinking and multiple funding streams is emphasized by Participant 5. Organizational culture and environment is another important factor and the way these factors are structured in social enterprises provides another advantage to them. Participant 7 referred to the employees in Organization X constantly viewing themselves as learning and growing; constantly engaging in personal growth and development, acquiring new skills, leveraging their strengths and supporting other staff members. This organizational culture and learning environment provides an additional advantage to an organization, as staff members are often looking for ways to grow and improve service delivery. The positive, action-oriented, entrepreneurial mind-set ensures continuous learning and growing, in addition to continuous improvements in service delivery.

### **7.3. Disadvantages of Social Enterprise**

Social enterprise has a number of disadvantages that need to be taken into consideration when deciding whether to adopt such a model. These disadvantages include a negative impact



on fundraising, possible culture clashes, a negative perception of social enterprise by others, and potential mission drift. Additionally, the social enterprise model is a potentially high risk model and is difficult to implement.

### **7.3.1. Negatively Impacts on Fundraising**

While social enterprise can have a positive impact and attract donors, it also has the potential to negatively impact donors and distance them. A number of participants mentioned that social enterprise can sometimes have a negative impact on fundraising from a branding perspective, as potential funders might perceive the organization as having enough money to operate without their contributions. Participant 7 identified the challenges that NPOs which embark on social enterprise face, when trying to continue receiving private donations.

One disadvantage would be with attracting donors, it can be difficult, for example when they see this place and they'll feel well Organization X is financially strong so they have all the resources they need to do everything they need to do. So why donate to Organization X? So that can be, if you're a financially strong business savvy organization, as opposed to a little grass-roots, struggling organization, struggling to survive and "oh, my goodness we're going to have to close our doors," well as a donor which one would you choose? So that can be a disadvantage so, we have to be really good at making our case for support for the people we serve. (Participant 7)

Participant 7 recognized the importance of Organization X positioning itself with funders. Participant 8 identified a similar issue by noting how social enterprise can pose challenges for the branding of an NPO.

I think that from a branding perspective, it can hurt the organization. So they see oh, Organization X, yeah don't you run Organisation Y? ... So why should we give money to Organization X ... We've worked hard to develop this brand right but it can hurt the not-for-profit side of things. (Participant 8)

Donors might perceive social enterprise operations as being able to sufficiently maintain an organization without private donations. While there are some organizations which are able to operate solely on social enterprise, this is not always the case. The revenue generated through social enterprise provides an additional income stream, it does not replace the existing income through private donations. Therefore these NPOs continue to require additional funding.

Entrepreneurship is often perceived to be risky and unpredictable. Participant 4 mentioned how NPOs which portray themselves as more entrepreneurial, often run the risk of some funders being less likely to support them as they find them to be too risky.

The more entrepreneurial you are, the less predictable your activities are by the stakeholders who fund your operations. And so you have to have some funder, some partners who are accepting of your experimental approach to things. (Participant 4)

Often the less predictable the NPO's activities, the more hesitant funders will be to support them. If a social enterprise is perceived by funders to be high risk, they might withhold their donations. Additionally, Participant 4 mentioned the disadvantage of a social enterprise trying to balance long term growth with short term impact. Social enterprises are often unable to take advantage of business opportunities and capitalize on them to grow their business because they need to focus on having a social impact.

You can't be as focused if you're going to be social entrepreneurial because you have to always be looking for opportunities to pivot. And those opportunities to pivot do come at the expense of at least in the short term, being able to optimize your operations. And so, there's an inherent trade off there that is often a very difficult one to be able to explain to more traditional funders. (Participant 4)

Participant 4 mentioned the difficulty which social enterprise organizations face when

trying to grow a social enterprise. The organization needs to capitalize on opportunities to expand their business but this often comes at the expense of maximizing their social impact. While this is often a short term compromise, explaining this process to funders can be challenging. How do organizations capitalize on opportunities to expand while focusing on making an impact? While focusing on the long term impact is better for the overall health of the organization, and therefore the social impact, this still represents a compromise. It is difficult to convince funders of the long term benefits of ten to twenty years from now, when illustrating that the immediate short term impact may not be as evident.

As evidenced above, the business focus of a social enterprise leads to organizations having to face some difficult decisions, either from a branding perspective or from an operations perspective. If an organization has a business focus or receives funding through a social enterprise, donors might be reluctant to contribute towards that organization. Social enterprises must be able to convince donors of their long term benefits in order to ensure they continue to receive private donations.

### **7.3.2. Possible Culture Clashes**

There is the possibility of culture clashes between for-profit and not-for-profit mentalities as the primary focus of for-profit enterprises is on maximising profits, while not-for-profits focus primarily on maximizing social impact. This is a difficult tension to manage as evidenced below:

Well, you'll change and that tells it both. There are advantages to change and disadvantages to change... Because traditionally organizations are not set up for those type of things, you're going to have a lot of strife in terms of you're teaching people, you're touching people. You are changing the job descriptions, you are adding to job description or bringing new people with new skills with different perspectives that might be not really focused on the good of everybody but maximizes profits, which means that you're going to have suddenly clashes of culture between for-profit and not-for-profit thinking. So whenever you have those human interactions happening you can

have some trouble to the point of breaking apart the organization. That's a big disadvantage. (Participant 10)

Clashes in culture between for-profit and non-profit values are stated by Participant 10 to put a large amount of pressure on an organization, which has the potential to break it apart. Employees who have a non-profit mentality enjoy helping people, without charging them a fee. They have an altruistic motive to assist clients experiencing challenging circumstances. Conversely, employees who have a for-profit mentality are more comfortable charging clients a fee for their services. If employees with a non-profit mentality are asked to assist with for-profit activities, their values might start to clash with the culture of a non-profit organization incorporating social enterprise into their model.

Participant 9 alluded to the tension experienced by a social enterprise between business and non-profit operations and trying to find the right balance between the two.

The challenge with a social enterprise model is finding, is getting the balance right between the for-profit mission and the social mission. And that's a constant struggle and challenge with a social enterprise model such as Organization X and others. (Participant 9)

The split in focus between for-profit activities and non-profit activities can be challenging for a social enterprise organization to manage. As a social enterprise has both a revenue generating mission and a social mission, ensuring an appropriate balance between the two is essential. Finding a balance between for-profit and non-profit cultures is a constant struggle for organizations operating within the social enterprise model.

### 7.3.3. A Difficult Model to Implement

Participants mentioned that making a social enterprise work is a difficult process and there are a number of challenges along the way. Participant 8 mentioned that there is a lot of responsibility and pressure involved in trying to ensure the social enterprise is working well. Participant 6 mentioned that you need to keep your customers happy; you need to provide them with value for their money and ensure that they are satisfied with the product or service you are providing for them, especially if they're paying a lot of money for that service, as in the case of Organization X. Another challenge is opening yourself up to criticism and determining whether or not you are making the impact you set out to make. Participant 14 elaborates on this point below:

It is a challenging space in terms of trying to figure out, are you making that intended impact you were seeking to? I think though the way around it is, you just got to be transparent, open, you going to make mistakes in this space so, even celebrate those mistakes if you can, be a leader, try and share with others what's worked, what hasn't worked. (Participant 14)

Participant 14 emphasised the importance of being transparent about mistakes made. As a leader and entrepreneur trying to make a social enterprise successful, mistakes are inevitable. As with most things, there is a learning curve when it comes to social enterprise and admitting one's mistakes throughout the process builds trust with staff and funders. Participant 4 referred to the sweat equity involved in building a social enterprise:

That's hard work and so you have to build some capacity and might require bringing in people or leadership from places other than where you usually source your talent and so, it means you really have to expand your stakeholder network of the people who you bring in as human resources into operations. It might also mean having to stretch yourself in terms of what source of activities you're comfortable with doing. So it could be that you see an opportunity for some sales of goods and services, it could be that you see some opportunities for policy influence, it could be that you see opportunities for sourcing or organizing existing activities in a way that makes them more

effective or lower cost. All those things are difficult to spot and there are people whose entire careers are based on just focusing on one of those things. (Participant 4)

The staff complement of a non-profit organization incorporating social enterprise into their model may be required to change. According to Participant 4, it may be necessary to hire staff with specialized skills required to operate a social enterprise. Alternatively, existing staff may be required to expand their job descriptions and take on additional tasks. This can be a difficult process for staff members who are asked to focus on a number of social enterprise activities, in comparison to employees who are able to specialize in one of those activities, such as marketing or procurement for example.

Another challenge with social enterprise is ensuring the viability of the business model. This is very difficult to do as the populations NPOs generally work with are not financially equipped to pay for their products or services.

I suppose it's non-profit so you're working in an area where it's not necessarily a viable business area, so it's tough to get enough revenue to deliver on your programs. That's sort of the challenge and you're trying to offer the programs for free or at a low price or whatever because you're working with people that are more likely in need and don't have the financial means. (Participant 13)

Participant 10 elaborates a little further on whether a non-profit organization's service users can fulfill the role of the social enterprise's target market and questions whether revenue generated through social enterprise will be sufficient to sustain an organization at the rate at which it grows.

So the idea is great, the problem is can it really save you? Number one, it's very, very hard to get the money out of your own current target market. Usually they use the not-for-profit model. There're a few that charge a sliding fee and all that stuff but you might defer some of the costs but it will not be enough to grow. (Participant 10)

Ensuring that a market for a social enterprise's product or service exists is crucial to the success of the social enterprise. Linking a market for services to the mission of the non-profit organization is required by the Canadian Revenue Agency, as referenced in the Income Tax Act, section 149 (1) (l). However, this can be tricky, as the service users of an organization cannot always afford to pay for the products or services offered by the social enterprise. This makes the search for a viable business area for a social enterprise particularly challenging.

Moreover, Participant 10 highlighted the challenge of scaling a social enterprise to support non-profit activities:

A social enterprise is basically something that is designed with intent from the get-go to make money but also to support a cause. Usually the challenge there is how are you going to scale the social, the money making enterprise and the speed of that growth, of scaling of that part of the business will dictate the speed at which we can increase our not-for-profit activities. In the not-for-profit that is entering into the social enterprise space, it's the opposite. You have a big pie and you want to support it with something that is very small. So, and this one is growing the social side is growing faster than this one probably can catch up. So it's not the same thing. A social enterprise, if it starts from the beginning, will grow the not-for-profit at the speed of the for-profit ability to support it, without looking for private donation and government funding. So in a pure social enterprise, those come down to close to zero. Yes they will use government grants if they're available because it's free money but their goal is to be self-sufficient. So that's something that from a culture perspective, not-for-profits will have to understand and get to.  
(Participant 10)

Two methods of growing a social enterprise were mentioned by Participant 10. One method is to start with the social enterprise model and to expand the organization's non-profit impact according to the rate at which the social enterprise can scale and grow. The second is to incorporate social enterprise into an existing non-profit organization. This can be challenging, as the non-profit activities outweigh the speed at which the social enterprise activities can scale and create revenue, right

from the start. Time and effort will be required to balance the financial need of the non-profit organization, with the ability of the social enterprise to support it.

It is a challenge for traditional NPOs to incorporate social enterprise into their existing model. It seems to be easier to start as a social enterprise from the beginning, rather than to try and incorporate this model into an organization. This is not to say that it cannot be done but it does make the process more difficult, as evidenced by participant 10 below:

It's much easier for a start-up not-for-profit that by design, at the beginning is starting with a social entrepreneurship initiative because that is part of their business model. Piggy-backing on an existing not-for-profit social enterprise is much harder and that goal of increasing finances is the carrot at the end of the, or the pot of gold at the end of the rainbow but usually it's a long, long, long journey to get there. It's measured not in months, it's measured in years. It's probably three to five years before you can truly realize that. You have to be very, very, very focused and lucky to be able to do it faster. Usually you'll take an incremental approach to be able to support things like that.  
(Participant 10)

Participant 10 cautioned that starting an enterprise or a business is difficult and organizations might need to adopt an incremental approach, to balance the provision of the non-profit services with the growth of the social enterprise. Matching the social enterprise services to the mission of the NPO, and ensuring a viable business model while supporting service users who have little capacity to pay for products and services can be a challenging task.

#### **7.3.4. A Negative Perception of Social Enterprise**

There appears to be a negative perception of social enterprise among some funders and government employees. Housing Corporation A has had a difficult time receiving support from higher levels of government for their social enterprise model, in spite of support for the model by other less senior officials. High ranked government officials appear to fear taking a



chance on spending public funds in this manner, potentially due to a backlash from the general public.

I think the biggest disadvantage is government's fail to recognize that I think they're afraid of it to a certain degree and so they don't engage with us to the same degree I think that they would if it was more broadly accepted and acknowledged. (Participant 1)

Participant 1 revealed the potential fear or skepticism some government officials show for the social enterprise model because it is not yet a fully accepted model. A sense of control by government over service organizations was offered as a reason for distrusting the social enterprise model:

The other reason is because it does make us independent of government. Government traditionally doesn't like its partners to be independent of them. They like them to be dependent, on the whole. Because then they feel they have more control. (Participant 1)

Participant 1 felt that government liked to have control over the non-profit sector and that social enterprise might interfere with this sense of control. Similarly, Participant 5 mentioned that government is risk averse, avoiding unproven methods, which could also contribute to a negative perception of social enterprise.

Because governments tend to be risk averse and less nimble, new approaches create a conflict for government funders. Governments are traditionally interested in funding models that are somewhat proven and social enterprise can seem risky. (Participant 5)

As social enterprises are often viewed as new and innovative ventures, they are unproven and risky endeavours. Governments tend to shy away from such endeavours as they

are aware that the funds at their disposal come from tax payers. Distrust and suspicion of the social enterprise model were also offered as contributing factors to a negative perception of social enterprise by Participant 5, as people frequently distrust what they do not understand.

A negative perception of social enterprise by higher ranking government officials was mentioned as a possible reason for a lack of support for social enterprise. A negative perception of social enterprise might dissuade government officials from supporting the model with policy and legislation, which disadvantages the model.

### **7.3.5. Potential Mission Drift Pertaining to Social Enterprise**

NPOs engaged in social enterprise run the risk of drifting away from their organizational mission due to a focus on social enterprise activities. This is consistent with the work of Cornforth, C. (2014) in that commercialization through social enterprise is said to be a common cause of mission drift in NPOs. Participant 4 explained the danger of mission drift for social enterprises:

I think ultimately mission drift is a real danger for social enterprises ... if you're mission driven and you don't know what your mission is anymore, what's driving you? (Participant 4)

Participant 4 cautioned against NPOs losing their purpose and continued to explain why mission drift poses a danger to an organization:

Ultimately whatever is providing you with resources is something that you as an organization are going to continue investing in. Because those resources are what helps reduce the risk to keep the organization around and if what is generating revenue, is invested in but isn't aligned with your mission, your organization's character will over time move more and more away from what that mission is. (Participant 4)

Organizations which focus on business activities that increase their revenue but do not align with the organizational mission, will likely experience mission drift. In an environment where NPOs are struggling for funding resources, social enterprise offers a potential solution. However, organizations need to ensure that they invest in their social impact, not just on the social enterprise which has the potential to provide them with continually increasing resources. If the social enterprise does not align with the mission of the organization, the values and character of the non-profit organization will change. Participants 8, 13 and 14 also mentioned mission drift as a disadvantage of social enterprise. If an organization's primary reason for inception was to focus on its impact and social mission, by starting a social enterprise, you run the risk of losing sight of that mission for the potential funding, as evidenced by Participant 14 below:

A lot of non-profits sometimes are faced with the challenge of mission drift. They get down a path that really has nothing to do with their mission whatsoever because it's hugely attractive because it's generating or it has the potential to generate substantial funds. So that's a challenge because if you're not focused clearly on your mission and you're drifting away you lose sight of effectiveness right. So I think there has to be and I've definitely seen organizations, and I sit on the board of directors for one currently, where we're often challenged with "Oh yeah that would be really cool to do but is it core to our mission or not?" and trying to make it work in that way because you really want to play off the, also the strengths of the organization as well. I think if you start to play in a space where you're not familiar and also in a space where it's completely off your mission it just adds a whole other element of risk and it gets the organization I think off course. (Participant 14)

NPOs which engage in social enterprise run the risk of focusing on business opportunities which do not align with their organizational mission, because they have the potential to generate large amounts of funding for the organization. Mission drift leads to an organization which is less effective in meeting the needs of their service users. Mission drift thus poses a large threat to NPOs engaged in social enterprise.

### 7.3.6. Potential Financial and Organizational Risk

Social enterprises can be viewed as risky endeavours, exposing organizations to overcommitting their staff, financial, and physical resources in order to grow a social enterprise. Participant 1 illustrated how Housing Corporation A took on a lot of risk by committing to fund a project and stretch their resources. Stretching an organization's resources is a huge risk as problems with staff capacity and funds can easily become a problem. Investing resources into a social enterprise means that there are no funds available for dealing with potential problems elsewhere in the organization.

Again we stretched our resources, the board committed to fund the cost of the rent. (Participant 1)

Participant 1 referred to how Housing Corporation A committed to funding a project, which stretched their resources. Participant 15 explains the risk with Organization Y and reveals the financial and physical resources that need to be reinvested back into the organization in order to ensure its success:

Now, it's not without risks because for Organization Y itself is a huge animal, people live there, it's their lives, it's their livelihood, they want to see things a certain way and you have to keep it in great shape and looking good and serving people well so that it continues to work. So you've got to invest back into that social enterprise in order for it to be successful. So my sense is, so you have the social enterprise, you got to feed back into the social enterprise before it can feed the social purpose for which you've set it up. (Participant 15)

Participant 15 mentioned that Organization Y continually had to reinvest money into its infrastructure in order to ensure customers wanted to live there. This means that fewer funds are available for the social impact but ensures the ongoing success of the enterprise.

Participant 3 spoke about an additional risk to the organization in terms of the debt owed to the lender and in terms of a rogue board member:

The risk would be that something changes dramatically, legislation changes, you have a board that goes rogue, from Organization 1, something, or Housing Corporation A or even Organization 1, somebody says “why does Housing Corporation A owe all this money to Organization 1? That’s not alright, we want our money back.” So the risk is that the, somehow there’s a fracture of those two organizations. And that risk would be I would say and I’ve been on boards like this, where you would end up with a loud voice here or here, someone’s either demanding the money or someone’s demanding something else from here and these things tend to spiral out of control and it’s like (snaps fingers) a wild fire. And then everything falls apart. (Participant 3)

If a board member of Organization 1 were to go rogue, or insist on the debt of Housing Corporation A being repaid, without the Corporation being in a position to do so, the agreement between the two organizations would be at risk of dissolving. Organization 1 has put protective measures in place to protect against rogue board members, by ensuring that all the board members of Housing Corporation A have first served on the board of directors for Organization 1, and that all the board members are in agreement with the vision and mission of both organizations. However, the risk of a board member going rogue and insisting that the start-up capital borrowed by Housing Corporation A be returned to Organization X, is still a reality.

A number of disadvantages of social enterprise have been mentioned in this section. Social enterprise has the potential to negatively affect fundraising, to have a negative impact on the non-profit culture of an organization and to distract an organization from achieving its social mission. Furthermore, a negative perception of social enterprise, high potential risks, and the difficulty of implementing the model pose further challenges and disadvantages to social enterprise.

#### **7.4. A Critique of the Effectiveness of the Social Enterprise Model**

The effectiveness of the social enterprise model is examined in this section. All fifteen participants felt that the social enterprise model implemented in the organizations in the case study was financially sustainable. Participants pointed out that the model had been running for a few years in both organizations and was now proven to be sustainable and successful. When asked whether he felt the model was financially sustainable, Participant 11 replied:

Yes I think so, I think we have enough of a track record now that we've proven that it is sustainable. (Participant 11)

Participant 11 felt that the evidence of Housing Corporation A's success was proven through its past years of service provision. It is worth noting that while participants felt the model was sustainable, two participants did not feel it was unassailable. Vulnerabilities and disadvantages still exist within the model and leaders of organizations need to be careful not to lose focus and stop re-investing in the model. Participant 9 elaborated on this point:

If it pays attention and if it's diligent and if it is constantly renewing and refreshing itself, yes it is sustainable. (Participant 9)

The social enterprise model reviewed in this case study needs to be continually reviewed and adapted in order to remain sustainable.

The overwhelming majority of the participants interviewed felt that the social enterprise models of both organizations were successful. Participant 13 commented on the effectiveness of the two organizations:

It sounds like it's working out ok for them. It's good that Organization 1, you hope that they're giving their, they're generating rent so it's like they've created an asset with the housing and then they've got the revenue stream that's hopefully going to continue to support their work, so they're trying to

be self-sufficient. And then it's probably a little harder for them to be self-sufficient because they're helping people that are under a lot of social assistance probably and so I don't know if they're able to charge enough rent to cover everything. That would probably be their challenge. The other place, (Organization X) because they're helping, probably wealthier clients, so they're probably able to make, I don't think they'd be under as much pressure, because their target market is a more attractive customer base. And then I suppose their trouble is their money is tied up in the risk of what happens with real estate. Because if the value of those units stops going up, then that's a big revenue stream that they're going to be losing; fifty percent of nothing is nothing. (Participant 13)

Participant 13 pointed out the asset which Housing Corporation A was able to build through the establishment of their properties. This would create a continued revenue stream for them through the rent which they charge their tenants. However, as this model makes use of affordable housing units, the amount of rent which Housing Corporation A can charge is limited. The challenge which Organization X faces was also explained. As Organization X serves a wealthier client base, they would be able to sell their housing units for more money. However, their challenge is being subject to changes in market prices for real estate, as prices for housing continually fluctuate over the long term, which could potentially translate into a loss of funding for Organization X if Organization Y is unable to sell their housing units.

The creation of assets which result in continuous streams of funding, contribute towards the self-sustainability of Organization X and Housing Corporation A. According to Martin and Osberg (2015) social ventures or endeavours must be financially sustainable to be effective. The ownership of property and the generation of continuous revenue through rental income thus further illustrate the effectiveness of the social enterprise model which the organizations in this case study are using.

Participant 14 commented on the effectiveness of Organization X's model and its ability to fund services for its service users:

Organization X of course is a great example of how to leverage these two different businesses if you will. Create an activity that is purely focused on generating revenue which can then fund some of the activities that we're often challenged by as social entrepreneurs to actually find revenue streams for. In particular, when you're looking at helping people that are vulnerable populations etcetera that don't have the wherewithal to pay for the services that you're offering you've got to find another way to fund it. And Organization X is a great example of finding that other creative way of funding some of their activities but they also have a great culture and mind-set for this stuff too; they're well-respected in the community for this. So yeah, I definitely think that case study in particular is effective. (Participant 14)

Participant 14 felt that through the creation of Organization Y, Organization X had established an effective, creative way of funding services for their service users who did not have the means to pay for the services themselves.

Participant 10 gave a more critical overview of the inner workings of Housing Corporation A and Organization X's models. Participant 10 felt that what was important was not the fact that the organizations flowed money through a third party like a foundation but that they used revenue generating activities to support their social mission. The difference in the target population of each organization and how that relates to their revenue generation was also highlighted. Broadening an organization's target market beyond their service users was said to create more options or strengthen an organization's model. Participant 10 referred to Organization X's model:

They are not targeted to the programs or any other subsequent projects that they have. So that is truly basically going out to the market, get in, make investments like any other business and generating enough profit to be able to support at least a portion of their programs that makes them who they are. (Participant 10)

As mentioned by Participant 10, social enterprise revenue offers a portion of the total revenue and therefore is not always sufficient to sustain the organization. However, in the



hybrid model, which these organizations are using, that revenue is supplemented by money from government and private donations.

While Participant 4 felt that Organization X's model was effective in generating streams of revenue which contributed to its financial stability, he also had a few criticisms of the model. When examining Organization X's ability to take advantage of economies of scale, Participant 4 mentioned his concern about their focus and mission.

I routinely wonder what it is Organization X is trying to do with that though. I have, at this point very, almost no idea what Organization X's mission is, other than Organization X doing more things... I think that they have a really, really extreme case of mission drift where I have no idea what their mission is. (Participant 4)

The concern of Participant 4 is related to the growth of Organization X and the numerous services which they offer their clients. By focusing on a variety of services, Participant 4 is concerned that Organization X has lost the core mission and focus of the organization.

Participant 4 also mentioned a concern regarding the opportunism of Organization X and their social enterprise model:

They seem very opportunistic and I don't think opportunism is necessarily a bad thing but opportunism for a for-profit entrepreneur means that you get to be someone who pivots rapidly and is able to find and exploit new opportunities for creating wealth for yourself, and occasionally for the people who are around you. I don't know what the value of that sort of opportunism is for a charitable organization. I think what it has a consequence of doing is potentially really diffusing your mission and if you reach the point where you're essentially self-sufficient, then maybe that's ok but then why do you need the charitable status? (Participant 4)

Participant 4 compares the value of exploiting opportunities for business creation in a for-profit business against that of a charitable social enterprise. Since a for-profit business is primarily focused on creating profit, exploiting opportunities for growth aligns with their

profit focus. However, a charitable social enterprise which takes advantage of business opportunities for growth runs the risk of confusing their social mission, with their efforts to generate revenue. Participant 4 also raises the question of whether a self-sufficient organization needs to retain charitable status.

While I see the value in Participant 4's comments, I can also see the value in the creation of a social enterprise. I am of the opinion that charitable organizations which incorporate social enterprise activities contribute to their self-sustainability. However, a social enterprise is not always able to fully support the operations of an organization and the necessity for private donations is thus required. In my opinion, the hybrid social enterprise model thus seems like a fitting option for a non-profit organization, as it is designed to receive funding from a variety of sources, ensuring the model is not reliant on a single source of revenue. I do, however, acknowledge that a social enterprise model might not be suitable for all NPOs.

Social enterprise has a number of advantages and seems to be very successful in creating financial stability and sustainability for organizations as mentioned above. This begs the question of whether social enterprise is a good option for an organization. Participant 4 shared his opinion below:

I think it depends on the organization. If you can do it in a way that mission aligns, if you can do it in a way where the clients are the beneficiaries of the goods and services being sold, then it can be really good at entrenching and enhancing the values of the organization. I think when it is done in a way that's just looking for alternative revenue streams, then you set the organization not, you don't just set the organization up for mission drift, you also set it up for mission failure because it increases the likelihood that you won't have the capacity to actually do that alternate revenue generation well. Which just means taking on risk without actually mitigating it long term.  
(Participant 4)

Participant 4 highlights the importance of an organization incorporating social enterprise activities in a way that aligns with their mission, as opposed to solely looking for additional revenue streams. Social enterprise can be a beneficial option for certain NPOs but is a poor option for others. A number of factors depend on the nature of the organization, its staff, culture, mission and its ability to mitigate risk. The abovementioned disadvantages need to be seriously considered and weighed against the advantages of social enterprise before embarking on a venture which has the potential to benefit or destroy an organization.

### **7.5. Keys to a Successful Model**

The organizations in this case study have a number of factors which contribute to the success of their model. These factors include owning real estate, the provision of good leadership, having an impact on the intended beneficiaries, mission alignment with social enterprise and meeting a need for services.

#### **7.5.1. Owning Real Estate**

Owning property is an extremely important factor in the social enterprise model used in this case study. Participant 3 mentioned that the ownership of property gave Organization X and Housing Corporation A their self-sustainability. Participant 4 explained the benefit of owning property for Organization X below:

I think they have become very good at doing the housing. I do think that is actually a piece that they do very well. And it's a very nice piece for social enterprise to have because it also means that they have property, which means that they have an asset that they can leverage for further financing and also it adds stability. If you're going to have a social enterprise, that's a great revenue stream and capital asset to have. (Participant 4)

The stability and revenue generation as a result of property ownership was emphasized by Participant 4. Additionally, the ownership of property enables an organization to leverage that property for additional financing. This statement is consistent with the literature of Roy

and Chaudhuri (2008) who state that models for property ownership and economic independence contribute towards financial empowerment. Organizations which are able to access financing through mortgaging their properties are thus able to empower themselves financially through the acquisition of additional resources.

Investment in property was shown to be profitable by Participant 6, who mentioned that the pension funds in Canada are investing in real estate because they make money that way.

It's a real estate play because twenty years from now, that real estate is going to be worth a gazillion dollars. (Participant 6)

This statement by Participant 6 shows that real estate is a good investment, as real estate increases in value over time. Furthermore, the pension funds would not invest in a venture that would not generate profits for them. However, this investment has maintenance costs associated with it and at times ensuring full occupancy can be a challenge, as was mentioned by Participant 8. The purchase and ownership of real estate should thus be carefully considered through weighing the benefits and limitations.

The ownership of real estate has the potential to provide financial stability and sustainability for a non-profit social enterprise organization, through the generation of consistent rental income.

#### **7.5.1.2. Return on Investment**

Owning and operating real estate can generate revenue for organizations and bring a return on investment for them. This is a very important point to note as organizations are then able to receive a portion of their investment back, to be used again, instead of just investing once and losing any potential return on that money, as is normally the case. Participant 8 mentions that Organization X was aware of this factor and capitalized on it.

As we grew, whoever it was, whether it was CEO 1 or 2, knew about the return on investment of having a very strong infrastructure. (Participant 8)

Participant 8 illustrates the return on investment which Organization X created, through the ownership of property and infrastructure. Receiving funds back from an investment in property contributes to the self-sustainability of an organization.

### **7.5.2. Good Leadership**

Another important factor that both organizations had in common was their leadership. Strong leadership was needed for the organizations in this case study to be successful.

It takes leadership to do this. So you need to have someone at the top who has a vision and who is, it's almost like a fearlessness in terms of being willing to take a risk because the, you know now it's great, they're working well but these were initially, the way that you're describing them, they were big financial outlays that could have tanked easily. So you need leadership and I'm not sure, I've worked with a lot of leaders in many different community organizations and there's not a lot who are, I would say risk takers, most of them are risk adverse because that's what their board expects them to do. To be a steady hand on the tiller, make sure that things are ok. So I think leadership would be a big challenge, resource. (Participant 5)

Participant 5 mentioned that social enterprise requires good leadership and the ability to take risks. Both organizations received great leadership from their CEO or Executive Director, the boards of directors and their senior staff. Good leadership that provided vision, guidance and direction was a key ingredient to the success of these organizations incorporating social enterprise into their organizational models.

The leadership at Organization X is, it's part of the keys to its success, just an exceptional senior leadership team. I know you mentioned you were speaking with Participant 7. The CEO and certain key members of the leadership team, the culture of Organization X, its heritage is all part of its success. (Participant 9)

Participant 9 attributed a large part of Organization X's success to its good leadership team. The leadership also took calculated risks and encouraged staff to be innovative.

Organization X was known as being innovative and having an innovation culture and having also a culture that supported reasonable, reasoned risk taking among the, right from the senior leadership all the way to the staff working with the clients. They were encouraged to be innovative and take risks and they were supported in their attempts. (Participant 7)

Participant 7 mentioned the innovation culture which Organization X created through their leadership and the calculated risks which staff were encouraged to take. The good leadership displayed by the leaders in Organization X is consistent with the work of Mollenhauer (2017), as they actively sought for opportunities to grow their social enterprise, take risks, and find a balance between stability and dexterity in the organization.

The leadership teams of both Organization X and Housing Corporation A have contributed significantly to the success of these organizations, through their innovation and risk taking.

### **7.5.3. Impact on the Intended Beneficiaries**

A difference of opinion was found between participants when asked whether the impact of a social enterprise should benefit their clients directly. Some participants felt it was important that these elements were aligned, while others felt that as long as the participants were not harmed in any way, the impact could benefit the organization and then indirectly impact their clients.

Some participants felt it was enough to have the social enterprise benefit the organization in general and not have a direct impact on clients, as long as the organization was delivering on their goals. Participant 13 had an interesting take on the matter:

If you've got enough money to deliver on your goals, then it's fine but that's like you're, the scale that you're working on, the less money that you're making from your social enterprise, the more integrated it needs to be in your mission. (Participant 13)

Participant 13 was of the opinion that the amount of money generated by the social enterprise was directly proportional to the extent it should be integrated with the organization's mission. Hence, the less revenue generated by the social enterprise, the more integrated the organization's mission should be with making a direct impact on its clients.

A difference of opinion existed between participants regarding how important it was for an organization's profit generation activities to focus their target market on their clients. Participant 4 felt it was very important for an organization running a social enterprise to ensure that their goods and services were fundamentally mission aligned. He gave the example of a YMCA running a child care centre as a social enterprise:

If you're able to build off of the actual expertise that you have as an organization, as an institution, then I think you can do it well. So, when a YWCA runs child care centres, that makes sense to me. That fits the broader mandate of what is empowerment and their entry into the work force. If a YMCA were to run a sky diving operation, that doesn't make any sense to me. Even if it looks like there's a really good market in sky diving so it can be a nice independent source of revenue that is not going to be held to the whims of donors or other funders, it's still probably not a good idea. So I think that's a key kind of issue with the sales of goods and services. Done well, it can be a really nice way of keeping you in touch with your primary beneficiary population that you're trying to work with. (Participant 4)

Participant 4 revealed that a social enterprise which is able to build off of its organizational expertise and incorporate it into their social enterprise can be successful. Upholding the organizational mandate and combining the social enterprise with the impact on the intended beneficiaries was emphasized by Participant 4.

Furthermore, Participant 4 felt it was important for the impact of the social enterprise to benefit the clients directly in order to prevent the problem of putting an organization's impact at risk. He elaborated on this issue below:

I'd say so. I'd say if it doesn't, it just makes that issue even more severe (the impact will be at risk). And there's a real advantage though as well if it benefits the clients directly. Which is, the social enterprise can be a really frequent touch point for feedback from your beneficiaries, from your clients, as to how well their impact is, how well your impact is on them. And so done well, it can actually make your organization more dynamic and more response to your clients than one without a social enterprise. (Participant 4)

Participant 4 continued by giving an example of a local community organization that had multiple opportunities to connect with its client population.

A lot of their social enterprises are used by their clients for other services and that provides multiple touch points to get a really good, well-rounded sense of who they are (the clients) and they can adapt to them appropriately. I think that is where there's a real benefit to social enterprise, incorporating it, is that it can provide you with new, interesting ways of helping your clients directly. Not just helping the organization survive. (Participant 4)

Participant 10 contrasted the view by Participant 4 by stating that a social enterprise focusing on a target market different to its service users will significantly expand its market, especially as service users often struggle to pay for services.

Participant 10 also felt that whether or not the impact of a social enterprise should benefit the clients directly was dependent on the organization's business model.

A lot of social enterprises are using beneficiaries to further their organization (and have a direct impact on them). At the same time there is nothing wrong with something like Organization X is doing where they have a completely different target market that, yes they are sort of in the grey area of what they do but not directly participants in anything else but housing. And take their money and do whatever you need with it. So there're both sides of the picture present there. You could then, you could use it and reduce your costs, or sometimes the social enterprise is built with the idea that this is how you're going to help the clients...So they are part of the social enterprise but they are



also the target of the social enterprise. So it goes equally, the same place.  
(Participant 10)

Participant 10 felt that social enterprises which had a completely different target market to their service users would be just as successful as organizations where their social enterprise had a direct impact on their beneficiaries. Participant 14 mentioned that it is ideal to have as strong of a connection as possible and an alignment between an organization's entrepreneurial activities being directly tied to the problem they're trying to solve and the people that they are serving.

Participants 14 and 4 felt that the impact of a social enterprise should benefit its clients directly, while Participant 10 felt that this was not strictly necessary. Advantages exist on with both options; an aligned impact on the intended beneficiaries ensures various opportunities to connect with them, whereas an impact which does not directly affect beneficiaries enlarges the target market of the social enterprise.

#### **7.5.4. Mission Alignment with Social Enterprise**

Most of the participants felt it was important for a non-profit's organizational mission to be aligned with their commercial or profit-driven activities. Participant 14 and 4 mentioned one reason for this was again, potential mission drift if the two were not aligned. Another important point was mentioned by participant 10 below:

The majority of organizations that we talk are charities as well, if they do anything that is not aligned with their organizational mission and generate profits, they can lose their charitable status. So, that's a good incentive to do it right. (Participant 10)

It is thus important for a non-profit organization to ensure their mission aligns with their social enterprise in order to ensure their charitable status remains intact. This statement is consistent with the regulations for charities in the Canadian Income Tax Act. Participant 10

cautioned that the business organizations choose to focus on must be in their area of expertise.

You cannot do things that you don't understand. So ideally you look at your internal strengths and resources that you have and make those the focus of your initiative because you have more chances for success. Usually when you start a business, you don't start in a sector that you've never heard before, you start in your sector so you can use your connections and your networks and your expertise the right way. (Participant 10)

Participant 10 explained the benefit of beginning a venture within a sector familiar to the non-profit organization and its staff. The use of strengths, skills, expertise and connections attributed to the organization's area of expertise will contribute to the success of a non-profit social enterprise organization.

Participant 4 alluded to the danger of having too great of a focus on revenue generation, and the resultant impact it could have on an organization's mission.

You do that year in and year out and over time, more and more all you're doing is the revenue generation piece and less and less of that impact piece. So if your impact isn't tied directly into your revenue generation from the get go, your impact will always be at risk whenever your other financial flows are at risk. (Participant 4)

Participant 4 mentioned the temptation to focus on revenue generating activities, instead of the social impact activities, if an organization is struggling financially or experiencing a poor economic climate. Organizations might think that continuing to generate revenue will help them more in the long term but the danger is that over time, an organization loses more and more of their impact mission.

Mission alignment between a social enterprise's for-profit activities and non-profit mission is an essential element for a social enterprise to consider.

### **7.5.5. Meet a Need for Services**

Both organizations in this case study were successful in the social enterprises they created because they filled a need in their community. This ensured that they had a market for their product or service and it enabled them to make an impact for their beneficiaries. A need experienced by clients was identified by Housing Corporation A, as noted by Participant 12:

There's a giant need and continues to be a giant need for housing for clients  
(Participant 12)

Housing Corporation A was able to see a need for affordable housing services and capitalize on it through the creation of their social enterprise.

Numerous keys to a successful social enterprise model were discussed and included the ownership of property or real estate, and the guidance of good leadership. Furthermore, ensuring the impact of a social enterprise directly affects its beneficiaries, the alignment of the non-profit mission with the social enterprise and the meeting of a need through service delivery contributed to a successful social enterprise model.

### **7.6. Policy and Tax Implications of the Model**

There are a number of important policy and tax implications to consider with the hybrid social enterprise model. The role of policy; examining current policy, taxes and fees specific to the model; charitable status and complying with Canada Revenue Agency (CRA) regulations; and examining social enterprise as a legal form are discussed in the section below.

Participant 10 touched on his view of the role of policy, which he feels is to create policy in such a way that encourages and supports NPOs and social enterprises to be successful.

You want to encourage people to do good. At the same time you want to, even more to encourage them to do it on their own rather than going with their hands out to the government. So if you have the right tax framework for social enterprises then more would probably take that avenue. And policy means in my mind is the whole environment that you set up to make sure that these guys can be as successful as they can. (Participant 10)

According to Participant 10, the right policy framework for social enterprise might contribute towards an increased uptake in the use of the model. Policy makers need to ensure that non-profit policy and legislation is not too burdensome, limiting non-profits in their ability to make an impact.

If it becomes too burdensome, it just limits organizations' abilities to be innovative because then they're spending twenty, thirty, forty percent of their time on administrative activities, when they really should maybe be spending ten percent of their time on that and putting most of their energies on how do we actually make more of an impact. (Participant 14)

Policy which is too burdensome for organizations leads to an increased focus on administrative responsibilities and a decreased focus on social impact.

Participant 1 mentioned development fees and property taxes which are specific to social enterprise models focused on property.

The tax implications are not helpful at times for organizations because quite often, although we're doing charitable work, we're treated the same way as a business. (Participant 1)

Participant 1 continued to explain how NPOs are charged the same development fees as a for-profit business when building a new building. This is a real challenge for non-profits which do not charge market value rent, as their decreased revenue means absorbing a higher cost. This translates into NPOs incurring higher costs and as such, they incur greater risk and less profit.

Participants 1 and 2 also mentioned that organizations are required to pay two sets of development fees; one to the region and the other to the municipal government. Municipal governments are legislatively able to determine forgiveness of certain fees, such as development fees. However, they are not required to do so, which means certain organizations benefit but others do not as some municipalities feel they need the funds to operate effectively. Forgiveness of these fees is encouraged by the provincial government but it is not required or mandated. The forgiveness of fees assists NPOs a great deal in controlling their expenses, and is a positive way in which government is supporting NPOs.

However, while trying to support NPOs, the provincial, regional and municipal levels of government appear to be disconnected. Provincial or federal government might encourage local municipalities to forgive certain fees but does not offer the municipalities a means of supplementing those funds. The municipalities thus struggle to assist the community organizations by waiving the development fees as they are reliant on the funding for the maintenance of the municipality.

In contrast to development fees, property tax breaks are a benefit which NPOs building a new building receive, as explained by Participant 1:

Now, one of the benefits we do get is we don't pay any property tax. Where you build affordable housing for people, and this has been challenged in government and the courts and has been upheld, does not have to pay property tax. Because the argument is you're doing the work of the government and it makes no sense for the government to charge and then give the money back to do that work. (Participant 1)

Participant 1 mentioned that it made more sense not to charge property taxes instead of government charging them and returning the money at a later date as a tax benefit.

An additional point worth noting is the policy compliance required by government. Certain policies and regulations governing NPOs are in place, so organizations need to ensure

that they comply with these regulations. Participant 7 gave an overview of the types of policies and tax regulations Organization X needs to comply with:

We're a charitable not-for-profit so we don't pay tax on our revenue and we get back half of the HST portion of the GST that we pay for goods and services. And we can give tax receipts for donations and we're subject to the Ontario Not-For-Profit Corporations Act... and we're also subject to the Canada Revenue Agency Charitable policy, so we have to comply with all of that. (Participant 7)

Participant 13 continued with the need for compliance with tax regulations:

A non-profit is not a taxable entity, I suppose you have to be careful if you're making a lot of money, then maybe the government's going to come in and think that you're a for-profit enterprise. And then you'd have to pay tax at that point. So there are things there that you have to navigate and make sure you're on side with. (Participant 13)

NPOs engaged in social enterprise thus need to ensure that they comply with the regulations determined by government. Participant 4 explained one of the CRA requirements concerning charitable status and revenue generation:

The biggest concern if you were to do that is if you do have charitable status to make sure that those things are mission aligned. You do run the risk of having your charitable status revoked if your fee for service operations are not seen as aligning with what your mandate is, so that's a really big risk. (Participant 4)

Challenges can arise with running a non-profit organization as a social enterprise as there are specific regulations regarding charitable status. Organizations need to ensure that they align their profit generation strategy with their social mission and operate in a way that sustains the organization, instead of operating as a for-profit business. The funds generated through the social enterprise need to be used for the social mission, and not for staff benefits,

or other for-profit uses. Participant 8 also mentioned that the NPO and the social enterprise work on different fiscal calendars, which can be challenging.

There would be a tension between running a for-profit business and running a non-profit business. I know that legally, there's totally different set of, you know we have to abide by different laws and things and our taxes and all of that are very different. (Participant 8)

The policies and regulations concerning NPOs involved in social enterprise are confusing and make it difficult and costly to retain the revenue generated by the social enterprise.

As anyone who's tried to do this stuff has explained to me that they go through a lot of lawyers and accountants and no one seems to understand how this works, is the actual issues involved with how you hold on to and carry over revenue, the profits from that and how you would actually, the ways in which a foundation, which is also a charitable, tax exempt form, can support those sorts of activities. (Participant 4)

Participant 14 elaborates on policy regarding social enterprise:

From policy or legislative requirements they're also limited in what they can do with the revenue that they generate or how much revenue they can generate. And so I see a lot of organizations out there now that are, they have several, they've incorporated several different entities to kind of get around some of these barriers. They would run their charitable arm as a separate organization from their for-profit activities. (Participant 14)

The confusing legislation surrounding the creation of revenue for social impact has thus forced organizations to morph into larger structures, with smaller, related entities. This is evidenced in the legal structures of Housing Corporation A and Organization X. Rather than operating as one entity, these organizations are forced to operate as two and three separate entities, respectively. Participant 14 felt that legislation concerning NPOs

conducting social enterprises needed to be re-examined in order to overcome barriers in legislation regarding legal structures. Participant 14 mentioned that this was an indication there was a problem with policy.

Participant 4 briefly examined social enterprise as a legal form, which in Canada, currently only exists in Nova Scotia and British Columbia.

I don't think it actually provides much... what it is supposed to enable versus a non-profit, is it's supposed to enable the raising of capital, selling of shares, easier access to debt, my understanding is that in British Columbia there's like forty registered social enterprises, which is tiny, that's like zero, that's almost no uptake... there's nothing you can do with that social enterprise legal form that you can't do with just a normal for-profit corporation, except what you can do with the normal for-profit corporation is find lawyers, find accountants, find small business experts who actually understand what the hell you're doing. (Participant 4)

As evidenced above, policy and legislation regarding social enterprise is confusing and unhelpful, which makes social enterprise even more challenging. The policy and tax implications regarding social enterprise therefore need to be re-examined by government, and improved to support the creation of social enterprise. Improvements in legislation surrounding charitable status and social enterprise legal structures would empower non-profit social enterprise organizations to make a more effective impact in their communities.



## **CHAPTER 8: THE INTERPLAY BETWEEN GOVERNMENT FUNDING, PRIVATE DONATIONS AND SOCIAL ENTERPRISE**

The interplay between government funding, private donations and social enterprise is dependent upon two main factors for effectiveness: a collaborative partnership between funders and the ability to leverage resources for an increased community impact.

### **8.1. A Collaborative Partnership**

The formation of a collaborative partnership is essential to the success of the hybrid social enterprise model. Participants 1 and 12 stated that there needed to be a collaborative partnership between government funding, private donations and revenue generated through social enterprise in order for the model to be successful. Participants 6 and 12 felt that all three funding sources were necessary, especially at different stages in the model. Participant 6 likened the interplay among the three players to a game of Whack-A-Mole. Organization X was able to make the most of the funding opportunities in front of them, just like whacking the mole or gopher that appeared before them at the time. The organization would rely more on government funding when funding was more easily available and rely less on government funding and more on social enterprise when funding was less available, such as in an economic recession.

It's a very nice combination; fundraised dollars, money you earn yourself, money coming from government, very different dollars and in different times of, in different economic cycles, they behave very differently and that's a good thing. (Participant 6)

Organization X thus relies on particular sources of funding at different stages in its life span, enabling it to maximize its funding. Participant 3 alluded to the importance of each funding stream in the hybrid model.

They're all equally as important. I was very impressed with, well I think this is credit to Participant 1 and his boards that they had pretty good take up from a lot of big organizations fairly quickly, just when you explain the concept and people were willing to stand behind it. So if you've got that, that makes the government happy and I would say that they're more willing then, to through their saying well if your community is going to support it, we should by all rights be supporting this too and supporting you. What we don't want is you just coming to us for everything because we can't sustain that, it's not viable in society. (Participant 3)

Participant 3 referred to the community support received for Housing Corporation A's social enterprise initiatives. This community support encouraged government to support the initiative as well, especially due to the proactive nature of the venture.

Participants 2, 11 and 13 felt that the less an organization relied on government funding, the better. Unfortunately, relying on government to some extent was necessary because they could not support their organizations on fundraised dollars, or on social enterprise alone. Participant 14 was of the opinion that the government funding model was going to stay.

Especially with non-profits, they've been traditionally so reliant on grants. And there's still going to be a need for that because with a lot of non-profits, they're delivering services, in many regards on behalf of the broader public good. And both the organization I ran and ones I've been involved in, they get grants from different levels of government to deliver value to people. And I think that model in particular isn't going to go away. (Participant 14)

Relying too heavily on one source of funding can be very risky and expose an organization to a lot of vulnerability. While social enterprise might be a risky approach for organizations to take, relying too heavily on government funding might be just as risky in the long run.

Participant 14 analysed the interplay between private donations, government funding and social enterprise by looking at each entity separately and then examining the relationships between them. First, private donations were examined:

That's great if you can get private donations, I think the key piece with that is, does it align with the values of your organization? So who's donating? What are their values and what's your organization's values and you're not making sacrifices there, there's mutual understanding. You have some shared set of core values. (Participant 14)

Participant 14 mentioned that it is important to ensure the values of the donor align with the values of the non-profit social enterprise organization, in order to prevent mission drift and compromise on impact due to the need for increased funding. This links with the earlier discussion on mission drift where an organization will apply for funding even if the donor's values do not align with their organizational values. Second, revenue from social enterprise was examined:

The revenue piece, that allows the organization to do what it wants to do. So if you're generating your own independent revenue, independent of private donations and government funding, it just gives you the creative control to take that revenue and really invest it in what your organization's trying to achieve. (Participant 14)

Revenue generated through social enterprise enables flexibility and creativity for an organization as they are able to control the manner in which the funds are spent. Third, Participant 14 commented on government funding and the relationship with the other two entities:

Then the government funding, there's, with the interplay piece it's interesting because if an organization is pretty successful at generating its own revenue and has maybe a series of private donations in play, does it put that organization in a challenging position when proposing to deliver services for government? Because government thinks well, you've already got the

resources to do this, why would we fund you? So in terms of trying to think of how these kind of play off of each other and then similarly the interplay between private donations and revenue. (Participant 14)

Hybrid social enterprise organizations might find it challenging to be awarded government funding, as government could perceive them to be self-sufficient, without the need for additional funding from government. This could also be a perception of private donors who might perceive an organization to have sufficient funding, without the need for their donations.

Participant 4 described the relationship between the three funding sources as complex, especially when other sources such as bank financing potentially play a role.

If you think of social enterprise as often being in that realm of the sale of goods and services, then the organizational value of social enterprise doesn't just come from being able to generate a revenue through sales, it's the fact that it actually becomes a revenue stream. Why is that important? Because a revenue stream is something that you can borrow against. If you have a really successful social enterprise, it's not just that it generates revenue, it's also that it can generate debt financing and if you can generate debt financing, you can invest in larger capital projects, you can invest in capacity in a way that you wouldn't be able to otherwise. Now the challenge with taking on debt for a charity, is debt tends to crowd out private finance, or private donations. (Participant 4)

Participant 4 reveals the importance of a revenue stream and the leverage this provides an organization through debt financing. By borrowing against a revenue stream, organizations are able to access larger sources of capital for projects. In addition, Participant 4 continued to explain that private donors are reluctant to donate to organizations with a large amount of debt as they want their donations to be used for the organizational mission, not to repay a debt from the bank. Acquiring increased funding from a financial institution thus has the potential to detract from private donations. Furthermore, private donors might question whether their donations are subsidizing the business operations of a social enterprise or being used for the mission.

If the work that is social enterprise work fundamentally changes the nature of the goods that are being offered, then it can undermine donations. (Participant 4)

Participant 4 explained that if goods, which were freely given to service users, are later sold for a profit through a social enterprise, the public might question that and stop donating.

A collaborative partnership is required for a non-profit social enterprise to be successful. Funding from government, social enterprise and private donations all contribute to the operation of the model. While these three sources work well together at times, leveraging off of one another and increasing the overall income of an organization, the three sources also have the potential to work against each other and decrease total funding.

## **8.2. Leveraging Resources**

The ability to leverage resources to create more funding and have a bigger impact is a powerful feature of the interplay between government funding, private donations and social enterprise, as evidenced below:

It's incredibly powerful to use a key word and the key word is leverage...Here's what Organization X does and it does it so effectively, and so do other organizations I'm very familiar with. It's proactive; it goes to the public sector, government organizations and says, there's a serious problem here that we would like to address. It's consistent with your priorities in the public sector. We're able to leverage your funding two to one with private sector support as well, so if, with your public sector support, let's say for a million dollars, we have the ability to raise two million dollars from the private sector to tackle this particular social problem. That's very powerful, they're interrelated. Now let's go the other way because it, Organization X does this in both directions and so do good social enterprises. (Participant 9)

Participant 9 continued to explain how Organization X can also go to private funders or supporters and lever those funds with the public sector.

So it goes the other way too and everyone likes the opportunity that their investment is not orphaned, that term orphaned where, let's say I want to give a thousand dollars to Organization X as part of my personal philanthropy, well I feel really good at knowing that my thousand dollars can be levered and help Organization X raise another thousand dollars from public sources because of my private donation. That's how they interplay; no one likes to be alone. (Participant 9)

Participant 9 explained that if an organization is able to leverage funds from both government and private donors, it can be very powerful in advancing their mission.

Participant 9 makes reference to institutional theory above, the viewpoint that organizations mimic successful ones in order to gain credibility (Sherer, Meyerhoefer, & Peng, 2016). This is a potential area for further research.

According to Participant 1, the role between different funding bodies can be enhancing and encourage funders to support an organization. An additional form of leverage was mentioned by Participant 9:

I am in full favour of all these policies or programs that administrated by public sector organizations, insist that there be a matching from the private sector. (Participant 9)

By matching government funding with private sector funding or private donations, social enterprises can leverage additional resources for the organization.

The power of leveraging resources from different sources of funding is illustrated by Participant 9. In this manner, non-profit social enterprise organizations are able to access a greater amount of total income through combined funds from government, social enterprise and private donations. This enables them to conduct large scale community projects due to access to increased capital.

## **CHAPTER 9: SUGGESTIONS FOR AN IMPROVED WORKING MODEL BETWEEN NON-PROFIT ORGANIZATIONS AND GOVERNMENT**

Suggestions to improve the working model between NPOs and government included four main points; the improvement of policies, processes and transparency, improvements in the relationship between NPOs and government, additional government funding, and increased support for social entrepreneurial models.

### **9.1. Improved Policies, Processes and Transparency**

Improvements in policies and processes, and greater transparency within government were suggestions to improve the model between NPOs and government.

#### **9.1.1. Better Legislation**

Participants all mentioned that government policy needed to be improved in one way or another. A number of suggestions were mentioned, including decreasing the number of regulations with which NPOs need to comply. While regulations are necessary for the accountability of public funds, too many can become burdensome for organizations, rendering them less effective in terms of service delivery. While I acknowledge the level of difficulty involved with implementation, regulations need to be reviewed and streamlined.

Participants shared that policies should be more flexible and should allow for different ways of achieving the outcomes or results required. Additionally, the government should examine charitable status laws and non-profit laws to find impinging barriers within those regulations that limit the social enterprise sector from being entrepreneurial. Participants also called for increased transparency within the government as to how decisions are made, especially with regard to funding priorities, and to the processes that governments follow. It was suggested that processes be run in a more professional and timely manner.

Government incentives in the way of loans and start-up capital could make social enterprise an attractive option for organizations to adopt.

To the extent that they can deliver any kind of incentives for private enterprise, for these organizations, any sort of incentives to make them explore these things whether it's, maybe it's even by way of a loan.  
(Participant 3)

Loans would operate as incentives which could decrease the risks associated with starting a social enterprise, provided they are used in a way that organizations are held accountable for the proper use of the funds.

There is presently a considerable need for affordable housing in Ontario. If the government improves the legislation regarding development fees for NPOs, perhaps they will be able to create more affordable housing for clients in a way that ensures they do not lose money in the process. If the provincial and federal governments subsidized local municipalities better, perhaps the municipalities would be more willing to forgive development fees for NPOs.

I've got newspaper articles to show you that talk about local governments having to forgive some of these development charges to not-for-profits to create affordable housing, that local governments need to create incentives for builders, private, for-profit and not-for-profit to engage in building affordable housing. (Participant 1)

Participant 5 mentioned one example of an improvement to the system by government. A community organization was given some leverage in the way of funding from the government. The organization was responsible for ensuring that the funds were used effectively and efficiently.

We were funding like seven different organizations and it, the quality was so variable and we couldn't hold people accountable and yet there was a whole body that they had convened themselves. So the outcome of our process was



to say why don't we give you all the money because you actually work with everybody and you have more leverage than we do to actually see how you could use that money more flexibly within the system. So I think we do try to get it right. And I think in that case, we got it right to say what we, we'll give you the money, we don't have to be, it does no good for us to be funding you know, these services, we don't even know if it's the right things but you would know that so why don't we give you the money? (Participant 5)

The example illustrates the approach that NPOs are requesting from the government. If the government is able to take the necessary steps to allow organizations more flexibility while still holding them accountable for the funding, all three parties would benefit, the government, the non-profit organization and perhaps most of all, the community.

When asked to discuss the charitable status domain, a difference of opinion was evident between participants. Participant 13 felt that the system worked relatively well, while Participant 4 suggested that long term, charitable status should be entirely deleted as it puts too much judgement in the hands of the CRA concerning what defines social good.

If we really want to promote innovation in the social sector, we should probably get rid of charitable status. I think it puts too much judgement in the hands of the Canada Revenue Agency and regulatory bodies as to what is the social good, what is the environmental good, constrains greatly how foundations can spend their money. (Participant 4)

In addition, Participant 4 mentioned that a revision of the charitable status regulations could be made in order to 'take off the handcuffs' to ensure NPOs are given more flexibility in how they can spend their money, which may allow them to explore social enterprise further. Participant 4 commented on the structure of the charitable sector and the tendency of government to outsource social services to community organizations at a lower cost, in order to rationalize large cuts in public funds.

The way that we structure the charity sector is often used as this rhetorical device to justify very large cuts in public spending to try and say that it's going to be better to have a more grassroots, community driven and all that

and it might be but not at one hundredth of the scale, no matter how community driven it is, if it's one percent of the resources, it's not going to do the same job. (Participant 4)

Government needs to ensure that community organizations are given appropriate resources to accomplish their missions in the community. Policy and legislation can be adapted to ensure that greater focus is placed on preventative activities, rather than the more prevalent reactive interventions which happen in response to a difficult situation.

I wish the government would focus more on prevention...that's money much better spent than doing some heavy interventions later on down the road when things get really difficult for people. (Participant 8)

Participant 8 insisted on the government shifting its focus to allow them to take the necessary preventative measures rather than reactive measures.

Participants encouraged the government to develop policies which support the sharing of government statistics and information with regards to crime, transportation systems, property usage, and property ownership in order to assist community organizations.

Just sharing of data that could make it easier for social sector organizations to prove their case, prove their impact and also align their services. (Participant 4)

Increased sharing of this data could be useful to NPOs and social enterprises in the development of new business models for social and environmental impact. There are a number of actions that the government can take to help improve the government's legislation of NPOs. For instance, increased flexibility with government contracts, allowing for various methods of achieving the required outcomes will allow NPOs more flexibility to meet their

objectives, while decreasing the administrative burden placed on both NPOs and the government.

### **9.1.2. Improved Organization of the Social Sector**

Improving the organization of the social sector could possibly concentrate efforts to make an impact in communities. Participant 15 shared how she felt distributing funding too widely between too many NPOs diluted the capacity of organizations to make a difference in their communities.

So government just gives little bits all over the place. Could they be more effective in giving larger amounts of money to larger organizations who have more capacity? (Participant 15)

It could be argued that through the provision of funding in a more concentrated manner, government could ensure increased effectiveness in service delivery. Streamlining processes and improving the structure of the social sector as a whole could ensure a greater capacity to make an impact, as evidenced below.

You can have more impact if you're dealing with fewer, stronger places.  
(Participant 15)

While funding fewer, larger organizations might contribute to more effective service delivery, smaller NPOs would be forced to shut down. This is an issue related to population ecology theory, which is the concept of natural selection that determines whether an organization will succeed or not (Arnold, 2014). Perhaps the success of an NPO should be decided naturally by its environment, rather than by the allocation of funds. Further discussion on this topic is outside the scope of this research paper but may be worth noting

for further study. The large number of charities in Ontario increases the competition among them for funding.

There are a lot of little charities all over the place doing little bits of the same kind of work. I think government could require more merging and collaboration. (Participant 15)

Participant 4 also suggested improving and simplifying elements within the social sector as a whole.

Just simplifying a lot of aspects of the social sector. (Participant 4)

Improved organization of the social service sector has the potential to make an increased impact in communities through the provision of larger amounts of funding to fewer community organizations. However, a large amount of time and effort would be required to organize the social services sector. By conducting research, writing a policy brief and starting a movement, large-scale change could be brought about.

### **9.1.3. Simpler Processes and Improved Efficiency**

Participants called for simpler processes and improved efficiency from government with regards to funding applications. Participants mentioned feeling constrained by the number of regulation requirements and frustrated with the complicated processes involved with applying for grants.

Just streamlining that whole process, like another thing, when we applied for a Trillium grant, we had to pay I think eight thousand, six or eight thousand dollars to have someone put the grant together for us, which again, why is the grant process so complicated that you have to hire a professional to do it? (Participant 13)

This could add to the level of frustration for organizations if needing to hire a professional grant writer. Streamlining and simplifying funding procedures and decreasing reporting requirements would assist NPOs by saving them time and money spent on administration.

In addition, participants suggested that there be more integration and collaboration between government ministries as they sometimes seem to have different goals.

The Ministries don't work as well together, sometimes. And so it's not, they're working at cross purposes sometimes. (Participant 7)

An example of poor communication between government ministries was given by Participant 6. He explained that the Ministry of Health provided funding for a youth project, instead of the Ministry of Children and Youth Services, which had traditionally been tasked with assisting this specific specialized population. The community suffers as a result of the duplication in services by multiple organizations and dilution of the funds, as evidenced below:

Centralize it so that it's all in one pot rather than spreading it about. Now it'll be agencies that have never done employment will get money to do employment or something like that. So they keep splitting the market and it doesn't help when you need critical mass in these times. (Participant 6)

NPOs which receive small amounts of funding often struggle to make an effective impact in comparison to organizations which receive sufficient funds for projects.

Simpler procedures for government funding are needed and steps to improve systems are underway. Participant 5 mentioned that work is being done in government to condense government contracts that NPOs have with different ministries into one contract, with one

government official to manage the contract. Systems which allow for more flexibility within government systems and contracts would simplify requirements for NPOs.

If we can put them (community organizations) in a position where we just flow one big pot of money and say ... these four things, you have to hit all of these, you can't ignore a whole business, piece of work but you get to decide based on community demand, community need, what it is that you do with that. For sure, we could do that. (Participant 5)

Simpler funding contracts are a solution which government can provide to assist non-governmental organizations in terms of funding procedures. This is a solution which I am personally in favour of; as too much money is spent paying staff to either apply for funding or report on expenditure in my opinion. While these processes are necessary, they could certainly be simplified and improved in order to be less time consuming and more cost-effective.

The simplification of processes, flexible government funding contracts, improved communication and co-ordination between government ministries, and the concentration of government funds within fewer agencies would assist NPOs in making a more effective impact in their communities.

## **9.2. It's All About Relationships**

Three factors were mentioned with regards to improving the partnership between government and NPOs, namely greater collaboration, improved relationships, and leveraging off of each other's strengths.

In order to improve the impact in the community, greater collaboration between government and NPOs is needed, as evidenced below:

The solution to this problem is a community-based solution. It is not a bureaucratic systems-based solution entirely. There needs to be a greater recognition of the collaboration of the two. Yes the government's the funder

and yes we have a responsibility to them but we know best how to recognize the needs of our community. Help us. (Participant 1)

Participant 1 recognized the need for improved collaboration between broad scale government systems and small-scale, community-based organizations. This need is consistent with the literature by Gonzales (2007) who promotes further analysis surrounding the role that government plays in connecting large-scale structural change to the small-scale everyday activities of non-profit social welfare organizations. Participant 10 highlighted the importance of the role NPOs play in providing value to the economy through unpaid volunteer work. In this way, community members receive services at a much lower cost than if staff were paid for that work. Similar to Participant 1, collaboration was emphasized by Participant 10.

Governments could recognize the role of the not-for-profits and work with them collaboratively rather than antagonistic. (Participant 10)

The value of government collaboration with the local community is acknowledged by Participant 5.

I would say as part of the culture changes that we're doing, working in partnership with communities is not only the right thing to do, it's the only thing that we can do to sustain what all of us have. You know, to make it better for individuals and families, that's why you do it. We don't have enough resources alone to fix all the problems. We need to partner with them and they need to partner with us. (Participant 5)

Collaboration between government and NPOs is extremely important. However, the smaller government tiers seem to understand this to a greater degree than the larger tiers. Regional governments seem to care a great deal about their communities but elected officials

often appear to have their own agendas, as mentioned by a number of participants. While collaboration takes place to a certain degree at present, it needs to be increased in order to improve the relationship between government and community organizations.

Working on an improved relationship between government and NPOs was a common suggestion by participants. Participants mentioned that the relationship could be improved by communicating better, talking more, and really listening to each other. Feeling government was being genuine, and not just speaking to organizations out of tokenism was important to participants.

Anything you can do to improve communication is key. (Participant 3)

The value of the relationship between government and NPOs was shown by  
Participant 5:

So agencies benefit by having close relationships with us because they can help us to understand what their lived experience is and what their needs are and get us on board and have more opportunity to have us willing to fund things. We benefit because having a relationship helps us to keep tabs on what they're doing because we have responsibilities as a consolidated government systems manager. So a higher level of government tells us that it's our responsibility to make sure the system works well. So our relationships allow us to really know what's going on, to build the capacity to leverage some of those relationships to make the changes less painful for folks. So, it's all about relationship. (Participant 5)

Partnership and collaboration requires relationship, which is why this aspect is of immense importance.

One suggestion which I found particularly interesting was that as the regulatory body, government should work with their own strengths as well as the strengths of NPOs and leverage off of them to improve the relationship. Government is well-equipped with funding and resources and are able to create policy and legislation. On the other end of the scale, a



solid strength of NPOs is their ability to work with communities at a grass-roots level.

A lot of the real value that NPOs and charities have is the capacity to identify problems because they can work directly on the ground with beneficiaries in a way that a lot of larger funding agencies often can't. (Participant 4)

Grassroots organizations are able to work with service users personally and thus have a good grasp of the issues which service users face. This strength of NPOs should be better harnessed by government in order to improve service delivery. Furthermore, government should focus their strengths and activities on certain sectors, while enabling NPOs to use their strengths in other sectors where they can make a bigger difference. NPOs have the additional advantage of their small size and are thus more easily able to experiment, as noted below:

Because the public sector's expanded to all these areas, it makes that advocacy role of charities so much more difficult to do but that's really where a lot of the real value is, is that they can engage in new activities, pilot things that government can't do. Government's not a great place to experiment most of the time. (Participant 4)

By focusing on strengths in this way, both parties make up for the deficiencies of the other and strengthen the overall relationship. By combining government's funding and resources with NPOs' knowledge of the community and their smaller, more flexible nature, great strides could be made to serve communities in a more impactful manner.

According to Bosworth et al. (2016) continued research in connecting broader government networks to smaller welfare networks, is needed to guide the creation of policies that showcase the value of social innovation in a society dominated by economic models of policy evaluation. Social innovation and social enterprise initiatives have the ability to add value to community organizations through increased funding. Policies which enhance the value added by social enterprise initiatives should be created by large scale government networks in order to improve collaboration between the two entities.

### 9.3. Additional Government Funding

Increased funding for social welfare services is needed for increased impact and effectiveness. Almost every participant mentioned that government needed to increase their funding in order to better support NPOs.

The number one answer is always more money. (Participant 15)

Participant 6 explained Organization X's need for additional government funding:

Our funding has been flat lined I'm going to say for eight years, ten years. That doesn't make any sense. And when they give you new money, they'll say oh you can't use it to pay for the wages that have gone up twelve percent in the past, you know, ten years and we've had to find other ways to fund it. No, you got to use it for new service. (Participant 6)

It is difficult for NPOs to make ends meet when government funding is decreased on the one hand and labour laws and social policy act against them on the other hand. NPOs are finding it increasingly difficult to meet the needs of communities and sustain their organizations when they are challenged by policy on both sides.

Participant 14 alluded to the imbalance of power between government and NPOs because the government holds the funding. This illustrates that the party who holds control over the funding, holds the power in the relationship. Participant 14 suggested the social sector as a whole needed to push back and advocate for more funding, stating that they do not have enough resources available from government to do what is expected of them to meet community needs. It is my opinion that another method in which NPOs can push back is through social enterprise. By generating their own funds, and having control over those funds, NPOs will thereby increase their power in their relationship with government, making for a more equal partnership.

The recommendation of core funding was an important element for government to better support NPOs, as evidenced below.

The biggest one that I would say not-for-profits are asking for is, stop doing this project-by-project funding, do core funding. So core funding is what everybody's asking for. Funding for the core activities, support, if as a government you find an organization that provides, I would say lifesaving essential services, don't tell them to start another project just to get extra monies, fund what they have. (Participant 10)

Government will often provide funding for specific projects but will not provide additional support for the existing core activities of NPOs. This often results in mission drift for organizations, as they feel pressured to apply for program funding which is not in line with their mission, purely in order to support their organizations financially. In contrast, the provision of core funding by government would enable organizations to fund their core activities and would better support them financially.

Increased funding and improved legislation would empower community based NPOs, rather than increase the financial pressure on them through decreased funding and increased legislated pay for their staff. Minimum wage legislation and the pay equity initiative in Ontario have improved circumstances for NPO employees but have decreased available funds for the mission of the NPO. Governments should increase their funding in order to prevent organizations from compromising on their social missions. The provision of core funding and improved policies linking large scale government resources to small scale community organizations is also recommended.

#### **9.4. Increased Support for Social Entrepreneurial Models**

A number of participants mentioned that government needs to increase their acknowledgement and support of the social enterprise sector. Support was suggested through

an increased understanding of the sector, policies which support the sector's mission to impact the community, and increased financing for social enterprise activities. Participant 1 stated that government needs to acknowledge the value of social enterprise and create legislation to support it.

Policy and an openness and transparency of the value of social entrepreneurship and policy or legislation that allows it to happen, not just privately acknowledges it but doesn't encourage or enhance its creation and operation. They need to address this issue openly. (Participant 1)

Greater acknowledgement of the importance of the sector and the economic contribution it makes. (Participant 9)

Acknowledgement of the important role which the social enterprise sector plays in contributing to social service provision is needed by government. Participant 1 suggested that organizations that engage in social enterprise should be benefitted or rewarded for taking that route.

Well for example, some of the stuff that was suggested when the Federal government was looking at it, that you engage in contracts with organizations who go down that road and they're rewarded financially by meeting specific targets and milestones along the way. (Participant 1)

Participant 1 suggested that NPOs engaging in social enterprise should be rewarded financially for the risks they take, through receiving a portion of the money that they save government.

So a recognition that we saved you money. And so give me a share of the profit or the savings, is what I would like to see and I think that might encourage greater social or a greater degree of social entrepreneurship. And

addresses agencies and organizations elasticity issues and funding issues too.  
(Participant 1)

NPOs and social enterprises are regularly able to do the work of government in more cost effective ways, which benefits the tax payers as government does not need to fund the total cost. It was suggested that NPOs be recognized for the savings they create.

Additional support for social enterprise can be created through improved policies regarding access to debt financing. Social enterprises are often unable to access capital because banks and venture capitalists do not want to invest in them due to their low rate of return. Participant 10 suggested that government give social enterprises access to special government grants, loans or lines of credit in order to help support the growth of non-profit social enterprise organizations.

Another method of showing more support for social entrepreneurial models is through Benefit Corporations. A Benefit Corporation or B-Corp was explained by Participant 4 to be a licensed corporation that meets a set of metrics to impact communities socially or environmentally. Advancing B-Corps is another area which should be developed further but is outside the scope of this paper. Participants 4 and 10 suggested that government recognize B-Corps as valid business models in Canada.

In the States, they are very much active in figuring out how to influence governments to recognize social enterprises as in between not-for-profits and for-profits. So they are the third leg, it's a revenue generated entity which will generate profits but the majority of profits will be funnelled back into the community. They receive special tax treatment, they receive recognition as a valid business model and our government could do that as well. (Participant 10)

The acknowledgement of B-corps in Canada would thus allow social enterprises access to funding and tax breaks.

Lastly, government could procure goods and services from NPOs and social enterprises

in order to show them added support. Government could be a customer of their products or services, through procurement, as explained by participants 4 and 9.

Opening up procurement processes so that if a mission driven organization does want to sell goods and services, government can be one of their clients. It's very difficult for that to actually happen right now. (Participant 4)

One really important role for the public sector and governments is through procurement. So that it becomes policy for the public sector that is this massive customer or acquirer of services. That they mandate themselves, go out of their way to acquire services from the social enterprises that they support. That's a powerful way for government to fuel innovation, is through procurement. (Participant 9)

Improved policies to enable government the ability to buy or procure products and services from non-profit social enterprise organizations are needed. The target market of social enterprises could thus increase in this manner. Furthermore, Participant 4 suggested that government make grants for programs that promote the creation and commercialization of products, accessible to NPOs, charities and co-ops, not only for-profit businesses. This would level the playing field for NPOs, enabling them access to additional government funding.

Increased support for non-profit social enterprise organizations is needed by government, through acknowledgement of the value of social enterprise, improved policies supporting social enterprise and the sharing of savings in government funding by social enterprise. In addition, enabling the procurement of social enterprise products and services, and enabling access to government grants presently only available for certain industries would also greatly increase support for the social enterprise model.

## **CHAPTER 10: DISCUSSION**

### **10.1. Introduction**

In this section, I discuss the hybrid social enterprise model and explore how social enterprise impacts the self-sustainability of non-profit social welfare organizations. This explanation provides an answer to my research question. With reference to the implementation of the social enterprise model within Organization X and Housing Corporation A, I discuss the ability of the social enterprise model to create leverage, I explore the responsibility of the state in relation to social enterprise, I discuss the interplay between government funding, private donations and social enterprise and I explore implications of the hybrid social enterprise model for policy and practice. Furthermore, I discuss the aims and objectives of my study, explore limitations of the study, mention how this study has contributed to knowledge and how it has addressed the research gap.

### **10.2. The Hybrid Social Enterprise Model**

The social enterprise model provides a number of advantages and disadvantages to Housing Corporation A and Organization X. Advantages of social enterprise include financial stability and surplus funds, an increased focus on impact and mission, the transfer of knowledge and skills to other areas, and increased financial and physical resources. Additional advantages include the attraction of donors, and the creation of space for innovation and flexibility. In addition, social enterprise enabled Housing Corporation A and Organization X to be less reliant on government funding, to enjoy an enhanced capacity to plan for the future, a capacity to scale and leverage resources, and to develop an alternative mind-set and organizational culture.

Conversely, disadvantages of social enterprise included having a negative impact on fundraising, causing possible culture conflict, and being a difficult model to implement, which is in part due to the negative view that certain decision makers hold towards social enterprise. In addition, social enterprise posed the potential for mission drift, and exposed organizations to a level of financial risk.

While the number of advantages to social enterprise seems to outnumber the disadvantages, there are two main factors that should be considered when evaluating the advantages and disadvantages of implementing a social enterprise within an NPO; the risk involved and the knowledge required. For one thing, social enterprise represents a risky endeavour because a great deal of financial resources is required. The potential to lose the money invested in an enterprise, mission drift and the inability to repay debt, make social enterprise ventures risky. In addition, organizational leaders need to have the requisite financial, legal and organizational knowledge and skills, as well as a willingness to adapt and learn in order to make the venture successful. It is essential for leaders to understand the risk factors involved in a social enterprise and ensure they are knowledgeable enough to maximize the benefits and minimize the risks for an organization.

Although social enterprise represented a difficult model to implement, the benefits outweighed the consequences. Housing Corporation A was able to provide new vans to the organization, create a scholarship to fund social work students in the community, and they were able to improve their level of service by providing affordable housing more promptly. By incorporating a social enterprise model, Organization X has been able to offer additional programs, hire a nurse practitioner and provide music and art therapy to clients. When reviewing the benefits and drawbacks of social enterprise both organizations felt that social enterprise was beneficial but cautioned that it did come with a number of risks, including managing large amounts of funding and stretching staff capacity.



The role of social entrepreneurship within the hybrid model is to offer financial stability to the organization. Social enterprise and social entrepreneurship contribute to the self-sustainability of non-profit social welfare organizations through the creation of financial sustainability. The sustainability of an organization contributes to a greater, more consistent community impact. Sustainability determines the ability of an organization to provide services to a community in the present as well as in the future without compromising the quality of service delivery (International Institute for Sustainable Development, 2013; Navarro-Galera, et al., 2016). This allows the organization to have a consistent impact in the community over a period of time, as the resources of the organization are continuously renewed. When analysing the sustainability of a social enterprise, essential elements to consider include a sustainable income source, internal governance, management capability, strategic thinking, transparency, accountability, and the ability to renovate (Aldaba, Antezana, Valderrama, & Fowler, 2000). These elements were present in the social enterprise organizations in this case study, and proved to provide sustainability for them.

Each of the elements for sustainability is briefly analysed. First, a sustainable income source was obtained through three main streams of revenue for both Organization X and Housing Corporation A. These streams included profits generated through their social enterprises (rents and fees), government subsidies and grants, and private donations from individuals and corporations. Second, the internal governance structures of both organizations illustrated very good, astute leadership from their Boards of Directors, who supported their management teams. Third, the management capability of the Executive Director of Housing Corporation A and the CEO of Organization X displayed great vision and guidance while incorporating social enterprise into their NPOs. The managers, directors and leaders had to stretch themselves in terms of time and effort, often having to learn new knowledge and skills in order to make their ventures successful.

Fourth, the leaders also incorporated strategic thinking, transparency and accountability into their models. The organizations were transparent with government funders, as well as private donors with regards to their social enterprise and how it operates. They held themselves and their managers accountable for the appropriate use of funds and ensured they were operating the enterprise side of the organization effectively, without unmanageable debt. Compliance with CRA regulations and government policy was also important to these organizations. Last, the ability to renovate the organizations was shown through their capacity to stay flexible and to adapt to the needs and changes of their target populations. The organizations were also able to innovate and adapt to financial burdens placed on them during periods of decreased funding. The above-mentioned factors all contributed towards the sustainability of Organization X and Housing Corporation A.

One element that contributed towards the financial stability of Housing Corporation A and Organization X, was the diversification of revenue. According to Anheier (2005) the revenue structure of a social enterprise is comprised of three sources: first from public sector payments or government grants, second from private donations or contributions and last from private fees and charges from the social enterprise. This revenue structure was consistent with what I found in my results. Both organizations in this case study generated revenue through all three of the above-mentioned sources. The diversification of income sources was found to be an important factor in contributing to the sustainability of the social enterprises. A number of revenue sources allowed the organizations to be less reliant on one source of income during economic cycles, enabling them to 'weather the storms' during periods of economic decline. Participant 4 stated that multiple income streams provided risk mitigation, allowing organizations to remain viable when a major source of their funding was threatened.

Successful leadership was displayed by the leaders of Organization X and Housing Corporation A. According to Mollenhauer (2017) the leaders of organizations that thrive are

highly attuned to the changes taking place in their field and continually assess and adapt based on their own unique context. They actively search for opportunities, they are inquisitive, willing to take risks, and they know how to find a perfect balance between organizational stability and agility (Mollenhauer, 2017). The organizational leaders in this case study showed that they were attuned to the funding changes taking place in the non-profit organizational context and they actively sought opportunities to create a better balance between stability and flexibility.

Bourdieu's concepts of the logic of the field and doxa come into play here. The leaders of Organization X and Housing Corporation A exhibited knowledge about the rules of the game in their field of practice. They questioned what was commonly believed about the non-profit sector by society and challenged the doxa by initiating social enterprise ventures. The leaders of these hybrid social enterprises displayed thinking outside the typical doxa, thereby challenging the rules and social expectations of the field, seeking legitimacy for social enterprise.

The manner in which hybrid social enterprise models are structured is very intriguing and displays the ability of the organizations in this case study to think of new ways to approach constructing an organization, different from the traditional legal structure. Participant 10 commented on the tendency of NPOs to create a separate charitable entity, sometimes known as the 'financial arm of the organization' in order to retain the investment made in the agency. This was consistent with what Participant 1 mentioned about retaining the wealth in the organization and continually re-investing it. Through this separate entity, organizations are able to retain government funding alongside profits generated through social enterprise, without government insisting on decreasing the funding due to the creation of the profits. Organizations can thus increase their financial resources or economic capital.

According to Bourdieu's theoretical framework, actors can better embody a 'feel for the game' if they are rich in the form of capital most valued in the field (Woolford & Curran, 2012). Applied to social enterprise for example, leaders of non-profit social welfare organizations engaged in social enterprise can draw from their metaphorical toolbox, forms of capital including economic or financial resources, capital assets, infrastructure, knowledge and skills pertaining to social work as well as business enterprise operation. A successful social enterprise will assist leaders of organizations with increased financial capital, which is highly valued in the non-profit social welfare sector. This capital will assist these leaders in negotiating challenges to providing service delivery to clients. The greater the amount of capital, resources and assets an organizational leader has, the better they are able to overcome challenges in their organization. In contrast, an NPO which does not engage in social enterprise might acquire fewer resources and capital, thereby increasing the level of difficulty of the challenges they face.

As was previously mentioned, the social services sector is undergoing a change from a therapeutic welfare model to a more business-like model that reflects the managerial and entrepreneurial aspects of a neoliberal philosophy (Baines, 2010). Social enterprise actors are challenging the confines of the field of social services with this sector transition, which also means changes in the nature of habitus. In addition, changes in the field are the result of a changing economic climate and a struggle to remain operational. The leaders in this case study felt that they needed to change and adapt their organizations and themselves as leaders and staff in order to survive. They have been able to draw upon their 'dispositions acquired through experience' (Bourdieu, 1990, p.9), that is their learned knowledge and skills through adding these tools to their toolbox as it were. This adaptation was made in an effort to remain sustainable as an organization.

I believe that in order to sustain the social services sector, a greater emphasis needs to be placed on the financial sustainability of NPOs. If organizations are unable to sustain themselves, they become incredibly vulnerable to government and the changes, inconsistency and lack of dependency that is associated with the government model. The current neoliberal philosophy employed by government is a flawed philosophy but until large-scale system change takes place, clients on the ground will continue to suffer. As an individual social worker, I do not have the power to effect massive system change but I do have the power to change the lives of a few individuals if they and I work together towards a common goal. As a collective of social workers, however, I feel large scale system change is possible but this would take a considerable amount of planning, organizing and advocating. Additional research needs to be conducted to explore this more fully, and until such a time comes, I am of the opinion that the best approach is to 'get in the game' so to speak. Social workers need to learn about the neoliberal system from the inside and use the dynamics of leverage, asset creation and financial sustainability to their advantage.

The ownership of property by Organization X and Housing Corporation A is a further factor contributing to their financial resources, sustainability and organizational operation. With reference to Roy and Chaudhuri (2008) financial empowerment is inclusive of economic independence and property ownership. The creation of capital, profits, assets and equity has a number of advantages and can contribute towards sustaining social enterprise NPOs. According to Bourdieu's theory, this capital can be used as a tool in the field of practice. Organizations that are able to use these tools and re-invest in themselves can grow stronger and more sustainable as a result of keeping the wealth within the organization. From this wealth of capital - money, knowledge, skills and infrastructure - organizations will be better equipped to deliver services in the present, as well as in the future.

### 10.3. Ability to Create Leverage

I was surprised to learn about the lack of leverage that NPOs have and the general attitude of acceptance towards this in the non-profit sector. Due to the non-profit environment in which social service agencies operate, their ability to create a profit is limited. As participant 4 mentioned, this is significant as a revenue stream is a tool one can borrow against. Banks and corporations seldom want to invest in NPOs because they have no continuous revenue streams to guarantee a return of borrowed funds, such as a loan, and seldom do they own any assets. This makes it very difficult for NPOs to invest in large capital projects or to scale and grow as an organization. This principle of leverage is something which is very difficult for a pure non-profit organization to implement but it is something which a social enterprise is more easily able to implement because they have a consistent revenue stream.

I found the social enterprise organizational model to be particularly powerful when the organization could leverage its various funding sources, enabling them to compound their ability to fund a large project. Participant 9 alluded to this ability when he mentioned that Organization X is able to collaborate with government from a position of strength because they already have a large amount of funding produced through fundraising and social enterprise. This shows Organization X's commitment to the project and encourages government to invest in the project as well. The reverse scenario is also true. Organization X can leverage funding acquired from government when approaching private donors. The ability to collaborate in this way can be a very powerful tool for hybrid social enterprise organizations, providing them with greater access to funding.

In contrast to the business sector, the social services sector is poorly structured to equip NPOs with greater funding resources. One philosophical tension, with which I grappled, was the structure and the system within which NPOs have been established. The non-profit sector

is under siege in my opinion, struggling to provide services to clients, without being equipped with the required tools to be successful.

The manner in which the welfare sector has been established, limits it from accessing tools which are accessible to the private sector and other hybrid institutional models. Initially designed with a charitable framework of giving money to assist those in need and to extend the reach of the government, NPOs were able to assist communities with the charitable donations they received. Conversely, with a vastly different economic environment today, a decrease in government funding and an increase in a demand for services, I feel NPOs need an improved system within which to work.

#### **10.4. The Responsibility of the State**

Concerns regarding the role of social enterprise conflicting with the role of the state in providing for the needs of citizens have been expressed in the literature. According to Czischke et al. (2012) when referring to the study of social enterprise,

A key question arising from this work is the extent to which social enterprise is seen as substituting for the state or complementing the state; especially in relation to public expenditure and alternative sources of income. While the notion of trading appears to imply reduced state dependence, this may not be the case if the trading is principally for governmental contracts. (p. 423)

My findings were consistent with this statement. While the creation of revenue through social enterprise implies reduced dependence on government for funding, government's role will not be totally minimized if hybrid social enterprises are reliant on government for start-up funding, government grants or procurement services. Participants expressed views in favour of government procuring services from hybrid social enterprises and providing funding for social enterprise initiatives. With the hybrid model described above, the government clearly has a strong role to play and thus still have a responsibility to provide for social services.

Not only does government have a role to play in providing for community members but a collaborative approach between government and community organizations is emphasized. As is promoted by Bosworth et al. (2016) above, a collaborative approach to problem solving is needed. Government and local community organizations need to work together in order to make a meaningful impact in communities. As was indicated in Bosworth et al. (2016) rural communities can be innovative when given the space and power to act. This was evidenced through Organization 1 and Housing Corporation A.

Located in a rural community in Ontario, Housing Corporation A proved to be innovative through building affordable housing units for their clients. As mentioned by Participant 1, this initiative was a collaborative effort between Housing Corporation A, the regional government and individuals and businesses from the local community. This shows that when government partners with non-profit, social enterprise agencies and gives them the leverage they need, community initiatives can be very successful. All three players thus had a vital role to play in making this collaborative project a success.

The challenges and supports by government for non-profit social enterprise models were explored. Challenges with government were found to include backbreaking administration requirements, decreased funding, constraining rules and regulations and consequent mission drift relative to funding. NPOs spend a large amount of time and resources completing funding applications and reporting on government requirements. It is my belief that this time could be better spent serving the community. In addition, government funding systems and processes are complicated and time consuming and government funding has decreased for a number of years.

Additional challenges include government's slow ability to change, and a lack of recognition for social enterprise by government. NPOs engaged in social enterprise initiatives receive limited benefit from the current legislation that is in place. Policy and legislation



surrounding the ‘third sector’; welfare providers located in the intersecting realm of government welfare, non-profit welfare systems and market welfare, is minimal and generally quite confusing. The challenges related to government experienced by hybrid social enterprise organizations are numerous and difficult to navigate. Backbreaking administrative and reporting requirements break the spirits of these organizations. Inflexible regulations and complicated processes confine organizations. Organizations feel that the regulations placed on them are too burdensome and in some cases, applying for funding is not even worth the enormous effort involved. By electing to not pursue funds, the organizations are at risk of not providing their best services. These have important implications for communities and service users, who suffer when organizations suffer.

Furthermore, the exposures of non-profits to financial vulnerability, the difficulty of non-profits in accessing debt for capital projects, and the perception of government as partners in service provision were also found to be challenges. However, despite these challenges, organizations still perceive their relationship with government as a partnership, with government providing some support.

Supports provided by government were mostly reported at a regional government level. The regional government was reported to support Housing Corporation A with capital funding for the building of their affordable housing units. They also waived their development fees. The regional government was also reported to be improving systems and processes for reporting, giving agencies more flexibility and combining contracts for agencies receiving funding from more than one government department or ministry. However, the extent to which this is implemented for all agencies is unknown and the processes are still being developed. Policy implementation across the region thus still needs to be standardized.

In contrast, the municipal government was reported to be quite unsupportive, and refused to waive the development fees, as the rural community in which Housing Corporation

A is based is small and the government needs the tax income to operate. Participants often mentioned there appeared to be a disconnect between the various levels of government caused by a lack of communication. The supports provided by the government are thus insufficient for effective community impact.

Government has a role to play in providing policy and legislation and in regulating organizational activities. However, policy should be supportive of community organizations, rather than burdensome. Government has a responsibility to fund social service activities and to hold organizations accountable for the proper use of funds but again, requirements need to be flexible and individualised, not onerous and time consuming.

### **10.5. The Interplay between Government Funding, Private Donations and Social Enterprise**

The context of the ‘third sector’ in which hybrid social enterprise organizations operate is an important consideration, as it reveals the nature of the organizations. Using a combination of for-profit, non-profit and state sectors highlights the collaborative nature and the interplay between the three sectors. According to Aitken (2010) social enterprises provide “exemplars of the hybrid form . . . since they intertwine within a single organisation different components and rationales of state, market and civil society” (p. 153).

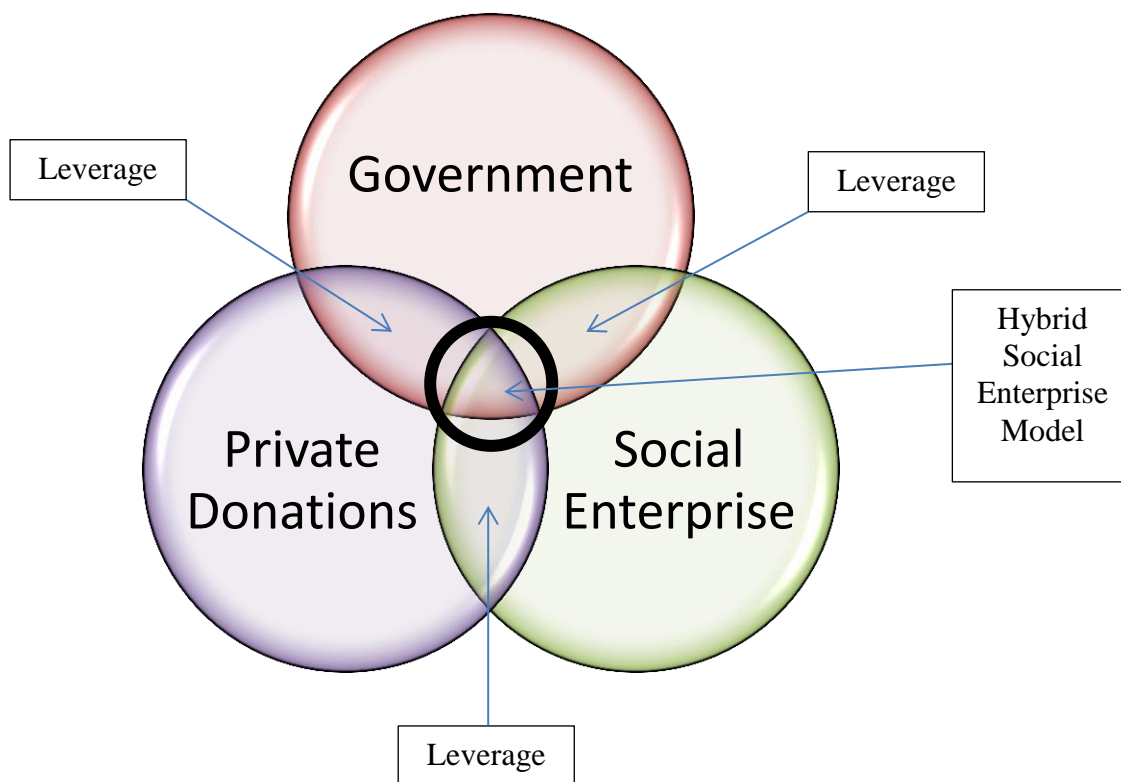


Figure 9: Venn diagram depicting the funding model of a hybrid social enterprise

The Venn diagram above indicates the interconnected relationships within the funding model of a hybrid social enterprise. The hybrid model makes use of funding from government, private donations and profits created through social enterprise. This combination of funding can be a powerful tool for non-profit social welfare organizations engaged in social enterprise initiatives. Leverage can be created through the partnering of two of the parties above, or through a combination of all three of them. For example, if an organization has already secured private donations, government funding will maximize the effect of the private donations through the leverage created, thus generating a larger amount of funding for a project. This leverage effect will satisfy donors. As mentioned by Participant 9, funders want to know that their contributions will not be orphaned but will be leveraged with other sources of funding to create a more powerful, compounded impact.

The interplay between government funding, private donations and profits from social enterprise was an interesting question for many participants. I was interested to learn about

the interplay between the three parties or entities as both positive and negative consequences could be seen. As mentioned above, the three funding sources could be combined to create more funding, however, a negative dynamic between the three parties was also possible. Private donors were sometimes reluctant to contribute towards projects, as they felt the organizations were already receiving profits created through social enterprise. Government was sometimes deterred for the same reasons or due to suspicion of the organization's social enterprise activities. Regardless of these limitations, profit generated through social enterprise does have its benefits.

Funding generated through social enterprise enabled organizations to spend the profits without any 'strings attached'; with no reporting or accountability requirements to government or private donors. With less time required to spend on administrative tasks, NPOs were able to work on programs instead of on reporting. If the funding entities have common goals and shared values, it's easier to combine funding for projects. A revenue stream also creates an opportunity for organizations to borrow money from the banks and access debt. However, this needs to be carefully managed as private donors want to contribute towards projects and programs, not paying off an organization's debt.

One limitation of the hybrid model is that the third sector is not seen as an individual or separate domain but rather as an area creating tension between the state, market and community (Buckingham, 2010). This is a perception that needs to be carefully managed through the prioritization of relationship building and collaboration. If the positive impact of social enterprise can be seen, perhaps this tension will dissipate as entities work to find solutions together.

I realize that my argument has a number of challenges and I agree with certain limitations of social enterprise. For instance, NPOs engaging in social enterprise embrace the neoliberal approach, instead of advocating against it or changing it. However, from a

practical, pragmatic perspective, I feel that clients need assistance in the present and a philosophical disagreement over neoliberalism is not going to change that. I feel that in order to challenge the system, we need to learn about it thoroughly so we can equip ourselves to combat the inequalities and inconsistencies within it. We need to learn the rules of the economic field and explore methods that allow us to use the system to the advantage of the clients we serve.

During the course of my research, I grappled with a moral dilemma regarding the use of social enterprise. As a social worker operating within the current landscape in which funding has decreased, I want to improve the services that I provide to my clients. Social enterprise is one manner in which to do this. However, if I engage in social enterprise activities, might I be contributing towards diminished state responsibility to provide social services? Does the end justify the means? As a social worker, am I contributing to the wellbeing of others by doing this or could I in fact, be causing long-term harm by diminishing the state responsibility? I struggled to make sense of this dilemma, deliberating within myself.

The research conducted provided insight which allowed me to gain a greater understanding of where the responsibility for improved social services rests. The majority of participants felt that the responsibility does not rest solely with the government. Providing social services is a partnership between the government and the community (NPOs). Using a partnership model, where the government and the community work together to provide effective social services offers a suitable solution. This partnership model is enacted through the hybrid social enterprise model.

To understand the hybrid social enterprise, one must understand the context in which it operates. A hybrid social enterprise model incorporates resources from both the state and the market economy. Hybrid non-profit social enterprise models which make use of government funding instead of relying on pure social enterprise, thus ensure that government still has a

role to play in providing social services. While not a perfect solution, a hybrid model does ensure increased financial stability for a non-profit organization, while still holding government accountable for social service provision.

### **10.6. Implications for Policy and Practice**

Hybrid non-profit social enterprise organizations need more support from government in order to better serve their clients. This can be done in three ways: by the creation of supportive policy, the improvement of existing policies, and increased funding. Requesting increased funding from government might seem to be a contradiction but government clearly has a role to play in the hybrid model, which includes the provision of adequate funding.

The creation of supportive policy and legislation for social enterprise is needed by government. According to Das (2015) governments need to realize that there is an absence of specific regulations for social enterprise, which hinders organizations from generating resources. He continues by stating that government needs to take the initiative to create more effective legislation regarding this sector. This sentiment is echoed in a recent publication by Imagine Canada, which alluded to the fact that “charities’ efforts to increase earned income are constrained by legislative and regulatory barriers” (Emmet, & Emmet, 2015, p.29). This view was also reflected by the majority of participants, who felt that government needed to increase their support of social entrepreneurial models and recognize the contribution that social enterprise makes to communities.

A question that warrants additional discussion is what information would likely influence policy makers to change their position on social enterprise. I feel that NPOs would do well by demonstrating the impact of their earned income on social services, that is to say, that they need to show government how the government would benefit from the NPO’s additional revenue. An underlying issue is the power in the relationship. Organizations which are funded by government have less power than government in the relationship. Due to the

increase in demand for services and the inability of government to meet the entirety of that need, they need to recognize the value that NPOs are bringing when conducting successful social enterprises.

Policy makers need to understand how social enterprises manage tensions between competing principles, especially as hybridity becomes more common (Aitken, 2010). Government needs to create policy which supports NPOs engaged in social enterprise, especially in sectors that compete with for-profit businesses. For example, Housing Corporation A is engaged in creating affordable housing for their service providers but struggles to build affordable housing in comparison to businesses because they pay the same development fees. A non-profit organization aiming to benefit the community is not charging market rent and as such is unable to recover the cost of their building fees, like a for-profit business would. Policy should support NPOs engaging in social enterprise through ensuring they receive applicable tax deductions or subsidies, as non-profits are in effect doing the work of the government.

NPOs engaging in social enterprise could receive certain incentives from government. I believe that if NPOs are saving the government money in certain regards, they should receive a share or all of those savings to re-invest them back into the organization. As was shown above, Organization X and Housing Corporation A owned assets, property and infrastructure. Since assets contribute to financial stability and sustainability, I believe government should assist all NPOs with acquiring property in order for them to become more sustainable and possess assets to borrow against. Creating more supportive legislation would greatly assist organizations.

Making government contracts and grants for certain industries available to non-profit social enterprises and procuring the services of hybrid social enterprises are additional suggestions for improvement. The Canadian legislation surrounding B-corps and social

enterprise legal frameworks need to be revised and improved by government in order to recognize them as valid business models and to provide certain funding and tax benefits to them.

Additional funding, especially core funding for essential program activities was mentioned by participants. Community organizations are requesting more core funding for programs, rather than program funding. This might help to limit organizational mission drift, as organizations will be less likely to apply for funding in areas unrelated to their core activities. Community organizations are in dire need of more funding for social services, which surprisingly is a similar need of both regional and local government. Federal and provincial governments should subsidize regional and local municipalities better in order to prevent local municipalities from absorbing too many community tax breaks. More funding should be provided for services at the municipal level in order for NPOs to benefit and in turn, for service users to benefit.

Additionally, government ministries and departments need to communicate better instead of working at cross-purposes or duplicating services. Government also needs to decrease the number of regulations with which organizations receiving funding need to comply, and increase transparency in how funding priorities are set and how decisions are made. Organizations are calling for government to streamline and simplify processes for non-profit funding, as organizations often spend far too much time and too many resources applying for funding and reporting on requirements. Policies should become more flexible for organizations and allow for different methods of achieving the required outcomes. Charitable status laws and non-profit organizational legislation should be examined to deal with impinging barriers that limit social enterprises from being entrepreneurial.

In conclusion, improved policies, increased government funding and simpler processes would assist social workers engaged in social enterprise, as well as other non-profit activities.



This would ensure that less time is focused on administrative tasks and more time and money is focused on serving community members.

### **10.7. Limitations of the Research Study**

Limitations of the research study and design included the judgemental sampling technique, bias of participants, the decision to keep the names of the organizations in this case study confidential, the subjectivity of the researcher and the limited amount of time in which to conduct the study. A judgemental sampling technique was used to ensure that participants with the necessary knowledge and skills at the leadership level were included in the study. While this ensured that data regarding the legal structure and financial nature of the organizations was gathered, a number of participants were excluded and thus a lot of potentially valuable data was also excluded.

While the research sample was representative of the organizational leadership teams from both organizations, it was not representative of the organizational staff or the service users of either organization. Furthermore, the manner in which culture and ethno-racial context impact funding to services was an area which was not addressed in this study, as well as the implications of how social enterprise organizations can be culturally safe.

Furthermore, the overwhelming majority of the participants appeared to be in favour of social enterprise and were thus bias in their approach. While participants were forthcoming with disadvantages of social enterprise, participants generally liked the organizational models employed and were bias towards social enterprise. The names of the organizations were kept confidential in order to protect the reputations of the organizations and to allow the participants more freedom to participate, knowing that they would not be identified. However, this limits anyone interested in finding out more about the organizations in this case study and their model.

Additionally, the study was limited by the subjectivity of the researcher. The researcher began the study with an awareness of her bias in favour of social enterprise and kept herself accountable to her participants and her thesis committee. However, the interpretation of the results would have still been influenced by the researcher's perceptions, no matter how objective she tried to be. Furthermore, the depth and scope of the study was limited by the short amount of time in which the study could be conducted.

### **10.8. Knowledge Contribution and Research Gap**

This study addresses a gap in the literature through examining the need for social entrepreneurship ventures to balance financial and social responsibilities, provides a case study of social enterprise within a Canadian context and links extensive government networks to small NPOs.

First, the balance of responsibilities is examined. Gonzales (2007) referred to the extent to which social entrepreneurship initiatives are able to balance social and financial obligations. He added that better understanding in this regard is crucial to understanding their contribution to the community and as such, more in-depth research is needed in this area. The organizations in this case study have been able to successfully balance their social and financial responsibilities. This has been proven through each organization's successful operation for a number of years. Both Housing Corporation A and Organization X have been able to successfully manage their profits and their debt in order to remain operational and they have been able to create surplus funds for added projects.

Furthermore, Organization X and Housing Corporation A have managed to successfully make an impact in the communities which they serve, serving a number of service users for a number of years. This is in large part due to the organizations re-investing their profits back into their organizations and having a direct impact on service users. They have also increased their organizational capacities, their resources and their service provision as a direct result of

social enterprise. Both organizations have thus successfully proven their ability to balance their financial and social responsibilities.

Second, a need for social enterprise was mentioned by Goldenberg, Kamoji, Orton and Williamson (2009) and a need for additional research case studies on social enterprise within a Canadian context was demonstrated by Cave (2016). I have attempted to address this research gap through focusing my study in Ontario, Canada and contributing to the experiences and understanding of social enterprise within this Canadian context.

Finally, my study addresses the relationship between large-scale government and small-scale NPOs, and explores the interplay between them. This is in line with the need for further research in this area expressed by Bosworth et al. (2016), Cave (2016) and Gonzales (2007). As part of this exploration, I analyse the supports and challenges provided to two non-profit hybrid social enterprise organizations in Ontario, contributing to the knowledge in this sector.

### **10.9. Conclusion**

In this discussion, I have examined the hybrid social enterprise model employed by two NPOs in Ontario, analysed their ability to create leverage, and considered the value of this leverage for the financial stability of the organizations. In addition, I have examined the responsibility of the State with regards to this hybrid model and the interplay between government funding, private donations and social enterprise. Finally, I have mentioned implications for policy and practice, stated limitations of the research study and addressed the knowledge contribution and research gap of this study.

One element worth mentioning was that leadership was found to be an important part of the success for these organizations. I am thus of the opinion that forging good leaders, with the necessary skills to run organizations with the present economic trends is important for schools of social work to consider in their courses and programs.

Social entrepreneurship provides a solution to the lack of funding for combatting the complex social problems which social workers deal with today (Fernando, 2015). As a relatively new type of macro social work practice (Germak & Singh, 2010), social entrepreneurship employs a range of sustainable economic activities designed to yield a social impact on communities (Fernando, 2015). Social entrepreneurship is slowly becoming accepted within social work circles and incorporated into social work curricula. Social entrepreneurship courses developed in schools of social work are equipping social workers to lead organizations, develop effective funding strategies for social services, and partner with communities (Berzin, 2012). The unique knowledge, skills and values of social work practice, can contribute a great deal to the social impact of a social enterprise (Fernando, 2015). Social workers thus have a vital role to play in creating successful social enterprise initiatives which have a sustained community impact.

Lastly, due to the breadth of knowledge and data collected during this study, it was not possible to include further detail. While a case study approach was adopted in order to conduct a more in-depth study, the scope of this study was still limited. For example, the advantages and disadvantages of social enterprise could not be evaluated in further detail. Further research in this regard is thus needed. Additional research could also be performed on the individual hybrid social enterprise models of NPOs in Ontario, as each individual organization has unique factors and nuances, specific to the target populations which they serve. Furthermore, keeping in mind Canada's ethno-racially diverse population, research could be conducted on social enterprise organizations that focus on serving specific ethno-racial communities and/ or newcomers or refugees. Also, research is needed in the area of how ethnic agencies differ in their views of social enterprise to mainstream agencies.

In a changing financial landscape, NPOs are facing a difficult situation. Some organizations are being forced to end their operations or decrease their services. Social

workers, who often find themselves within NPOs that are struggling are asked to make changes to their services, or are left to observe the decrease in their services, while often feeling helpless. While some organizations are becoming smaller, there are others which are surviving. Two such organizations, which have seen consistent growth and organizational sustainability, employ social enterprise initiatives to allow them to be successful. A case study has been conducted on these two organizations to gain a greater understanding of the impact that social enterprise in practice has on social work, while exploring the elements, which caused these organizations to employ social enterprise.

This case study demonstrates the essential components of incorporating social enterprise into an NPO, while discussing the moral and political implications. This case study helps NPOs gain a better understanding of the opportunities available through social enterprise, while providing policy recommendations. Social enterprise is an essential element, which should be incorporated alongside the traditional funding methods, to allow an organization to meet its objectives. NPOs should learn more about the hybrid social enterprise model to allow them to implement it effectively, while ensuring that they are able to accomplish their organizational objectives.

## CHAPTER 11: CONCLUSION AND RECOMMENDATIONS

This research study explores the hybrid social enterprise model as implemented by two non-profit social service organizations in Ontario. The study takes a case study approach, exploring the role that social enterprise plays in the two organizations. In addition, the relationship between government and NPOs is explored, as well as the interplay between government funding, private donations and profits generated through social enterprise. Finally, implications for policy and practice are considered and suggestions for an improved working model are made.

It is my belief that social workers and social service managers should seriously consider social enterprise as a viable option for creating financial sustainability within their organizations. As evidenced in this study, the hybrid social enterprise model is a suitable option for NPOs looking to increase their financial stability. The hybrid model ensures that organizations have access to the resources that they need, in addition to still holding government responsible for funding social services. The model values a collaborative partnership between community organizations and government, making provision for the roles of both these parties, as well as social enterprise activities.

From a practical perspective, I believe that social enterprise has the potential to bridge the current gap in funding, something which NPOs are seeking to do. A number of advantages arise from the increased funding obtained from social enterprise. First, it enables these organizations to provide increased programs and services to clients. Second, organizations are able to have increased control over the allocation and spending of funds. Third, organizations can enjoy decreased administrative reporting requirements. Fourth, organizations have reported having an increased focus on their mission and a greater impact on society as a result of funding generated through social enterprise. With regards to

Organization X and Housing Corporation A, this increased impact was brought about by the building of more properties. This in turn had the effect of increasing the assets, infrastructure, equity, capital and leverage of these organizations, which are important elements for empowering an organization through entrepreneurship.

As a South African learning from a Canadian context, I believe I have brought a unique perspective to this research study. With South Africa being a country characterized by high levels of poverty and inequality (The World Bank, 2017), a strong emphasis was placed on entrepreneurship in my undergraduate degree. Assisting clients by empowering them to be economically independent of state welfare was one of the primary lessons I was taught. In this manner, citizens can become contributing members of society, pay taxes and contribute towards increased resources for state use. As a master's student studying in Canada, I was interested to learn that the social work sector places a greater emphasis on the failure of the welfare system, rather than on empowering individual clients to become economically independent. The state's responsibility to provide for the welfare of citizens was emphasized, rather than placing the responsibility on the individual citizen. Personally, I believe that individuals and the state should take equal responsibility for the well-being of citizens. The individual needs to work to become a thriving member of society and the government needs to offer programs which will allow individuals to succeed.

In developing countries like South Africa, individual citizens need to take responsibility for their own lives in order to survive, as the state does not have enough resources to provide for all. The focus of these citizens is thus to move from merely surviving, to thriving. This links to resilience theory and the "successful adaptation to adversity through relationship" (Izaksonas, 2012, p.22) which is outside of the scope of this paper but may be an area for further study. Entrepreneurship is one method which is used to empower individuals to move from surviving to thriving.

Entrepreneurship creates employment, boosts an economy and theoretically provides more financial resources for a country to provide for the poor and marginalized. As a developing country, South Africa has placed a large emphasis on entrepreneurship. Reverse innovation as mentioned by Govindarajan and Ramamurti (2011) “refers to the case where an innovation is adopted first in poor (emerging) economies before ‘trickling up’ to rich countries” (p. 191). Perhaps there are lessons which Canadian social workers can learn from South Africa, just as South African social workers can learn from Canada. As a social worker, I have learned that there is a different type of financial vulnerability in South Africa compared to Canada. Perhaps in both countries this is as a result of governments being unable to provide for their citizens. In this context of financial vulnerability, social enterprise has the potential to bridge the gap in funding in both nations. With trying to solve complex problems, it is often helpful to use multiple lenses to view these problems. I am of the belief that social enterprise is one lens through which we can look to find a solution.

As a result of my experience studying in Canada, I have gained a greater understanding of the barriers that NPOs face in developing a social enterprise and a few factors that ensure their success. I have also discovered that it is easier for an organization to start a social enterprise rather than attempt to transform an NPO into a social enterprise. While social enterprise has potential to develop the social services sector, I came across another model during my research which has equal potential. The workers’ co-operative model is closely linked to social enterprise and could be argued to have similar potential to develop the sector (Rothschild, 2016). The workers’ co-operative model is thus another area recommended for further research.

The field of social service provision is changing as a result of changes in funding. Social workers need to adapt to this change and use the tools within the capitalist system to their advantage. Through assistance in the acquisition of property, government can enable



community organizations to become more self-sustainable. Organizations would then have an asset which they could leverage to further fund large projects. This will enable NPOs to grow and maintain performance while expanding; another important aspect of sustainability.

While I believe social enterprise has enormous potential to assist clients, I also believe that organizations seeking to increase their financial stability through entrepreneurial activities need to conduct due diligence before deciding to embark on such a venture. Incorporating social entrepreneurial activities into an existing NPO is a challenging and difficult process. A great deal of skill and expertise is required by the leadership of the organization, which will need to stretch itself and its resources in order make the venture successful. A great deal of funding is also required for such a venture, which is generally a challenge to find. The process involves a long and difficult transition but according to the organizations in this case study, the rewards are well worth the effort.

The strong leadership provided by the management teams and boards of directors of Organization X and Housing Corporation A played a crucial part in the success of their ventures. The CEO and ED specifically gained the necessary knowledge and learned the skills required to ensure their ventures were successful. They also surrounded themselves with a knowledgeable and capable team of managers and directors. The leadership teams were prepared to take certain risks in the creation of their social enterprises, encouraging staff to be innovative. Moreover, the leadership teams provided vision and guidance for their organizations during the transition into social enterprise. The individual efforts of a few chosen members were not the only cause of success.

In order for an organization to be successful, it is recommended that a collaborative effort among community partners and a government body be established. Leaders of organizations and government officials need to communicate better and compromise in a mutually beneficial manner, in order to improve processes and service delivery. This can be

done by creating flexible funding contracts which meet the needs of both government and organizations.

In order to foster successful social workers and social work managers, it is recommended that schools of social work continue to offer social enterprise courses as part of their curriculum. There is a large degree of intersectionality between the sectors of business and social work, which should be further explored. Courses combining the two sectors should be offered at University level in order to educate social workers with the business, finance and social work knowledge and skills needed in order to create successful social enterprises. Social workers should be 'bilingual' as it were, speaking both business and social work languages, in order to lead strong organizations and social enterprises. Leadership courses should also be offered to a greater degree in schools of social work, as good leadership was found to be a core element of successful social enterprise development in this study.

Even with social enterprise organizations, governments still have a role to play in providing services to citizens. They can do this by supporting organizations with funding, giving them access to procurement contracts and by improving policy and legislation. Funding for core organizational activities is needed in addition to an increase in funding for overhead expenses, especially in light of minimum wage legislation and the pay equity initiative in Ontario. It is recommended that government supports social enterprise through making contracts and grants, presently exclusively available to certain industries, also available to social enterprise organizations. The creation of policies which enable the procurement of services from hybrid non-profit social enterprises is also recommended. Governments should pay attention to the plight of non-profit social service agencies with regards to funding and ensure that they are better supported, both financially through adequate funding, and legislatively through policy.

Legislation surrounding the social services sector is not geared towards supporting NPOs financially, other than through private donations and government grants. The current funding model makes it extremely difficult for organizations to sustain themselves, with service users suffering as a result. Select NPOs are attempting to change this dynamic through social enterprise by increasing the revenue for their organizations. However, challenges with charitable status laws have led to NPOs creating 'morphed' organizations with separate charitable organizations to provide funding. The organizational legal structures which have resulted can be simplified through improved legislation by the Canada Revenue Agency. A funding structure similar to the hybrid structures of post-secondary educational institutions and hospitals or medical centres might be applicable. Further research is needed in this area.

The limitations of this study include the confidential nature of the organizations mentioned in the case study and the subjectivity of the researcher. The confidentiality of the names of the organizations in this case study protected the participants from possible harm but it has also limited the reader from further investigating these organizations and their models. The researcher has tried to remain objective, through reflexivity and transparency, but this has not been fully possible due to the subjective nature of the qualitative research and the personal interpretation of the results by the researcher.

The philosophical tension and moral dilemma discussed in this study do not appear to have one all-encompassing solution. While social enterprise may further entrench a neoliberal philosophy, the alternative of remaining a solely government funded agency may be just as problematic. Through the diversification of income, control regarding the allocation and spending of funds can be in the hands of the organization, instead of in the hands of government. According to Barrett (2016), the humanities can provide value to society through the ethical and moral traditions of humanistic inquiry and thought, or through the

critique and challenge of power and systems of control. My views of this tension align more with the works of Ferguson (2016) and Foy Connor and Bent-Goodley (2016), juxtaposing the views of Pollack and Rossiter (2010) and Stark (2010).

While both groups challenge the existing social service system and government philosophies with the ultimate goal of advocating improvement for service users, each has a different view on the realities of the system. The former group aims to enhance the capacity of NPOs for social enterprise in the social service field, while the latter group aims to eradicate the neoliberal system which encompasses social enterprise. “Whatever our definition, it's precisely this spirit of debate and contemplation that makes the humanities crucial to our society” (Barrett, 2016, p14). Whatever their individual stance, social workers need to ensure that they continue to advocate for the rights of their clients, fighting for improved funding, service provision and service delivery, and searching for ways to go beyond the best insufficient option.

In conclusion, social enterprise is an option that can provide financial sustainability for NPOs. The hybrid social enterprise model was explored and found to be successful, as evidenced by the success of Organization X and Housing Corporation A. However, collaboration is needed between government, the business sector and the non-profit sector in order for this model to succeed.

**APPENDIX 1: INFORMED CONSENT STATEMENT**

*for expedited and full review studies*

WILFRID LAURIER UNIVERSITY

INFORMED CONSENT STATEMENT

Going Beyond the Best Insufficient Option: An Exploration of Social Entrepreneurship Initiatives within Two Non-Profit Social Welfare Organizations in Ontario

Principal Investigator: Amy Shuttleworth

Research Advisor: Professor Ginette Lafreniere

You are invited to participate in a research study conducted by Amy Shuttleworth, a Master of Social Work student at Wilfrid Laurier University. The purpose of this study is to explore how social entrepreneurship impacts the self-sustainability of non-profit Social Welfare organizations. This interview and the information gathered herein will contribute towards a written thesis.

**INFORMATION**

Participants will be requested to complete a once-off, semi-structured interview, approximately 60 to 90 minutes long. Once complete, interviews will be transcribed and thematically analyzed. Participants will also have the opportunity to review their transcripts and to add or correct any statements. The total time commitment for this study is approximately 2 to 2.5 hours. A Case Study approach will be taken for the project. The interview will cover topics including social entrepreneurship, sustainability and the role of government in supporting non-profit organizations.

10 participants from 2 organizations using a hybrid social entrepreneurial legal model will be interviewed, as well as 4 key informants. All participants from the organizations will consist of upper level managers, CEO's or Executive Directors and members of the Board of Directors, as these are the people who will have access to the organizational structure and financial model information. Key informants will consist of community members knowledgeable in the areas of government, non-profits and entrepreneurship.

The researcher plans to record the interview using an audio tape or voice recorder. By signing this document, you are giving the researcher permission to record the interview. Audio from the interview will only be used for the purposes of this study and any further attempts to use the audio will need permission from you, the participant. Participation in this study is voluntary, and if you agree to participate you have the right to refuse to answer any questions and can end the conversation at any time. Please note that you have the right to refuse the taping of this conversation.

I consent to the taping of this interview

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Participant's signature

Once the interviews have been transcribed, you will be given the opportunity to review your transcript and make any updates or additions. Once the study is complete, a copy can be made available to you if you so wish. If you decide to withdraw from the study, any information gathered prior to the withdrawal will be removed and will not be usable by the researcher. The principal researcher will transcribe the interviews and only she and the research supervisor will have access to the transcripts. All information on the tapes will be kept confidential and your personal details will be changed to numbers to protect your identity. The transcripts will be kept in digital format on a password protected USB thumb drive in a locked cabinet in the Manulife Centre for Community Health Research Office at the Faculty of Social Work, 120 Duke Street West, Kitchener. The transcripts will be kept for three years after the study, after which the data will be deleted or destroyed by the principal investigator.

## **RISKS**

There are no foreseeable risks to the participants. There will be no cost to you, the participant for taking part in this study, other than your valuable time. The interview will take place at your office in order to keep your transport costs and time commitment low.

## **BENEFITS**

The benefits of this research will potentially find a working solution to financial sustainability for non-profit organizations, add to the knowledge and literature around this topic and recommend ways in which government can be more supportive of non-profit organizations.

## **CONFIDENTIALITY**

Every effort will be made to ensure that as far as possible, all participants and organizations will remain confidential. Other participants and key informants in the study might be privy to the names of the organizations and may, through the combination of pieces of information, identify other participants. Please keep the information contained in this interview confidential in order to protect the identities of the participants involved.

I consent to keep all information in this interview confidential

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Participant's signature

Only the principal researcher, the research advisory committee and the research supervisor will have access to the information. All responses will be kept confidential and your personal details and identifying information will be removed from the transcript. Names and personal information will be replaced with pseudonyms in the transcripts and will be kept in a separate password protected file on the principal investigator's personal computer. Once the research project is complete, this identifying information will be deleted by the principal investigator and only the transcripts will remain. The transcripts will be kept for three years after the completion of the project, in the manner stated above.

The results of this research will be published in a thesis and made available to the public. Quotations may be used in the write-up or presentation of the study. Please note that there is a risk that these quotations may contain information that allows you to be identified. All

identifying information will be removed from the quotations, however, there is a risk that you may be identified through the combination of your leadership position in the organization and your responses to the interview questions.

## **CONTACT**

If you have questions at any time about the study or the procedures, you may contact the researcher, Amy Shuttleworth, at [gath5010@mylaurier.ca](mailto:gath5010@mylaurier.ca) or The Lyle S. Hallman Faculty of Social Work, 120 Duke Street West, Kitchener, N2H 3W8 and 519 884 1970 x5232. This project has been reviewed and approved by the University Research Ethics Board. If you feel you have not been treated according to the descriptions in this form, or your rights as a participant in research have been violated during the course of this project, you may contact Dr. Robert Basso, Chair, University Research Ethics Board, Wilfrid Laurier University, (519) 884-0710, extension 4994 or [rbasso@wlu.ca](mailto:rbasso@wlu.ca)

## **PARTICIPATION**

Your participation in this study is voluntary and you may decline to participate without penalty. If you decide to participate, you may withdraw from the study at any time without penalty and without loss of benefits to which you are otherwise entitled. If you withdraw from the study, every attempt will be made to remove your data from the study, and have it destroyed. You have the right to omit any question(s)/procedure(s) you choose.

## **FEEDBACK AND PUBLICATION**

The results of the research will be disseminated through a thesis and a presentation. Information about the results of the research can be given to you in a written format. Feedback should be available in approximately June 2017.

## **CONSENT**

I have read and understand the above information. I have received a copy of this form. I agree to participate in this study.

Participant's signature \_\_\_\_\_ Date \_\_\_\_\_

Investigator's signature \_\_\_\_\_ Date \_\_\_\_\_

## APPENDIX 2: INTERVIEW GUIDE FOR ORGANIZATIONS

1. Tell me a little background about your organization, how long has it been around?
2. What is your role or function here?
3. Tell me about your experience working in the non-profit sector. What victories and challenges have you experienced?
4. What do you understand by the term social entrepreneurship or social enterprise?
5. Tell me about the social entrepreneurial model you have developed within your organization
6. Please tell me about the organizational structure and financial model which your organization uses, in other words, how do you manage to create revenue for your organization and where does allocated funding come from?
7. Do you feel the financial model which you implement is financially sustainable? If yes, what benefits does this provide, what does this mean for your organization and how does this help you?
8. What challenges have you experienced incorporating social enterprise into your organizational model?
9. What challenges have you experienced in working with government or with receiving government funding?
10. What advantages and disadvantages do you feel the social entrepreneurial model provides your organization?
11. How do you see the interplay between private donations, government funding and revenue generated through social enterprise?
12. In what ways do you feel government can provide more support for your initiative/ model?
13. What policy and tax implications does your organizational model have?
14. In your opinion, what would make for an improved working model between government and your organization or non-profit organizations in general?



15. Is your organizational mission aligned with your commercial/ profit-driven activities?
16. Is the impact of your social enterprise benefitting the intended beneficiaries?

### APPENDIX 3: INTERVIEW GUIDE FOR KEY INFORMANTS

1. Tell me a little background about yourself; your education, interests, etc.
2. What is your specialty and what work are you currently involved in?
3. What victories and challenges do you think non-profit organizations face today?
4. What do you understand by the term social entrepreneurship or social enterprise?
5. Do you think the social entrepreneurial models of the organizations contained in this case study are effective? Why/ why not?
6. In your view, what is a sustainable organizational structure and financial model? In other words, how do you think non-profit organizations should create revenue for their organizations and where should allocated funding come from?
7. What do you think a financially sustainable model would provide an organization? What benefits and drawbacks would this provide?
8. What challenges have you found exist for non-profits incorporating social enterprise into their organizational model?
9. What challenges have you found exist for non-profits working with government or receiving government funding?
10. What advantages and disadvantages do you think a social entrepreneurial model would provide an organization?
11. How do you see the interplay between private donations, government funding and revenue generated through social enterprise?
12. In what ways do you feel government can provide more support for non-profit initiatives or organizational models?
13. What policy and tax implications would a social enterprise organizational model have?
14. In your opinion, what would make for an improved working model between government and non-profit organizations in general?
15. Do you think it's important for a non-profit's organizational mission to be aligned with their commercial/ profit-driven activities? Why?

16. Do you feel it's important for the impact of the social enterprise to benefit the clients directly? Explain.

## REFERENCES

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