



PARTICIPANT'S WORKBOOK

# **SOCIAL ENTERPRISES' ANALYTICAL MODEL**

[Non-Profit Organizations and Co-operatives]

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## FOREWORD

For several years, Chantier de l'économie sociale has contributed to a wide range of activities regarding the promotion and development of the social economy – throughout Québec, of course, and across Canada. Thus, over the years, solid partnerships have been created among organizations working in the social economy and community economic development.

In Québec, particularly since the Summit on the Economy and Employment in October 1996<sup>1</sup>, all social economy players have worked on the creation of financial tools adapted to social economy enterprises. These tools have greatly favoured the startup and development of social economy enterprises, as they are called in Québec.

In 2007, a few partner organizations worked together to obtain access to Québec expertise in funding of social economy enterprises. This led to the idea of designing the project known as *Financing for social enterprises and the community sector: transferring the lessons of a decade of innovation in Quebec*. Human Resources and Social Development Canada made a financial contribution to carry out the project over a one-year period.

The partner organizations in the project are: Canadian Centre for Community Renewal, Connections Clubhouse, Économie solidaire de l'Ontario, Edmonton Community Foundation, Enterprising Non-Profits and Canadian Community Economic Development Network, together with Chantier de l'économie sociale.

In spring 2008, Chantier de l'économie sociale began the project by constituting an Orientation Committee, with the role of participating in the adaptation of the existing financial tools and organizing consultation sessions and test sessions with social economy players. This process sought to understand the regional differences across Canada and design adapted training material.

This workbook is part of a set of themes related to the analysis and funding of social economy enterprises.

## ACKNOWLEDGMENTS

Such a project could never have happened without the involvement and participation of many people. We especially thank the members of the Orientation Committee, Michelle Colussi, Éthel Côté, Martin Garber-Conrad, Norman Greenberg, David Lepage and Brendan Reimer, for their knowledge of Canadian regional realities and their expertise in the social economy and community economic development.

We also thank the participants in the different consultation sessions who contributed useful comments:

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Finally, we cannot fail to mention the work of Nancy Neamtan, President and Chief Executive Officer of Chantier de l'économie sociale, who was a guiding light in this project's design and implementation.

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<sup>1</sup> Within the context of this Summit, the provincial government brought together the leaders from private enterprise, unions, education and associative, community and co-operative movements with the aim of finding solutions to restart the Québec economy.



## INTRODUCTION

The work of adapting the financial tools was a major challenge, because Québec's experience is special, not only because of its language, but due to its social economy practices. Canadian realities also differ from one region to another.

For example, in Québec, the term social economy enterprise is used, while in the rest of Canada, social enterprise or community enterprise is preferred. Similarly, the concepts of third sector, solidarity economy and community economic development are in common usage when taking a different approach to production and/or the sale of goods and services for the benefit of the community.

Also, the project partners reached consensus on using the term social enterprise to name this form of community-based entrepreneurship. Making a choice has limits, however, because each region of Canada has developed according to its own geography, culture and history, and it is difficult for a single concept to illustrate all this wealth. To compensate for the deficiencies of a fragmented terminology, a glossary explains certain terms that can cause confusion.

To begin the study of the Social enterprise analytical model, we thus suggest that you study the definition of social economy as developed by the leading players in the field in Québec, and the definition of a social enterprise.

Finally, the goal of the approach is to go beyond divergences, emphasize the points of convergence and make expertise accessible that can serve the interests of every player in the social economy field in Canada.

## WORKBOOK'S GOALS

The theme of the “Social Enterprise Analytical Model” workshop introduces an analytical process specific to social enterprises (NPO – Co-op) and is intended for financiers, analysts, coaches, consultants and fund managers who want to have a better understanding of the special features of these enterprises and thus make an informed decision on financing

### Goals

- Explore the Social Economy Enterprise Analytical Model developed by Réseau d'Investissement Social du Québec (RISQ).
- Understand the approach based on the parameters of the social economy.
- Draw inspiration from different practices to renew your own practice.

This workbook is part of a series of three themes regarding the social economy:

#### **The Quebec Social Economy Experience:**

The Québec experience in the social economy and financing of social enterprises (NPO – CO-OP) / parallel to different regions in Canada.

#### **Social Enterprises Analytical Model:**

How to establish a profile to make an investment decision and assist in the development of a project, taking into consideration all the special features of a social enterprise.

#### **Financial Analysis of a Social Enterprise:**

How to restructure the financial statements of a social enterprise to increase its chances of success and improve access to financing.

All the training material has been designed in English and French.

## SOCIAL ECONOMY IN QUEBEC DEFINITION<sup>2</sup>

The concept of the social economy combines two terms which are sometimes considered to be opposites:

- **“economy”** refers to the concrete production of goods and services; the enterprise as the organizational structure; and it contributes to a net increase in the collective wealth;
- **“social”** refers to the social and not just the economic benefits of these activities. The social benefits are assessed in terms of the contribution to democratic development, the support of an active citizenry, and the promotion of values and initiatives for individual and collective empowerment. The social benefits therefore contribute to enhancing the quality of life and well-being of the population, particularly by providing a greater number of services. As with the traditional public and private sectors, the social benefits can also be evaluated in terms of the number of jobs created.

In its entirety, the social economy field covers all activities and organizations built on a community based entrepreneurship and operating on the following principles and rules:

- the primary purpose is to serve its members or the community rather than simply to make profits and focus on financial performance;
- it is not government-controlled;
- it incorporates in its bylaws and operating procedures a process of democratic decision-making involving users and workers;
- it places people and the work first before capital in terms of the distribution of its profits and revenues;
- its activities are based on the principles of participation, empowerment and accountability of individuals and communities.

## What is CED?

***Community Economic Development (CED) is action by people locally to create economic opportunities and better social conditions, particularly for those who are most disadvantaged.***

CED is an approach that recognizes that economic, environmental and social challenges are interdependent, complex and ever-changing. To be effective, solutions must be rooted in local knowledge and led by community members. CED promotes holistic approaches, addressing individual, community and regional levels, recognizing that these levels are interconnected.

Definition from **The Canadian Community Economic Development Network**

<sup>2</sup> Excerpt from the report of the task force on the social economy, “Taking On The Challenge Of Solidarity!”, from the Summit Conference [http://www.chantier.qc.ca/uploads/documents/categories\\_publications/rapport\\_synthese\\_final.pdf](http://www.chantier.qc.ca/uploads/documents/categories_publications/rapport_synthese_final.pdf)

## Other definitions ....

*A social enterprise is a business with primarily social objectives where the surplus is reinvested in the business and/or used for community benefit.*

Definition from **Building Community Wealth - A resource for social enterprises development** – Canadian Centre for Community Renewal – Centre for Community Enterprise – sept. 2006

*“Social enterprises” refer to business ventures operated by non-profits, whether they are societies, charities, or co-operatives. These businesses sell goods or provide services in the market for the purpose of creating a blended return on investment, both financial and social. Their profits are returned to the business or to a social purpose, rather than maximizing profits to shareholders.*

Definition from **Enterprising Non-Profits Program**  
<http://www.enterprisingnonprofits.ca>

*All social organizations, while their primary purpose may be to meet a social or community need, have economic value: they employ people, they produce or purchase goods and services, they own valuable assets and contribute to the economy in myriad ways.*

Definition from **Social Innovation in Canada: How the non-profit sector serves Canadians ... and how it can serve them better.** Mark Goldberg, Canadian Policy Research Networks, 2004

*Social enterprise are revenue-generating business with primarily social objectives whose surpluses are reinvested for that purpose in the business or in the community, rather than being driven by the need to deliver profit to shareholders and owner. These can include enterprising non-profits or for-profit enterprises such as co-operatives and share capital corporations where all shares are held by non-profits.*

Definition in use in Manitoba.

## A Social Enterprise is two entities in One

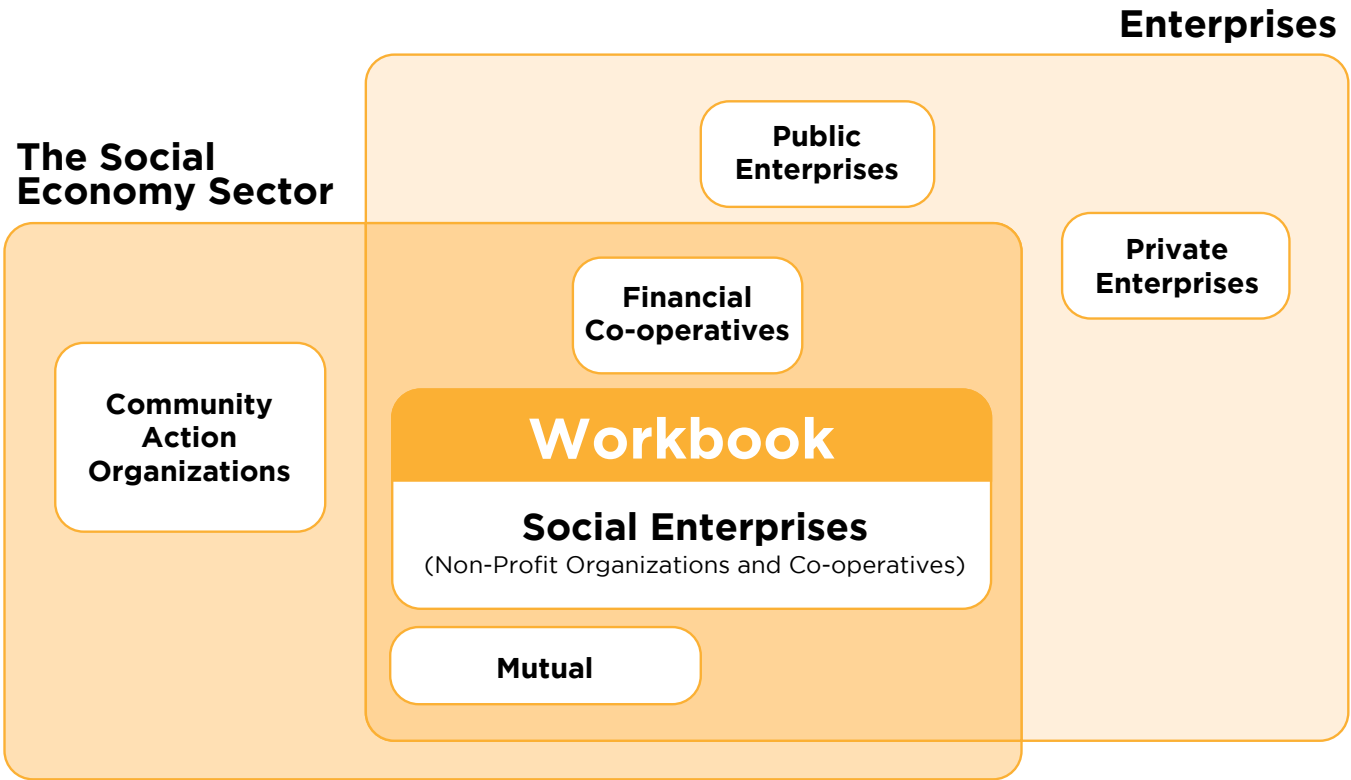
It is a group of people, brought together in a democratic framework, sharing values of solidarity and sustainable development in order to attain a common objective. This is the meaning of a social mission.

It also develops economic activities within the framework of a competitive market by producing and selling goods and/or services, but with the aim of enabling the organization to carry out its mission.

Two principal legal entities apply to the majority of social enterprises: co-operatives (CO-OP) and non-profit organizations (NPO).

This is the definition of a social economy enterprise as used in Quebec. Within the context of the current project, the term social enterprise has been chosen. It is therefore used as the equivalent of “social economy enterprise” in the rest of the document.

In terms of application of this workbook, it is important to note at the outset that it has been designed to review projects undertaken by groups that are part of a formal collective entrepreneurial process. It specifically targets social enterprises (NPO – CO-OP) that generate revenue by invoicing their private and public users for goods and services.



It is suggested that you refer to the glossary for a definition of the terms used in this outline.





## ANALYTICAL MODEL

# 4.1

## GLOBAL ANALYSIS

When developing a global evaluation of the conditions for an enterprise's success, decision-makers focus the analysis as much on the operational aspects to access the realism of the financial forecasts as on the financial forecasts themselves.

**A global analysis begins with evaluation of the operational choices and strategies that will determine the financial forecasts**

Before examining the financial aspects of an enterprise or a proposed endeavour, it is critical for the analysis to proceed with a global evaluation assessing coherence and feasibility.

Such an evaluation is done using data on the proposed strategic and operational goals and the means identified to reach the objectives.

The financial forecasts the analyst uses to assess the viability of the enterprise are always based on a demonstration of the social profitability of the organization's project as well as the economic effectiveness of the enterprise.

This analysis normally covers several aspects of the enterprise's aim and operation:

- Components relating to the mission, grounded in the community, and the enterprise's organizational life
- Relevance of market strategies and production choices.
- The suitability of the team and managerial organization.

The assessment of these components must be done from an overall perspective. It must allow the analyst to compare the coherence of each one with the whole and to determine how well it is structured.

These elements confirm the solidity of the project and its contribution to development. They must therefore precede and support the financial outlook. This analysis is conducted using the enterprise's documents (business plan, budget, financial statements) as well as meetings with the promoters.

Co-operatives (CO-OP) and non-profit organizations (NPO) have certain characteristics that distinguish them appreciably from conventional enterprises. It is important that analysts recognize these characteristics and consider them in assessing the projects submitted to them.

**Parameters that are specific to the social economy and crucial for evaluation.**

**The objective is not profit, but the collective interest**, reflected by a mission that shapes a proposed project but nonetheless situates itself in a competitive market.

**The promoters are organized as a group** (CO-OP or NPO); their profile is different from that of a private entrepreneur.

**The democratic foundation of the enterprise. The members** (Whether employees, users or others) make the major decisions together (in a General Meeting) and appoint the representatives whom they mandate to oversee operations and make decisions on their behalf. It is important to assess whether the enterprise is being governed by a true, functioning democracy.

**These enterprises choose distinctive economic activities and a different type of organization**; they seek to respond to a need rather than maximum gains.

**The financing of investments relies on a diversified base** comprised of members, the community, government, and financial stakeholders.

**A structure of diversified sources of operating revenues**, which sometimes combines revenues from the sale of goods or services with revenues for community service paid directly by government. This often accompanied by ad hoc financial support at start-up or during development, according to the social goals being pursued.

**Grounded in the local community:** these enterprises are generally the result of a group of people's initiatives or organizations originating from a local community. The analyst must then validate what support the community gives the enterprise in various phases – design, funding searches, start-up, and finally, the follow-up.

## A broader organization and operational evaluation

Generally speaking, the success of a social enterprise (NPO – CO-OP) depends on **five main components** which must be reliable or have been proven to possess the potential to become reliable:

- The **balance** between the **mission** sustained by the “initiating” community or group and the **economic effectiveness** of the activities of the enterprise they have established, with a leadership that sustains these two dimensions.
- The **coherence** and the **compatibility** between the social goals pursued and the means implemented to attain them – particularly in terms of the practical consequences that daily operations will have on the mission.
- **Entrepreneurship approach** and the quality of the enterprise's organizational life – which is the source of its vitality.

- **Support from the community** in which the enterprise is established – this is the strength of links and networking.
- The **effectiveness of the operations** that make it possible to offer products and services to the enterprise's members at acceptable prices ensuring the viability of the enterprise.

These are pivotal assets in:

- Facilitating the mobilization of the technical and financial means needed for the enterprise's long-term viability.
- Reinforcing the potential for economic success: users' purchasing preferences, service contracts with different levels of government, etc.
- Helping to adequately resolve the sensitive situations that all enterprises encounter during their life cycle.

Each of these factors has an impact on the enterprise's capacity to reach proposed goals and must consequently be taken into consideration when analysing the enterprise.

These factors must be added to the traditional frames of reference used to analyse enterprises in order to complete the gamut of evaluation components.

Whatever the sector and the areas of development identified by the enterprise and its promoters, these must be justified in terms of each item that follows :

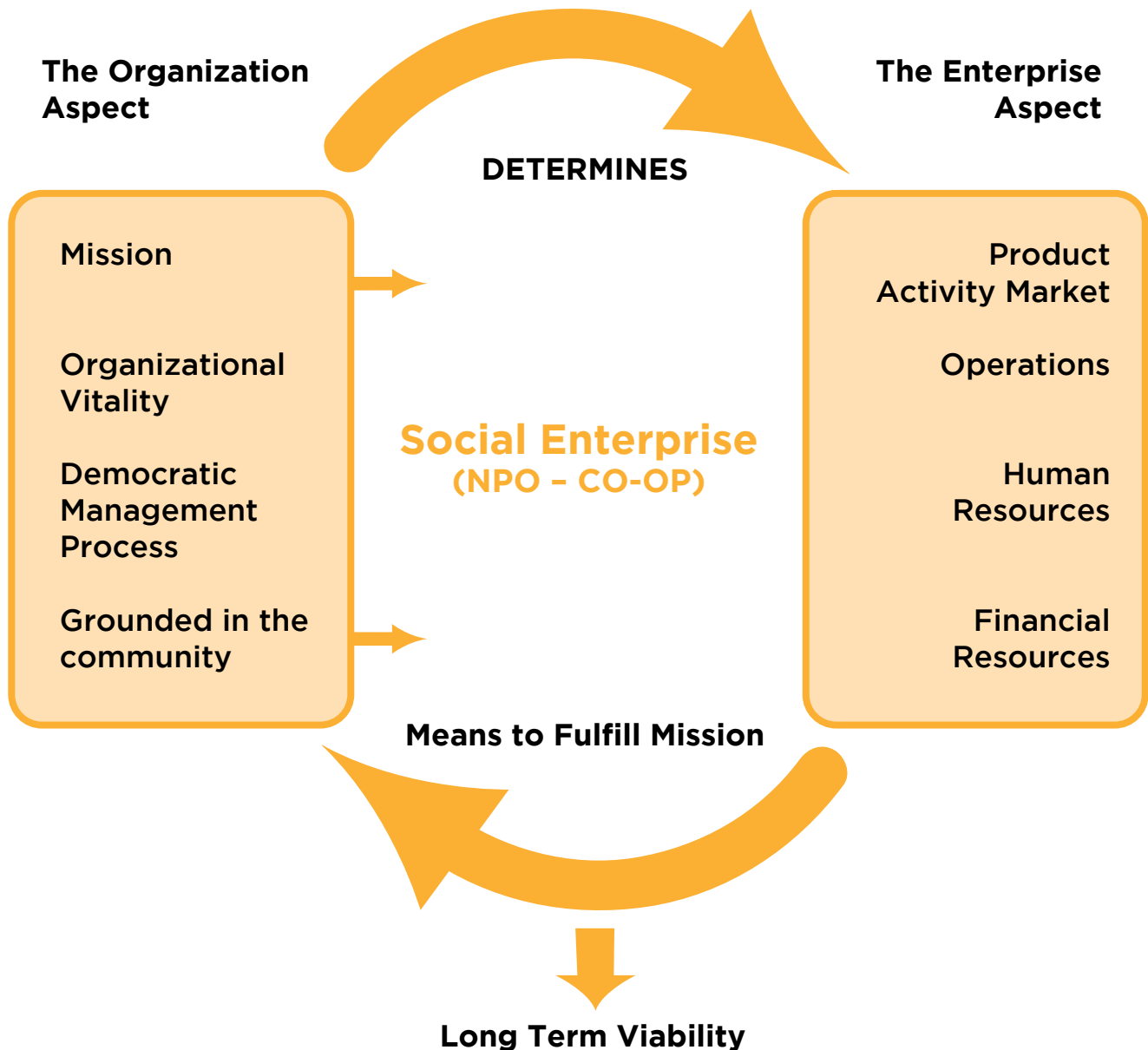
- Entrepreneurial approach
- The vitality of the organization
- The democratic management processes.
- The mission.
- Grounded in the community.
- The market.
- Operations.
- Human resources.
- Financial profile.
- Social benefit.

All these considerations must work together in a balanced and complementary way – accommodating both the “organization,” which was established on behalf of a mission, and the effectiveness of the “business”, which is the instrument for carrying out the mission through everyday operations.

The following three diagrams provide graphic illustrations of this reality:

- The **first diagram** proposes a vision of balance between the organization and the enterprise. It illustrates the main issues of the organization (on the left) and the four main components of the enterprise (on the right).
- The **second diagram** presents the “organization’s” success factors and its “entrepreneurial commitment.” This schema also displays the four “organization” objectives (on the left in Diagram 1) and provides a breakdown into a number of operational validation details.
- The **final diagram** presents the traditional components of the enterprise’s business plan, along with its success factors. It brings back the four components of the enterprise (on the right in Diagram 1) and provides analysis and interpretation of the principle components of the enterprise.

## The Balance Between The Organization and the Enterprise Diagram # 1

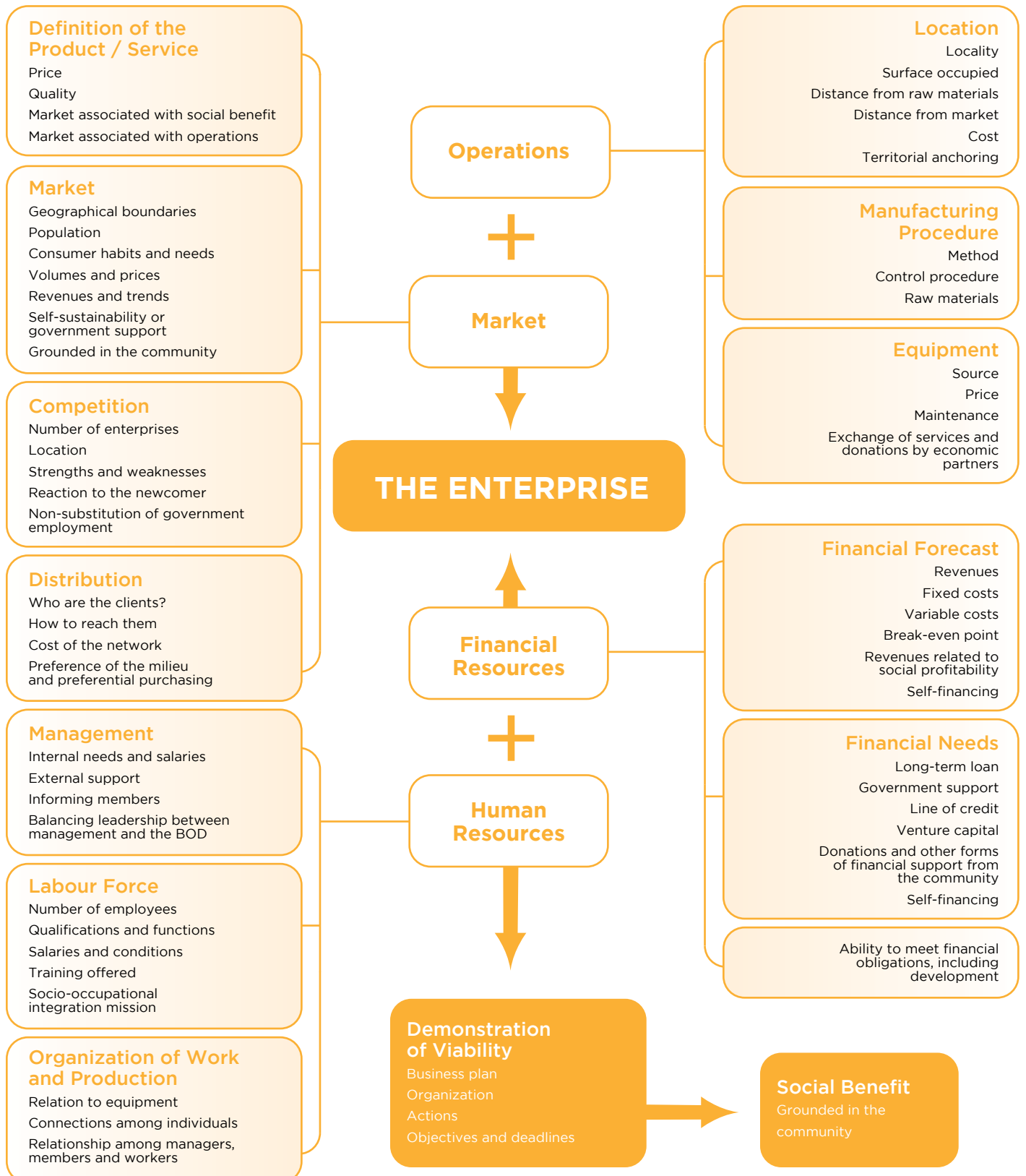


## The Organization's characteristics and success Factors Diagram # 2

Diagram of the main components that constitute and determine the success of the organization that owns the Enterprise



## Characteristics and Success Factors of the Enterprise Diagram #3



## 4.2

### ENTREPRENEURIAL APPROACH

Social enterprise comes first and foremost from the “group of people”, organized with the democratic framework of a co-operative or a non-profit organization. To develop their project, the members of this association establish rules of operation and a collective decision-making structure.

**In the social economy, it is the “organization” that takes the initiatives**

The long-term viability of social enterprises (NPO - CO-OP) depends on the promoters. It is known that the success of any business is very closely tied to the entrepreneur's soft skills and know-how. That includes a knowledge of the market, a large network and a technical production expertise. In addition, the entrepreneur's commitment to the enterprise and his strong motivation will be determining factors, particularly if difficulties arise.

In collective entrepreneurship, the requirements for expertise and know-how are the same as in any business, but the talents and the relational network are added together, creative abilities are merged and motivation is reinforced through the group.

The operations and the decision-making system must be organized to enable the enterprise to take advantage of all this collective strength, this human capital.

It is within the organization that the major debates over strategic directions are held. However, the organization also represents a pool of collective imagination and is a place for rallying members and supporters around the project. Then solutions must be found to the inevitable pitfalls and difficulties during start-up, development, consolidation, and turn-around of the enterprise.

#### CO-OP and NPO have different assets:

- **Creativity** : The involvement of a group of people in management and everyday operations results in a greater capacity to formulate strategies and solutions, and to take initiatives that are sustained through exchanges and dialogue.
- **Relationship with the Environment and the Community**: A social enterprise (NPO - CO-OP) often allows its members to be active at other levels in their community, which results in better recognition of the enterprise's activities. Its collective character also makes it possible to diversify promotional activities.
- **Bringing Together of Resources, Expertise, and Contacts**: Each member of a group of promoters can contribute complementary technical or social knowledge to improve the enterprise's intervention and management capacities.

**The strength of collective entrepreneurship comes from the quality of its organizational life, its democratic management process, and the establishment of a balanced leadership.**

#### However, this imposes certain conditions:

- Collective structure requires great administrative rigour, and the presence of a leader (to draw people together and motivate them, supervise, manage, sell and innovate).
- The collective character calls for a formal management structure to ensure the effectiveness of decision making, while ensuring the democratic space needed so that all the promoters and partners can express their opinions on the organization's directions and its mode of operation (management committees, general meetings, etc.).

#### ...But implies conditions



## ANALYSIS

### The analysis must focus on the quality of the entrepreneur.

It calls for an approach centred around the group of promoters, based on the qualities and expertise brought together, and on the members' potential as a team.

This involves an evaluation of the group's formal entrepreneurial approach, examining in particular:

- The level of professionalism required.
- The internal capacity for adaptation after start-up.
- The potential for strengthening and developing the competencies and areas of expertise of the organization members.
- Evaluation of the cohesiveness of the group.

**The complementarity of expertise...  
and cultures constitutes the main strength  
of the Board of Directors**

Beyond technical potential, the concept of balance in the organization is an important success factor. It is crucial that the authorities (particularly the BOD) be composed of members with diverse types of expertise (or from a variety of socioprofessional backgrounds).

### The proposed business project must explain the choice of activity

A few questions must be asked to evaluate these components. Here are some examples:

#### Description of the Organization

- What types of activities have already been carried out?
- What is the enterprise's mission?
- What goals and objectives are being pursued by the organization?
- What activities are planned to reach this goal?
- What is the sector of activity?

## 4.3

### ORGANIZATIONAL VITALITY

#### Legal Structure of the Enterprise

This issue aims at confirming the choice of the legal form of the enterprise (CO-OP or NPO).

**Understand the motivations of the group and evaluate earlier achievements as a group.**

The enterprise should present an organizational chart illustrating the enterprise model and the mechanism foreseen for democratic participation or organizational life (General Meeting, BOD, Executive Committee).

- What is the legal status of the enterprise?
- Is the enterprise a result of...
  - A broad-based community movement?
  - A small, democratically-structured group?
  - The initiative of a single social entrepreneur supported by the community?
- Does the plan provide examples of previous achievements by the group of promoters?
- Are there some recent achievements?
- What are the main outcomes?

Organizational vitality is one of the driving forces behind social enterprises (NPO - CO-OP). The quality of this vitality promotes a balance between the mission and operational concerns, and ensures the involvement of everyone in its success.

It has often been noted that without a real organizational life there is a risk that the mobilization of the members and the community will weaken with time.

The organization must therefore create conditions for maintaining and even expanding this membership.

#### **One of the driving forces behind social enterprises**

In the long term, it is the membership that gives stability to the organization by bolstering the ranks of the next generation with members and future administrators who will maintain the vitality of the group. This should result in an organization that is always listening to the needs expressed in its community and to ongoing organizational training efforts.

#### **One of the conditions for success in the long term: maintain membership.**

## DIRECT IMPACTS OF ORGANIZATIONAL VITALITY

### For the members

#### **It brings about (vitality):**

The development of citizenship through members' participation in debates and collective decision-making.

#### **In workers' co-operatives:**

Their employment, training and increased awareness of cooperation in the workplace. The ability to significantly influence their working conditions as well as share in the fruits of their labour.

#### **In producers' co-operatives:**

Access to economic activities and services through the pooling of production means.

#### **In consumers' co-operatives:**

Access to economic activities and services at prices and at a level of quality that correspond to their needs and aspirations.

#### **In NPOs:**

Individuals' and community partners' control over the enterprise's ability to adequately accomplish its mission to the benefit of the community: recreation, culture, environmental protection, training, etc.

Training and education regarding corporate spirit and citizenship.

### For the CO-OP or the NPO

Organizational vitality allows for better overall performance due to:

The contribution of ideas by everyone towards the common good, in the community interest.

An understanding of the issues involved in the enterprise's mission and operations.

The anchoring of the enterprise in its community and the support of that community.

A direct link with the users, allowing the enterprise to regularly and rapidly adapt its products and services to changing needs.

An increased capacity to react to the need for improvement due to direct internal communication.

## ANALYSIS

The analyst examining a social enterprise (NPO - CO-OP) must ensure that organizational vitality is solidly present or that it is the process of being introduced in such a way as to ensure it will last. The active participation of the organization members and their involvement in the project must be observed.

It is difficult to get an accurate picture of the reality of the enterprise's organizational life, but the presence of the administrators at meetings and their participation in discussions regarding the funding requests, should be obtained in the form of organizational charts of the governing bodies describing the roles and responsibilities of each of the boards and committees.

The analyst should find out how often the various governing bodies meet and compare this frequency with what was provided for in the social enterprise's by-laws.

Generally, governing bodies meet regularly. Here are some common parameters:

- The member's General Meeting meets about once a year.
- The BOD meets between four and ten times a year.
- The committees (management committee, executive committee, development committee, or others) meet according to the needs for which they were established.

It should be noted that during the most intense periods in the life of a business, the BOD and those of its committees involved with these issues should work more closely together and meet as often as is necessary.

- The content of decisions must also be compatible with the principles of transparency and democracy. The members of the governing bodies must have access to vital information if they are to make relevant decisions. For a BOD, such information includes, among other things, budgets, orientation and development strategies, investment plans, salary policies, the use of surpluses etc., which decisions must be made.

**It is not sufficient for democratic governing bodies to simply exist legally, they must also be fully operational**

- The process of consultation, decision-making, and communication must contribute to the dynamism of operations. Management committees are one example of such mechanisms.
- In start-up enterprises, the absence of a common history between the future members should prompt a verification of the existence of a training plan touching on the democratic life, preferably by specialized external trainers, or certain federations or co-operative development organizations and social economy sectoral networks.
- In situations showing a need for internal support or presenting risks of tensions it may be advisable that the enterprise offer one or more administrative positions to people who are external to the organization. These people can play a positive role regarding administrative rigour (agendas, decisions, etc.) that is very useful for constructing and giving a lasting structure to the operating rules of the organizational life.

The following indicators are useful for validating the quality of the enterprise's organizational life.

## Checklist for indicators of Organizational vitality

Complete by choosing a number (quantity) or quality (strong / average / weak)

### Members

### Quantity

Number of members in the organization	
Number of clients/users	
Number of general meetings per year	
Number of members who participate in the meetings, or rate of participation	

### The Board of Directors

Number of members on the BOD <ul style="list-style-type: none"> <li>How many are users?</li> <li>How many are workers?</li> <li>How many are community representatives?</li> </ul>	
Number of meetings per year	

### Members

### Quality

Is the type of participation: <ul style="list-style-type: none"> <li>Reflective of a spirit of solidarity (participatory, collective and executive, the participants take part in the governing bodies, mobilize collectively and are involved in decision-making)?</li> <li>Transparent (participatory, collective and consultative, providing information and consultation through governing bodies but allowing no participation in decision making)?</li> <li>Traditional (passive, individual and consultative; individual consultation)</li> </ul>	
Does the organization have modes which allow the clients/users to become invested in the enterprise's founding principles (background, mission, objectives, operations) and its democratic mechanisms?	
Does the enterprise provide for or carry out training activities with its partners (workers, members and users) regarding: <ul style="list-style-type: none"> <li>The management of a BOD.</li> <li>The role, rights and responsibilities of the administrators and members of a legal entity.</li> <li>The mechanisms and processes of democratic management.</li> <li>The roles and dimensions of community ownership.</li> </ul>	

### The Board of Directors

The composition of the BOD promotes: <ul style="list-style-type: none"> <li>The pooling of complementary types of expertise.</li> <li>Meetings and discussions with the various regional stakeholders.</li> <li>Connections with the enterprise's external strategic partners.</li> <li>Defence of the organization's ethics and protection of its mission.</li> <li>The ability to support and supervise the enterprise's managers.</li> </ul>	
Rotation among the members of the Board	
Frequency of replacements at the presidency and other key positions	
The existence of committees, their role, and composition	
Mechanisms for communicating with members	
Collective decision-making modes for major issues	

# 4.4

## DEMOCRATIC MANAGEMENT

### Organizational mode for decision-making: Representation and effectiveness.

Organizational life has a direct impact on the economic aspect of an enterprise by leading it to organize itself according to a democratic management mode, which involves, among other things:

- Consulting members.
- Circulating information.
- Ensuring the transparency of decisions
- Applying these principles in a way that is compatible with the essential requirements of daily management and operational decisions.

### Dynamic and accountable delegation

In actual fact, a social enterprise (NPO - CO-OP) must, just as in other businesses, be able to make quick decisions in day-to-day operations. This is why many operational decisions must be delegated:

- From the General Meeting to the BOD.
- From the BOD to an Executive Committee and, for some issues, to one or special committees.
- From the Executive Committee to Executive Management.
- From Executive Management to the Head of Operations, if necessary.

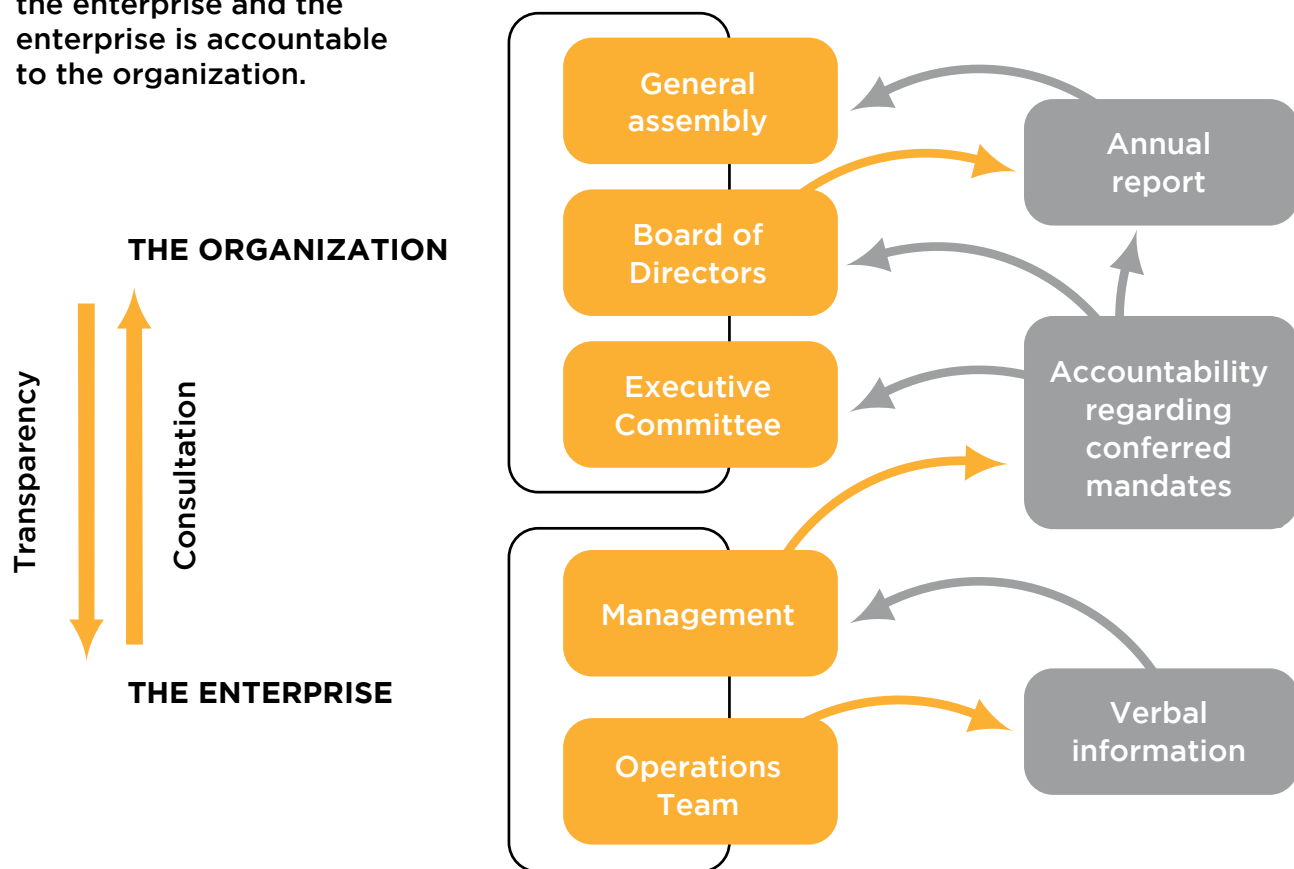
### Top-down transparency and bottom-up consultation

Any delegation implies accountability. Accordingly, the different levels of decision-making must receive regular reports in an increasingly formalized way as one ascends the levels of responsibility:

- Oral and written information in team meetings under the responsibility of managers.
- In senior management's report to the BOD: what is important is that the Directors have the ability to adequately exercise their role in controlling the fulfillment of mandates conferred upon them.
- Up to the Board of Director's annual Report to the General Meeting.

## Democratic Management Process

The organization mandates the enterprise and the enterprise is accountable to the organization.



Democratic management must work in harmony with the mission while having the capacity to be fully operational with a system for rapid and adequate decision-making. It is a balance in leadership between:

- The organization, which must exercise control over the major decisions,
- And the enterprise management team, which needs to have extensive decision-making autonomy.

The collective nature of the enterprise requires a formal management structure that ensures effective decision making, while maintaining a democratic space allowing all the promoters and partners to express their opinions regarding the organization's directions and operations (management committees, regular general meetings, etc.).

The balance of leadership between management and the BOD is very important for the future of the enterprise.

## Organizational life and economic activities

Conflict between these two forces represents a major risk, which could manifest itself as:

- Excessive control on the part of a BOD or of an executive branch, risking unwieldy operations that are harmful to an organization situated in a competitive market.
- Conversely, it could take the form of insufficient control, with the risk of eroding democratic life with, as a consequence, a decision-making system placed solely on the shoulders of the director or the president.

In the latter case, the enterprise would find it difficult to rely on an internal network of expertise (and relationships), and fairly difficult to rely on potential mobilization of the community if problems arise.

## ANALYSIS

### Therefore, one must evaluate

- Clarity in distinguishing the mandates of the BOD and senior managements.
- The targeted community in terms of the enterprise's challenges and directions.
- The turnover rate of people in management and on the BOD.
- The degree of delegation of decision: from BOD / to Executive Committee / to Management.
- The quality of reporting: from Management / to BOD / to General Meeting.



## Two scenarios showing different logic But always truly democratic management

In a social enterprise (NPO - CO-OP), the organization of democratic management differs, depending on whether it is:

- The employees who hold the decision-making power; or
- Non-employee members who assume this responsibility.

### Decision-making power belongs to the enterprise's employees

In a workers' or producers' co-operative, the members of the organization are also involved in the operations. Each of them possesses and contributes an expertise that enables them to collectively come to a healthy understanding of problems encountered and to enhance the capacity of the business to find solutions to implement. When employees are elected to the BOD, there can sometimes be confusion between:

- Operational functions related to the distribution of tasks in the business: sales, production, administration, etc., reflecting a form of leadership based on each employee's occupational expertise, but principally on that of management; and
- Their respective roles on the BOD of the organization where the presidency assumes the leadership role.

### Decision-making power belongs to volunteers who are not paid by the enterprise

This is the situation in consumer co-operatives (or co-operatives with a majority of users, as in some multi-stakeholder co-operatives) and NPOs. The administrators are often less informed of the current operations of the enterprise but may be, on the other hand, more seasoned when it comes to more general questions of viability or mission.

As a general rule, BOD members know what the level of responsibility is. They tend to adopt a vigilant attitude towards the impact of decisions that they are asked to endorse. However, it can happen that administrators who are not informed about the day-to-day running of operations may have developed a strong relationship of trust towards management and agree to approve their decisions without systematically exercising their monitoring role.

There is nothing particularly worrisome about such an attitude, which can be relevant in an economic organization that is sometimes obliged to make decisions quite rapidly. However, it is important to confirm that the Board remains vigilant and continues to stay informed regarding decisions made, primarily those with major consequences for the enterprise (financial commitments and strategic developments, among others).

# 4.5

## MISSION

### The Enterprise's Mission

The enterprise's mission is its aim. The enterprise has been established for this purpose. All decisions and actions made by the leaders must be consistent with this mission. The mission of a social enterprise (NPO - CO-OP) is distinctive in that it involves a social objective.

#### Enterprises with a social goal

**A co-operative mission** is structured around the satisfaction of the economic, social and cultural needs of its members. The distinguishing characteristic of the co-operative formula is that it permits members to exercise collective control.

#### For the co-operative: satisfying the needs of its members.

**The mission of an NPO** is structured around the satisfaction of needs in a community. It is often formulated as a statement of acknowledgement of a problem or an aspiration and a proposal solution.

#### For the NPO: bringing a collective response to a community need

### For example:

- Clienteles with unmet needs to serve: daycare, homecare services.
- Better access to personal and family development activities: culture, tourism, recreation, community media.
- The need to find solutions for people in disadvantaged situations: integration, on-the-job training, work adapted to people with disabilities.
- The need to reduce the negative impact of the consumer society on the environment: waste sorting and recovery centres, alternative energy sources.

In their missions, social enterprises (NPO - CO-OP) often combine:

- A social vocation of service or the preservation of a community or population;
- A job-creation vocation; and
- A vocation of social integration through work.

All of the above are accomplished through an economic activity that produces a good or service.

## ANALYSIS

The analyst must verify the existence of a need and the relevance of the proposed response by the enterprise, notably with the organization in the community or the social economy sector network. The analyst can also pose the following question:

### A necessary validation of the mission

Is the mission well formulated? Is the enterprise's mission formulated in terms of components that are observables that can be linked to chosen activities? Is the mission formulated in the following terms:

- Problems to be resolved?
- Concept statements? If yes, is the proposed solution realistic?
- Targeted improvements, observable and verifiable fact?
- Quantifiable and measurable effects?

Does the enterprise have a clear priority?

- Civic action (training, facilitation).
- Creation of sustainable jobs.
- Socio-occupational reintegration through training.
- Local and community development
- A specific activity.

The analyst must also be able to understand the enterprise's order of priorities in terms of objectives and means for attaining them.

- Verify that multiple objectives remain consistent with one another. For example, with activities requiring a high degree of expertise, it is less advisable that a majority of positions should be given to people without technical training.
- Evaluate the extent to which administrators ensure their decisions are consistent with the mission.

## Tools for Evaluating the Mission

The mission is the heart of the enterprise. A demonstration of the enterprise's capacity to carry out its mission is the surest means of guaranteeing that its viability can be sustained.

This is one of the evaluation parameters justifying the relevance of the project that will be used by the financial backers in agreeing to finance these socially useful activities.

### The mission: The enterprise's aim.

There is a very direct link between the impact of the mission and the government and private-sector revenues that will be devoted to it. These revenues are often indispensable to the enterprise's viability.

## ANALYSIS

The analyst needs to verify whether the information provided suffices for evaluation of the enterprise's mission indicators. The proposed elements in the following checklist will help evaluate the coherence between the formulation of the mission, the realism of the formulated objectives and the means proposed to achieve them.

The coherence between the mission and the operations will be examined so it may serve as a basis for evaluating the economic and financial parameters of the enterprise.

The components of the mission can be divided into two categories:

- The general effect expected from any social activity that has chosen an economic approach to attain its objective.
- Specific effects for each subcategory of activities.

## Examples of indicators Commonly related to the Mission

The following checklists offer a few examples of indicators for assessing these effects.

Complete using a number or evaluation (strong, average, weak)  
and stress the MAJOR aspects for the project

**Volume  
Quantity  
Degree**

Creation / maintenance of paid jobs	
Volume of goods or services offered (in quantity, dollars, number of clients served, hours of intervention, to be adapted to each sector)	
Level of community satisfaction in relation to the enterprise's mission	
Job quality: level of revenue and working conditions, training	
Level of participation by employees and members in decision-making	
Impact of the services rendered on the population/community (adapted to each sector)	
Development of employability (training provided, topics and hours)	

## Sectoral Mission indicators

Complete using a number or evaluation (strong, average, weak) and stress the MAJOR aspects for the project

**Volume  
Quantity  
Degree**

### **Workers Co-operatives, Producers Co-operatives, Consumer Co-operatives**

Number of members in the co-operative	
Number of members participating in the life of the organization	
Percentage of activities carried out by the members	
Portion of surpluses used in dividends	

### **Cultural Sector**

Time/number of activities devoted to education, raising awareness, and cultural facilitation intended for the public	
Portion of the budget devoted to creation, Production and dissemination of cultural goods	
Level of attendance within the organization or at its activities	
Presence of cultural workers who have gained visibility	
Types of public/number of people brought together by the organization's intervention	
Number of artists, craftspeople or people having a cultural background who work for the enterprise	
Number of activities / events held	
Participation in the activities carried out --- level of attendance	
Portion of local or alternative cultural content	
Progression of the artist's revenues	

## Sectoral Mission indicators / (continued)

Complete using a number or evaluation (strong, average) and stress the MAJOR aspects for the project

**Volume  
Quantity  
Degree**

### Waste Management

Production of alternative energy	
Tons diverted from landfill	
Value added to materials	
Number of activities devoted to raising awareness and education made available to the public	
Number of people reached through awareness activities	

### Homecare

Number of hours of service rendered	
Number of households served	
Types / distribution of families served	
Number of referrals to social services (help, personal care, etc.)	
Number of semi-dependent people maintained at home	

### Training Enterprises

Number of trainees accepted	
Number of learning activities / training	
Hours of mentoring / individual or team coaching	
Percentage of trainees who complete the training period	
Percentage of trainees who find a job	
Percentage of trainees who go back to school	

<b>Adapted Work Centers</b>	<b>Volume Quantity Degree</b>
Number of adapted work positions	
Number of training activities (number of participants)	
Hours of individual or team mentoring per year	
<b>Recreation</b>	
Number of activities carried out	
Number of visitors / users	
Number of visitors foreign to the region	
Activity participation rates	
Number of overnights – activity days	
Activities devoted to raising awareness of heritage, nature, the environment	
Hours of specific mentoring	
Affordability for disadvantaged clientele	
Number of users with a disadvantaged socio-economic profile (or %)	
<b>Media</b>	
Potential pool and number of listeners/ readers	
Number of hours of broadcasting or publications printed per year	
Level of coverage of certain subjects, themes or forms of expression for which popular media usually provide little coverage or visibility (% of space or airtime)	
Number of broadcasts, articles that give citizens and local communities a voice	
Volume of articles or broadcasts with social, political, cultural, pedagogical, or educational content	
<b>Community Credit</b>	
Type of organizations and entrepreneurs reached	
Number and average value of loans made	
Collection ratio for loans made	
Jobs created or maintained in the enterprises funded	



# 4.6

## GROUNDED IN THE COMMUNITY

The ties between the enterprise and its community, territory, and market sector define the degree to which it is grounded.

**Anchoring in the community determines the quality of the social economy's relational capital.**

Social enterprises (NPO – CO-OP) always originate from a grouping of people or organizations who have identified an insufficiently met need. The enterprise's mission and the project that results from it are established to adequately meet the aspirations of this grouping.

## ANALYSIS

It is relevant for the analyst to measure the support the project or business expects to receive from the community.

One of the first elements to be verified is what impact the activity will have on its community – its home territory, the particular population targeted by the activity—and how this impact is perceived by people, organizations and institutions affected. This is also an indicator of the professionalism of the group driving the project, as perceived by the community.

For the analyst, the section addresses two types of information:

First, the impact that the activity will have on its territory or community.

Second, the support for the enterprise by the stakeholders in the community.

The answers to these two questions provide strategic information:

- The relevance of the project or the enterprise.
- The level of interest in the community in ensuring its durability and, consequently:
  - The evaluation of possibilities for financial or strategic support that will be available when needed.

This additional information makes it possible to identify the level of risk for an investment.

The information should be analyzed in terms of three levels of concern:

- The enterprise's relational capital.
- The enterprise's links with the community.
- The beneficial impact of the new enterprise on its community.

**A first indicator** is testimonies of moral or financial support from agencies or personalities that are relevant to the planned activities.

**The second indicator** is the concrete gestures made by the community in direct support of the enterprise.

**The third indicator** measures the commitment of the community towards the management of the enterprise and the risks associated with it.

**The fourth indicator** measures the sectoral anchoring; that is to say, the involvement of the enterprise in a network specializing in its type of activity or its particular mission.

### Working within a network is one of the strengths of social enterprises

**The fifth indicator**, verifiable only at the end of the process, is the recognition of the enterprise by its private or public financial backers.

One must remember that analyzing these indicators provides strategic information on the relevance of the project or enterprise, recognition of its contribution, and the level of interest the community has in ensuring its durability.

It therefore enables us to assess the possibilities for financial or strategic support that will be available in the future when needs arise.

## Examples of indicators of Grounded in the community

Complete using a number or evaluation  
(strong / average / weak)

**Number /  
Importance**

### 1 > Existence of testimonials:

- influential people
- Territorial agencies
- Sectoral agencies
- Clientele-related agencies

### 2 > Existence or availabilities of logistical support, services offered or commercial opportunities originating from these agencies

Presence of volunteers:

- Number of people
- Number of hours

Authorizations or accreditations  
obtained from government authorities

### 3 & 4 > Background of members on the Board of Directors:

- Membership in other organizations
- Quality of involvement
- Membership in organizations
- Sectoral
- Territorial
- Clientele-related

### 5 > Anticipated or approved funding commitments

### A few examples of the relationship between relevance of an enterprise and grounded in its community:

- The buyout of a grocery store by a consumer co-operative in a rural area and the reopening of a closed hardware store in an outlying region by employees who have formed a worker co-operative, will be all the more rooted because these reopenings have an important impact on the quality of life in the communities where these enterprises are established.
- The same is true for non-profit organizations that set up homecare or cultural or tourist activities.
- No matter what competitive activity the enterprise is involved in, the simple fact of establishing a social enterprise (NPO - CO-OP) in order to create jobs in a community experiencing difficulties generates, in and of itself, community support in the name of the common good.
- Organizing accessibility to employment or training for young people or people who are excluded from the labour market in itself appeals to the community, which supports initiatives of this nature.

**In all these cases, one speaks of anchoring because the enterprise and the project will be supported in every possible way since they provide added economic and social value to their community.**

# 4.7

## MARKET

### Objectives and Means

The market section describes the product or service that the enterprise intends to offer. It must present a connection between the mission statement and the economic activity. It also includes the explanation and justification of the sales objectives and the means to achieve them.

This section offers an analysis of the industry or sector in which the project will operate the clientele, and the competition.

As we have seen, social enterprises (NPO – CO-OP) carry out economic activities to fulfill a mission. Thus, they operate in two complementary markets: The product market, related to economic activity, and the market related to the mission. It is possible that these two markets may overlap or conversely, that they may be very distinct from each other.

Sometimes in the general interest of the community, the government assumes part of the cost of a product or service, as is the case with public transportation, where the user pays only a modest part of the real cost of taking a bus, subway or ferry.

Therefore, it is common for some social enterprises (NPO – CO-OP) to benefit from public funding under the form of a service contract responding to the needs of a particular clientele to which the government wishes to give priority. This kind of service contract, which is sold to the community, must be evaluated by the analyst using the same economic parameters as for manufactured products or services delivered. These two markets then overlap and the government contributes directly to the price charged for the product or service.

In other cases, the two markets are completely distinct from each other, as in the case of a training enterprise that, on the one hand, operates a restaurant or manufactures computers and, on the other, bills the government for providing a training/placement service.

### What new needs will be met or what new approach will enable the enterprise to be competitive?

An accurate analysis of the competition is essential for evaluating the chances for success. The market section explains how the enterprise will succeed in meeting its sales forecast in its target market and what means and strategies it will use to achieve this. This section therefore needs to deal with the following aspects:

- **The products and services** offered, their characteristics and the market value of the finished product.
- **The target market:** geographic zone, client/user characteristics and needs (demographics, socio-economic considerations).
- Existing **competition** in the same sector.
- **The positioning of the product / service** in its market, marketing, marketing strategy and the competition.
- **An approach to marketing** that is consistent with the above components.
- **The targeted market share and the forecast revenues** derived from it.
- The **external environment** and the specificities of the enterprise (legal constraints, etc).

## Market

## Market Related to a Social Purpose

## Market Related to the sale of Goods and Services

### THE ENTERPRISES' INTERVENTION

Goods or services of social utility and spinoffs for the Community

Market originating from the public sector in the form of subcontracted placement services.

### EXAMPLES OF PARAMETERS TO BE ASSESSED

Strong social need to be met.

Labour market in high demand.

Competition from other agencies delivering integration services in the same territory.

Quality of the goods and or services and degree of fulfillment of the mission

Sale of goods and services

Food services in a neighbourhood.

Demand for computers

Competition from other businesses

Quality/price ratio of a product/service

## 4.7.1

### THE PRODUCT

The product or services offered as the basis of the enterprise's economic activity and the ones offered in fulfillment of its mission are normally complementary or compatible.

The product consists of goods or services produced or provided by an enterprise through its economic activities as well as the support services stemming from its mission.

This product meets a need, is positioned within the market, has distinct characteristics and is reasonably competitive.

make it possible to specify the context influencing each aspect of the enterprise's strategy:

- Definition of the activities or services proposed.
- Users and their needs.
- Originality of the product relative to demand or need.
- Raising product awareness among the population and governments.
- Economic value added.
- Social value added.
- The unique characteristics of the product or service (advantages and disadvantages) in light of competition from businesses in the same sector, in the enterprise's region or elsewhere.

### Description of the planned activity

#### Description of the Product / Service

The enterprise must present the principal elements of its business in order to give an overview that will

### Analysis

For a complete evaluation, it is important for the analyst to have access to sectoral comparisons in order to evaluate a market and to take into consideration all competitors, including those in the private sector.

## 4.7.2

### THE TARGET MARKET

A market study normally talks about clients. Some social enterprises (NPO – CO-OP) prefer the term user instead, indicating a commercial relationship of a different nature.

#### The mixed nature of the market results in a different vision of the client

For some enterprises, the aim is not to maximize the selling price under competitive constraints, but rather to make sure that the goods/services are affordable and therefore to lower the cost. This approach has an impact on the viability of the enterprise, as well as on the way the enterprise demonstrates the existence of a market and the marketing strategy associated to it.

Other enterprises have an internal mission (training, integration into the workplace, environment) that is accomplished through their commercial activity, which therefore allows them to have more typical relationships with clients.

In some sectors of the social economy, the market can only be partially sustained by users.

In some cases, the population's need is not expressed as an effective demand, owing to the clientele's inability to pay a price that takes into account production costs (homecare, for example) or else because of the collective nature of the service proposed (a community media). The enterprise must then demonstrate the means or agreements by which it will be able to respond to the demand in a viable way.

#### The potential for revenue goes beyond clients/user billing

Finally, the enterprise must accurately define the target territory in terms of its potential clientele and their principal characteristics. The mixed nature of the market results in a different vision of the client.

### ANALYSIS

It is necessary for the analyst to properly assess how and to whom the enterprise will sell its production/service. The description of the clients/users must specify:

- Sales mode: on the premises or delivery.
- Production mode: custom made or mass produced
- Target: industrial, institutional, commercial or residential.
- Characteristics: age, sex, education, income, and concentration in the territory(individuals).
- Main activities, sales figures, number of employees, location (enterprises).
- Motivation for this clientele to purchase the enterprise's product / service.
- Structure of the clientele: number of clients and sales distribution.
- Projected trend of this clientele structure over the years.
- Projected trend of the socio-economic characteristics of the target territory.

## 4.7.3

### COMPETITION

Once a demand has been clearly identified according to its volume, the value of the needs, the trends of this demand and the characteristics sought by the potential clientele, it is a matter of drawing up a profile of the businesses in the sector that offer products / services that are comparable with, similar to, or substitutes for those of the project / enterprise.

**Competition from other social enterprises is expressed differently**

### ANALYSIS

It is critical for the analyst to have enough information to evaluate the effects of competition on the enterprise.

This analysis of the competition must cover all the businesses in the targeted market, no matter their legal status.

It must deal with the principal characteristics such as:

- Number and size (number of employees, revenues, etc.).
- Characteristics of the products / services, prices.
- The situation in the market and earlier trends.
- Marketing strategies.
- Known strengths and weaknesses.
- Forms of indirect competition; that is to say, different responses to the need.

This analysis of the competition must next be compared with the situation of the enterprise (current situation if it is operational and forecast situation in all cases). At the same time, the possibility of the enterprise drawing support from clientele because of its mission (for instance, user co-operatives) must be taken into account.

The goal of the analysis is to specify:

- The position of the enterprise in the target market: monopoly, (protected or natural); major competitor; secondary player, subcontracting from larger competitors, etc.
- The comparative advantages of the enterprise relative to the competition by evaluating how the markets for the enterprise's activities could be secured in the face of this competition.

## 4.7.4

### POSITIONING AND PRICING POLICY

In facing identified competitors, the enterprise must carry out its activities in such a way as to distinguish itself. This approach to production is reflected in the message communicated to the clients / users. It is reflected in a social statement and by a commitment to quality or service adapted to every client.

- Pricing policy based on various targeted market niches. Here again, if it exists as a response to its users' need, a social enterprise (NPO - CO-OP) will use a different strategy than a private business does. It will try to find a middle point between an affordable price and a price that covers the costs, rather than opting to maximize the selling price.
- Collection policy if the enterprise is involved in a corporate or government market.
- Policy of variation of prices according to season, clientele, or marketing cycle.

### ANALYSIS

An enterprise's market position must be consistent with its internal constraints. Therefore:

- It must be convincing in terms of its ability to start-up and grow within its market or markets.
- Its selling price must be in line with its cost and with the prices of competitors.
- It must be in line with terms of payment (e.g., payment periods for clients and supplies) and available liquidity, particularly when part of the enterprise's revenues come from agreements or service contracts with a level of government.
- Finally, the enterprise must provide for prices that fluctuate according to the season, the clientele or the marketing cycles, if applicable.



## 4.7.5

### MARKETING STRATEGY

A marketing strategy must be consistent with the analysis of the market, the competition, and the mission.

#### ANALYSIS

It is very important for the analyst to assess the enterprise's coherence (marketing strategy, chosen target) and the expected cost-results ratio based on the technical options included in the marketing plan.

##### Aspects to Examine

- Marketing activities needed to ensure the production is sold.
- Means chosen: traveling salespersons; local/regional publicity; distribution network; other.
- Sales promotion tools (e.g., newspapers, posters, flyers, mailing).
- Commercial image to develop with clients, community and partners.

In addition to traditional marketing concerns, it is important to examine how the enterprise plans to use its mission to establish complementary marketing approaches.

Mobilizing users and the clientele creates sympathy capital based on the enterprise's mission which has an impact on the viability of the social enterprise (CO-OP and NPO).


Thanks to its mission, the enterprise can sometimes benefit from purchasing preferences for the products or services it offers.

The attitude of the user (or consumer) who agrees with the enterprise's mission will have a direct economic impact; the result is customer loyalty amplified by the potential for growth through word-of-mouth.

Thus, it has often been noted that consumers, acting individually or using their capacity to influence their enterprise, public service or organization, choose to deal with a social enterprise (NPO - CO-OP) because of its social objectives.

##### Some Examples

- A catering service that hires people excluded from the labour market.
- A community print medium or radio station that demonstrates its "non-profit" involvement by disseminating information locally and providing forums for citizen's debates.
- A service for destroying confidential documents that employs people with disabilities.
- A household maintenance or homecare service that gives work to people in the neighbourhood or the village.
- A computer services worker co-operative, a producers co-operative or a taxi co-operative that advertises its democratic and participatory preferences in business management.
- Factories that produce furniture, metal products, or computers and simultaneously provide training for young dropouts in order to get them back on track socially.
- A hotel that gives its entire surplus to an international aid group.
- A community based second-hand clothing store to which people choose to give quality clothing, even though they have to go to the store to donate the clothing rather than throwing it out, because the organization has a mission that benefits the community.



For this reason, the comparative advantage of the enterprise means that:

- The more an enterprise's mission is recognized, supported and sustained by the community in which it is established, the more strongly the conditions for economic effectiveness are reinforced.

However, this sympathy capital is only effective for a social enterprise (NPO - CO-OP) whose quality and prices are comparable to those offered by the competition.

- The client of a store or service would have trouble agreeing to pay twice the price charged by a for-profit company.
- If a community radio station is not very interesting to listen to, clients/users will switch stations.
- If a buffet is not good, clients/users will not order again and will caution those around them against trying it.

Therefore the collective nature and mission of a social enterprise (NPO - CO-OP) can exert a very concrete effect on its economic performance.

**It should be noted that the impact of the mission on the enterprise's economic potential can be very significant or negligible, depending on the types and the quality of the activities. However, even when it only has a limited influence on the sales figures because of the type of products or services offered (Such as forestry, for example), this sympathy capital nevertheless has a very positive effect on the enterprise and therefore on its relationship with its operating partners and with the administrative services.**

# MARKETS GRID

Market related to social mission:

Market related to the sale of goods and services:

## Main Characteristics of the Competition

Number and size (number of employees, revenues, etc.)

Characteristics of products/services, prices

State of the market and earlier trends

Marketing strategies

Known strengths and weaknesses

Indirect forms of competition; that is, alternative responses to the clientele's needs

## 4.7.6

### EXPECTED REVENUES

After having determined the size of the market, the strength of the competition, its positioning strategy and pricing approach, an enterprise can forecast its expected revenues. For some sectors, revenues are collected from citizens via the government.

#### Evaluate consistency between sales forecasts and operations

#### Here are some different examples of government remuneration:

An enterprise bills a municipality as a client for a service provided in the public good, such as the collection and recycling of waste materials.

If the government intends to make a public utility service affordable for users, it will assume part of the cost of homecare (as in public transportation, where the user pays only part of the real cost).

Enterprises that provide recreational services, or that carry out tourist or cultural activities, receive sponsorship revenues and grants that will enable them to lower the price paid by users.

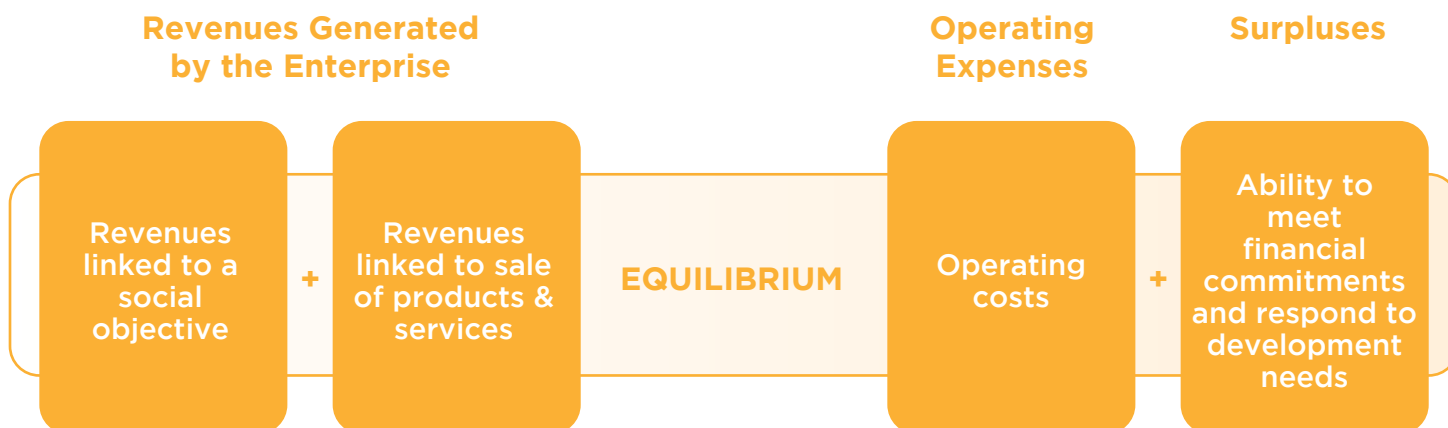
Those enterprises who really believe that a social integration mission and production effectiveness are compatible can bill the government for training and supervision costs that, when added to the revenues coming from the economic activity, enable the enterprise to achieve conditions for sustainable financial viability.

The activities of social enterprises (NPO – CO-OP) are not always adequately remunerated by the market because they respond to a need expressed by low-income users/consumers or because of external realities such as unrecognized environmental or social costs. Even when their operations are efficient, these enterprises may need to turn to sources of revenue other than sales to meet their budgets. There can be many different sources of revenue, each one related to a distinct aspect of the mission or of the enterprise's economic and social contribution.

#### Remunerating activities whose value is not recognized by the market: a challenge

- Firstly, private remuneration from the sale of goods and services, as in any private business.
- Secondly, the remuneration of service rendered in the public interest by the organization, such as the handling of waste materials in the environment (similar to garbage collection enterprises) or the lodging.
- Thirdly, remuneration of the broader activity not recognized in a monetary manner by the market. We are talking here of job creation and the beneficial effects it has on the economy (eg. taxes), for example. This third axis is accessible to any type of business but remains strategic to the start-up of a social economy business.

## Financial viability of a Social Enterprise



## ANALYSIS

**Forecasts should always be justified by showing units sold, seasonal fluctuation, and pricing together in order to identify causes of trends.** This makes it possible to reconcile these elements with the description of the parameters of production of goods/services.

- Revenues from the sale of goods and services.
- Revenues for services arranged by contract or to be negotiated.

In cases where part of the services revenue comes from a payer other than the client/user (government, foundation), the forecasts must additionally specify and justify:

- Details of service revenues that have been arranged by contract or negotiated to pay for services rendered.
- Amounts and conditions of specific or recurring grants: programs, conditions, justification for eligibility.

- Remuneration of services rendered to society through a government client.

The analyst must be able to clearly identify the components that account for anticipated changes in revenue over the next three to five years, and to assess their consistency with market outlooks and government programs (when applicable) as regards commercial means and strategies.

In judging all of a businesses' market components and sales forecasts, it is useful for the analyst to rely on concrete indicators to assess the forecasts.

These indicators are :

- A list of contracts or agreements.
- An order book.
- A series of sufficiently detailed letters of intent.
- The demonstration of knowledge of the sector and its players by the enterprise's sales personnel or management.

In the case of businesses that have decided to produce a service whose costs are covered in part by government, the evaluation of the clients/users must be completed by verifying the conditions under which the government will accept to assume corresponding costs.

In order to evaluate which portion of revenues from the sale of goods and services will come from a governmental source, the analyst should make an assessment of the relevant data, such as:

- Signed contractual commitments (agreements between the business and the level of government concerned).
- Accessible sectoral government programs such as integration and training, etc.
- Public programs that are specific to the territory, such as tourism and culture.

It is quite evident that an enterprise's capacity to obtain certification by the government and to receive the corresponding revenues is closely linked to a demonstration of :

- The utility and relevance of its mission to the community.
- The convergence of the proposed activities with accessible government programs.
- The amount of support it has in the community.

This contractual information must be submitted for both the revenue from the economic operation and the revenue from the social mission.

To evaluate his assessment of the market and the degree of credibility of the data provided, the analyst should have access to information on the sector from sources that are not connected to the enterprise in order to cross-check details.

The analyst can find this information from such different sources as:

- Other analysts who have already worked on comparable projects.
- Partners involved in the sector.
- Sectoral organizations related to the enterprise's activity.
- Consultants not involved in the file.

# 4.8

## OPERATIONS

The notion of operations covers all of the equipment, activities, and people in an organization that enable it to meet its sales objectives as effectively as possible, while at the same time respecting the social value inherent to its mission. The examination of the operations of a business should therefore reveal the most efficient use of means to accomplish targeted results.

**Verify operational coherence to assess feasibility**

## ANALYSIS

The analyst must perform a systematic assessment of operations based on information provided by the enterprise and cross-referenced with relevant external or internal sources.

This evaluation must produce an assessment of the level of reliability of the hypotheses utilized and the forecasts stemming from them, via the verification of:

- Operational realism, i.e. the relevance of the means proposed relative to the objectives targeted for each of the subsections.
- Overall feasibility, i.e. the coherence of the components of each subsection in relation to one another: supply, production, productivity, and sales capacity, among other things.

The enterprise must demonstrate the coherence between its resources and its objectives. It must specify the following in detail:

- Equipment and installation work needed to implement the activity
- Conditions for and methods of production.
- Technology or expertise needed.

- Supply and sources of raw materials, suppliers, and the management of purchases and stocks.
- Improvements specific to the social component of the activity – for example, work stations that are accessible to people with disabilities, or an elevator in a seniors' residence.
- Per-unit cost of the product or hour of service, detailing the organization's variable production costs and fixed costs. In this regard, it must be clearly demonstrated how salary or operating subsidies affect the issue of costs and how they can be used as a strategy for controlling costs and setting selling prices.

And, if it is the case, the enterprise must specify the direct and indirect effects on reaching the break-even point of revenues related to start-up assistance or the adaptation of the labour force.

These are important aspects, considering they have a temporary or lasting impact on the enterprise's costs, which in turn will have a major impact on its long-term viability.



## Infrastructure

The analyst must have a summary of the needs and an evaluation of infrastructure costs related to the service offered and the products sold, taking into account the importance that they assume when operations reach their maximum level (or in stages).

## Location

If necessary, the location chosen for the enterprise is assessed in terms of the strategic, financial and technical advantages involving.

## Production Processes

The enterprise must explain its mode of operation, the production methods and anticipated conditions, and the technology and expertise required.

The analysis of the production process must, among other things, allow an enterprise's breakeven point to be established, after having identified which part of its costs are fixed and which are variable.

## ANALYSIS

When judging all the elements of the enterprise's operations and cost control, it is useful for the analyst to rely on concrete indicators to reduce uncertainty regarding forecasts. These indicators are:

- A list of bids (with comparative prices) for the main elements of the fixed assets.
- An example of a similar enterprise.
- Comparative data.
- A table summarizing staffing and rates of staff activity.
- Productivity indicators.



## OPERATIONS GRID

### Infrastructure

- Equipment
- Acquisition and maintenance costs
- Quality and performance
- Maintenance planning
- Automative equipment
- Other required equipment
- Production capacity as compared with sales forecasts

### Location

- Ease of access for clientele
- Proximity to services and suppliers
- Surface area, volume of space, type of premises etc.
- Transportation costs or time spent travelling
- Rent, environment, security, zoning
- Total anticipated outdoor storage area
- Existing regulations that place restrictions on operations or result in extra costs

### Production Processes

- Supplies, source of raw materials, suppliers and attached conditions
- Productivity and labour force assumptions
- Rate of equipment use assumptions
- Is specific production management expertise required?
- Production and quality control measures
- Cost price evaluation exercises

# 4.9

## HUMAN RESOURCES

An enterprise must maintain the capacity to make decisions and act rapidly. Every day it must face multiple pressures and constraints and react quickly in order to be able to operate effectively.

### Human resources: the core element for success

These pressures result from both:

- **External Factors:** reactions from the competition regarding prices and other parameters of the products and services, supply, client-user satisfaction, pressure on liquidity.
- **Internal Factors:** competency of the personnel, performance of staff and equipment.

An enterprise should therefore rely on all the people needed for production, making, or managerial activities, according to two main angles: technical expertise and experience relevant to the role and functions they must perform. The human resource aspect therefore incorporates two types of wealth (dubbed business capital in new analysis practices):

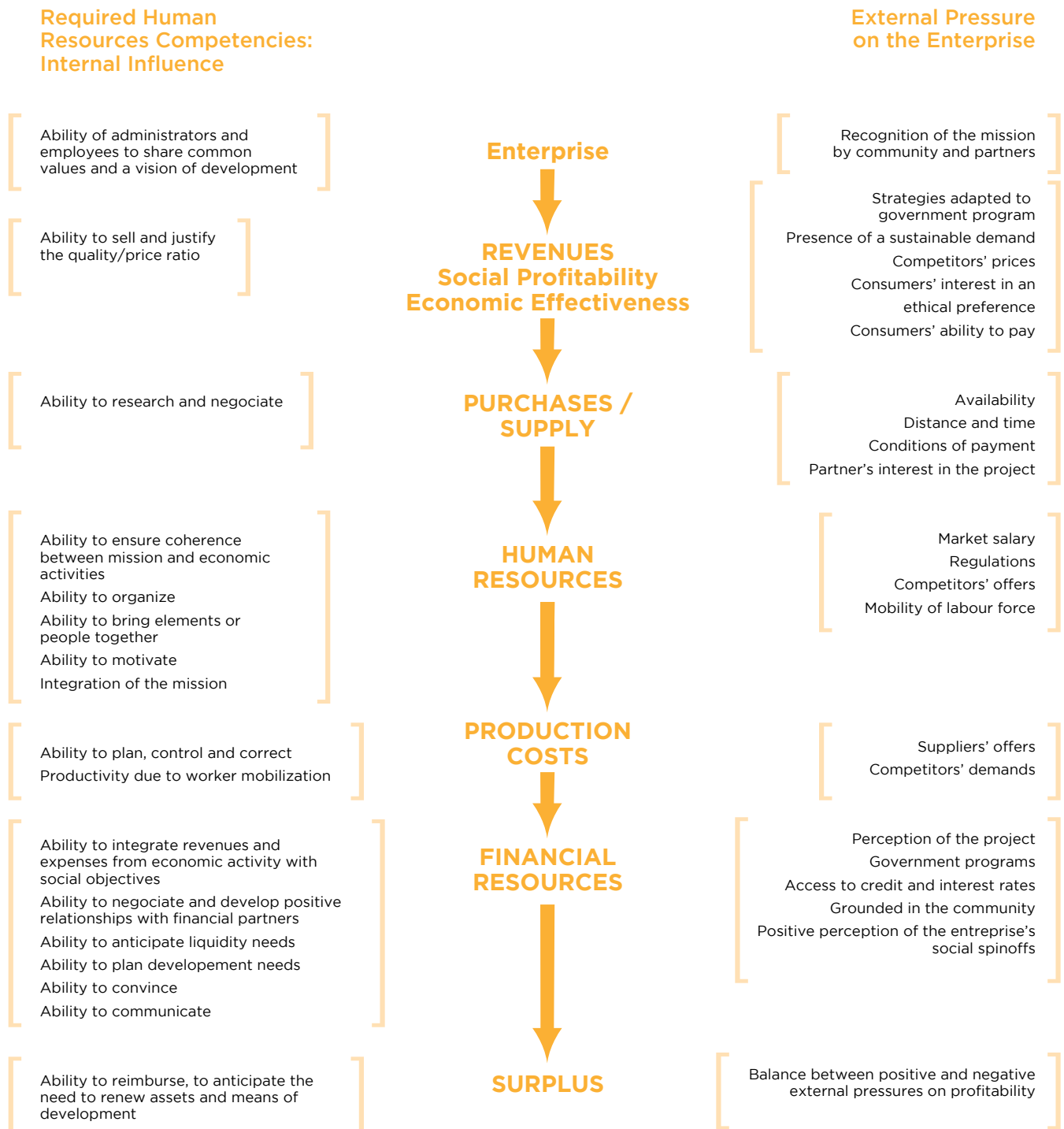
- **Human Capital** (the characteristics of the people in the enterprise); and
- **Organizational Capital** (how they work together).

It is even truer in social enterprises (NPO – CO-OP) than in private businesses that human resources – including management – the central element in evaluating a project's or a enterprise's chances of success.

The human capital in social enterprises (NPO– CO-OP) is partly composed of volunteers:

- Administrators and members of management committees, promotion/marketing committees, production support groups, site supervision group, etc.
- Other members who participate in the functioning or operations of supply, raising environmental awareness, ticket sales, facilitations and promotion for fundraising activities.

## The importance of Human Resources in Each Function of the Enterprise



## ANALYSIS

The analyst must verify that the expertise made available so far is adequately organized, given the functional constraints of the enterprise's daily operations.

At this point, the analyst will want to evaluate:

- Internal consultation practices.
- Decision-making practices.
- Communication practices.
- Fluidity of the connections between workers and the organization's departments.

The analyst will have to evaluate human resources in order to obtain the complete picture of the ability of people working for the enterprise to enable it to attain its objectives. The evaluation should focus on three aspects:

- Management team and qualifications required.
- Organization of work.
- Labour force and its operational aspects.

## THE MANAGEMENT TEAM AND REQUIRED QUALIFICATIONS

The managers' competencies are often the determining factor of the success of an agency or enterprise, all the more so for a start-up project.

The position of general director is the major function in any business. It acts as a driving force and coordinates all the internal functions and external relations. In addition, in a social enterprise (NPO - CO-OP), senior management assumes a primordial role: facilitating the organization's democratic life, with, as we have already seen, all the importance this has for conditions of success.

## ANALYSIS

Concerning those people who assume supervisory functions, the analyst must evaluate the coherence between:

- The needs of the enterprise.
- The function they perform in the enterprise
- Their areas of expertise and competency.

In some non-specialized activities, strong motivation regarding the mission combined with competencies not yet developed can be sufficient.

A participatory approach to supervision is an asset in terms of organization of the enterprise.

## INFORMATION REQUIRED

- Organigram.
- Description of required roles and qualifications.
- Technical competencies of management.
- Approach to human resources management.
- Administrative competencies of management.
- Strategic personnel and their qualifications (resumés).
- Description of experience and achievements of key personnel.

## ORGANIZATION OF WORK

The organization of work must be consistent with the social objectives pursued by a CO-OP or a NPO. Choices for organizing production, mechanization and automation are therefore made under a double obligation.

- They must be undertaken from a perspective that is compatible with sales forecasts and quality management mechanism.
- They must maximize job creation (in a work co-operative, production or service NPO), or adapt part of the work stations for people without training or with a disability.

It is often through these choices that a social enterprise (NPO - CO-OP) will set itself apart from the options selected by the private sector, which prefers maximum productivity at a minimum cost in human resources.

## EXAMPLES OF INDICATORS OF WORK ORGANIZATION AND CONSISTENCY WITH THE MISSION

Complete using an evaluation (strong, average, weak) or a comment and stress the MAJOR aspects of the project

**Degree  
Comments**

Internal consultation practices within the enterprise	
Decision-making practices	
Information exchange practices	
Intake parameters, integration of participants and new employees	
Consistency of working conditions with the enterprise's mission (salaries, hours, fringe benefits, security, etc.)	
Portion of jobs funded through employability programs <ul style="list-style-type: none"> <li>● specific or time-limited</li> <li>● recurring</li> </ul>	
Humanitarian qualities of the trainers and managers in relation to the basic principles of the enterprise and its mission	
Existence of management tools in operations	
Level of sensitivity to aspects of quality	
Provisions made for quality control mechanisms involving <ul style="list-style-type: none"> <li>● Management and procedures</li> <li>● Product/service</li> <li>● Training</li> </ul>	
Evaluation of training needs in order to meet the requirements of the specified work	
Are training activities integrated into operations? <ul style="list-style-type: none"> <li>● Technical training</li> <li>● Training in organization of operations</li> <li>● Are there costs associated with this activity?</li> <li>● Are there revenues associated with this activity?</li> <li>● Are there subsidies associated with this activity?</li> </ul>	

## THE LABOUR FORCE AND ITS OPERATIONAL ASPECTS

The competence and experience of the labour force, its involvement and its motivation have a significant impact on the ability of the enterprise to reach operational objectives and fulfill its mission.

### Competency, experience, ownership and motivation

## ANALYSIS

The analyst must verify the existence of a production chart (or suggest that one be implemented) and ensure that it takes into account all of the following:

- Internal characteristics specific to the enterprise.
- Mission and choice of organizational structure.
- Sector of activity in which it operates.

The following data must be assessed:

The relationship between projected tasks and the remuneration of employees:

- In relation with the sector of activity.
- In relation with the labour market in the territory.

The competencies and experience of the workers:

- In relation with the enterprise's qualification needs.
- In relation with the labour force.

Experience of the workers.

Consistency between production constraints and the profile of participants.

Description of working conditions (salaries, fringe benefits, security, etc.).

## EXAMPLES OF PRODUCTION AND PRODUCTIVITY INDICATORS

Complete using an evaluation of the relevance (strong, average, weak) or a comment

### Existence of productivity indicators applicable to:

#### Relevance

● Total revenues	
● Revenues from economic activity	
● Clients/users served	
● Units produced	

### Anticipated payroll evolution over the years (including fringe benefits):

● In dollars	
● As a percentage of activity	
● revenues	

### Efficiency norms in the identified sector, such as:

● Total revenue generated per job	
● Autonomous revenues generated per job	
● Volume handled per job	
● Number of clients per job	
● Number of households served per job	
● Units produced per job	
● Ratio of supervisory jobs to production jobs	
● Hours of use of production capacity	
● Frequency and severity of production stoppages	

# 4.10

## FINANCIAL PROFILE

Revenue forecasts and corresponding expenditures for operating needs must be developed by the enterprise and submitted to the various partners involved in the financing.

These financial forecasts reflect, in monetary terms, the decisions, choices, and repercussions of aspects of market, operations, and human resource activities. An enterprise's choices are illustrated through its financial profile.

### The development of financial forecasts involves the following elements:

- Development of working hypotheses.
- Project cost and financing: self-financing, operations subsidies (training component), other sources of financing.
- Estimated Profile and Loss statement (three years).
- Estimate Cash-flow statement.
- Estimate Balance sheet (three years).
- Amortization schedule.
- Loan repayment schedule.
- Break-even point.
- Financial equilibrium ratios.

### Financing Investment

Investment needs refer to the costs of real property, equipment, purchasing, expertise and working capital. These anticipated sources make it possible to deal with those costs; therefore contributions, subscriptions, subsidies (for equipment or start-up assistance), and loans must be part of a financing plan. This will form the basis for negotiation with financial backers, public and private, and will enable the analyst to identify the respective role each one plays in the financing.

One of the characteristics of social enterprises, whether co-operatives or non-profit organizations,

is the difficulty they have in obtaining investments that meet financial institutions' traditional criteria, and the weakness of their capitalization.

This situation has two consequences: an appeal to government remuneration or subsidies, and an appeal for financing requiring a lower or no guarantee (loan with no guarantee or venture capital, for instance). This in turn requires:

- A business plan whose rigour and thoroughness compensate in part for the lack of guarantee.
- An economic and social demonstration of the benefits of the project in relation to the goal of the funding programs solicited and also for the collectivity as a whole, in the form of indirect non-economic or financial effects.

Beyond the economic feasibility of an enterprise, decision-makers base many of their decisions regarding the accreditation of operations (access to targeted programs) and approval of financing on:

- The social benefit of the product or service offered.
- The collective character of its entrepreneurship and organizational vitality, as a guarantee for the internal balance between the mission and the economic activities.
- The extent of anchoring in its community and its ability to demonstrate the impact on the community.

These are three of the major conditions for success of a social economy business.

It may happen that because of its mission the enterprise can also benefit from such material and financial support from the community as donations from municipalities and religious communities, and lending of staff, premises or vehicles by social groups or businesses.

In many cases, the enterprise will include in its revenue objectives those related to government intervention, within the framework of sectoral programs or an economic and social development program within its territory.



# 4.11

## SOCIAL BENEFIT

This financing takes various forms, depending on the economic sector of activity, but each one has the effect of strengthening one of the major components of the enterprise:

- They improve and confirm the sales figures outlook.
- They strengthen the means of increasing long-term capitalization.
- They lead to a reduction of indebtedness with start-up assistance.

### ANALYSIS

It is necessary to assess the revenues and expenses hypotheses put forward to ensure the operational feasibility of the project.

The analyst must ensure:

- All the financing is present.
- The eligibility and approval conditions for the enterprise regarding the revenues solicited and their recurring nature.
- The enterprise can sustain anticipated growth from the funds it generates.

Social benefit represents the quantitative and qualitative effects of the enterprise's activity on its community, and even Society. The objective is to illustrate the extent of this benefit and to propose assessment criteria to evaluate the contribution of social enterprises (NPO – CO-OP). The value of this contribution is assessed on the basis of quality and relevance of services rendered by the enterprise to the community.

**The impact and positive effects on the community**

### ANALYSIS

It is the enterprise's responsibility to demonstrate its social benefits. The enterprise must be able to formulate or list the social benefit impacts related to carrying out its business, without necessarily quantifying them or measuring them in a rigorously scientific way.

# SOCIAL BENEFIT EVALUATION GRID

Complete using an evaluation (strong, average, weak) or a comment and stress the MAJOR aspects of the project

**Degree**

Accessibility (physical, cultural, economic) of the goods and services offered	
Economic and social revitalization of the territory	
Improvement of living conditions (health, transportation, food, education) for individuals or communities	
Effects on social cohesion and the strengthening of solidarities	
The quality of the services offered (primacy accorded to the person)	
The reinforcement of the sense of belonging to a territory or a community	

It is thus the promoter's responsibility to demonstrate these elements but the analyst's responsibility to evaluate them. We propose using an initial grid that facilitates the classification of the social benefit arguments for promoters (see the evaluation grid above). This is followed by a grid that rates the supporting arguments. The second grid (Levels of Demonstrated Social Benefit) is useful for the analyst (see the following pages).

## LEVEL OF DEMONSTRATED SOCIAL BENEFIT

Complete using an assessment (strong, average, weak) and stress the MAJOR aspects of the project

### Services Provided

### Degree

Response to a clearly recognized economic or social issue	
Number of different people receiving the services	
Fair redistribution of services	
Increased access to a social service	
Consistency between the activity and the objectives of the local development plan	
Complementarity of new services provided with existing services	
Creation of innovative services	
Absence of substitution of public or private employment	
Population's awareness of an issue or a reality, modification of its behaviour	

### Employment and Employment Development

Number of jobs created or maintained	
Socio-economic characteristics of the clientele hired	
Working conditions (monetary and others, fringe benefits, balancing work-family, formal contract, compliance with regulatory obligations, etc.	
Types of qualification and training provided	
Number of persons who found employment or returned to school	
Development of new occupational qualifications with the aim of meeting new needs	

## Effect of type of Management

## Degree

Presence of volunteers	
Participation of workers in administration and direction	
Participation of users in administration and direction	
Development of autonomy of the users and workers	
Development of citizenship through the enterprise (participation and ability to act)	
Development of local expertise and the autonomy of communities	
Equitable redistribution of the surpluses, if applicable	

## Impact

Improvement in the security of populations (physical, food, etc.)	
Improvement of the community's physical environment	
Improvement of the community's cultural environment	
Improvement of the community's health and social services environment	
Reduction of the effects of poverty on certain populations (health, suicide, crime, violence) and creation of empowerment	
Reduction in the demand for public services without developing a substitute offer	
Reduction of the isolation of communities by promoting communication	
Development of the autonomy of populations	
Development of organizations-partners-community partnership	
Identification of socio-economic and well-being problems related to the absence of the enterprise's services	
Estimation of the monetary costs incurred by the government in the absence of the service	

# 4.12

## IMPLEMENTATION

### Schedule of Operations

For the enterprise idea to become operational, the enterprise must have adequately planned its development action plan.

The business plan must specify the development action plan by identifying the way in which each stage will be implemented, in a logical order and in parallel with the input of financial resources.

It must also identify the critical success factors for the project so they may be evaluated throughout the implementation of the project.

### ANALYSIS

The analyst must assess the elements of the feasibility schedule.

The main steps in implementing the business consist of:

- Finalizing the funding plan.
- Coordinating the investments.
- Taking delivery of equipment.
- Recruiting and training
- Negotiating with suppliers of raw materials.
- Carrying out the pre-marketing phase.
- Designing and implementing the marketing plan and promotional operations.
- Implementing management tools.
- Adopting management approaches that minimize the time needed to start up operations and reach the break-even point.

Deadlines: specific dates must be given for each step in completing the process.

Those responsible for each step in the process must be identified.



# EVALUATION

# 5.0

## EVALUATION

After a complete analysis of a funding application, the analyst should communicate the results clearly, concisely, and in a consistent format that allows comparison from one project to another. Two additional tools are suggested:

- Analysis Report
- Overall evaluation Grid

These elements are important. Their relative weight may be adjusted according to the policies and preferences of each funding agency.

# 5.1

## ANALYSIS REPORT

### Client Identification

**Record NO. :** 0000  
**Region:** XYZ

**Name:** Name of the enterprise  
**Contact:** City  
Person

**Year Established:** Start-up

**Business Sector:** XYZ

**Job(s):** **Created:** 0 **Type:** Co-operative/NPO  
**Maintained:** 0 **Type of Activity:**

Amount	Interest Rate	Term	Capital Relief	Indemnity Bond
\$00 000	X %	X years	X months	Yes/No

## **Mission / History**

- Describe the organization's mission.
- Identify the most significant events in its history or business proposal.
- State the social objective of the enterprise.

## **Organizational Life**

### **Membership / Community Involvement – Support – Board of Directors**

- Describe the membership structure (number, categories, involvement).
- Grounded in the community and collaboration around the project
- List the types of technical supervision, support and coaching offered by local and regional resources.
- List members of the Board of Directors and describe its involvement, its expertise and its ability to relate to the membership and to management (training and experience in the sector)

## **Management / Human Resources**

- List and describe the management team, the management style, and other resources.
- Describe present and future principal human resource positions and outline working conditions, training, etc.
- Identify and describe management and monitoring tools.
- Indicate who will be responsible for financial follow-up and monitoring of operations (operations report).

## **Project and Funding**

- Describe the situation: start-up, expansion and consolidation.
- Describe the investment project and the financing needs associated with it.
- Identify existing financial arrangements, including confirmed and pending amounts
- Indicate why the intervention is necessary (what specifically will be financed).



### Project

Equipment	\$00,000
Furniture	\$00,000
Leasehold improvements	\$00,000
Working capital	\$00,000
Rolling stock	\$00,000
<b>Total</b>	<b>\$000,000</b>

### Financing

Quasi-equity funds	\$00,000
Financial institution	\$00,000
Subsidies	\$00,000
Local funds	\$00,000
Investment	\$00,000
<b>Total</b>	<b>\$000,000</b>

## Product / Production

- Describe main products or services offered.
- Demonstrate the connection with the targeted problem and describe links to the social objective.
- Identify production stages of the goods or services delivered.
- Describe supply of raw materials.

## Market / Competition

- Assess the markets related to the social mission and the economic activity.
- Describe the client, the user or beneficiary (if different) where applicable.
- Describe the promotion and marketing strategies.
- Assess and list competition.
- Describe competitive advantages and positioning of the enterprise.
- Assess likelihood attaining the projected income.

## OPERATIONS STATEMENTS

	Previous Results		Forecasts		
<b>Income</b>	<b>200...</b>	<b>200...</b>	<b>200...</b>	<b>200...</b>	<b>200...</b>
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Self-generated _____					
Grants _____					
Total income _____					
Cost of goods sold _____					
Gross margin _____					
Sales expenses _____					
Administrative expenses _____					
Financial expenses _____					
Surplus/deficit _____					
Amortization _____					
(PCDT) Repayment _____					
Available funds _____					

## BALANCE SHEET SUMMARY

	Previous Balance Sheets		Forecasts		
	<b>200...</b>	<b>200...</b>	<b>200...</b>	<b>200...</b>	<b>200...</b>
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Short-term assets _____					
Total assets _____					
Short-term liabilities _____					
Long-term debts _____					
Quasi-equity _____					
Deferred assets and conditions _____					
Working capital ratio _____					
Debt ratio (1) _____					
Debt ratio (2) _____					

*Debt ratio (1) including quasi-equity*

*Debt ratio (2) excluding quasi-equity*

# FINANCIAL ANALYSIS

- Assess the viability of the business.
- Identify main elements of the current status, on an interim basis if applicable.
- Describe the financial structure and the quality of assets.
- Analyse the principal ratios: debt, liquid assets, repayment capacity, and others
- Assess the validity of the projected production capacity.
- Identify and assess the validity of the projected financial statements

# SUMMARY

Risk factors	Mitigating Elements and Points for Improvement
●	●
●	●
●	●
●	●

# SPECIFIC POINTS

Are there specific elements or points in the analysis that constitute reasons for refusal, or serious problem areas?

Are there essential elements that should be addressed before investment?

Are there specific points on which follow-up is necessary?

# RECOMMENDATION

**Based on the information provided and following an analysis of previous and projected financial statements, it is recommend that the Investment Committee ACCEPT-REFUSE-DEFER the investment in XYZ enterprise to a maximum amount of \$XX,000.**

By:

XXX, Financial Analyst

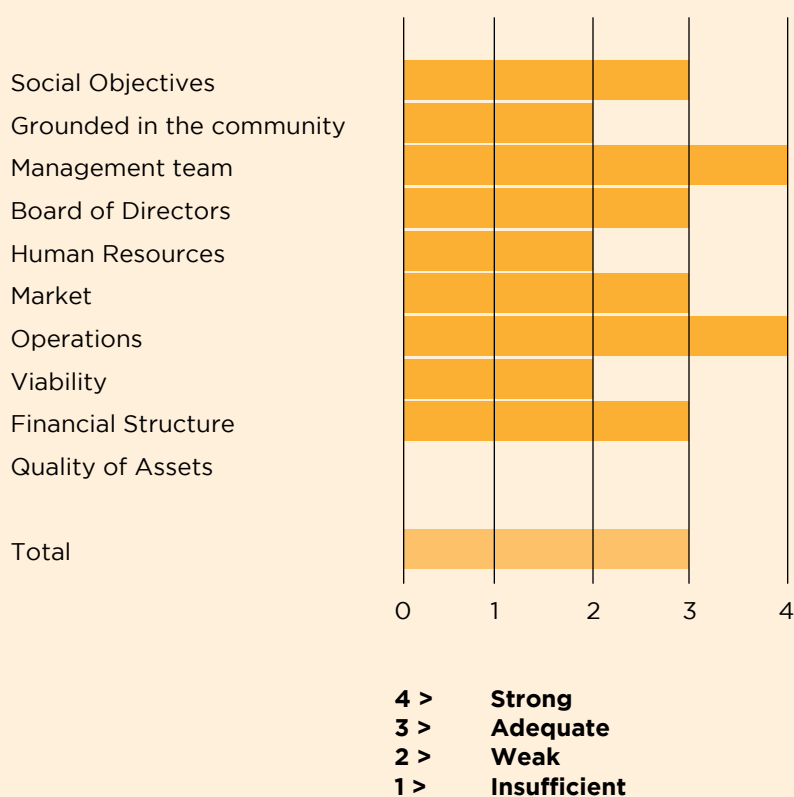
# 5.2

## OVERALL EVALUATION

After performing a detailed analysis and completing the written report, the analyst must record the scores for the main criteria in the Overall Evaluation Grid. There are ten criteria (social purpose, grounded in the community, management team, etc.), which are used to produce a synthesis.

The criteria are scored on a scale of 1 to 10 and weighted on a scale of 1 to 4. For example, the social purpose could be scored 7 out of 10, for a 2.8 score in the Overall Grid. This approach ensures a more precise measurement. All the criteria added together then correspond to an overall score. This overall score is an indicator and cannot represent the entire value of the enterprise project on its own.

The definitions of the different criteria appear in the following pages.



## ASSESSMENT GRID

### SOCIAL OBJECTIVES

#### Strong (4)

- Solid democratic Process, very well established and operational.
- Collective Participation in management of the activities developed, demonstrating a significant impact on the problem.
- Social objective of Production of goods and services clearly defined, and recognized by the community.
- Primacy of people over capital. Promoting the sharing of a sense of community and the redistribution of social and financial wealth.

#### Adequate (3)

- Established and operational democratic process.
- Demonstrates collective management.
- Social objective of goods and services formulated informally, but still recognized by the community.
- Clear policies on the attainment and redistribution of surpluses to the community.

### GROUNDED IN THE COMMUNITY

- Strong local or sectoral community support
- Direct links with the local development plan or the most important sectoral policies.
- Community involvement at the heart of decision-making
- Strong presence of financing partners.
- Appropriate technical supervision and support if required.

- Several local or sectoral community stakeholders demonstrate interest.
- Support of the community through lending of resources or expertise.
- Presence of financing partners.
- Ongoing technical supervision by partners.

### MANAGEMENT TEAM

- Control over mission and policies.
- Very solid expertise in the sector and in general management.
- Proactive management style.
- Complementary team members.
- Dynamic and effective team meetings.
- Familiarity with elements of success.
- Serious image.

- Thorough understanding of the mission.
- Overall experience.
- Management expertise and good knowledge of the sector.
- Regular and effective team meetings.
- Achievement of set objectives.
- Well aware of elements of success.

## Weak (2)

- Participation in the structural democratic process.
- Collective management still under development.
- Social objective of goods and services restricted to a smaller group but relevant to the mission.
- Stated policies on the achievement and redistribution of surpluses to the community.

## Insufficient (1)

- Poorly defined participation in the democratic process.
- Collective management not demonstrated.
- Social objective of goods and services not demonstrated or of little relevance.
- Vague policies on the redistribution of surpluses.

- ☐ Strong
- ☐ Adequate
- ☐ Weak
- ☐ Insufficient

- Enterprise involved in its community and demonstrating some leadership.
- Moral support of community partners confirming the coherence of the project with the needs of the targeted community.
- Ambivalent presence of some financing partners.
- Occasional technical supervision by the partners.

- Enterprise isolated and only slightly involved in its community.
- Lack of coherence between the product or service developed and the needs of the sector or local community.
- Absence of local or sectoral financial partners.
- Absence or irrelevance of supervisory staff.

- ☐ Strong
- ☐ Adequate
- ☐ Weak
- ☐ Insufficient

- Aware of the mission but mainly focused on the objectives.
- Basic knowledge of management and of the sector
- Leadership embodied more by individuals than by leadership team.
- Team meetings infrequent but dynamic and effective.
- Succession possible.
- Team still in development.

- Only slightly aligned with mission and oriented more toward policies that are not directly relevant.
- Leadership is the responsibility of only one person.
- Questionable experience.
- Rudimentary management base.
- Limited knowledge of sector.
- Planning almost absent.
- Reactive.
- Succession not ready.
- Inadequate mastery of success factors.

- ☐ Strong
- ☐ Adequate
- ☐ Weak
- ☐ Insufficient

# THE SOCIAL ECONOMY BUSINESS ASSESSMENT GRID

	Strong (4)	Adequate (3)
BOARD OF DIRECTORS	<ul style="list-style-type: none"> <li>● Good support from leadership team. Solid relationship with the partners (follow-up, etc.).</li> <li>● Frequent and efficient board meetings.</li> <li>● Thorough knowledge of dossiers (requires up-to-date info from leadership).</li> <li>● Relevant, multi-faceted and complementary expertise.</li> <li>● Market expression of interest.</li> </ul>	<ul style="list-style-type: none"> <li>● Regular and frequent board meetings upon request of leadership.</li> <li>● Relevant expertise.</li> <li>● Well aware of dossiers and critical factors.</li> <li>● Expression of interest.</li> </ul>
HUMAN RESOURCES	<ul style="list-style-type: none"> <li>● Personnel involved in the mission.</li> <li>● Participation in management</li> <li>● Creation of sustainable jobs.</li> <li>● Good training.</li> <li>● Good wages and working conditions.</li> <li>● Solid support for labour market integration.</li> </ul>	<ul style="list-style-type: none"> <li>● Motivated by mission.</li> <li>● Consulted in the management process.</li> <li>● Creation of long-term jobs.</li> <li>● Existence of a training plan.</li> <li>● Improving wages and working conditions.</li> <li>● Significant support for labour market integration.</li> </ul>
MARKET	<ul style="list-style-type: none"> <li>● Excellent market share (public or private).</li> <li>● Leadership position.</li> <li>● Growing and solvent clientele.</li> <li>● Firm or stable service contracts (state or private).</li> <li>● Well-established promotion and marketing strategy.</li> <li>● Ability to act on the sale price as a function of rising costs.</li> <li>● Few competitions.</li> </ul>	<ul style="list-style-type: none"> <li>● Specific niche, clear and solvent.</li> <li>● Credible marketing plan</li> <li>● Loyal and well-targeted or captive clientele,</li> <li>● Recurring contracts or subsidies.</li> <li>● Some ability to influence prices.</li> <li>● Some competitors.</li> </ul>
VIABILITY	<ul style="list-style-type: none"> <li>● Attainment of surplus earnings</li> <li>● Profitability greater than of the sector.</li> <li>● Growing sales.</li> </ul>	<ul style="list-style-type: none"> <li>● Average profitability.</li> <li>● Surplus earnings to be attained shortly.</li> <li>● Steady growth.</li> <li>● Positive and constant cash flow.</li> </ul>

## Weak (2)

- Present upon request.
- Relatively involved.
- Knowledge of role.
- Homogenous group from same sector as project.
- Slow decision-making.
- General knowledge of project.

## Insufficient (1)

- Small diffuse group, more or less appropriate for the project.
- Meetings rare and only slightly flexible.
- Little or no follow-up.
- Weak involvement
- Decision-making done by leadership.
- Passive board members.
- Little or no awareness of critical elements.

- ☐ Strong
- ☐ Adequate
- ☐ Weak
- ☐ Insufficient

- Personnel more or less aware of the mission.
- Informed about management processes.
- Jobs maintained.
- Existence of training plan.
- Job quality normal or slightly below average.
- Only slight support for labour market integration.

- Unfamiliarity with mission..
- Not involved in any management processes.
- Jobs at risk.
- Minimum wage with no opportunity for growth.
- No training activities or training plan.
- No support for labour market integration.

- ☐ Strong
- ☐ Adequate
- ☐ Weak
- ☐ Insufficient

- Mature market offering few opportunities.
- Good knowledge of market but no clearly established strategy.
- Good quality-price ratio but offering little flexibility.
- Well-established competitors.
- Dependence on too few clients.
- Strong possibility of obtaining recurring contracts or subsidies.

- Saturated market.
- Market advantage not demonstrated.
- Weak knowledge of market.
- Weak marketing strategy.
- Costly products.
- Poorly defined clientele.
- Strong competitors.
- No control over selling prices.

- ☐ Strong
- ☐ Adequate
- ☐ Weak
- ☐ Insufficient

- Potential profitability.
- Steady sales.
- Cash flow occasionally negative but positive on an annual basis.
- Strong probability of obtaining recurring contracts or subsidies

- Weak potential for generating surplus earnings.
- Only covers short-term costs.
- Irregular or insufficient sales.
- Difficulty in controlling costs.
- No significant growth.
- Negative margins.
- Overly dependent on subsidies.

- ☐ Strong
- ☐ Adequate
- ☐ Weak
- ☐ Insufficient



## THE SOCIAL ECONOMY BUSINESS ASSESSMENT GRID

### OPERATIONS

#### Strong (4)

- Control of raw material costs.
- Control of distribution network.
- Dynamic productivity.
- Technological mastery
- Very experienced and expert work force.
- Well-established monitoring system.
- Business plan adapted and used as a management tool.

#### Adequate (3)

- Stable raw material sources.
- Extensive distribution network.
- Positive relationships with clients and suppliers.
- Experienced and stable work force.
- Technological development and productivity improvement in the offing.
- Adequate business plan which may be used as a management tool.

### FINANCIAL STRUCTURE

- Has own funds.
- Debt low or lower than of sector.
- Good repayment capacity.
- Sufficient liquid assets.
- Good capacity for reinvestment.

- Debt less than or equal to average.
- Positive repayment history.
- Good liquid assets.
- Capacity for reinvestment or obtaining additional funds.

### QUALITY OF ASSETS

- Cutting-edge enterprise.
- Good maintenance.
- Completely new.
- Modern.
- Excellent quality.
- Solid resale value.

- Technologically up-to-date and well adapted.
- Sufficient and functional capital assets.
- Above average quality.
- Good resale value.

## Weak (2)

- Suitable planning of purchases.
- Frequent modification of the distribution network.
- Stable work force.
- Uneven production with busy periods.
- Few new technologies present.
- Minimal monitoring system.
- Vague business plan and few links to present management.

## Insufficient (1)

- Difficult relationship with suppliers.
- Limited network (dependence on suppliers).
- Inexperienced, untrained or unstable work force.
- Significantly weak production monitoring.
- Insufficient management tools.
- Frequent changes at several levels.
- Business plan with weaknesses and not linked to present management.

- ☐ Strong
- ☐ Adequate
- ☐ Weak
- ☐ Insufficient

- Debt slightly more than that of sector.
- Repayment. capacity restricted or very limited.
- Minimal liquid assets.
- Limited reinvestment of surplus earnings.

- Accumulated losses but restructuring possible.
- Hesitation and refusals from creditors.
- Significant debt.
- Little or no short-term repayment capacity.
- Uncertain long-term reinvestment potential.
- No liquid assets.

- ☐ Strong
- ☐ Adequate
- ☐ Weak
- ☐ Insufficient

- Few moveable or immovable assets.
- Low resale value of inventory.
- Assets (donations) unrecorded or largely amortized.
- Normal maintenance expenditures.
- Some intangibles

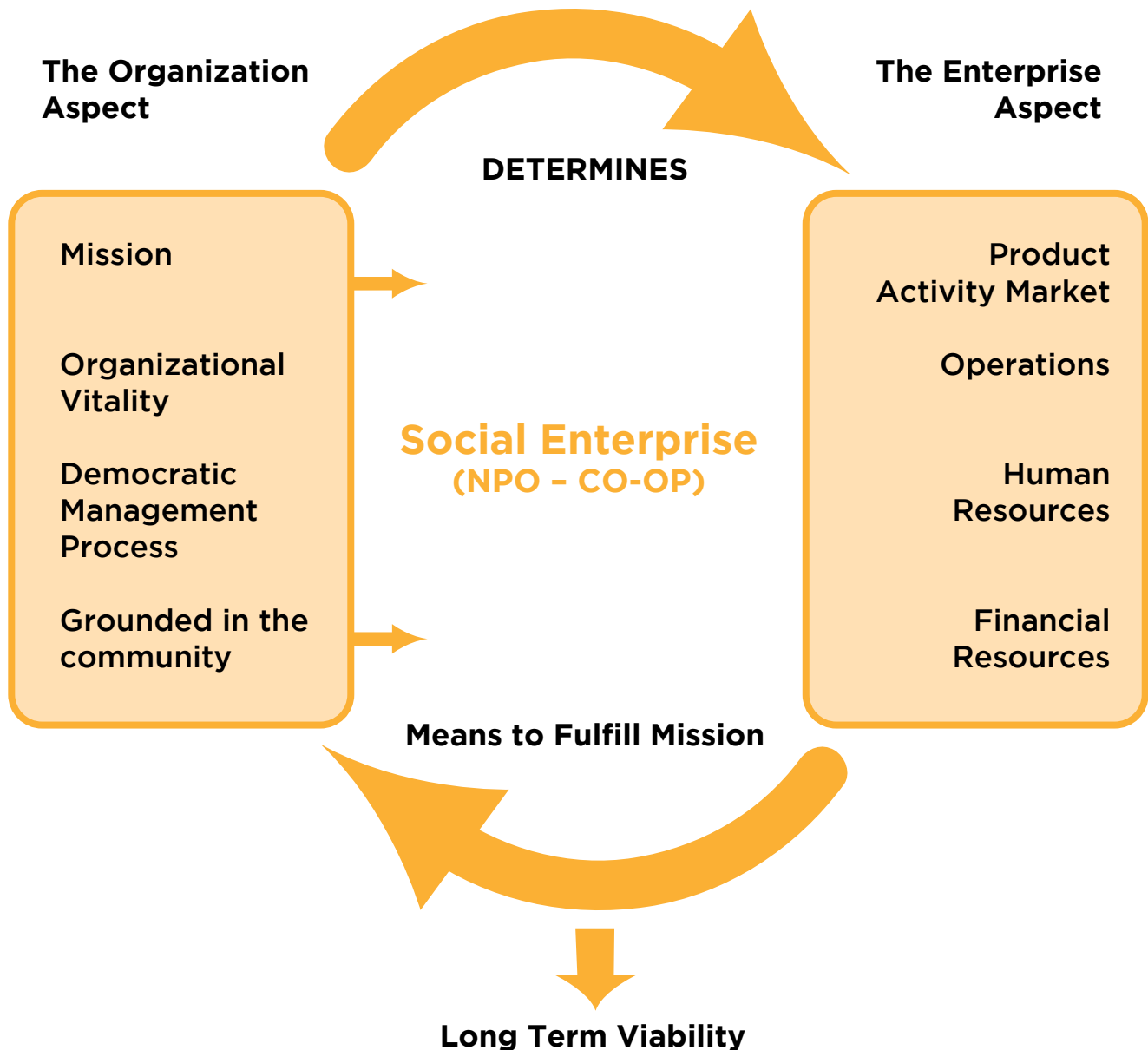
- Obsolete assets.
- Expired inventories.
- Irregular production rate.
- Outmoded equipment and production methods.
- Many intangibles.

- ☐ Strong
- ☐ Adequate
- ☐ Weak
- ☐ Insufficient



## GRIDS

## The Balance Between The Organization and the Enterprise Diagram # 1

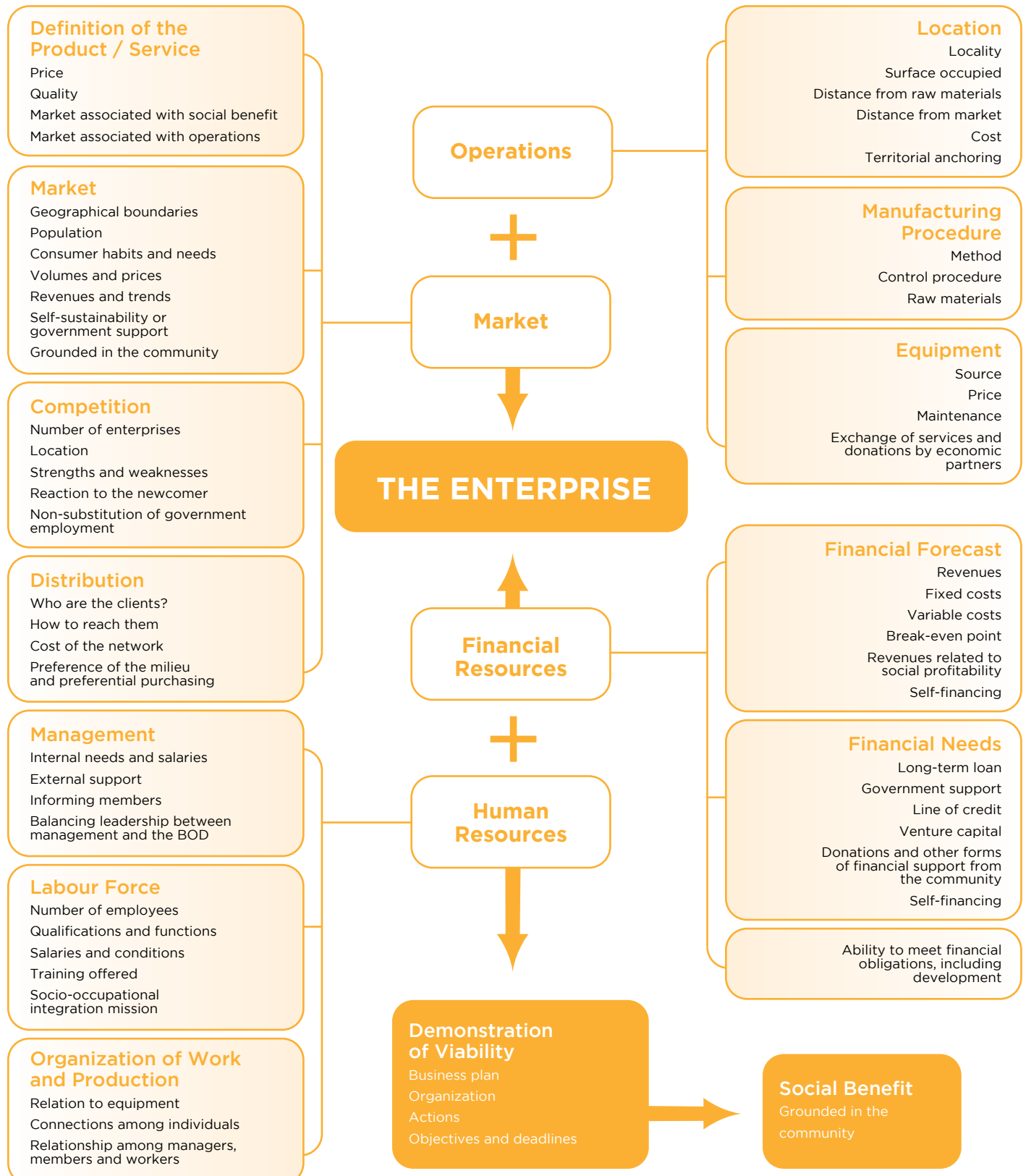


## The Organization's characteristics and success Factors Diagram # 2

Diagram of the main components that constitute and determine the success of the organization that owns the Enterprise



## Characteristics and Success Factors of the Enterprise Diagram #3



## Checklist for indicators of Organizational vitality

Complete by choosing a number (quantity) or quality (strong / average / weak)

### Members

### Quantity

Number of members in the organization	
Number of clients/users	
Number of general meetings per year	
Number of members who participate in the meetings, or rate of participation	

### The Board of Directors

Number of members on the BOD <ul style="list-style-type: none"> <li>How many are users?</li> <li>How many are workers?</li> <li>How many are community representatives?</li> </ul>	
Number of meetings per year	

### Members

### Quality

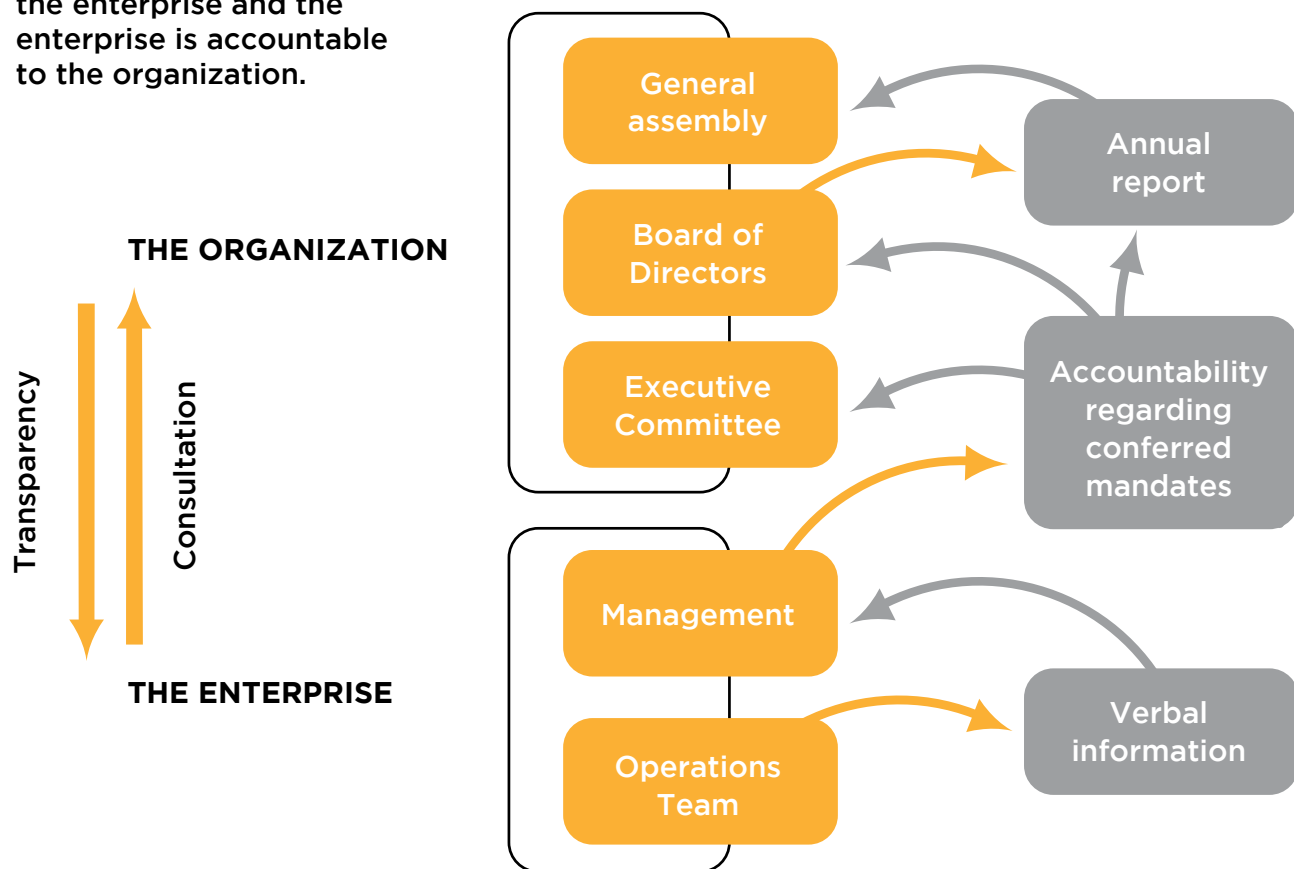
Is the type of participation: <ul style="list-style-type: none"> <li>Reflective of a spirit of solidarity (participatory, collective and executive, the participants take part in the governing bodies, mobilize collectively and are involved in decision-making)?</li> <li>Transparent (participatory, collective and consultative, providing information and consultation through governing bodies but allowing no participation in decision making)?</li> <li>Traditional (passive, individual and consultative; individual consultation)</li> </ul>	
Does the organization have modes which allow the clients/users to become invested in the enterprise's founding principles (background, mission, objectives, operations) and its democratic mechanisms?	
Does the enterprise provide for or carry out training activities with its partners (workers, members and users) regarding: <ul style="list-style-type: none"> <li>The management of a BOD.</li> <li>The role, rights and responsibilities of the administrators and members of a legal entity.</li> <li>The mechanisms and processes of democratic management.</li> <li>The roles and dimensions of community ownership.</li> </ul>	

### The Board of Directors

The composition of the BOD promotes: <ul style="list-style-type: none"> <li>The pooling of complementary types of expertise.</li> <li>Meetings and discussions with the various regional stakeholders.</li> <li>Connections with the enterprise's external strategic partners.</li> <li>Defence of the organization's ethics and protection of its mission.</li> <li>The ability to support and supervise the enterprise's managers.</li> </ul>	
Rotation among the members of the Board	
Frequency of replacements at the presidency and other key positions	
The existence of committees, their role, and composition	
Mechanisms for communicating with members	
Collective decision-making modes for major issues	

## Democratic Management Process

The organization mandates the enterprise and the enterprise is accountable to the organization.





## Examples of indicators Commonly related to Mission

The following checklists offer a few examples of indicators for assessing these effects.

Complete using a number or evaluation (strong, average)  
and stress the MAJOR aspects for the project

**Volume  
Quantity  
Degree**

Creation / maintenance of paid jobs	
Volume of goods or services offered (in quantity, dollars, number of clients served, hours of intervention, to be adapted to each sector)	
Level of community satisfaction in relation to the enterprise's mission	
Job quality: level of revenue and working conditions, training	
Level of participation by employees and members in decision-making	
Impact of the services rendered on the population/community (adapted to each sector)	
Development of employability (training provided, topics and hours)	

## Sectoral Mission indicators

Complete using a number or evaluation (strong, average) and stress the MAJOR aspects for the project

**Volume  
Quantity  
Degree**

### **Workers Co-operatives, Producers Co-operatives, Consumer Co-operatives**

Number of members in the co-operative	
Number of members participating in the life of the organization	
Percentage of activities carried out by the members	
Portion of surpluses used in dividends	

### **Cultural Sector**

Time/number of activities devoted to education, raising awareness, and cultural facilitation intended for the public	
Portion of the budget devoted to creation, production and dissemination of cultural goods	
Level of attendance within the organization or at its activities	
Presence of cultural workers who have gained visibility	
Types of public/number of people brought together by the organization's intervention	
Number of artists, craftspeople or people having a cultural background who work for the enterprise	
Number of activities / events held	
Participation in the activities carried out --- level of attendance	
Portion of local or alternative cultural content	
Progression of the artist's revenues	

## Sectoral Mission indicators / (continued)

Complete using a number or evaluation (strong, average, weak) and stress the MAJOR aspects for the project

**Volume  
Quantity  
Degree**

### Waste Management

Production of alternative energy	
Tons diverted from landfill	
Value added to materials	
Number of activities devoted to raising awareness and education	
Made available to the public	
Number of people reached through awareness activities	

### Homecare

Number of hours of service rendered	
Number of households served	
Types / distribution of families served	
Number of referrals to social services (help, personal care, etc.)	
Number of semi-dependent people maintained at home	

### Training Enterprises

Number of trainees accepted	
Number of learning activities / training	
Hours of mentoring / individual or team coaching	
Percentage of trainees who complete the training period	
Percentage of trainees who find a job	
Percentage of trainees who go back to school	

<b>Adapted Work Centers</b>	<b>Volume Quantity Degree</b>
Number of adapted work positions	
Number of training activities (number of participants)	
Hours of individual or team mentoring per year	
<b>Recreation</b>	
Number of activities carried out	
Number of visitors / users	
Number of visitors foreign to the region	
Activity participation rates	
Number of overnights – activity days	
Activities devoted to raising awareness of heritage, nature, the environment	
Hours of specific mentoring	
Affordability for disadvantaged clienteles	
Number of users with a disadvantaged socio-economic profile (or %)	
<b>Media</b>	
Potential pool and number of listeners/ readers	
Number of hours of broadcasting or publications printed per year	
Level of coverage of certain subjects, themes or forms of expression for which popular media usually provide little coverage or visibility (% of space or airtime)	
Number of broadcasts, articles that give citizens and local communities a voice	
Volume of articles or broadcasts with social, political, cultural, pedagogical, or educational content	
<b>Community Credit</b>	
Type of organizations and entrepreneurs reached	
Number and average value of loans made	
Collection ratio for loans made	
Jobs created or maintained in the enterprises funded	

## Examples of indicators of Grounded in the community

Complete using a number or evaluation  
(strong / average / weak)

**Number /  
Importance**

### 1 > Existence of testimonials:

- influential people
- Territorial agencies
- Sectoral agencies
- Clientele-related agencies

### 2 > Existence or availabilities of logistical support, services offered or commercial opportunities originating from these agencies

Presence of volunteers:

- Number of people
- Number of hours

Authorizations or accreditations  
obtained from government authorities

### 3 & 4 > Background of members on the Board of Directors:

- Membership in other organizations
- Quality of involvement
- Membership in organizations
- Sectoral
- Territorial
- Clientele-related

### 5 > Anticipated or approved funding commitments

# MARKETS GRID

Market related to social mission:

Market related to the sale of goods and services:

## Main Characteristics of the Competition

Number and size (number of employees, revenues, etc.)

Characteristics of products/services, prices

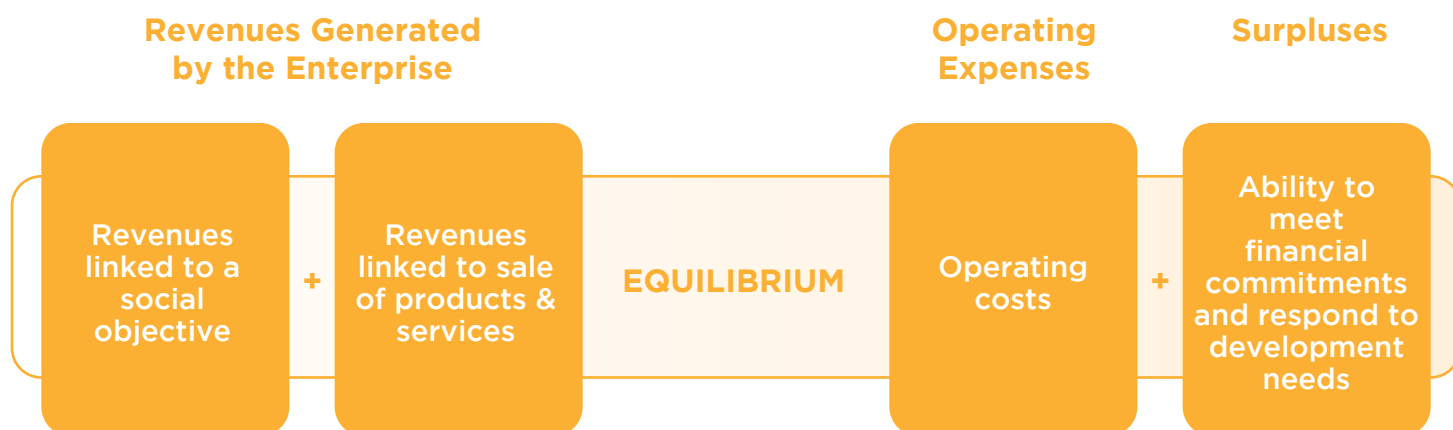
State of the market and earlier trends

Marketing strategies

Known strengths and weaknesses

Indirect forms of competition; that is, alternative responses to the clientele's needs

## Financial viability of a Social Enterprise



## OPERATIONS GRID

### Infrastructure

- Equipment
- Acquisition and maintenance costs
- Quality and performance
- Maintenance planning
- Automative equipment
- Other required equipment
- Production capacity as compared with sales forecasts

### Location

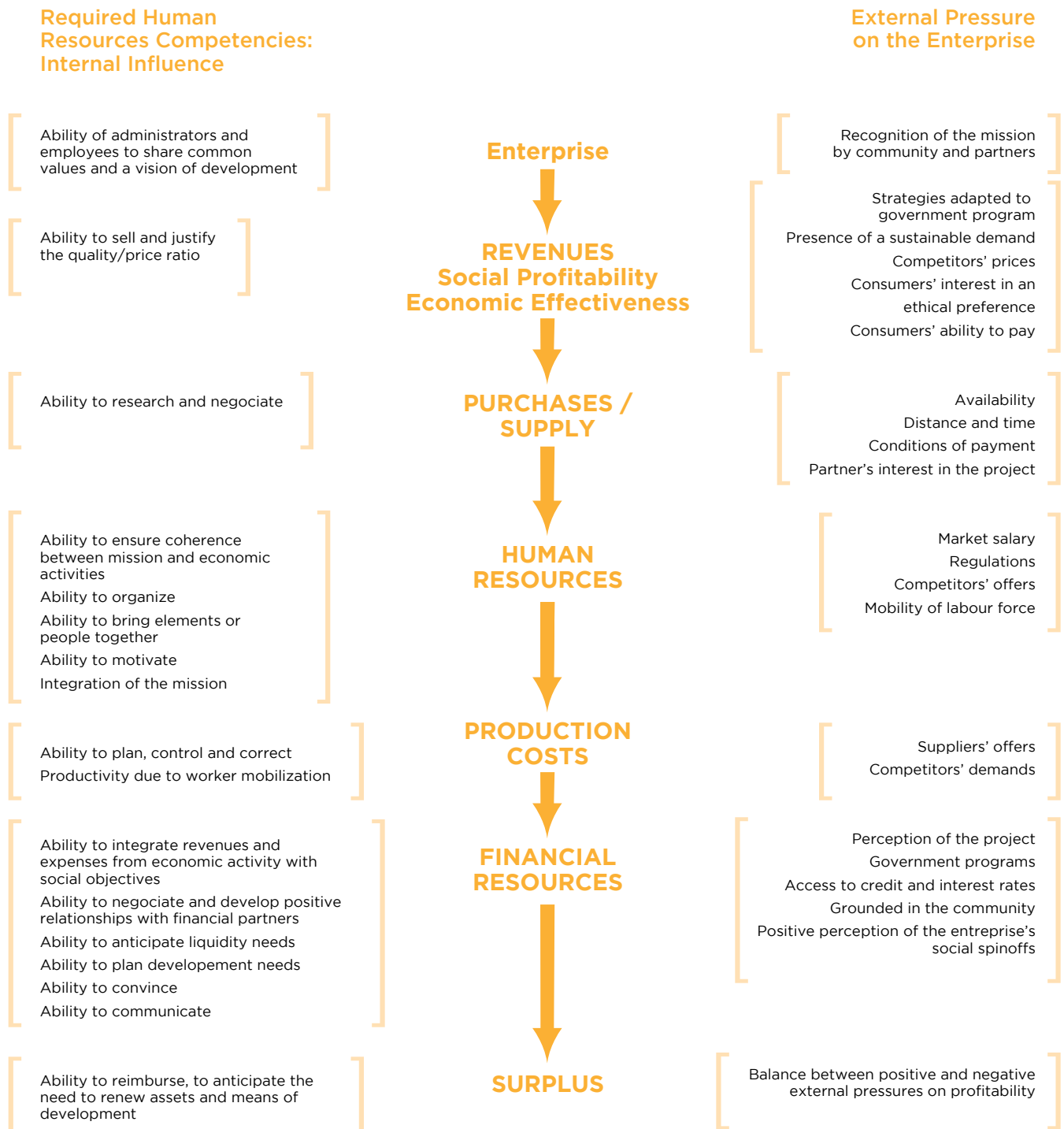
- Ease of access for clientele
- Proximity to services and suppliers
- Surface area, volume of space, type of premises etc.
- Transportation costs or time spent travelling
- Rent, environment, security, zoning
- Total anticipated outdoor storage area
- Existing regulations that place restrictions on operations or result in extra costs

### Production Processes

- Supplies, source of raw materials, suppliers and attached conditions
- Productivity and labour force assumptions
- Rate of equipment use assumptions
- Is specific production management expertise required?
- Production and quality control measures
- Cost price evaluation exercises



## The importance of Human Resources in Each Function of the Enterprise



## EXAMPLES OF INDICATORS OF WORK ORGANIZATION AND CONSISTENCY WITH THE MISSION

Complete using an evaluation (strong, average, weak) or a comment and stress the MAJOR aspects of the project

**Degree  
Comments**

Internal consultation practices within the enterprise	
Decision-making practices	
Information exchange practices	
Intake parameters, integration of participants and new employees	
Consistency of working conditions with the enterprise's mission (salaries, hours, fringe benefits, security, etc.)	
Portion of jobs funded through employability programs <ul style="list-style-type: none"> <li>● specific or time-limited</li> <li>● recurring</li> </ul>	
Humanitarian qualities of the trainers and managers in relation to the basic principles of the enterprise and its mission	
Existence of management tools in operations	
Level of sensitivity to aspects of quality	
Provisions made for quality control mechanisms involving <ul style="list-style-type: none"> <li>● Management and procedures</li> <li>● Product/service</li> <li>● Training</li> </ul>	
Evaluation of training needs in order to meet the requirements of the specified work	
Are training activities integrated into operations? <ul style="list-style-type: none"> <li>● Technical training</li> <li>● Training in organization of operations</li> <li>● Are there costs associated with this activity?</li> <li>● Are there revenues associated with this activity?</li> <li>● Are there subsidies associated with this activity?</li> </ul>	

## EXAMPLES OF PRODUCTION AND PRODUCTIVITY INDICATORS

Complete using an evaluation of the relevance (strong, average, weak) or a comment

### Existence of productivity indicators applicable to:

#### Relevance

● Total revenues	
● Revenues from economic activity	
● Clients/users served	
● Units produced	

### Anticipated payroll evolution over the years (including fringe benefits):

● In dollars	
● As a percentage of activity	
● revenues	

### Efficiency norms in the identified sector, such as:

● Total revenue generated per job	
● Autonomous revenues generated per job	
● Volume handled per job	
● Number of clients per job	
● Number of households served per job	
● Units produced per job	
● Ratio of supervisory jobs to production jobs	
● Hours of use of production capacity	
● Frequency and severity of production stoppages	

# SOCIAL BENEFIT EVALUATION GRID

Complete using an evaluation (strong, average, weak) or a comment and stress the MAJOR aspects of the project

Degree

Accessibility (physical, cultural, economic) of the goods and services offered	
Economic and social revitalization of the territory	
Improvement of living conditions (health, transportation, food, education) for individuals or communities	
Effects on social cohesion and the strengthening of solidarities	
The quality of the services offered (primacy accorded to the person)	
The reinforcement of the sense of belonging to a territory or a community	

## LEVEL OF DEMONSTRATED SOCIAL BENEFIT

Complete using an assessment (strong, average, weak) and stress the MAJOR aspects of the project

### Services Provided

### Degree

Response to a clearly recognized economic or social issue	
Number of different people receiving the services	
Fair redistribution of services	
Increased access to a social service	
Consistency between the activity and the objectives of the local development plan	
Complementarity of new services provided with existing services	
Creation of innovative services	
Absence of substitution of public or private employment	
Population's awareness of an issue or a reality, modification of its behaviour	

### Employment and Employment Development

Number of jobs created or maintained	
Socio-economic characteristics of the clientele hired	
Working conditions (monetary and others, fringe benefits, balancing work-family, formal contract, compliance with regulatory obligations, etc.	
Types of qualification and training provided	
Number of persons who found employment or returned to school	
Development of new occupational qualifications with the aim of meeting new needs	

## Effect of type of Management

## Degree

Presence of volunteers	
Participation of workers in administration and direction	
Participation of users in administration and direction	
Development of autonomy of the users and workers	
Development of citizenship through the enterprise (participation and ability to act)	
Development of local expertise and the autonomy of communities	
Equitable redistribution of the surpluses, if applicable	

## Impact

Improvement in the security of populations (physical, food, etc.)	
Improvement of the community's physical environment	
Improvement of the community's cultural environment	
Improvement of the community's health and social services environment	
Reduction of the effects of poverty on certain populations (health, suicide, crime, violence) and creation of empowerment	
Reduction in the demand for public services without developing a substitute offer	
Reduction of the isolation of communities by promoting communication	
Development of the autonomy of populations	
Development of organizations-partners-community partnership	
Identification of socio-economic and well-being problems related to the absence of the enterprise's services	
Estimation of the monetary costs incurred by the government in the absence of the service	

# 7.0

## GLOSSARY

The terms defined in this glossary largely come from the Guide for Analysis of Social Enterprise Economy Enterprises produced by RISQ or other publications cited as references.

### **Anchoring**

See Grounded in the community

### **Collective**

This term refers to a community-based group of persons and, by extension: collective approach, collective initiative, collective entrepreneurship. The group is the decision-making body.

### **Collective entrepreneurship**

See Entrepreneurial approach

### **Community action organizations (community action agencies)**

(associations, charitable organizations, non-governmental organizations)

The services and products offered are not part of a market economy because they are not priced or impossible to price. These organizations are not required to apply the entrepreneurial philosophy in their management mode: self-financing or user-pay are not necessarily part of the organizations' strategies and orientations. "Community action" organizations, whose mission has a priority focus on social and political action (social change, defence of rights, helping people, etc.) are part of this group.

### **Co-operative**

A co-operative (a mutual) is an autonomous association of persons, voluntarily joined together to satisfy their common economic, social and cultural aspirations and needs, by means of a collectively owned enterprise in which power is exercised democratically.

(source: <http://www.coopquebec.coop/site.asp?page=element&nIDElement=2259>)

### **Entrepreneurial approach (collective entrepreneurship)**

Social enterprises that make or have made the shift to entrepreneurship by developing markets and generating self-financing revenues by charging for their goods and services. RISQ also talks about community-based collective entrepreneurship (collective in the sense of a group of persons).

### **Financial services co-operative**

A financial services co-operative is a legal person bringing together people who have common economic needs and who, in order to satisfy these needs, associate to form a deposit and financial services institution

(source: [http://www2.publicationsduquebec.gouv.qc.ca/dynamicSearch/telecharge.php?type=2&file=/C\\_67\\_3/C67\\_3.htm](http://www2.publicationsduquebec.gouv.qc.ca/dynamicSearch/telecharge.php?type=2&file=/C_67_3/C67_3.htm))

### **Financial viability**

This pertains to the enterprise's internal financial profitability and the appraisal of its capacity to support its operating expenses, repay its debts and renew its equipment from its own resources and cash inflows.

### **Government corporations (public enterprises or Crown corporations)**

Entity wholly owned, directly or indirectly, by the Government, providing a commercial service (goods or services) considered to be in the general interest and whose management pursues a general objective of profitability. Sometimes called “public enterprises” in Québec, or Crown corporations in the rest of Canada, government corporations or Crown corporations are public structures and their organizational and operational modalities are governed by a specific constituting act.

(source: <http://www.etatquebecois.enap.ca/fr/index.aspx?sortcode=1.3#5>)

### **Grounded in the community (community mobilization – strategic networking)**

It is defined by the ties between the organization and its environment, its community, its territory, its sector of activity.

### **Market economy**

The terms of exchange are fixed by the price. The economic principle that defines the private sector is the exchange of equivalents; its main goal is efficiency (adapted from Building Community Wealth – A Resource for Social Enterprise Development – Canadian Centre for Community Renewal – Centre for Community Enterprise). – Sept. 2006

### **Mutual**

Voluntary collective insurance enterprise based on a system of reciprocal commitments whereby the members of a group combine their efforts and, in consideration of periodic dues, insure themselves against certain risks (illness, accidents, etc.) by guaranteeing themselves the same benefits and excluding any idea of profit.

(source: <http://www.coopquebec.coop/site.asp?page=element&nIDElement=2286>)

### **Net surplus for a financial year**

The surplus for a financial year is the amount by which the total revenues exceed the total expenditures for that same financial year. It is not considered to be a profit in a non-profit organization or a co-operative. It is generally reinvested in the organization.

### **Non-market logic**

The logic of exchange is based on the principle of redistribution or reciprocity. Organizations in this field put the emphasis on mutual and collective benefit. Their goal is to foster a greater degree of solidarity among human beings, among their communities and in society as a whole. (adapted from Building Community Wealth – A Resource for Social Enterprise Development – Canadian Centre for Community Renewal – Centre for Community Enterprise – Sept. 2006)

### **Non-profit organizations (non-for-profit agencies)**

They are considered to be one of the vectors of local development, particularly for their impacts on the employment situation in their community. They sometimes choose activities with limited financial profitability or profitable sectors that they manage with different redistribution modes. The State may intervene in these organizations on an ad hoc or recurring basis as a “client” of the service provided to the community.



**Organization (or association)**

Group of persons joined together in a democratic framework, sharing values of solidarity and sustainable development.

**Organizational effectiveness**

An analysis of effectiveness examines the effort devoted by the enterprise to achieve its objectives, and particularly whether the investment in human and financial resources and their management is optimum, accounting for the enterprise's social and economic objectives.

**Organizational vitality**

This is one of the engines of a social enterprise. The quality of this vitality favours the balance between the mission and the operating concerns and ensures everyone's involvement in its success.

**Private enterprise**

One of the forms of private enterprise is defined as a legal person with an autonomous existence distinct from its shareholders. Its purpose is to generate earnings and distribute them among the shareholders (business corporation).

An enterprise may also be individual, with the purpose of generating profits for the sole proprietor who owns the assets (sole proprietorship).

(source: <http://www2.gouv.qc.ca/entreprises/portail/quebec/creer?lang=fr&g=creer&sg=&t=s&e=3733407055>)

**Public enterprises**

See Government corporations

**Repayment capacity**

The enterprise generates sufficient funds from its operations to cover the principal and interest payments on its borrowing.

**Social enterprise (social economy enterprise)**

This is an association of persons, joined together in a democratic framework, sharing values of solidarity and sustainable development to achieve this common objective together. This is the meaning of the social mission. It is also an enterprise, which develops economic activities within the context of a competitive market by producing and selling goods and services, but with the rationale of enabling the association to accomplish its mission.

**Social profitability or social usefulness**

The enterprise's activities have an impact and positive effects on the community, which do not necessarily translate into monetary terms on its books, nor into a quantifiable monetary impact on the national, regional or local economy.

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Community  
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"The opinions and interpretations in this publication are those of the author and do not necessarily reflect those of the Government of Canada."