

# The **BUSINESS** of **INCLUSION**

Building Livelihoods for Homeless and  
Low-Income People

A publication of the Toronto Enterprise Fund 2004  
[www.torontoenterprisefund.ca](http://www.torontoenterprisefund.ca)

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# The BUSINESS of INCLUSION

Building Livelihoods for Homeless and Low-Income People

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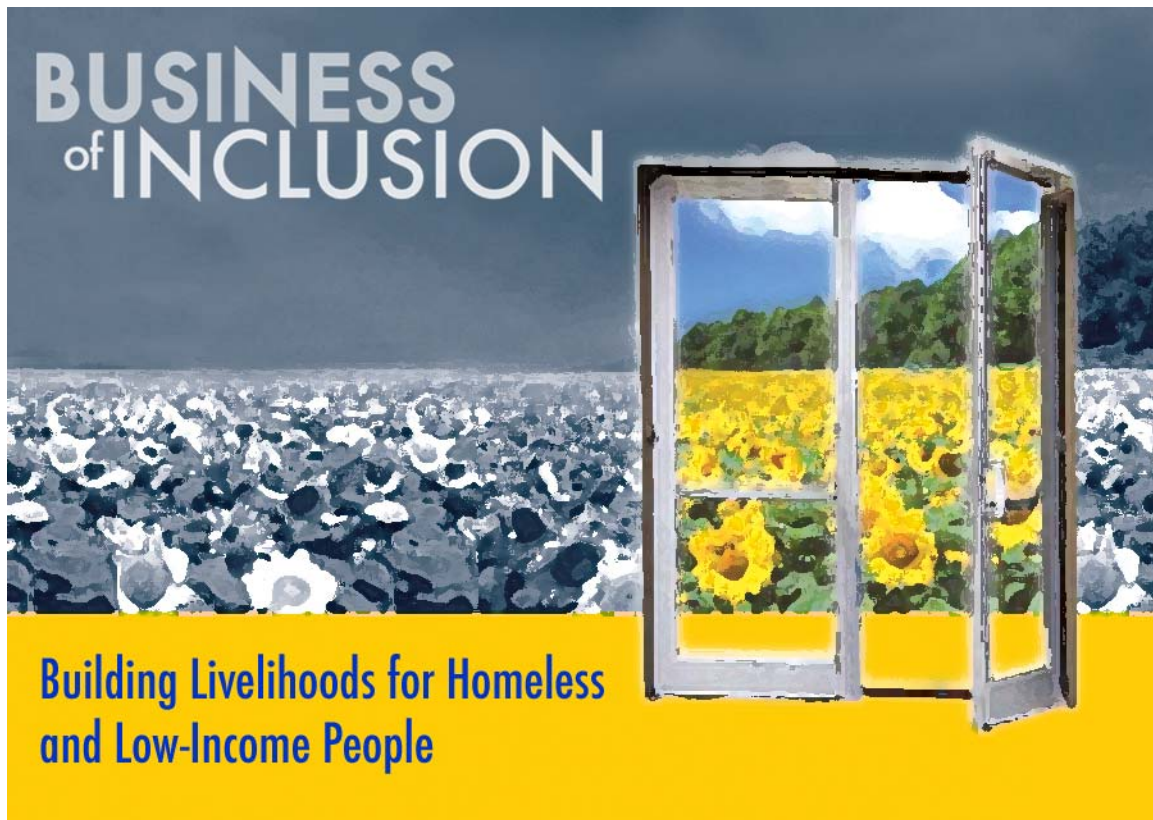


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## **The Business of Inclusion**

### **Section 1**

### **Background**

March 2004

A Report by The Toronto Enterprise Fund



Canada



TORONTO



The Business of Inclusion  
A Series of Reports From the  
Toronto Enterprise Fund

[www.TorontoEnterpriseFund.ca](http://www.TorontoEnterpriseFund.ca)

The Toronto Enterprise Fund supports the development of social purpose enterprises working with homeless and low-income people. Social purpose enterprises create both community connections and economic opportunities for homeless and at-risk populations by developing businesses that balance both revenue generation and a social mission.

This report was researched and written by Eko Nomos Program Development Consultants, [www.ekonomos.com](http://www.ekonomos.com).

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# Introduction

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The Business of Inclusion is a series of reports documenting the findings from research on the developmental stage of the Toronto Enterprise Fund and the enterprises it supports. The twenty reports are organized into four sections: Background, Participant Learning, Learning about Enterprise Development, and Decision-Making and the Role of the Parent Organization.

This section provides readers with a background to the Toronto Enterprise Fund, social purpose enterprise and the Business of Inclusion research. The Toronto Enterprise Fund made a commitment to learn as much as possible about how social purpose enterprises can positively affect the quality of life of homeless and at-risk of homelessness populations. Furthermore, the research examines the organizational implications of social purpose enterprise development for community-based agencies, and the results of the program's funding collaborative.

## **The purpose of this section is:**

- To introduce readers to the work of the Toronto Enterprise Fund
- To explain the concept of social purpose enterprise
- To explore the context underlying the growth of social purpose enterprise
- To describe the learning and evaluation process

## **List of papers:**

- Acknowledgements
- Report 1: The Business of Inclusion – An Introduction
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## Acknowledgements

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The Business of Inclusion reports are the result of hard work and a collaborative effort by the funding partners of the Toronto Enterprise Fund, the research team at Eko Nomos Program Development Consultants, the social development organizations funded by the Toronto Enterprise Fund, the staff of the enterprises, and above all, the participants of the social purpose enterprises.

Special thanks go to Janet Murray and Mary Ferguson of Eko Nomos whose dedication and enthusiasm have resulted in a detailed understanding of the development and impact of the social purpose enterprises supported by the Toronto Enterprise Fund. Thanks also to Claire Letemendia for editing the Business of Inclusion reports.

The Toronto Enterprise Fund gratefully acknowledges United Way of Greater Toronto's donors Counsel Corporation and Ed and Fran Clarke, as well as the City of Toronto, the Province of Ontario and the Government of Canada for their generous contributions in support of the research and development of social purpose enterprises in Toronto.

Thanks also to Maureen Adams, Dan Clement and Beth Malcolm, of United Way of Greater Toronto, for their vision, dedication and commitment to this groundbreaking initiative.

# **REPORT 1**

## **The Business of Inclusion – An Introduction**

October 2003

A Report by The Toronto Enterprise Fund

# The Business of Inclusion – An Introduction

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The Mayor's Homelessness Action Task Force of the City of Toronto concluded its deliberations in January 1999 with a call for innovative solutions to homelessness. One of the proposed solutions was to promote social purpose enterprises:

“Community economic development (CED) refers to businesses created by community groups to help poor or employment-disadvantaged people find work and increase their economic independence. The City should invest in the newly established Productive Enterprises Fund as part of an overall strategy to break the cycle of homelessness.”<sup>1</sup>

This recommendation was welcome to many funders and community-based social development agencies struggling with the problem of homelessness in Toronto. In their view, the current response was clearly insufficient; and the problem required a new approach, to move beyond strategies that focus on supporting people to survive and cope with extreme poverty, towards longer-term, poverty reduction strategies.

In 2000, the Toronto Homeless CED program (since re-named the Toronto Enterprise Fund) was established with the following goal: to use Community Economic Development (CED) to improve the quality of life of people in Toronto who are homeless or at risk of homelessness. The first objective was to provide economic opportunity and community connections to people who are homeless or at risk of becoming homeless.<sup>2</sup>

The Toronto Enterprise Fund adopted the City of Toronto's definition of homelessness, which includes people who live on the street, in ravines and parks, stay in emergency shelters, spend most of their income on rent or live in overcrowded conditions, and are at serious risk of becoming homeless.<sup>3</sup>

From the beginning, the Toronto Enterprise Fund chose improved “quality of life” as a priority: for these homeless and ‘at risk’ populations, a simple focus on employment would not be enough to produce long-term change in people's lives. The Toronto Enterprise Fund wanted to support a holistic, asset development approach that uses employment in an accommodating business as an entry point to stabilize people, to improve their quality of life, and, ultimately to build sustainable livelihoods. Thus, in addition to employment, the program and funded enterprises have sought to leverage a range of interconnected livelihood-building outcomes.

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<sup>1</sup> Taking Responsibility For Homelessness: An Action Plan for Toronto:  
Report of the Mayor's Homelessness Action Taskforce. (City of Toronto: January 1999), p. ix.

<sup>2</sup> From the original planning framework for the Toronto Homeless CED Program, November 2000.

<sup>3</sup> City Of Toronto. The Toronto Report Card on Homelessness 2001.



# The Business of Inclusion – An Introduction

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## **A Backgrounder on Social Inclusion:**

The term social inclusion (along with “social exclusion”) emerged in European policy and research circles as early as the mid-1970s and has become widely popular with politicians and development agencies. It presented an alternative to the concept of “poverty”, which focused too heavily on access to income and could not convey clearly how people are marginalized and excluded from full participation in society:

“Social Exclusion is about income but it's about much more. It's about prospects and networks and life chances. It's a very modern problem, and one that is more harmful to the individual, more damaging to self-esteem, more corrosive for society as a whole, more likely to be passed down from generation to generation than material poverty.”<sup>4</sup>

“Social inclusion is the development of capacity and opportunity to play a full role, not only in economic terms, but also in social, psychological and political terms [in society].”

There are many interpretations of ‘social inclusion’ and how it is to be achieved:

“The wide take-up of the term in many different countries and across the political spectrum reflects the fact that social inclusion has a lot to offer as a term. A number of useful aspects of the term have been identified by the Laidlaw Foundation in Canada:

- Social inclusion is grounded in the real life experiences of people and can therefore create a bond of association among people with different identities and circumstances. It is a user-friendly term and does not stigmatize people as the term poverty or poor can
- Social inclusion creates expectations for fundamental change at multiple levels of society, from public attitudes to policies to service delivery practices
- Social inclusion promotes a multi-dimensional analysis of the causes of inequities
- Social inclusion validates individuals’ or groups’ choices about how and on whose terms to be included.”<sup>5</sup>

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<sup>4</sup> From a speech by Tony Blair at Stockwell Park School, Lambeth in December 1997, quoted by The Centre for Economic and Social Inclusion, [www.uuy.org.uk](http://www.uuy.org.uk) (visited January 2003)

<sup>5</sup> As summarized in Social Exclusion: What's it all about?, op. cit.

## The Business of Inclusion – An Introduction

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Social purpose enterprises have been developed to promote the social inclusion of homeless populations by building five types of assets holistically:

- **The ability to work and to engage in the economy** including: employability, leadership, health, skill and knowledge.
- **Personal identity** including: self-esteem, self-confidence, motivation and other emotional resources.
- **Economic security** including: economic literacy, earning power, disposable income and savings.
- **Access to basic needs, services and entitlements** including: food security; stable, affordable housing; personal security; and access to social services and information.
- **The ability to engage in the community and broader society** including: social connections, peer support, participation in decision-making, and political literacy.

Social purpose enterprise seeks to promote economic and social inclusion while also working towards a vision of a more egalitarian society and workplace. In many of the enterprises and self-employment programs supported by the Toronto Enterprise Fund, practitioners are grounded in a perspective on social change that would promote new, more humane and sustainable forms of economic and social engagement. They believe that it is not enough to include people in an unequal society, or to employ people in inflexible, unaccommodating workplaces. They seek to promote livelihoods that will sustain people's dignity, independence, and participation.

Learning has been a priority for the Toronto Enterprise Fund. This is the first concerted effort in Canada to develop multiple enterprises simultaneously, and through that process to map out the learning, capture outcomes and document effective practices. This learning process has focused on exploring the validity of social purpose enterprise as a strategy for building economic and social engagement, and for increasing homeless people's quality of life.

It is important to recognize that the early stages of the Toronto Enterprise Fund have been developmental. At this point, some initial perspectives are presented based on three years of hard work, experimentation and 'learning by doing' with practitioners and employees in the enterprises who are all extremely dedicated to building the businesses and to learning.

The Toronto Enterprise Fund and its partners are involved in groundbreaking work as they explore new ways to support homeless people to live with dignity as vital, contributing members of the community. Adopting a business-based approach, they are shaping it to form new hybrid enterprises that can offer real work to homeless people and build social inclusion. The Business of Inclusion is a series of reports that documents the research

## **The Business of Inclusion – An Introduction**

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and learning from the Toronto Enterprise Fund over the past three years. These papers explore learnings about:

- Working with homeless populations to build livelihoods through social purpose enterprise
- Planning and implementing social purpose enterprises
- Outcomes in the lives of participants/employees
- Implications for social agencies interested in pursuing this approach



## **REPORT 2**

# **What is a Social Purpose Enterprise?**

October 2003

A Report by The Toronto Enterprise Fund

# What is a Social Purpose Enterprise?

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## Introduction

*“Imagine a business venture that has all the money-making savvy of a for-profit enterprise, the social service goals of the public sector, and the mission-driven zeal of a non-profit organization. Harnessed together, those qualities ought to put the previously unreachable within grasp: innovative, market-based solutions to social problems that generate both financial resources and social value.*

*That line of thinking inspired a new approach to social enterprise in the 1990’s that has grown rapidly in the current decade. Known variously (and often interchangeably) as social entrepreneurship, social purpose businesses, social or non-profit ventures, non-profit business development, and earned income ventures, these hybrids blur the lines between non-profit and for-profit businesses.”<sup>1</sup>*

Early into the Toronto Enterprise Fund, the program Partners adopted the term “social purpose enterprise” because it more accurately described the enterprise development initiatives that the program has funded. The Toronto Enterprise Fund identifies social purpose enterprise as a subset of Community Economic Development that specifically refers to a range of for-profit and not-for-profit ventures combining social development and earned income objectives.

Social Purpose Enterprise is not just about organizations doing business, but about organizations doing social and community development work in a new, more practical and holistic way that crosses the entrenched lines between business and the social sector.<sup>2</sup>

## The Search for Appropriate Definitions

Social purpose enterprise is not a precise term, and definitions vary amongst practitioners. The definitions that best suit the Toronto Enterprise Fund come from similar programs in the United States.

According to the Roberts Enterprise Development Fund (REDF), a social purpose enterprise is: “A revenue-generating venture founded to create jobs or training

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<sup>1</sup> Seedco, When Good Work Makes Good Sense: Social Purpose Business Case Studies. (November 2002), p. ii . [http://www.seedco.org/about/news/NVN\\_Final.pdf](http://www.seedco.org/about/news/NVN_Final.pdf)

<sup>2</sup> Organizations could emerge that shift away from an emphasis on “collected” income to earned income, and from maximizing benefits for the owners towards benefits for the whole of society. Non-profit enterprises, sustainable enterprises, ethical social institutions, community development financial institutions and civic enterprises could play a role in this transformation. See Katherine Fulton, What’s Next? The Shifting Context for Social Entrepreneurship, Keynote address at the 4<sup>th</sup> National Gathering of Social Entrepreneurs, December 4<sup>th</sup> 2002 in Minneapolis.

# What is a Social Purpose Enterprise?

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opportunities for very low-income individuals, while simultaneously operating with reference to the financial bottom-line.”<sup>3</sup>

The Non-profit Venture Network (NVN) in New York defines a social purpose business as “a business activity started by a non-profit organization that applies market-based solutions for the purposes of furthering the mission of the organization, generating income and addressing social needs”.<sup>4</sup>

A social entrepreneur is a non-profit manager with a background in social work, community development, and/or business who pursues a vision of economic empowerment through the creation of social purpose businesses intended to provide expanded opportunity for those on the margins.<sup>5</sup> Prof. J Gregory Dees of Stanford University identifies five factors that define social entrepreneurship: “Adopting a mission to create and sustain social value (not just private value); recognizing and relentlessly pursuing new opportunities to serve that mission; engaging in a process of continuous innovation, adaptation, and learning; acting boldly without being limited by resources currently in hand; and exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created.”<sup>6</sup>

In a recent article, Jerr Boschee and Jim McClurg argue that “earned income” has not been sufficiently emphasized in this definition of social entrepreneurship. They raise important distinctions between the notion of “entrepreneurship” and “innovation”:

“Unless a non-profit organization is generating earned revenue from its activities, it is not acting in an entrepreneurial manner. It may be doing good and wonderful things, creating new and vibrant programs: but it is innovative, not entrepreneurial. ... Why is this distinction so important? Because only earned income will ever allow a non-profit to become sustainable or self-sufficient. ... It’s one thing to design, develop and implement a new program – and quite another to sustain it without depending on charitable contributions and public sector subsidies.”<sup>7</sup>

Boschee and McClurg maintain that the lack of emphasis on earned income in prevalent definitions of social entrepreneurship is damaging to the field: “We think that it [a definition that omits earned income] is not only conceptually flawed, but also psychologically crippling. It lets non-profits off the hook. It allows them to congratulate themselves for being “entrepreneurial” without ever seriously pursuing sustainability or self-sufficiency.”<sup>8</sup>

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<sup>3</sup> Both definitions are drawn from The New Social Entrepreneurs: The Success, Challenge and Lessons of Non-Profit Enterprise Creation. (Roberts Foundation: September 1996).

<sup>4</sup> Seedco, op. cit., p. ii.

<sup>5</sup> ibid., paraphrased from Roberts definition.

<sup>6</sup> Referenced in Jerr Boschee and Jim McClurg, Toward a better understanding of social entrepreneurship: Some important distinctions, 2003, p. 2.

<sup>7</sup> ibid., p. 1.

<sup>8</sup> ibid., p. 2.

## **What is a Social Purpose Enterprise?**

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Clearly earned income must be central to social purpose enterprise and is a crucial determinant of viability. Yet for enterprises seeking to promote direct social benefits (through employment and training) to low-income, marginalized populations, it is worth debating the degree to which earned income should be emphasized as a component of viability.

### **The Toronto Enterprise Fund Approach**

The purpose of the Toronto Enterprise Fund is to promote the development of enterprises to improve the quality of life for people in Toronto who are homeless or at risk of homelessness. As a result, the term “social purpose enterprise” has been employed more specifically and narrowly, to refer to income earning businesses that are created to promote the social and economic engagement of marginalized populations.

One major challenge in the development of the enterprises funded in this program has been to reconcile the contradictory requirements of promoting business self-sufficiency through earned income, and simultaneously advancing the social objective of promoting the social and economic engagement of homeless people. Potential for earned income can be seriously reduced by the ‘inefficiencies’ and human development costs associated with integrating employment and asset building into those enterprises.

The Toronto Enterprise Fund businesses have thus worked to create realistic expectations for earned income and achieve their social objectives, while finding a way to ensure that the enterprises avoid some of the pitfalls common to grant-based funding: a ‘project’ mentality, over-dependence on funding, and a lack of competitive entrepreneurialism.

The Toronto Enterprise Fund has been developing a new formula for separating social and business costs, in order to clarify the components that merit continued external funding, and to create realistic expectations for earned income and sustainability. As a consequence, the program’s definition of social purpose enterprise is a ‘work in progress’ that will be revisited and refined as we continue to consolidate and learn from these new enterprises.



## **REPORT 3**

# **Why the Rising Interest in Social Purpose Enterprise?**

October 2003

A Report by The Toronto Enterprise Fund

# **Why the Rising Interest in Social Purpose Enterprise?**

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## **Introduction**

What motivated the social development organizations involved in the Toronto Enterprise Fund to make the shift towards a business-based approach? This paper addresses the question by exploring the context underlying the growth of social purpose enterprise in Canada.

Since the 1990s, Canadian social development organizations have been adapting to change and upheaval in the social, political and macro-level economic context. Trends such as globalization and economic restructuring; rising individualism and the decline in social cohesion; and fiscal restraint in public spending have entrenched poverty and undermined the stability of the social development field.

As a function of these trends, social spending has been declining in Canada and the income gap between the rich and poor is widening. Inadequate social benefits have led to a failure in meeting the basic needs of low-income people, who must now also cope with a scarcity of quality, affordable housing and insecure job options. Homelessness is the direct consequence of this worsening state of low-income Canadians, and the failure of our economic and social system to provide its members with a basic quality of life.

In this context of increasing need and reduced resources, non-profit organizations have seen their programming cut and their stability undermined. Many are operating in survival mode just when demands on their services have risen dramatically. Organizations have realized that they need to adapt in order to continue to fulfil their social mission.

As a result, they are exploring new programmatic approaches and income generating options. Many non-profit organizations have become increasingly inventive in seeking new solutions to poverty through supporting the development of livelihoods and community connections. To boost their own financial independence in a constrained funding environment, they are moving towards a business-based approach both in the management of their agencies and in the delivery methodology of their social programs.

This evolution is now blurring the lines between business and social sectors, producing a new, hybrid sector – social purpose enterprise.

## **Social Purpose Enterprise is Not New**

While the terminology may be new in Canada, we know that social purpose enterprise practice itself is not. Indeed, cooperatives and some forms of community business have a long history in Canada, with the earliest cooperatives developing in the 1800s. Other forms of social purpose enterprise development have also emerged and are well established: the first self-employment training programs were introduced in Canada in

## Why the Rising Interest in Social Purpose Enterprise?

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1988, and a broad range of enterprise-based experimentation has occurred over the past ten years.

Social purpose enterprise appears to proliferate in jurisdictions that actively seek to promote its development. For example, in Quebec, an active social economy field is currently funded by both municipal and provincial governments. Yet many of the enterprises initiated over the years have not continued: there has been a cycle of creation and failure of social purpose enterprises – whereby much of the learning is lost – which is directly related to the funding context.

In the absence of strategies to fund and capitalize social purpose enterprise adequately, the Canadian experience has been that few survive. For example, in 1993, the Ontario Government funded a broad range of community business and self-employment initiatives under its JobsOntario program. With a change of government in the summer of 1995, that program was dismantled and few of the sponsored initiatives remain.

In Toronto, there are a number of examples of social purpose enterprises that are mature and well-established operations. We profile two quite different examples of thriving social purpose enterprises below:

- *A-Way Express* - “Applause Community Development Corporation, operating as A-Way Express Courier Service, is a community economic development initiative designed to provide two types of service. As a supportive, permanent employment service, it provides meaningful, flexible employment to mental health consumers/survivors. As a courier service, it provides opportunities for customers to express their goodwill by investing in a community economic development initiative without additional cost.”<sup>1</sup> A-Way was started by two non-profit groups that worked with (mental health) consumers/survivors in 1987 with a grant from the Ontario Ministry of Health. Although A-Way continues to rely on that support for the social components of its operations, the enterprise is successful and viable, employing over 50 (mental health) consumers/survivors as couriers and office workers, largely on a part-time basis.<sup>2</sup>
- *Carrot Common* – The Carrot Common is a successful commercial mall that was developed through the collaborative efforts of the Big Carrot, a cooperatively-owned grocery store, and a private entrepreneur/ benefactor, David Walsh in 1984. Carrot Common’s website notes: “David Walsh was attracted by the community spirit of the Big Carrot store which he realized would make this store an excellent anchor for a neighbourhood shopping mall. He was also interested in ways the project might support other community groups or causes. The partners set out to develop the concept with the idea that David Walsh would help raise the monies and act as

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<sup>1</sup> As quoted on A-Way’s website at <http://www.icomm.ca/away/>.

<sup>2</sup> For more information about A-Way Express visit their website: <http://www.icomm.ca/away/away.html>

## Why the Rising Interest in Social Purpose Enterprise?

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developer, while at the same time consulting closely with members of the Big Carrot on how the project would proceed.”<sup>3</sup>

Other examples of social purpose enterprises include the Salvation Army Thrift shops and shops in art galleries and museums. Many more have not survived, and organizations involved in the community economic development sector have learned that building a sustainable social purpose enterprise is a particularly difficult thing to do.

### **So Why Has Social Purpose Enterprise Suddenly Become Such a Hot Topic in Canada?**

The changes in the context mentioned above have served to create a stronger interest in social purpose enterprise for three general reasons. Organizations are looking for new, more cost-effective approaches to poverty reduction; they are seeking to reduce their dependence on public funding; and there has been a shift in non-profit culture towards a more business-based perspective.

#### **Rising dissatisfaction with the old ways of doing things**

Having concluded that traditional, social service and training approaches to social development are short-term responses to poverty, many agencies are setting a longer-term agenda designed not just to reduce, but to prevent poverty. These new initiatives support low-income people with multiple barriers to connect with the community and build economic security in a way that offers them dignity and an improved quality of life.

Social development agencies are beginning to see economic development as a part of their work, and are interested in investigating business-based approaches to assist participants in finding employment, gaining practical experience, and increasing their income levels. Over the past decade, in particular, initial scepticism about economic development strategies has been replaced by a growing realization that they are vital to reducing poverty.

Agencies are also seeking more holistic approaches to social development. The rising interest across Canada in the Sustainable Livelihoods approach (supporting marginalized people to develop a well-rounded base of assets, in order to build long-term change into all aspects of their lives) attests to this change in perspective.<sup>4</sup>

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<sup>3</sup> For more information about Carrot Common visit their website: <http://carrot.com/citymap/dan-300/std-htm/d348/carrot02.htm>

<sup>4</sup> The Canadian Women’s Foundation’s Papers on Sustainable Livelihoods can be found at [www.cdnwomen.org](http://www.cdnwomen.org) under “Sharing Our Learnings”

# Why the Rising Interest in Social Purpose Enterprise?

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## The shifting funding context is a major motivator

Social purpose enterprise has also been a direct response to shifts in government funding in Canada over the past ten years accompanied by a substantial increase in funder expectations and standards of accountability. There is less money available, with shorter timelines, tighter criteria, and heightened funder control.

Facing intense competition for resources and crisis management in the social sector, organizations have to devote a substantial portion of their resources to fundraising and proposal writing. As a result, existing program resources are being stretched beyond realistic expectations. Although their social missions remain strong, the agencies understand that they can no longer rely solely on government and philanthropic funding if they are to survive and continue to serve those who live in poverty. Meanwhile, funders are now pushing organizations to diversify funding sources, to build sustainability strategies into their initiatives, and to take more business-oriented approaches that generate earned income.

Collaborative, “high engagement” grantmaking dedicated to longer-term funding arrangements is beginning to emerge that offers a range of supports for agencies in addition to funding, including technical assistance, peer networks of agencies and learning strategies.<sup>5</sup>

Nevertheless, these investment-oriented programs, such as the Toronto Enterprise Fund, are rare. Project-based grantmaking still prevails, offering highly targeted, short-term funding that segments services and limits innovation, restricting the ability of agencies to pursue more holistic, integrated poverty reduction strategies.

Agencies want to reduce their dependence on funding and increase their control over the social development agenda. In Canada, however, there are few private foundations and the corporate sector is only beginning to play a stronger role in funding projects. There is consequently an interest in building programs with more diversified sources of income and support.

In the United States, agencies rely increasingly on earned revenue. “The growth of ‘unrelated business income’ has more than doubled for non-profits in the United States since 1990. These revenue sources include fee for service or use of underutilized infrastructure such as renting out rooms and parking. These revenue-generating schemes are often unconnected to mission but are designed to sustain the organization. For other organizations their earned revenue is a natural extension of the mission.”<sup>6</sup>

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<sup>5</sup> Venture Philanthropy Partners, *Venture Philanthropy 2002: Advancing Nonprofit Performance Through High-Engagement Grantmaking* (Community Wealth Ventures Inc.) ([www.venturephilanthropypartners.org](http://www.venturephilanthropypartners.org))

<sup>6</sup> (quoted in Seedco - Lipman and Schwinn, 2001)

## **Why the Rising Interest in Social Purpose Enterprise?**

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### **Gradual increase of business-based thinking in the social development sector**

A related trend has been the growth of economic and business orientation in the social service sector since the mid-1980s. New terms, such as 'investment', 'the bottom-line', 'results', 'sustainability', and 'assets', are now in common use. This shift was a response to the new environment and the demands of funders. Non-profit organizations have been seeking to improve the effectiveness of their work, and to stretch their resources by adopting and adapting useful business concepts/tools and economic practices.

The sector has gradually set more professional, business-oriented standards by which non-profits manage their finances, operations and administrative systems. In addition, there has been increased interaction between the previously separate non-profit sector and the corporate sector. They are forming alliances and collaborating on various levels to meet both social and business objectives.

Organizations are re-examining the effectiveness of their programs and the quality of their results, asking whether their work has made a difference to the people whom they serve. This approach is producing a new level of accountability: organizations are committed to learning about effective practice and assessing results. They are taking internal responsibility for this process, and are less likely to rely on external consultants and evaluations often prompted by funders' priorities.

### **What motivated the organizations supported by the Toronto Enterprise Fund?**

Most of the organizations involved in the Toronto Enterprise Fund cultivated an interest in social purpose enterprise in response to some combination of the above factors. A number of the projects funded by the program were already well into planning an enterprise before the funding was made available, reflecting their independent commitment to social purpose enterprise.

Among the parent organizations, a variety of motivations and champions moved them towards social purpose enterprise. In some cases, entrepreneurial staff have initiated projects because they have seen the advantages of the approach in leveraging results and optimizing scarce resources. In other cases, managers have pursued social purpose enterprise as a new programming approach within which to ground the work of their agencies. In addition, some boards have explored the idea as part of their efforts to diversify funding sources and decrease dependence on government funding.

# **REPORT 4**

## **The Learning and Evaluation Process**

October 2003

A Report by The Toronto Enterprise Fund

# The Learning and Evaluation Process

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## Introduction

The Toronto Enterprise Fund has taken a unique approach to learning and evaluation, shifting emphasis away from more traditional, external evaluation towards a dual emphasis on learning and results accountability. In the early stages, the Funders' Committee decided to focus its evaluation resources on learning about the effective implementation of social purpose enterprise development with homeless and "at risk" populations. This report explores the purpose, process, methodology and theoretical underpinnings of the Toronto Enterprise Fund's learning and evaluation process.

The objectives of the learning and evaluation process were:

- To facilitate learning about effective practice in both enterprise development and livelihood development with homeless and "at risk" populations
- To document program results at three levels: the participant; the enterprise; and the organization
- To share learning amongst participants, practitioners, funders, and the community at large

Eko Nomos, a private consulting firm specializing in the learning and evaluation of community development programs, was contracted in the fall of 1999 to undertake this learning and evaluation work. Eko Nomos partners Mary Ferguson and Janet Murray facilitated the program's learning and evaluation process.

A comprehensive monitoring system was established to ensure the accountability of funded enterprises, and to provide the required information for decisions about project renewal. Managed by United Way of Greater Toronto (UWGT), this system provided a base of documentation for ongoing learning about effectiveness and impact of the program with homeless populations.

Eko Nomos designed the evaluation as a three-stage process:

### **Stage One: Foundation building (March 2000 – March 2001)**

During the first year of the program, Eko Nomos and UWGT designed and implemented a project monitoring system for funded enterprises. Using a logic model approach to develop formal planning frameworks, this work has supported funded enterprises to refine their planning and projection of results. This approach organizes project planning on a systematic framework that clearly defines goals, objectives, strategies, activities and projected results.

Two other important foundation and capacity building activities were completed: an on-site technical assistance needs assessment was undertaken at each



## **The Learning and Evaluation Process**

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enterprise in coordination with UWGT, producing a plan and funding policy for the provision of technical assistance to enterprises; and a strategy for documenting learning and results was designed and approved in the spring of 2001.

### **Stage Two: Implementation (March 2001 - October 2002)**

In year two and part of year three, the learning and evaluation team continued to implement the research strategy, documenting results and learning with the involvement of participants, staff and funders. The strategy included a series of interviews with a cross-section of participants, project documentation sessions, and joint project learning and problem solving sessions. Findings were analyzed continuously, and the learning and evaluation team reported interim results on an annual basis.

### **Stage Three: Writing and communication of findings (Fall 2002 – Summer 2003)**

Eko Nomos prepared documents collecting the research results in three areas:

- Stakeholder satisfaction and the effectiveness of the program's approach to grant making
- Learning and effective practices in social purpose enterprise for homeless and at-risk populations
- Outcomes of these initiatives and businesses at the level of participants, organizations and communities

### **The Research and Documentation Strategy**

The Toronto Enterprise Fund implemented a research strategy that explored outcomes at the level of: the participants, the organization/enterprise and the overall program. The research explored the following questions.

#### **Participant:**

- Describe the target population. What made it vulnerable to homelessness?
- What are its challenges and needs?
- What has been the impact of the project on participants?
- What stages do participants pass through as they move towards increased stability?
- What are realistic expectations of participant outcomes?
- What is the compatibility of social purpose enterprise development with the goals, interests and abilities of the homeless participants?

# The Learning and Evaluation Process

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## **Organization/Enterprise:**

- What organizational capacity is required to undertake effective economic development work?
- What has been learned about the challenges of implementing businesses and economic development initiatives?
- What approaches and strategies are effective in supporting the homeless to increase their self-sufficiency and quality of life?
- What have we learned about how to develop and implement effective partnerships?
- What has been the impact on and involvement of the broader community?
- What policy issues (organizational, municipal, provincial and federal) have affected program results?

## **Program:**

- Is economic intervention effective in supporting the homeless to improve their quality of life?
- Was the project-based funding – with technical assistance and learning supports – an effective strategy?
- Did any identifiable approaches to social purpose enterprise with the homeless emerge?
- What were the hallmarks/main components of effective approaches to enterprise development?
- Is there common learning?

## **Research Methodology at the Participant Level**

### **Individual interviews:**

49 homeless or “at risk” participants met the researchers for one-hour interviews (see Appendix for Participant Interview guide), two or three times over three years. The series of interviews provided “snap-shots” of participants’ lives, providing a better understanding of their goals and challenges, and the impact of their involvement in a social purpose enterprise project over time.

The research design included procedures that insured client confidentiality and a respectful interview process. The research team provided participants at each site with an introduction to the research, the expectations of being an interviewee and the timing of activities. The program paid an honorarium to interviewees for their time. Interviewees also had to provide at least 3 references for contact. Most of the participants present at the information session wanted to become involved in the research. In cases where there were more people than could be accommodated, interviewees were selected randomly by putting people’s names in a hat.

The total number of different people interviewed was 49 or approximately 10% of people served by the Toronto Enterprise Fund during the research period.

## The Learning and Evaluation Process

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For participants in the first intake of funded enterprises, there was a plan to conduct three interviews. This round of interviews included 29 participants. For the second funding cycle in 2001, two interviews were planned for 20 participants. The following chart summarizes the number of planned interviews, interviews that were actually held, and the percentage of planned interviews that were completed.

### Number Interviewed At Each Stage

	Interview 1	Interview 2	Interview 3	Total Interviews
<i>Planned interviews</i>	49	49	20	118
<i>Interviews held</i>	49	42	15	106
<i>Percentage completion</i>	100%	86%	75%	84%

#### **Interview timing and process:**

The research team planned to interview a few participants from each of the projects to find out more about what happened to people when they became involved in social purpose enterprise.

The first interview was conducted in person, shortly after participants became involved in the social purpose enterprise. The length of time between interviews, in general, was 6-8 months between first and second interviews; 12-14 months between second and third. For second round participants 12-14 months passed between interviews.

The in-depth interview focused on five asset areas to arrive at a “snapshot” of the main events that were happening in people’s lives. An interview guide ensured that the questions included demographics, goals and features by asset area. Most people also mapped their asset areas at the two or three interviews using an asset-mapping tool. All interviews had a similar structure.

### **Research Methodology at the Enterprise Level**

From the beginning, the program emphasized the importance of learning. Practitioners became co-learners, working with the researchers and UWGT. The practitioners were open about difficulties they experienced and shared their learning willingly, meeting regularly with the research team to take stock of their progress. The research team documented learning, challenges, and progress at enterprises through the funding processes.

#### **Site documentation sessions:**

Semi-annual meetings were held on-site with each enterprise to document approaches and lessons learned as the enterprise evolved. Key stakeholders

## The Learning and Evaluation Process

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(including staff, board members, other volunteers and participants) were invited to a variety of meetings, interviews and discussions over the course of the research. The research team supported sites to develop their own results and research documentation processes.

### **Monitoring reports:**

Semi-annual statistical and narrative monitoring forms were developed, and each site reported semi-annually. These reports were reviewed in order to learn about projects and participants.

### **Joint learning and problem solving sessions:**

Meetings and workshops brought together the enterprises to discuss important issues emerging for practitioners as the research progressed. The research team determined the focus of each learning session as the research and documentation proceeded and critical questions emerged. Sample themes included exploration of participant results, ownership and decision-making and accommodation for employees.

### **Stakeholder review:**

Shortly after the second round of grantmaking and two and a half years after the first enterprises were funded, a Stakeholder Review of the Toronto Enterprise Fund involving donor partners and funded enterprises reviewed the effectiveness of the program's decision-making and grant-making approaches. It also assessed stakeholder satisfaction.

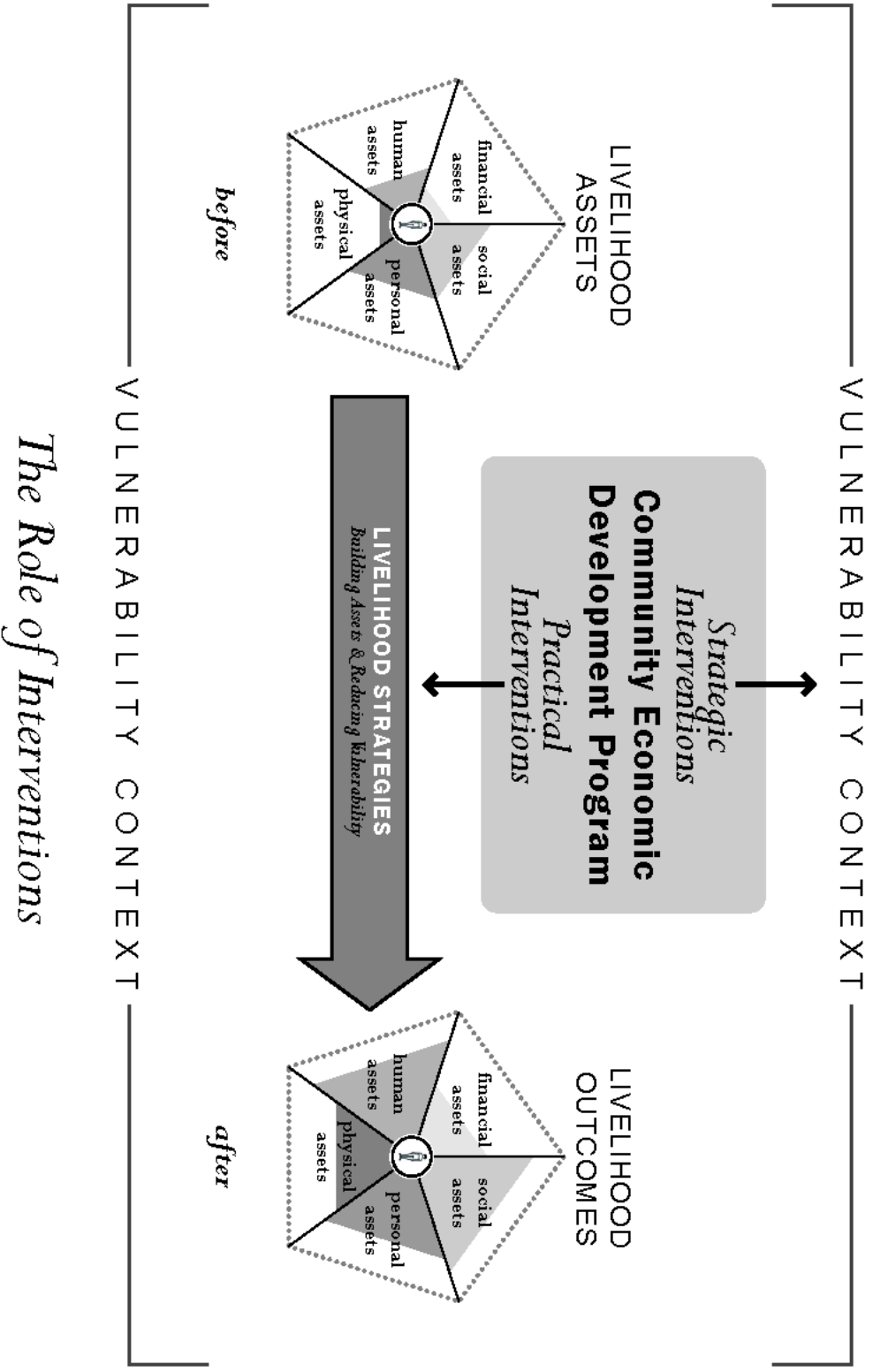
## **An Asset-Based Approach to Documentation**

Eko Nomos adapted its Sustainable Livelihoods framework<sup>1</sup> to structure the research tools and process. The Sustainable Livelihoods approach provides a number of components that help to organize complex information about the context of poverty and the impact of program interventions on people's lives.

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<sup>1</sup> Readers can consult Janet Murray and Mary Ferguson, Women in Transition Out of Poverty Part One: an asset based approach to building sustainable livelihoods. (Women and Economic Development Consortium: February 2001) at <http://www.cdnwomen.org/eng/3share/execsumm.htm> for a more detailed description of the framework. Click on the bottom of the executive summary to print a pdf document.

*Sustainable Livelihoods Framework*



# The Learning and Evaluation Process

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This framework has been particularly useful in documenting the results of economic development programs because it takes a more holistic approach: rather than focussing narrowly on employment, the research explored the range of assets that is required to create a livelihood.

A livelihood is much more than a job or income generating activity: it is “the activities, entitlements and assets by which people make a living.”<sup>2</sup> People’s livelihood strategies facilitate the development of their assets and entitlements, supporting them to move beyond basic income generation towards increased economic resilience. When people have the skills, knowledge and confidence to find new work, as well as reserve resources and broad support networks to weather times of scarcity, they have developed a livelihood for themselves.

A livelihood becomes sustainable when it is grounded in a base of assets that supports the individual to continue to engage in the economy and earn income; and when it can minimize vulnerability, strengthening a person’s ability to cope with and recover from shocks and stresses. To be sustainable, livelihoods must also advance a broader goal at the household and community level: social equity, to ensure that livelihood opportunities are equally distributed both within and among households.<sup>3</sup>

In summary, “A livelihood comprises the capabilities, assets and activities required for a means of living. ... A livelihood is sustainable when it can cope with and recover from stresses and shocks and maintain or enhance its capabilities and assets both now and in the future”.<sup>4</sup>

The framework explores three dimensions:

## 1. Assets and livelihood strategies

Assets are the building blocks of a sustainable livelihood. Individuals and households pursue various livelihood strategies that support economic productivity and at the same time help them cope with the vulnerability context, thus moving towards stability and sustainability. In the Sustainable Livelihoods framework there are 5 asset areas. These assets are defined as:

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<sup>2</sup> Participatory Assessment and Planning for Sustainable Livelihoods, (United Nations Development Program: 1999), page 2.  
[www.undp.org/sl/Documents/Strategy\\_papers/Participatory\\_Assessment\\_for\\_SLSW.htm/PAPSL.htm](http://www.undp.org/sl/Documents/Strategy_papers/Participatory_Assessment_for_SLSW.htm/PAPSL.htm)

<sup>3</sup> ibid., page.3.

<sup>4</sup> Section 1.1 Sustainable Livelihoods Guidance Sheets, Department for International Development (DFID) [www.dfid.gov.uk](http://www.dfid.gov.uk)

# The Learning and Evaluation Process

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## ***Social assets***

Social and political by nature, these assets refer to the connections that people can draw upon to achieve their goals. As such, they are highly important in determining a person's ability to transform their context and to influence factors that make them vulnerable. By building a foundation of networks and contacts, people find that they have enhanced their support systems, making it easier for them to develop other assets.

## ***Financial assets***

Financial assets include earnings, money and financial security. Probably the most tangible of all assets, they play a critical role in determining the security of a person, and form an important entry point for transformation and development. The ability to earn money and decide how it should be spent provides people with a powerful means of reversing the downward spiral into poverty and building a wide range of assets.

## ***Human assets***

Human assets represent a person's employability, and include skills, knowledge, education, health and leadership. Although human assets are central to all livelihood strategies, they are not sufficient on their own to ensure progress towards a sustainable livelihood.

This asset area is the one most emphasized and scrutinized by funders of community economic development who are focused on promoting skills and employability-related outcomes through training and capacity building.

## ***Personal assets***

Less tangible are personal assets, such as self-confidence and self-esteem, which are related to people's values and identity. They include the motivation and strength that facilitate the process of personal transformation. When faced with the complex task of changing the way they perceive themselves, people can become overwhelmed and paralysed. Personal change needs to happen slowly and incrementally and the process is not linear: frequently it may be stalled by self-sabotage and other setbacks.

## ***Physical assets***

Physical assets include the basic needs of housing and food, plus access to the information and services required to build a livelihood.

# **The Learning and Evaluation Process**

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## **2. Vulnerability context**

The Sustainable Livelihoods framework seeks to understand the context that creates and perpetuates people's vulnerability to poverty, in order to support more active, strategic poverty reduction interventions. It explores the context at two levels: that of the individual and her or his circumstances, and that of the broader institutions and systems that determine the options of marginalized people. The framework acknowledges that while people can and do make bad choices that deplete assets and destabilize them, there are powerful external systems and forces that keep them in a long-term cycle of poverty.

## **3. Program interventions by social purpose enterprise practitioners**

The role of enterprises is to support participants to build livelihoods, by promoting livelihood strategies that develop a holistic range of assets and reduce vulnerability. Enterprise development is an effective entry point for achieving this twofold aim, pursuing both practical and strategic interventions.



# The Learning and Evaluation Process Appendix: Participant Interview Guide

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## Introduction

A participant interview form was designed to facilitate an informal conversation with participants to explore five asset areas and vulnerabilities. Follow-up interviews used the same basic structure in the five asset areas, attempting to record and understand what changes had occurred in people's lives since the last interview. Interviewers provided the asset visual as a guide to help interviewees focus on different aspects of their lives.

## Participant Interview Format

### *First interview:*

The research team members read a research waiver form to each interviewee prior to commencing the interview and the interviewer, interviewee and a witness signed.

### *Purpose:*

- *To establish rapport*
- *To collect baseline and background information*

### *Introduction of session:*

- *Reiterate purpose of the research*
- *Sign waivers*

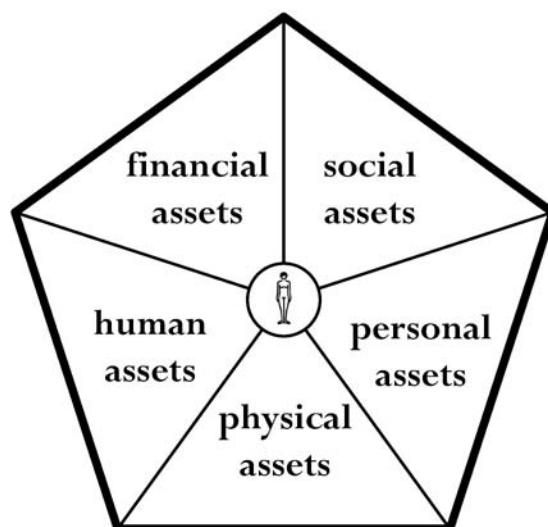
### *Demographic information:*

- *Name*
- *Age*
- *Gender*
- *Self-identified cultural background*
- *Dependents*
- *Marital status*
- *Shelter arrangements*
- *Social Benefits – Ontario Disability Support Program or Ontario Works?*
- *Contacts (3 names/phone numbers)*

# The Learning and Evaluation Process Appendix: Participant Interview Guide

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**Explain the five areas using the visual:**



## **History:**

- *Tell me a little bit about yourself*
- *Why did you join the program?*
- *Shelter and basic needs (definitions)*
- *When did you move to Toronto?*
- *Where are you living now? How did you end up there?*
- *Are your basic needs met according to the definition?*
- *How many meals did you eat yesterday? Where did you eat them?*
- *Tell me about your sense of safety*
- *What do you do for recreation?*

## **Contacts and supports:**

- *Who are your key supports and how many are you in contact with on a regular basis?*
- *What organizations do they use for support?*

## **Money and things:**

- *Where do you get your income from at present? (Sources and size of income)*
- *How much do you contribute to your household income?*
- *Do you have any savings? Amount?*
- *Do you have any debts? Amount?*
- *Please describe your possessions? What do you own?*
- *What are your income goals in this project?*
  - *To support myself using this as my sole income*

# The Learning and Evaluation Process Appendix: Participant Interview Guide

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- *To support myself using this as partial income (i.e., to supplement another source of earned income, such as a part time job or another business)*
- *To supplement my family income*
- *To supplement social assistance or pension*
- *Other*

## **Health and ability to work:**

- *Education and training?*
- *Past work – paid and volunteer?*
- *Did you require any health care in the past six months?*
- *Did you get care, and if so where? If not, why not?*
- *Is there anything making it difficult for you to work?*

## **Personal strengths:**

- *How are you feeling about your life right now?*
- *Give me an example of something that's going well*
- *Is there anything that you would change in your life?*
- *Do you have any goals for yourself (hopes, dreams)?*

## **Follow-Up Interviews**

The follow-up interviews used the same structure but themes which had emerged from the earlier interviews were pursued and explored further. The interviewer and the participant had a conversation about what had changed and remained the same in the participants' lives.

# Glossary of Terms

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## ***Accommodation***

The strategies and practices used by social purpose enterprises to support low-income and homeless populations to participate in the business, and engage in the broader economy and community.

## ***Affirmative Business***

What you refer to as an "Employment Enterprise" is probably what a lot of people call an "affirmative business": John DuRand invented the concept in the early 1970s and it has since become the most common form of social enterprise.

Unlike a sheltered workshop, an affirmative business is created specifically to provide permanent jobs, competitive wages, career opportunities and even ownership for people who are disadvantaged, whether it be mentally, physically, economically or educationally. Employees have included people who are developmentally disabled, chronically mentally ill, recovering substance abusers, former convicts, visually impaired, physically challenged, members of inner-city minority groups, and many, many others.

## ***Alternative Businesses***

A business initiative resulting from a community development approach. These businesses are developed and operated entirely by psychiatric survivor employees. Work schedules are flexible; supports to sustain employment are available on site; and mentoring, skills exchange and peer support are inherent in all business activities. Employees participate in all decisions affecting the business.

## ***Assets***

The combination of financial, personal, human, social and physical resources that decrease an individual's vulnerability to poverty.

## ***Community Economic Development***

The processes whereby members of a community, either geographical or community of interest, are involved in activities that will benefit it economically. Community Economic Development (CED) generally begins at the grass roots level, and includes notions of control, democracy and community ownership. CED usually uses inclusive practices and procedures, to enhance community through action, knowledge and participation.

## ***Double Bottom Line***

The multiple impacts – both financial and social returns on investment – delivered by social purpose enterprises.

## ***Earned Income***

Income generated by not-for profit organizations or charities through the sale of products or services. This income is to be applied to areas of work that further the organization's mission.

# Glossary of Terms

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## ***Exit Strategy***

The plans that both Funders and organizations receiving funding for enterprise development make to be able to separate from each other at some future point.

## ***Homelessness***

A social condition referring to the people who have no secure long-term home.

Describes people who:

- *Live on the street*
- *Stay in emergency shelters*
- *Spend most of their income on rent or live in overcrowded conditions, and are at risk of becoming homeless*

## ***“Linking” Strategies***

These support low-income and marginalized populations to link to the mainstream economy by providing transitional job experience and programs that build employability and other livelihood assets.

## ***“Parallel” Strategies***

These support long-term employment and community participation for people with multiple barriers to employment through the development of a business that can accommodate their special requirements, over the short or long term.

## ***Self-sufficiency***

An organization’s ability to finance its future through earned income alone, without government or philanthropic support.

## ***Social Entrepreneur***

A non-profit manager with a background in social work, community development, or business who pursues a vision of economic empowerment through the creation of social purpose businesses intended to provide expanded opportunity for those on the margins.

## ***Social Purpose Enterprise***

A revenue generating enterprise founded by non-profit organizations or charities to create jobs or training opportunities for very low-income individuals, or to provide earned income to support the social mission of the organization.

## ***Social Return On Investment (SROI)***

The improved quality of life that social purpose enterprise can bring to those involved in it, such as positive community changes like reductions in services and social assistance.

## ***Sustainable Livelihoods***

The capabilities, assets and activities required for a means of living. A livelihood is sustainable when it can cope with and recover from stresses and shocks, and maintain or enhance its capabilities and assets both now and in the future.

# Glossary of Terms

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## ***Sustainability***

An organization's ability to fund its activities through a combination of earned income, philanthropic support and/or government support.

## ***Transition Strategy***

The processes and interventions used to work with people who are making a transition from a short-term program towards a sustainable livelihood.

## ***Venture Philanthropy***

New approach by grant makers to build the capacity of the non-profit sector by developing social purpose businesses or social programs. Key elements include: a long-term relationship (3–6 years); the development of business plans; the provision of cash and expertise to augment abilities and knowledge in specialized technical areas; and an exit strategy.

## ***Vulnerability Context***

The external factors that directly or indirectly, positively or negatively, shape everyone's environment. Vulnerability induces defencelessness, insecurity, and exposure to risk, shock and stress.

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## Some Useful On-line Resource Links

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On-line network and discussion group of Canadian Social Entrepreneurs  
[Canadian\\_Social\\_Entrepreneurs@yahoo.com](mailto:Canadian_Social_Entrepreneurs@yahoo.com)

Harvard Business School – Social Enterprise Publications  
<http://www.hbs.edu/dept/socialenterprise/sepublications.html>

Livelihoods Connect – Creating Sustainable Livelihoods to Eliminate Poverty  
<http://www.livelihoods.org/index.html>

New Economics Foundation - Publications  
<http://www.neweconomics.org/default.asp?strRequest=pubs>

On-line discussion group of social entrepreneurs in the United States and Canada  
[npEnterprise@yahoo.com](mailto:npEnterprise@yahoo.com)

Roberts Enterprise Development Fund (REDF) Resources  
[http://www.redf.org/pub\\_intro.htm](http://www.redf.org/pub_intro.htm)

Seedco Publications Page  
<http://www.seedco.org/about/pub/index.html>

Social Capital Partners – Resources Page  
<http://www.socialcapitalpartners.ca/resources.html>

Social Enterprise Alliance Resource Guide and Tool Kit  
<http://www.se-alliance.org/resources.cfm>

Toronto CED Learning Network - Resources Page  
<http://www.torontoced.com/links/>

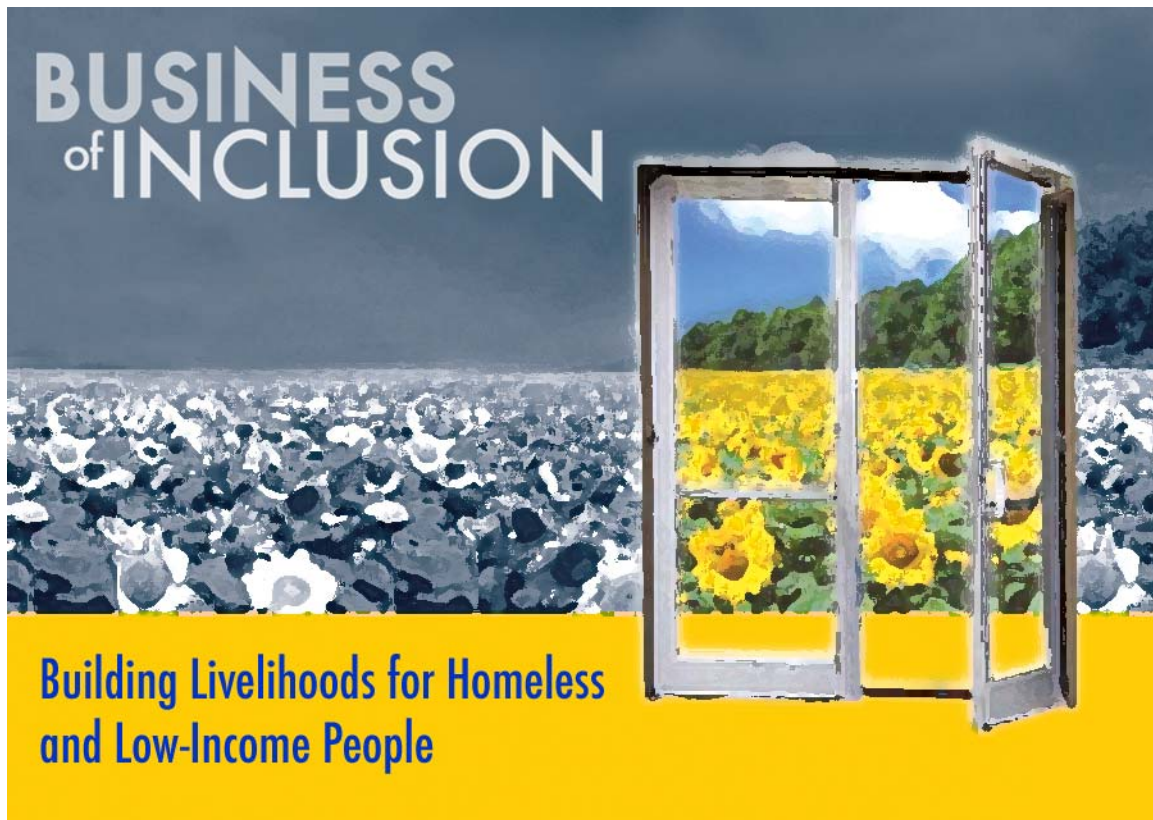
Toronto CED Network – Catalogue of Community Resources  
<http://www.torontoced.com/about/news/catalogue.pdf>

United Cerebral Palsy Association, Greater Utica (N.Y.) Area  
Internet Resources for Non-profits- Social Entrepreneurship/Venture Philanthropy  
<http://www.ucp-utica.org/uwlinks/socentrep.html>



**Building Livelihoods for Homeless and Low-Income People**

[www.torontoenterprisefund.ca](http://www.torontoenterprisefund.ca)



## **The Business of Inclusion**

### **Section 2**

### **Participant Learning**

March 2004

A Report by The Toronto Enterprise Fund



The Business of Inclusion  
A Series of Reports From the  
Toronto Enterprise Fund

[www.TorontoEnterpriseFund.ca](http://www.TorontoEnterpriseFund.ca)

The Toronto Enterprise Fund supports the development of social purpose enterprises working with homeless and low-income people. Social purpose enterprises create both community connections and economic opportunities for homeless and at-risk populations by developing businesses that balance both revenue generation and a social mission.

This report was researched and written by Eko Nomos Program Development Consultants, [www.ekonomos.com](http://www.ekonomos.com).

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Canada



TORONTO



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# Introduction

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The Business of Inclusion is a series of reports documenting the findings from research on the developmental stage of the Toronto Enterprise Fund and the enterprises it supports. The twenty reports are organized into four sections: Background, Participant Learning, Learning about Enterprise Development, and Decision-Making and the Role of the Parent Organization.

This section is concerned with two central questions: “Who can benefit from involvement in social purpose enterprise development?” and “How do social purpose enterprises support the development of livelihoods effectively?”

The Toronto Enterprise Fund focussed considerable resources on documenting the changes in people’s lives that occurred as a result of their participation in social purpose enterprises or self-employment training. This Section presents the details of participant outcomes, drawn from the analysis and learning about livelihood development through the implementation of social purpose enterprises. The learning is based on extensive interviews with participants, on-site observation, interviews with social purpose enterprise staff and board members, and review of semi-annual enterprise reporting.

## **The purpose of this section is:**

- To describe the homeless and “at risk” populations with whom the Toronto Enterprise Fund has been working
- To analyse the context that made participants vulnerable to homelessness, and the implications of this context for social purpose enterprise design
- To identify the dynamics of livelihood development
- To explore effective social purpose enterprise practice in designing and implementing programming to support the development of sustainable livelihoods
- To document the changes in participants’ lives as a result of their participation in social purpose enterprises

## **List of papers:**

- Report 5: Living With Poverty and Homelessness
- Report 6: A Profile of Participants
- Report 7: Stages of Livelihood Development Through Social Purpose Enterprise
- Report 8: Effective Practice in Building Livelihoods
- Report 9: Accommodation – A Strategy to Promote Economic Participation
- Report 10: Participant Outcomes

## Acknowledgements

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The Business of Inclusion reports are the result of hard work and a collaborative effort by the funding partners of the Toronto Enterprise Fund, the research team at Eko Nomos Program Development Consultants, the social development organizations funded by the Toronto Enterprise Fund, the staff of the enterprises, and above all, the participants of the social purpose enterprises.

Special thanks go to Janet Murray and Mary Ferguson of Eko Nomos whose dedication and enthusiasm have resulted in a detailed understanding of the development and impact of the social purpose enterprises supported by the Toronto Enterprise Fund. Thanks also to Claire Letemendia for editing the Business of Inclusion reports.

The Toronto Enterprise Fund gratefully acknowledges United Way of Greater Toronto's donors Counsel Corporation and Ed and Fran Clarke, as well as the City of Toronto, the Province of Ontario and the Government of Canada for their generous contributions in support of the research and development of social purpose enterprises in Toronto.

Thanks also to Maureen Adams, Dan Clement and Beth Malcolm, of United Way of Greater Toronto, for their vision, dedication and commitment to this groundbreaking initiative.

## **REPORT 5**

# **Living with Poverty and Homelessness**

March 2004

A Report by The Toronto Enterprise Fund

# Living with Poverty and Homelessness

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## Introduction

The participants of the Toronto Enterprise Fund are among the lowest-income and most marginalized of Toronto's citizens. This report draws upon the learning from interviews with a sample of the participants of the Toronto Enterprise Fund, and from discussions with the practitioners with whom they work, in order to develop a picture of the context within which all of the participants struggle to survive and build livelihoods.

## The Context of Poverty

Below are identified some of the main factors, both personal and systemic, that have made the participants vulnerable to poverty and social exclusion. These are the factors that shape the design of social purpose enterprise programs to facilitate people's transitions out of poverty. The graphs provide a summary of the percentages of the 49 people who were interviewed who identified each factor.

### **There is a lack of quality, affordable housing**

While not all participants have been homeless, all of them fit into the City of Toronto's definition of homelessness.<sup>1</sup> The past decade has seen a reduction in spending on affordable not-for-profit housing, as well as the removal of rent controls and the rise of rents. The people interviewed during this research noted that they have been hard pressed to find and maintain affordable housing of a reasonable quality, and that the wait for subsidized public housing is long. Even after finding housing, participants noted that they have to deal with insecurity of tenure, and the threat of eviction if rent is not paid on time, because they are waiting for pay, and don't have enough money to pay their rent. The research also showed that unstable housing depletes people's assets, while long-term poverty uproots them and eats away at their personal belongings and identity.

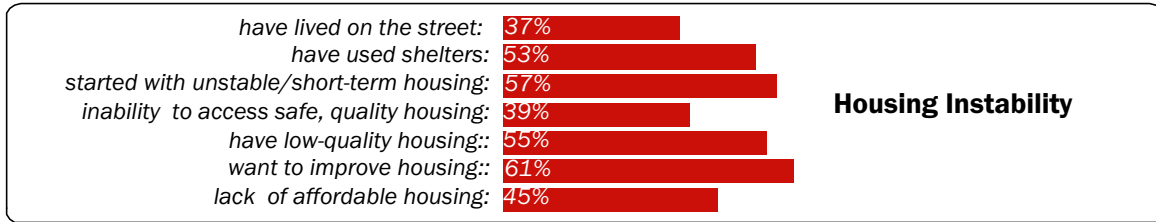
At the beginning of the research process, over half (53%) of the sample of participants noted that they had lived in a shelter within the past five years. In addition, 37% of the sample had lived on the street at some point during the past five years. At the beginning of their involvement with the Toronto Enterprise Fund, 6% were still on the street, 27% were in shelters, 18% were in supportive housing, and 2% in mental health institutions. All of the remaining people in the sample were "under-housed" and at risk of homelessness, living in situations of low quality, overly expensive, or overcrowded housing. About 70% of the people in the sample spend over half of their incomes on rent.

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<sup>1</sup> "The City of Toronto defines homelessness as a condition of people who live outside, stay in emergency shelters, spend most of their income on rent, or live in overcrowded, substandard conditions and are therefore at serious risk of becoming homeless." *The Toronto Report Card on Housing and Homelessness 2003* (City of Toronto 2003), page 2.

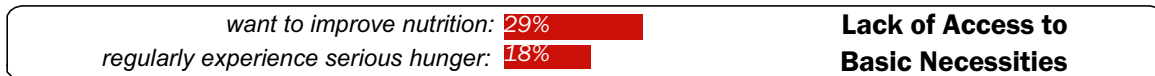


# Living with Poverty and Homelessness



## People lack access to the most basic of daily needs

Faced with the rising cost of living, participants noted that they endure poor nutrition, hunger and deprivation. Many rely on food banks and soup kitchens for their daily meals. At the beginning of the research, 18% of the sample said they regularly experienced hunger. The expense of rent reduces their ability to afford other necessities, such as basic supplies for self-care, transit and telephone. They have little disposable income and therefore only limited access to recreation and leisure activities.



Social assistance benefit levels are insufficient to provide income security and meet basic needs

Over half of the participants are receiving a monthly income from the social assistance system, which presents particular barriers to livelihoods development. A quarter of the sample identified Ontario Works (OW) as their primary source of income; participants and practitioners told the researchers that the social safety net on which many marginalized people depend has in many ways become inadequate and inaccessible. The system, geared to prevent fraud, discourages independent and entrepreneurial behaviour.

In Ontario, reduced levels of social benefits have left people on social assistance significantly below the poverty line. According to the National Council of Welfare, “[t]here is simply no fat to cut in the budgets of people who are forced to rely on welfare.”<sup>2</sup>

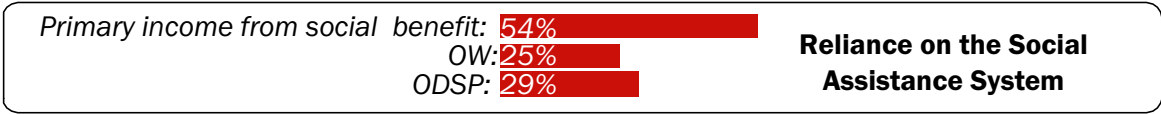
Of the research sample, 29% cited the Ontario Disability Support Program (ODSP) as their main source of income. ODSP provides a more liveable allotment which, if supplemented by earned income, can support a basic sustainable livelihood and quality of life. Yet people are limited in the income that they can earn and are subject to claw-backs if they earn over a certain amount (\$160.00 for a single person) of their assistance payment. Meanwhile, eligibility for the Ontario Disability Support Program (ODSP) has

<sup>2</sup> The National Council of Welfare, *Welfare Incomes 2002*.  
[http://www.ncwcnbes.net/htmldocument/reportwelfinc02/Welfare2002.htm#\\_Toc500047787](http://www.ncwcnbes.net/htmldocument/reportwelfinc02/Welfare2002.htm#_Toc500047787) (30 May, 2003).

# Living with Poverty and Homelessness

been tightened. Many people involved with the Toronto Enterprise Fund have serious physical and mental health disabilities that should qualify them for ODSP, but for a range of reasons they have not been accepted for benefit payments.

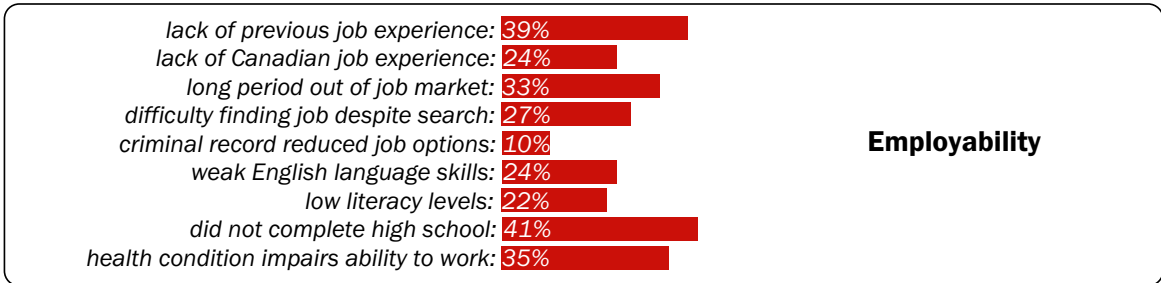
Those people not on social assistance were either underemployed, living on supports from shelters, dependent on family or engaged in informal or illegal economic activities. These conditions increased insecurity, because of the loss of routine patterns and significant exposure to more risk. 41% of the sample had turned to substance use in the past as a source of distraction, solace and escape.



## People’s history and circumstances reduce their employability

There are a variety of reasons for which many participants have had difficulty entering the job market. Many people have been disengaged from the job market or have no Canadian work experience. For those who have been homeless and lacked daily routines, it is difficult to adjust to the demands of the nine-to-five work culture. Some noted that when a person has limited income and insecure housing, it is very hard to find a job, let alone retain it. If able to find work at all, many participants would only earn minimum wage, which has not changed in many years and is insufficient to sustain life in the city.

Furthermore, an incomplete education limits choices: 41% of the sample did not complete their high school equivalency and 22% reported illiteracy as a barrier. About a quarter of the people interviewed cited weak English language skills as a barrier to employment.



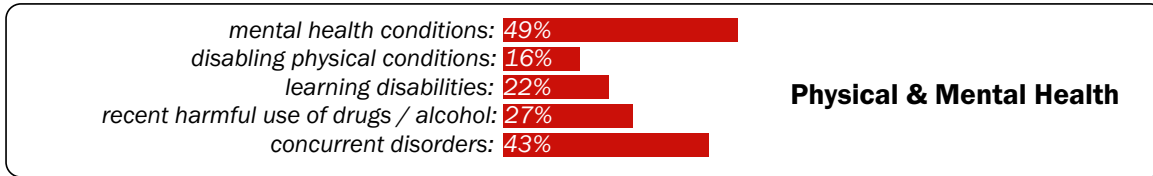
## There is a strong connection between chronic health problems and poverty

35% of the sample noted that their health condition made full-time work impossible. About half of the sample population said that they have mental health problems that affect their ability to work. Many people have been labelled “unemployable” by the mental health system. Depression is a very common factor among participants. In addition, 22% of the sample noted learning disabilities and 16% had a disabling physical condition. Concurrent disorders (a combination of the above factors) are

# Living with Poverty and Homelessness

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experienced by 43%, making mainstream employment almost impossible and substantiating the need for more accommodating forms of employment.

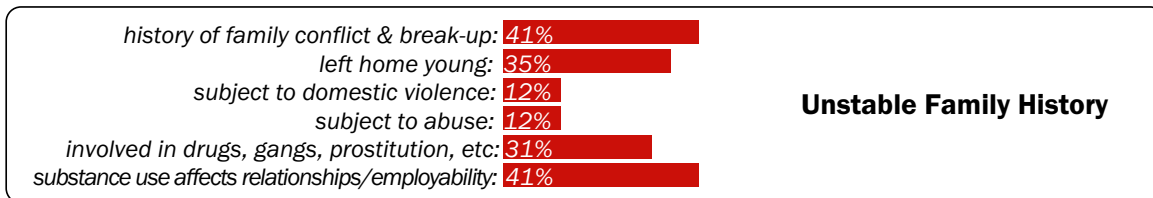


## Racism, sexism, ageism and other forms of prejudice exclude people

Some participants noted the effect on their lives of these systemic forces in limiting their choices and access to services and entitlements.

## Family disintegration is a significant contributor to homelessness

A very high percentage (41%) of the people interviewed indicated that family conflict and breakdown in the past had contributed to their homelessness. Poverty is often intergenerational, and homelessness can be the logical extension of family distress and breakdown. In this context of inadequate income for rent and basic needs, and lack of privacy and dignity, families experience stressed personal relationships. In addition, many families are not able to create and maintain healthy, stabilizing routines that support children and youth to complete school and lead balanced lives. These conditions continue to affect many participants into the present.



## The Experience of Poverty

The experience of living in poverty for the women and men interviewed during this research is summarized below.

### Poverty is degrading

The women and men interviewed during this research said that they experienced shame and a loss of identity, wanting to stabilize and heal themselves as they moved from homelessness to a more secure life. Yet they found it hard to build confidence and a sense of self after long periods of destabilized housing and unemployment. At the beginning of their involvement in the social purpose enterprise, many participants had little hope or sense of the future, living continually in survival mode.

# Living with Poverty and Homelessness

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## **People feel excluded**

At the beginning of the program, many of the people in the research sample indicated that they were very isolated, with few of the connections or supports available to the larger community. Participants told many stories of having only one or two people with whom they were in regular contact. They spoke of feeling that they were continually “taking” from the system, and of wanting to become valued contributors to the community, finally able to give something back.

## **People are prone to crisis**

Because people are destabilized, many become very vulnerable to shocks and crises. In a state of depleted assets, the loss of any one component of stability (housing, health, income, support) can undermine other asset areas. Many people in the sample had experienced health crises, legal problems and debilitating accidents; some were suddenly burdened by the responsibility of unexpected dependents (e.g., family members), all of which made it difficult for them to work towards independence.

Effective social purpose enterprise is rooted in a clear understanding of how poor and marginalized people live. Practitioners devise a range of strategies designed to deal with these contextual factors, in order to stabilize employees and include them in building their own future.

# **REPORT 6**

## **A Profile of Participants**

March 2004

A Report by The Toronto Enterprise Fund

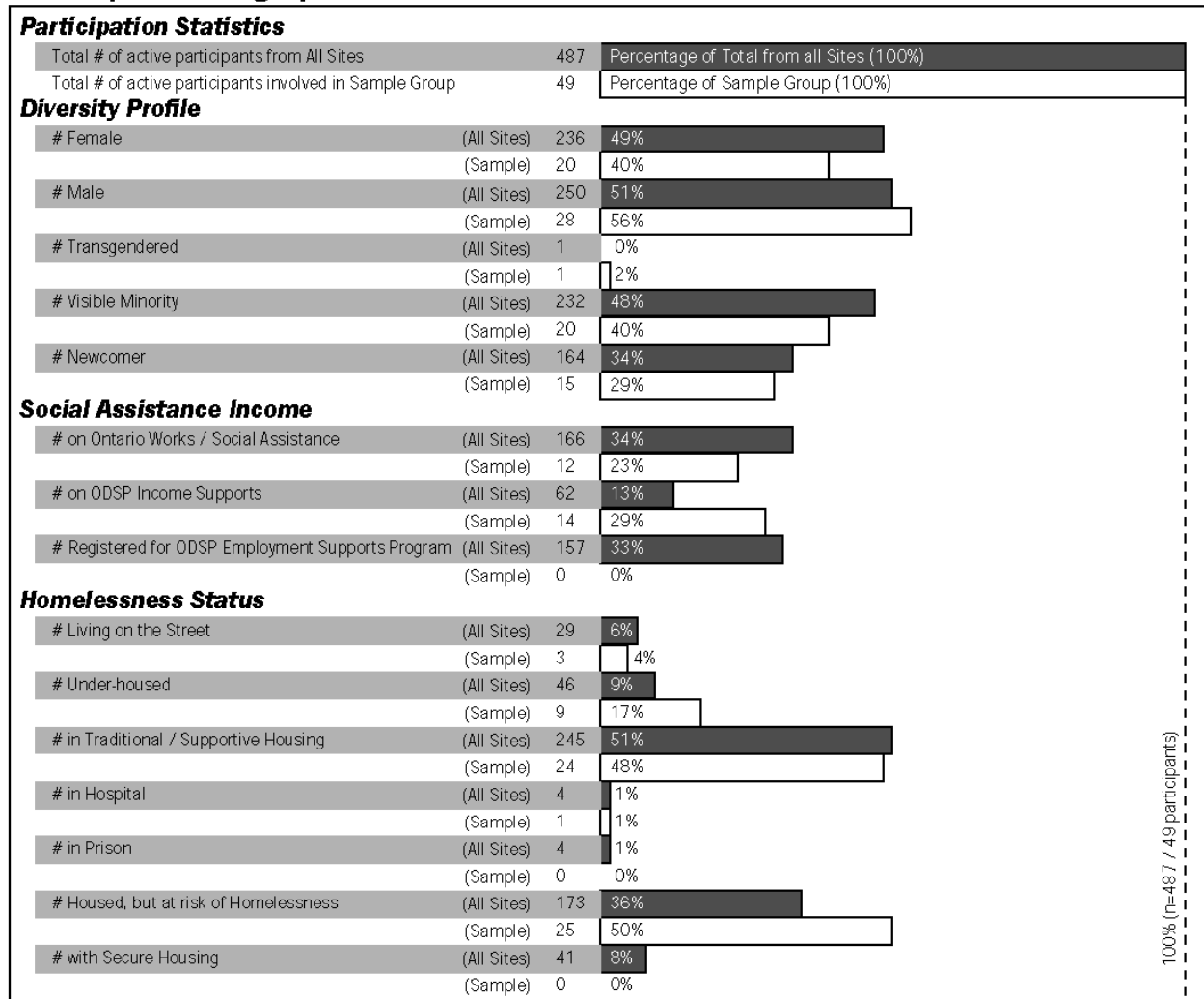
# A Profile of Participants

## Introduction

The Toronto Enterprise Fund effectively reached a broad, representative cross-section of the homeless and “at risk” population in Toronto. Although the program tended to involve people who were at a point where they were beginning to build a foundation of stability, an analysis of participation statistics and learning from interviews with a sampling of participants reveals that the people who participated in the program are among the most low-income and marginalized in the city.

The diagram below comparing the overall population of participants with the sample of about 10% of the overall population reveals the basic demographics of the people who were involved in the Toronto Enterprise Fund.

### Participant Demographics



# A Profile of Participants

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## Housing Status

According to The Toronto Report Card on Homelessness 2001, “people who are homeless include people who:

- Live on the street, in ravines and parks
- Stay in emergency shelters
- Spend most of their income on rent or
- Live in overcrowded conditions, and are at serious risk of becoming homeless.”<sup>1</sup>

According to this definition, the Toronto Enterprise Fund was effective in reaching its target group of homeless and “at risk” people.

## Four Target Groups Identified

Through extensive conversations with the participants of the Toronto Enterprise Fund, the research has shown that there are as many stories as there are people involved, and that each person brings a unique contribution to the social purpose enterprise or program in which she or he participates. Yet despite these individual variations in history, experiences, strengths and challenges, it is useful to begin to categorize, in a general way, the different populations targeted by the program enterprises.

In the interest of supporting deeper analysis and learning, discussions with program practitioners led to the identification and description of four groupings of the people involved in the Toronto Enterprise Fund initiatives:

- Youth
- Immigrant and refugee women
- People in recent or past contact with the psychiatric system
- People who have been homeless or under-housed for long periods

This report provides a description of the characteristics of each population, as well as an exploration of what made each group vulnerable to homelessness and poverty. These observations are based on our discussions with 49 participants and the comments of social purpose enterprise practitioners who work with them.

## Youth

Youth (aged 16 to 24) comprise almost 30% of all participants in the program. Five of the enterprises specifically targeted street-involved youth.

In many respects, the experience of the youth in the research sample has revealed the roots of the problem of long-term homelessness. Many of the people

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<sup>1</sup> The Toronto Report Card on Homelessness, City Of Toronto. 2001. Introduction

## A Profile of Participants

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interviewed who have experienced long-term instability and poverty identified that the problem started when they were young.

### **What makes youth vulnerable to homelessness?**

Many of the youth in the sample have experienced shocks such as family violence/crisis, or loss of home, family, or support network that directly or indirectly resulted in their leaving home and becoming homeless. Most left high school before completion. A number of these people attributed their difficulties at school to literacy problems and/or learning disabilities.

Once young people leave home, it is hard to find a place to live: they have no previous rental references; they have trouble raising first and last months' rent; and they are discriminated against by landlords because of their age and/or for being on social assistance. So they end up leading an itinerant life, staying with relatives, couch surfing with friends and acquaintances, living in shelters, squatting in buildings, and/or sleeping under bridges. When they do find a place to live, it is difficult for them to adjust to the routines and demands of being housed. Youth cycle in and out of housing arrangements; and once the pattern of instability has been established, it is not easy to break.

“I still feel like I’m walking on thin ice... Things can go down any time... I haven’t been able to pay rent for the last few months – I’m not working.”  
(participant)

“A large part of me knew I needed an address to get somewhere. I need to save more before having my own apartment... lots of responsibility paying for phones, cable etc. I finally got rid of it [shared apartment]... I want to talk to people on my own time... I’m going to stay with a friend.” (participant)

“I have my own apartment. It costs me \$840 a month but I have to leave it as soon as I can, because I can’t afford it. I was in a hostel for a few weeks when I came here and then was in shared accommodation with no heat. The neighbourhood I live in is not too safe. There are highrises and fires in them all the time and lots of drug dealers and crack heads.” (participant)

Many homeless and under-housed youth have been actively involved in street culture and the risks and hazards related to life on the street: substance use, prostitution and sleeping “in the raw” can be very dangerous. One practitioner emphasized, however, that many youth choose to continue this life because of its benefits: there is a sub-culture in which self-esteem and reputations can be built, and money made. The practitioner noted that it is important to take into account the powerful decision-making forces at work which can be difficult to understand when viewed from outside street culture.



## A Profile of Participants

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Most of the youth in the research sample had limited or no work experience. After the freedom of life on the street, they found it particularly difficult to adjust to traditional work hours and culture. This group was more likely to have been involved in alternative, underground forms of employment such as squeegee work, panhandling, prostitution, and dealing. Living in the moment means that money earned is often money spent.

“There is not a lot of legal work for a grade ten dropout.” (practitioner)

Youth often express an underlying anger and frustration with mainstream culture. They feel excluded and have a hard time with society’s expectations and structure (for job, house, education, relationships). Many street youth have been emotionally damaged; they require support, understanding, acceptance and space to “be”, and to explore themselves.

“I protect myself from caring about things. That’s the reason for frequent change.” (participant)

“I’m continually in a process of reinvention. I live up to two years as that invention. Right now I’m in the middle of a big shift. I’ve reverted back to the issues I faced when I was 15 or 16. Dealing with a drug addiction, eating disorder and difficult relationships. But it’s not the same. I’m a wiser person now.” (participant)

### Implications for program approaches and design

Practitioners who work with youth tell us that successful livelihood building programs require a sympathy for and understanding of the complex psychological state of street involved youth. They work to create a safe, non-judgmental space, gradually building relationships of trust and a sense of community.

In many respects, linking strategies are the most suitable for working with youth. Their poverty is characterized by exclusion, isolation, weak education and weak support relationships and networks – essentially, weak asset development. Many youth identified the need for further training and education, quality work, strong relationships and new, more supportive peer groups. They saw the importance of investing to develop these assets. There is an energy and resilience to this group, making it likely that with the appropriate interventions, connections and supports, they can succeed.

## A Profile of Participants

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Once a foundation of trust has developed, programs support progress by developing a range of assets through training programs and peer learning. Most programs focus on supporting youth to plan for the future and to begin building economic literacy and money management skills.

Many youth are not fully aware of the community-based supports and services available to them. Programs raise awareness of services and link youth to a wide range of legal services, food banks, training, counselling, medical and housing services.

Youth must struggle with changing their behaviour, building new, more positive relationships and links to supportive, asset building programs; and often going back to school.

“We need to recreate ourselves. Fear of love, ties, and commitments – success is often self-sabotaged. The rules [for successful work with street youth] are basic – safe space where everyone feels included.” (participant)

Change takes time; however, social purpose enterprise programs often catalyze a process of long-term transformation. Practitioners are realistic about what can be accomplished, and, based on their knowledge of youth, take approaches that foster change incrementally, supporting youth to make better choices and decisions.

“I think we need to be careful in distinguishing between what we'd like to happen and what really often happens. [In other words], to suggest that with a roof over their heads and access to income people will make good decisions around food, nutrition, health etc... is not always the case. It's often a rockier road...we see income spent on TVs, video games, drugs, booze, taxis, McDonalds etc., while rent goes unpaid and food banks are still accessed. There is a whole set of micro-skills around prioritization, budgeting, etc...” (practitioner)

## Immigrant and Refugee Women

Immigrant and refugee women comprise approximately 30% of all Toronto Enterprise Fund participants. Two programs are targeted specifically at immigrant and refugee women, and others reach them as a part of a wider target group.

## A Profile of Participants

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### What makes refugee and immigrant women vulnerable to homelessness?

Immigrant and refugee women are generally highly motivated to succeed in Canada. Yet when they arrive, there are a number of factors that hinder easy integration into Canadian society and increase the risk of homelessness. Many refugee women have experienced war and political instability, and suffer psychological scars as a result. In coming to Canada, some women lose the family support that they may have had in their country of origin. Still others survived violent relationships and continue to deal with the psychological and legal consequences. While many of the women interviewed expressed a gratitude for the opportunities that life in Canada had offered them, that sentiment was often counter-balanced by a sense of loss of culture and identity. Social isolation and cultural difference can eventually begin to take their toll. Depression was common among these women. Many expressed a fear of failure, and feelings of doubt and low self-confidence.

“It is very important to get self-esteem – it’s like working on a bridge: you know that it’s safe but you know that under the bridge there is quicksand.”  
(participant)

“Being age 45 is scary – I don’t have any support. I’m coming from a culture where all women are dependent. Being scared of the future is undermining my self-confidence – too much debt and uncertainty.” (participant)

“I know that people are sensitive to the clothing that I need to wear and that it will be very hard to get a job because of my clothing.” (participant)

Settlement services provide some support but are not provided for a long enough period to enhance women’s abilities to compete for jobs and integrate fully into Canadian society. These women often have difficulty identifying pathways for change in a country with so many formal and informal ways of doing things. The resettlement process, immigration issues and work permit processes are often complicated: it is hard for the women to find out about and access all the services and supports to which they are entitled.

Women need a variety of supports to aid their integration into Canadian society. Those who arrive with children need access to childcare to allow them to attend ESL classes, appointments and programs.

Most of the women in the sample were on social assistance at the beginning of the program, living a subsistence existence. Rent absorbs most of their income, leaving little money for food and supplies. Of the refugee women in the sample, some arrived in Canada alone and were immediately housed in a transitional shelter. Some arrived with their children; others are now seeking to be reunited

## A Profile of Participants

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with their children. All made a quick transition to shared accommodation within four months.

Immigrant women experience different kinds of housing challenges. Due to the expense of rent, they are often under-housed, and/or living in housing shared by multiple families in conditions of serious overcrowding.

“I have two children and make \$639 per month on welfare. My rent is \$1050 for a two-bedroom apartment. I get \$294 in support from my husband and have a roommate who pays \$300 per month. I get a child tax credit and that’s what we use for food.” (participant)

“I live in Metro housing. It’s not heated very well and when it’s cold it’s very cold in the apartment, it’s not well maintained and I’ve seen different people with guns. The police are here all the time; the place is not safe. I’m worried about the future with my kids here . . . as far as food is concerned – there’s not a lot of food and we can’t afford fruits and vegetables. It’s very hard for me to pay for things that the kids need at school – like pizza day.” (participant)

Refugee women experience long delays in processing their citizenship papers. Many had gone to legal aid for support with this process. All of the refugee and immigrant women wanted to work but regularly encountered barriers to employment due to a lack of both Canadian job experience and connections. Accreditation for past education is difficult to secure. The women are reduced to “survival mode”: they have to turn to low wage sectors of employment that are easier to enter, yet as a result their income is not sufficient to meet family needs.

Immigrant and refugee women also struggle with their English skills. Since some arrive in Canada without basic literacy in any language, it can take them a long time to learn English. Women tend to build supportive communities of people from their country of origin within which they can speak their own language. While these supports are essential as a coping mechanism, they frequently undermine English language acquisition.

### **Implications for program approaches and design**

The women that were interviewed were very interested in full-time work and preferred to get off the social assistance system, so social purpose enterprise programs designed for this group focus mainly on dealing with barriers to employment. All programs offer training in job and employability skills that will raise the women’s competitiveness in the Canadian job market. All offer ESL training; and some assist women in understanding Canadian workplace culture. All provide the opportunity for on-the-job Canadian work experience either on site at the enterprise or through job-placements in the non-profit and/or business

## A Profile of Participants

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community. Programs are aware that access to transportation and childcare is vital, but often do not have the resources to cover these needs as effectively as they would like.

In terms of employment, some social purpose enterprises take a linking approach, working with women who are ready and able to work full-time in the mainstream job market once they have overcome the challenges of acquiring new job skills, Canadian work experience, and English competence.

“In future I want to be able to read the papers that come home from school with my kids.” (participant)

Other enterprises develop parallel businesses to work with more seriously marginalized women, some of whom have lower education and literacy levels, and/or cannot work nine-to-five for childcare reasons yet also seriously require additional income. These businesses offer employment to support women through a more gradual, long-term transition, while also ensuring access to additional income. The programs work to build community and often cultivate peer support networks that can continue after women move into the mainstream economy. Women who are moving out of a situation of domestic violence tend to keep to themselves in programs and require additional one-on-one support.

“The program did have a very good understanding of women who have been in abusive situations. They spent good one-on-one time with me. They were very patient with me (which is very important with women who have lived with violence - I always wanted to quit the program) and supportive. The manager was very educated, like a therapist or community worker.” (participant)

### People in Contact with Psychiatric System

Almost 50% of the participants in the Toronto Enterprise Fund are people who have been in contact with the psychiatric system. There are three social purpose enterprises that have been developed specifically for this target group, although at least four other programs also work with this population (to some extent).

#### What makes this group vulnerable to homelessness?

Many of the participants in the research sample either had been or still were engaged with the mental health system in Toronto. While for the most part they came from different backgrounds, they brought to our attention many common conditions related to their experience of mental illness and the mental health system. Mental illness often forces people to leave their community and family.

## A Profile of Participants

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This disintegrates support networks, undermining the foundation for long-term stability, and leaves people isolated.

“I feel morally right and proper to kill myself – I experience worthlessness – all the effort put into me has been wasted because I can’t begin to give it back.” (participant)

“My self-confidence has really been shaken up. I keep planning on going [back to the program], but it’s hard because I’m depressed – my lack of confidence – I just don’t know if I can do it... I really don’t want to go on ODSP [Ontario Disability Support Program], but it’s hard because of the cost of medication... All my teeth ache. I want to get them all pulled out... I have a reaction to the drugs I’m on. I have hives all the time...I’ve lost my glasses and can’t see very well and I’m paranoid of doing things.” (participant)

“Because of my [condition], I couldn’t help being weird. I get too depressed to do anything – an amount of tension gets generated when trying to deal with people. I’m afraid I’ll say or do the wrong thing. I’m terrified of working because I had rejection in so many places. No matter how much I try to hide my personality, I end up getting fired even if my work is good.” (participant)

Some people have concurrent disorders, combining their mental health condition with physical disabilities and/or drug and alcohol dependencies. Poverty is common in this group, in turn augmenting depression and illness. Many de-institutionalized psychiatric patients are on ODSP or social assistance and find it difficult to find safe, secure, affordable housing on their income allotment. For most, a good quality of life is impossible unless they have gained access to subsidized or supportive housing. They greatly need income to supplement benefits, ensuring access to basic daily necessities.

“On welfare it was terrible – living on \$520/month – leaves you nothing to live on – terrible. I’m happy on ODSP – I need a little extra money so I can survive.” (participant)

“Frustration – I can only earn \$160/month – not enough in my cheque for market rent and it’s hard to get a subsidized space. Then I have to share with problematic people.” (participant)

People told us that they live in constant fear of being “cut off” their social assistance benefits and consequently fear earning and reporting income. Unemployment rates are very high. People have been labelled “unemployable” and find it difficult to find work that accommodates their need for flexible, part-time work with periodic leaves of absence. Most have disjointed work histories

## A Profile of Participants

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and incomplete education. Most people feel that they can work, but require accommodation and some supports to adjust to employment. It is difficult for them to balance the need to heal and the need to earn income and connect to the community. Medical coverage and drug benefits are crucial supports for this group, but many low wage jobs do not offer these benefits. The need to pay for costly prescription drugs makes it hard to move towards independence.

“I’ve been on this mental health system since 1975 and no social worker or psychiatrist – no one has ever mentioned that maybe I should just get a job . . . when you’re on ODSP – even a very strong willed person will get into that rut pretty easily . . . I need to make \$10/hour to make more than I’m paid through ODSP.” (participant)

It’s difficult to work. My medication makes me sleepy – difficult to get up in the morning.” (participant)

“Working puts a real burden on you. There is more to manage – getting up early/going to bed early, washing clothes, metro pass. I always look forward to the weekends.” (participant)

“Minor part-time work is not really a real job. Insomnia makes it impossible to work full time. I’ve tried it. I want well-paid peer support work 3-4 days/week \$18/hour.” (participant)

Both men and women spoke of their frustration about being outside mainstream society, when they wanted to work and contribute to their community.

“I never used to believe in survivor stuff – and saw myself as mentally ill and that was it. I realized that I’m not that mentally sick in the first place – If I can get up and work then I’m not that sick. They believe that a person is ill and won’t let them do anything – I feel like telling people who believe that to ‘piss off’. Survivors can do as much work as a normal person. We’re all human.” (participant)

## A Profile of Participants

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*“Many Consumers/Survivors have been institutionalized after spending years in and out of hospital. Labelled ‘seriously mentally ill’, they have become compliant ‘patients’ and/or have lost any hope for an independent future. Most, if not all, of their relationships centre on their health status with people who are paid to speak to them. Often Consumers/ Survivors do not have their own communities. It is through working that they develop community, start to display independent thought, and increase their confidence and self-esteem. As one woman said, what we really need is ‘a roof, a job and a friend’.”<sup>2</sup>*

### **Implications for program approaches and design**

Practitioners and, eventually, participants view business development as an entry point for building community and identity. Work does more than provide income: it creates social connections, and leverages pride, self-worth and self-confidence.

In most cases, parallel businesses are developed to accommodate the needs of employees, recognizing that people require flexibility in work arrangements, tailoring work hours to people’s ability to work, offering special work tools and systems, and staying within the earning limits established by social assistance regulations. While many employees will have to continue on public assistance, they require supplementary income to make ends meet.

Leadership development is a critical component of programming. These social purpose enterprises seek to build a movement, supporting gradual change and asset development through role modeling, peer support, and increases in responsibility through internal promotion and leadership training. All work done on behalf of the business is paid on an hourly basis.

In reaction to the medical treatment model to which so many people have been subjected, most programs opt for informal, peer-based, on-the-job learning, with plenty of one-on-one support. These enterprises commonly take an empowerment-oriented approach that gradually transforms employees into active, contributing community members and citizens. The Ontario Council for Alternative Business (OCAB) works with its members to develop the identity of “Consumer/Survivor”<sup>3</sup>, instilling pride and political awareness in its members/employees.

Mental illness is stigmatized in Canadian society. This population is subject to labelling, which creates public misunderstanding and fear. Many programs have become politically active, working strategically to transform society’s view of

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<sup>2</sup> *Working for a Change – a handbook for alternative business development*, OCAB, 2002. p. 1.

<sup>3</sup> OCAB uses the term “Consumer/Survivor”, or “Survivor” for short, which it defines as “Person(s) who have had personal experience with the Mental Health System.”



## **A Profile of Participants**

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mental illness by proving that people who experience mental illness are capable of productive engagement with the community and the economy. It is for this reason that the community profile of social purpose enterprises is so vital: working with community businesses and organizations has a much broader impact, improving the quality of life for everyone in the community by augmenting understanding of mental health issues, and thereby creating increased respect and support for the employees.

### **People Who Have Been Homeless or Under-Housed for Long Periods**

Long-term homeless and transitional populations comprise 10% of the participants in the Toronto Enterprise Fund. Two programs are dedicated to working with this group of largely older, long-term unemployed. It is important to note that the long-term homeless are less easily identified as a 'group': there is a wide diversity of situations, interests and needs amongst these people. Many of them who have been severely marginalized from society for years would identify with the term "loner".

#### **What makes this population vulnerable to homelessness?**

Whereas the youth population is resilient and has strong potential to break out of destabilized patterns of living, this group has been marginalized and living in poverty for a very long time. It takes a great deal of energy and time to support the women and men in this situation to build a foundation for a livelihood, and we have learned that expectations should be tempered to reflect and respect the choices that participants in these social purpose enterprises make.

Most of the people we spoke to were over 40. The majority of men in this target group have found it difficult to gain access to social income support. After years of destabilized living on and off the street, in and out of shelters, working in temporary, low-skilled employment, people find their confidence and self-esteem battered. They have been stereotyped as "not worth it" and/or incompetent. Many had developed an identity that values freedom, independence and non-conformity over "fitting in".

Most have been disconnected from families and have few friends. Many have not completed high school. While most want to work, many do not want full-time work. They told us that they cannot handle the stress and demands of a traditional nine-to-five job. Because of this, a number were attracted by self-employment.

These people have become homeless for many reasons, but it was clear that they continued to experience instability as a result of having eroded, over the long term, what few assets they once possessed. They remain highly vulnerable to crises, such as job loss or health problems. Most of the men have criminal records, further complicating their access to mainstream jobs.

## **A Profile of Participants**

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Drug and alcohol use plays a significant role with this group. Patterns of chaotic use draw people into a cyclical pattern of crisis and rebuilding their lives. For example, participants who secure jobs are prone to losing them because once they have some disposable income they can quickly fall back into high-risk behavioural patterns. Behaviour related to drug or alcohol use may also make it difficult to keep housing.

### **Implications for program approaches and design**

The individuality and nonconformity of this group make peer-based approaches very challenging. For this reason it can take a serious amount of time and effort to engage people in economic activities. As a result, there is a great need for parallel, more accommodating employment. Practitioners in these programs also tell us that one-on-one time for problem solving and learning is vital to success. It is clear that personal relationships with staff provide an essential anchor for participants from which they can move on to begin building other assets.

The main challenge for social purpose enterprises working with this target group has been to identify the social purpose of the business. Both programs had to explore the options and implications of linking and parallel enterprise models, and ultimately decided to pursue more individualized, linking-oriented strategies that support people to connect to the economy on their own terms. Self-employment, part-time/full-time work and social assistance were all acknowledged as legitimate choices. Many participants have ended up income patching from a selection of the above. These programs also assist people to develop economic literacy and strengthen their money management skills.

Formal systems and structure in business and work do not succeed with people who embrace the philosophy of working at their own pace. One program found it impossible to accept a potentially large production contract because participants decided that they would prefer to work on their own projects at their own pace, and did not want the stress of working to a deadline on repetitive tasks.

Most programs either intentionally or unintentionally pursue a Harm Reduction approach, which does not judge people's drug/alcohol use and respects their choices, supporting them to stabilize their lives and build a future without requiring abstinence.

## **REPORT 7**

# **Stages of Livelihood Development Through Social Purpose Enterprise**

March 2004

A Report by The Toronto Enterprise Fund

# Stages of Livelihood Development Through Social Purpose Enterprise

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## Introduction

Over the past three years of working with homeless and “at risk” populations, the research has confirmed that people involved with the Toronto Enterprise Fund live in severe poverty, and that they transition through some common stages as they work to develop livelihoods. The purpose of this report is to offer a conceptual guide to these stages, and to show where and how social purpose enterprises intervene to support the development of livelihoods.

Personal change is vital to the process of building a livelihood.<sup>1</sup> The dynamics and speed of change vary according to each individual’s base of assets and her or his unique preferences and strategies. Progress is not linear: there are often setbacks, and until crucial challenges can be resolved, it is common for people to get “stuck” as they make the transition between stages. In the case of the Toronto Enterprise Fund, the process of change has been facilitated by the intentional intervention of social purpose enterprises; yet participants themselves are responsible for their own change. The role of programs is to act as a catalyst by supporting goal setting, problem solving and asset building.

In their work with homeless people, social service organizations generally play a responsive role, addressing specialized needs in their efforts to alleviate poverty. In contrast, the social purpose enterprises funded by the Toronto Enterprise Fund have generally adopted a holistic approach designed to reduce poverty by supporting participants to stabilize and make the long transition to livelihood development. This entails building a range of assets: social connections, access to supports and services, income, meaningful work, active learning and skill development

What is a sustainable livelihood? It is an outcome that most of us work towards, whether consciously or unconsciously: we wish to be able to maintain and cultivate ourselves and our households, to take advantage of opportunities for growth over time, and to remain resistant to shocks and stresses from within and without.

All of our lives are vulnerable to external events. Strong, well-educated [people] may have their self-sufficiency eroded by events such as spousal abandonment or job loss. Substance abuse or debt accumulation can destabilize a solid income-earner. Yet in poverty,

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<sup>1</sup> “A livelihood comprises the capabilities, assets and activities required for a means of living. A livelihood is sustainable when it can cope with and recover from stresses and shocks and maintain or enhance its capabilities and assets both now and in the future”. Department For International Development (DFID), *Sustainable Livelihoods Guidance Sheets* Section 1.1.

[http://www.livelihoods.org/info/guidance\\_sheets\\_pdfs/section1.pdf](http://www.livelihoods.org/info/guidance_sheets_pdfs/section1.pdf) (checked July 22, 2003)

# Stages of Livelihood Development Through Social Purpose Enterprise

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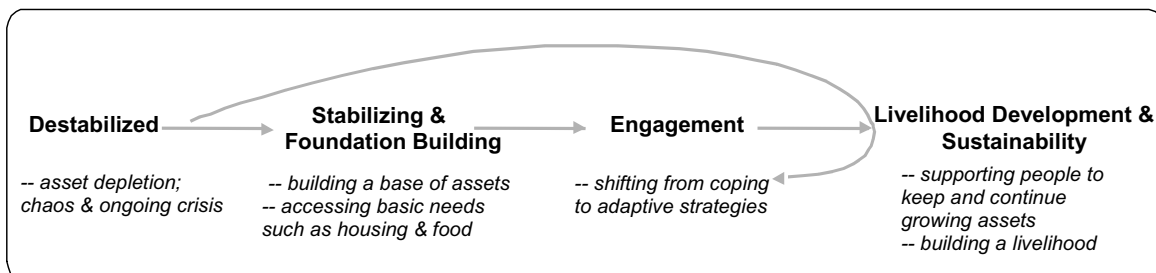
this vulnerability to external shocks and stresses increases dramatically, while the delicate process of juggling competing needs and pressures becomes a far greater challenge. The range of forces against which poor and marginalized [people] must struggle is formidable: low self-esteem, complex family relationships, hostile or indifferent communities, systemic gender discrimination and harassment, unemployment or underemployment, lack of education, ageism, racism, and a daily grind that leaves people with scant energy to contemplate the possibility of transforming their conditions.

It is difficult for those of us who are more privileged to understand the tremendous courage required for them to choose a path out of poverty. Yet we have all been hurt, at one time or another, by external events, just as we have all found it necessary to re-evaluate our personal circumstances, muster our own strengths and skills, and call upon the support of others in order to continue on our journey.

Women and Economic Development Consortium (WEDC), Women in Transition Out of Poverty: an asset-based approach to building sustainable livelihoods, January 2001, p.9.

## Stages of Livelihood Development

The stages of livelihood development that were identified by participants in the research sample are outlined below. Practitioners verified that these four main stages present a good picture of the dynamics of change experienced by the majority of their participants/employees both before and during their involvement in the enterprise. The stages include: 1) destabilization, 2) foundation building, 3) engagement and 4) livelihood development/sustainability.



# Stages of Livelihood Development Through Social Purpose Enterprise

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## Destabilized

Homelessness and the risk of loss of housing are the natural consequences of an ongoing, long-term depletion of assets. People who are on the street or living in shelters have few physical possessions, but less obvious and more devastating is the concurrent loss of social connections; the undermining of personal security, self-confidence and identity; and the erosion of skills and employability. Life without shelter and access to basic necessities is life without routine or stability.

The psychological impact is severe. When people hit bottom, they have lost so much of what stabilizes and defines them that they find it extremely difficult to rebuild their lives. In this state of asset depletion they live in the moment, vulnerable to all sorts of crises, and struggling daily to survive. Some may choose to access services such as shelters, food banks, drop-ins, and street health clinics, which are all focused on supporting people to cope, and meet the most basic needs. Other people choose to opt out because they want freedom and independence in decision-making; and also because they find the shelter system dangerous and unhealthy.

“People are too severely damaged to hold a job – after doing drugs/selling themselves – you lose your sense of self and self-discipline. I believe that housing is the cornerstone. You need time to heal. Everyone needs a bit of a foundation. It all comes down to priorities – what’s more important, work or a house? If you have no money to have a place, transportation and clothes, it’s hard to keep a job.” (participant)

## Social purpose enterprise interventions at this stage

The participants who were interviewed noted that pro-active poverty reduction work cannot begin without first having provided for people’s security, shelter and other basic necessities. Many of the parent organizations of funded enterprises work to serve homeless populations, offering emergency services and supports that ensure basic physical survival and make coping with poverty more manageable. These poverty alleviation programs, however, are not necessarily mandated to build long-term security and stability.

The few funded enterprises that worked with participants at this stage ultimately concluded that it is impractical, and expensive to work with participants/employees who are at the destabilized stage. While it appears that all people can benefit from involvement in social purpose enterprise, a more substantial, sustainable impact can only be made once participants/employees have built a foundation of basic assets and stability. After the first year of implementation, these programs decided

# Stages of Livelihood Development Through Social Purpose Enterprise

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to re-target their programs towards people who are more stabilized and able to participate more fully in, and maintain a commitment to, employment.

## Stabilizing and Foundation Building

The research has clarified that access to some form of stable housing marks the first step in the transition towards building a sustainable livelihood, and is a prerequisite for asset gain. At the beginning of their involvement in social purpose enterprises, many participants were already in longer-term shelters and supportive housing. Still others had found shared accommodation or private (if low quality) housing units. In general, most were beginning to stabilize their housing but still experienced housing insecurity.

Once a person has a roof over her or his head, a level of privacy, personal care and routine can be established. Food and other basic necessities can be secured, and it is possible to deal with long-term health issues. Gaining access to social assistance income is often the key to finding housing, although it is insufficient to provide for adequate food and other supplies.

Income is obviously important; yet employment income is not often a part of the stabilization equation. Many programs focused on the homeless have discovered that it is one thing to support someone to find a job, but quite another to support her or him to hold onto that job. The women and men that were interviewed indicated that a job can only come after they have been able to settle, feel secure and begin to heal the psychological wounds and insecurities created by extreme deprivation.

Through accessing housing, and basic food and supplies, people have begun to rebuild assets. Nevertheless, they remain extremely vulnerable. Access to additional income, however small, is very advantageous, making it possible for people to take better care of themselves by improving their nutrition, personal hygiene, and increasing their leisure time. This, in turn, builds hope: people begin to realize that both personal change and a better quality of life are possible. They begin to see beyond the daily coping routine, into the future. Once their basic needs are in place, they start to expand their horizons, connecting more with others and thinking about their next steps.

“I feel like a baby – growing pains and baby steps.” (participant)

“[The program] helped get me off the ground, to see where I’m going and to believe in myself. Sometimes I fail but I keep going until I succeed. I’m carrying a lot on my plate. Sometimes I get angry, but I say I gotta keep going. I’m the only one who can do it.” (participant)

# Stages of Livelihood Development Through Social Purpose Enterprise

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People are now ready to begin and sustain work routines, although the psychological transformation from the freedom and lack of structure of unemployed existence towards a more structured environment with higher expectations takes time. The longer a person has been unemployed, the longer the process will take. Without the catalyzing role of a social purpose enterprise at this stage, many people get trapped in the structures and institutions that perpetuate dependency and survival-oriented living. If they cannot continue the momentum of asset development, they risk repeating the cycle of asset depletion and destabilization.

## **Social purpose enterprise interventions at this stage**

Parallel enterprises that seek to work with more marginalized populations begin their work at this stage, mobilizing and stabilizing people by involving them in a developmental process of enterprise exploration and group building; and by providing referrals for services and supporting them to access basic needs. Crisis intervention is periodically required. These activities support marginalized people to break out of the 'coping' behaviours, moving them into more positive, long-term asset building strategies grounded in employment and social connections, and providing a foundation for economic and social engagement.

## **Engaging**

It is very difficult to break out of a cycle of crisis and move to a more secure state where it is possible to think about the future and to begin to make connections to society and to the economy. As people reach the stage of engaging, they gradually shift from survival mode to long-term thinking. They begin to re-establish a personal identity and self-confidence, becoming ready for both increased attachment to others and more active, productive use of their time. Housing continues to be important at this stage, as many people move in order to secure improved and increasingly stable residences.

Many participants/employees began engaging by attending community programs, and by starting to volunteer. They rebuild old friendships and find new support networks. Some know that they cannot work full-time because of health and other issues that made them homeless and jobless in the first place, but are still interested in working and making a contribution. Others start to look for work. The search can be long and frustrating. Many of the people interviewed had gone through long cycles of low paying, insecure, temporary employment and then unemployment. For those with low levels of education, finding and keeping quality work that can support a good basic quality of life is very challenging. It is at this point that most participants/employees connect to social purpose enterprises.

By engaging, people are initiating a process of long-term personal change, expressing their willingness to act and take risks in order to improve their quality of life and future. The act of engaging builds a broad array of personal assets including social support, self-esteem, and the re-establishment of family links. We



## Stages of Livelihood Development Through Social Purpose Enterprise

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heard that, at this stage, employees/participants could see “the light at the end of the tunnel”. They expressed gratitude for the support they had received, and wanted to give something back to the community – especially to those who are still struggling with poverty. The challenge here, however, is that if people’s newly revived hopes and goals are not realized, they are in danger of losing momentum and sliding backwards again.

“Everything feels better because I live in a house. We moved to a nice area and because of that my self-esteem went up. It’s integration into a community. It’s important and makes a difference.” (participant)

“[Work] gives me experiences that I could think about later on in the week – at times it’s hard to distinguish reality from madness. You know that your work is real – keeps you focused and grounded. It diverts you from paranoid things.” (participant)

“Right now my life is awesome. It’s really taking off. Maybe I shouldn’t be so optimistic.” (participant)

“Training – office work, writing skills, report writing and there are other things I’ve got to learn – I’m kind of nervous – I’ve never done this before – I’ve never stood up and marked flip chart and white board. I’m usually sitting around taking orders.” (participant)

Social purpose enterprise interventions at this stage:

The majority of social purpose enterprises work with people who have achieved a basic degree of stability in their lives. Interventions at this stage cultivate the ability of participants/employees to develop the connections, knowledge, skills and abilities in order to participate in the economy and the community. Programs support participants/employees to grow assets and maintain them, building realistic livelihood strategies that will break them out of the cycle of poverty.

It is at this stage that social purpose enterprises can make the most significant contribution. By offering legitimate work, by organizing people to build community and peer support networks, social purpose enterprises support participants/employees to make positive and important social and economic contributions on their own terms. Participants/employees are encouraged to set goals for asset development and to increase their self-directedness. Practitioners know that it is the individual who will direct and create her or his own process of transformation.

# Stages of Livelihood Development Through Social Purpose Enterprise

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Social purpose enterprises' contribution to livelihood development is strengthened by the fact that business development provides an excellent environment for asset development. This research has shown the power of work and income as levers for personal change and employability. Access to work, however part-time or basic, improves employability and can facilitate a connection to a livelihood.

Aware that the context within which marginalized people must seek work can represent a major barrier to employment, social purpose enterprise practitioners have designed strategies of "accommodation" to bring workplace and participants/employees together in a mutually productive relationship. Through this dual approach, both the work environment and the participant/employee are shaped simultaneously to create a new employment culture. Through accommodation, participants/employees gain access to a range of assets while greatly increasing their employability.

Parallel enterprises promote empowerment-based strategies to achieve change. They use employment in the enterprise as an entry point to facilitate and promote new, more assertive, self-confident behaviour. They build on their already established support networks to ensure that participants/employees learn about leadership and decision making. They work to build citizenship skills.

Enterprises that seek to link participants/employees to the mainstream economy begin their interventions at this stage, either by supporting people who are coming out of a state of homelessness to find work and re-engage in the economy, or by assisting people whose assets are depleting to reverse the slide and find better paid, more skilled work. Linking programs target people with fewer barriers to employment who are able to work and adapt to traditional workplace hours and environments. Through skills training and job placements, these social purpose enterprises focus on facilitating a transition to mainstream employment by offering carefully targeted asset development strategies (such as technical and employability skills, strengthened language skills, and practical work experience). These asset development strategies are calculated to remove the specific barriers to employment that each target group faces.

## Livelihood Development and Sustainability

A later, less explored stage identified in the Toronto Enterprise Fund is the work to ensure that people not only attain asset development and progress towards livelihoods, but that they also retain those asset gains and sustain them over time.

A livelihood is about more than getting a job. It is created when people have achieved stable access to a holistic range of basic assets:

- Long-term, secure, quality housing
- A healthy diet, household supplies and a basic level of leisure

## Stages of Livelihood Development Through Social Purpose Enterprise

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- Social services and entitlements
- A supportive network of family and friends
- Privacy, safety, independence, dignity
- Good health; regular, quality healthcare
- The skills, knowledge and ability to support ongoing productive involvement in work
- A steady, reliable stream of income that can adequately provide them and their household with a basic quality of life

A livelihood is sustainable when all of those components are strong enough to stabilize people through shocks and crises, reducing vulnerability. The assets outlined above are interdependent: no one area can advance without having been supported by gains in other areas. Housing, personal identity, social connections, skills/education and health are all like the legs of a stool: remove one and it collapses. Asset development needs to be undertaken systematically, building up all assets simultaneously and then moving on to another level. While income is a major leverage point for change, it is, ironically, one of the last asset areas to advance and consolidate.

“I’m more involved and more interested than ever before. I want to go on and on without holding back. I can’t quit now. I’ll go on until I can’t do any more. I’m more understanding, more mature and more responsible.”  
(participant)

### Social purpose enterprise interventions at this stage

It is during the transition from “engaging” to “developing a livelihood” that practitioners still have much to learn. While it is clear from the research that most people are making substantial progress towards livelihoods, in a number of cases people interviewed reported setbacks and reversals after they had left their social purpose enterprise program. More time and resources must be invested to support the transition towards a livelihood; yet more must also be learned about the process of asset building, in order to be able to ensure the long-term sustainability of those assets.

The notion of a sustainable livelihood becomes difficult to define when low-income people can access a social safety net: the question is whether social assistance income can support a sustainable livelihood, or whether an independent source of income is a prerequisite. It seems evident that people on Ontario Works (OW) receive insufficient income to establish a sustainable livelihood. On the other hand, people on the Ontario Disability Support Program (ODSP) indicated that while they would like to see benefit levels raised, they can have a reasonable, sustainable livelihood on ODSP when they supplement their benefits with earned income. It is thus possible to build a sustainable, yet humble, livelihood while remaining on some forms of social assistance.

## **Stages of Livelihood Development Through Social Purpose Enterprise**

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Given that many of the people who participate in the Toronto Enterprise Fund are not able to work in traditional, full-time jobs, it is important to respect their choices in piecing together a livelihood. In developing realistic expectations of the program, funders had to acknowledge that not all participants were going to be interested in, or able to get off, social assistance benefits through their involvement in the program.

### **Conclusion**

By supporting participants to cultivate a holistic range of assets, social purpose enterprise programs work incrementally to build livelihoods. Livelihood sustainability is about developing long-term assets to achieve quality of life and security. This process takes time, and practitioners are still learning about the most effective approaches, but it is clear that social purpose enterprises play a dual role, developing enterprises and at the same time ensuring that participants/employees build livelihoods. Agencies have found that a partnership approach works well, specializing in supporting people to engage in the economy and society while meeting other individual needs through referral and cooperation.

The report on “Effective Practice in Building Livelihoods” further explores social purpose enterprises’ approaches to asset development, highlighting a range of strategies and effective practices that promote sustainable livelihoods.

## **REPORT 8**

# **Effective Practice in Building Livelihoods**

March 2004

A Report by The Toronto Enterprise Fund

# Effective Practice in Building Livelihoods

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## Introduction

Social purpose enterprises seek to promote holistic, asset-building strategies to support participants/employees to develop livelihoods as they move through the stages of livelihood development.<sup>1</sup> This report explores effective interventions and practices, used by social purpose enterprises to influence the five asset areas of the sustainable livelihood framework.

Assets are the building blocks of a sustainable livelihood. Individuals and households pursue various asset-building strategies that support them both in surviving, and in coping with the context that makes them vulnerable to poverty, so that they can move towards stability and sustainability.

This research has conceptualized five asset areas which offer a holistic picture of all of the capabilities, resources and entitlements that individuals have invested in and developed over time. It also serves to help participants and practitioners develop strategies and supports to achieve sustainable livelihoods. The five asset categories are as follows:

### **Social assets**

Social assets refer to the supports and connections that people can draw upon to achieve their goals.

- Relationship building
- Organizing people and promoting participation

### **Human assets**

Human assets enable people to engage productively in the economy and in society.

- Facilitating access to work
- Promoting employability
- Supporting the retention of work

### **Financial assets**

Financial assets include economic literacy, earnings, money and financial security.

- Providing access to income
- Augmenting economic literacy
- Building financial assets by reducing debt and promoting savings

### **Personal assets**

Personal assets encompass an individual's spirit and identity, and are characterized by self-direction, planning and self-advocacy.

- Building identity
- Developing independence

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<sup>1</sup> See "Stages of Livelihood Development Through Social Purpose Enterprise" report in this section.

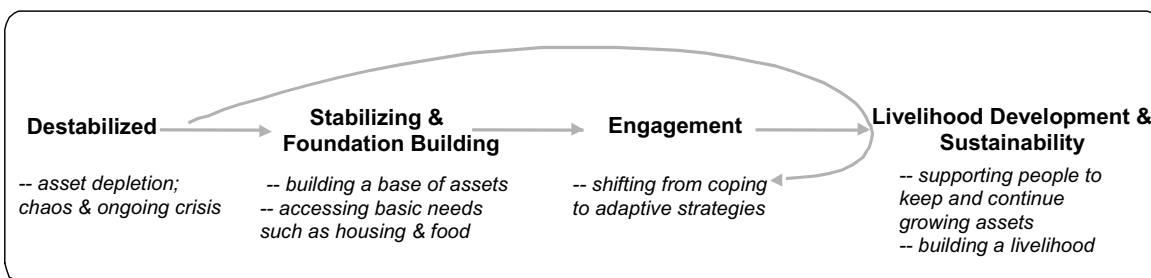
# Effective Practice in Building Livelihoods

## Physical assets

Physical assets include the basics of survival, such as housing, food, and the information and services required to build a livelihood.

- Accessing food and shelter
- Promoting access to information, supports and services

## Stages of Livelihood Development



## Social Assets – Promoting Social Connections

### Social Asset Development Interventions

Stage of Intervention	Destabilized	Stabilizing & Engaging	Livelihood Development & Sustainability
Type of Asset:	Type of Intervention:		
<b>Social</b>	<b>Building Relationships</b> Connecting to organizations Resolving Conflicts, promoting Team Work Organizing for Social Inclusion Through Social Activities Raising Political Consciousness Developing Peer Networks Promoting Representation in Community Organizations Promoting Leadership		

## Relationship building

One-on-one relationships between staff and participants are very important to participants throughout the transition towards a livelihood, providing counselling, problem solving and support for crisis management. Social purpose enterprises provide a connection to someone who cares and offers unconditional support. These “anchor” relationships are often among the few personal contacts that people have, building trust and offering non-judgmental acceptance – assets that greatly support the development of personal identity. While “anchor” relationships become less crucial as people build independence and progress in developing their livelihoods, an “open door” policy offers participants the opportunity to maintain these supportive connections, reducing the potential for a backslide of other asset gains.

## Effective Practice in Building Livelihoods

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Developing peer networks further facilitates and sustains change. Many programs bring homeless and “at risk” participants together to form groups for learning and/or business development purposes. In addition to offering an efficient way of working and accomplishing tasks, peer groups are a source of affirmation and support for individual participants, allowing them to see that many other people are struggling with poverty, and providing role models for a range of livelihood strategies and choices. Peer groups are particularly important during the foundation building stage. Many participants indicated that their peer group had become, in many respects, like family to them, creating a safe space where they could be themselves and be accepted. As a result, a peer group becomes a forum for modeling and trying out new behaviours.

“I felt I was not educated enough to succeed, and felt – “what can I do?” Then I saw others change and succeed. I could see my own strengths – “If I try, I can do what they did.” (participant)

Parallel programs often use peer-based groups as a foundation for their businesses. They invest a great deal of time building teams and facilitating conflict resolution processes to ensure that a functional, self-directed group emerges. Linking programs often use peer groups to ground a more effective training program. While personal friendships and connections do develop amongst participants, these peer groups tend to end once the participants have completed their training, and the benefits of peer support are lost.

The Ontario Council of Alternative Business, which operates two enterprises supported by the Toronto Enterprise Fund, facilitates leisure activities such as bowling nights and dinners out to further build the peer group connections outside the workplace.

Links to other supports and services are also crucial to stabilization. Many social purpose enterprises are situated within multi-service agencies and make conscious efforts to link participants to the services provided. Others systematically use agency referrals to ensure that participants are accessing the supports and service that they require. Through this referral-based approach, participants can meet a holistic range of human needs while allowing the enterprise to focus on the asset-building strategies directly related to employability.

Many programs identify friendly contacts and mentors within a specific industry or sector in order to aid learning and increase potential for employment or sales (in the case of self-employment). Most linking programs provide participants with links to employers that facilitate the participants’ ability to find work. Some arrange short-



# Effective Practice in Building Livelihoods

term work-placements that offer direct connections to an industry and references to help the job search.

## Organizing people and promoting participation

The more activist social purpose enterprises place social participation at the core of personal and social change. Through peer support groups, those who have had a similar experience of marginalization can consolidate a shared identity and culture from which they can organize for social change.

To this aim, many parallel social purpose enterprise programs work to build broader networks and communities of people committed to that vision of change. Such consciousness-raising is powerful, directly engaging people in a world much larger than the isolated one they had previously occupied. The enterprise is thus designed to create a culture or a forum within which people can make productive economic contributions – building a business, working in a real job, earning a decent wage, participating in a community – and become formal “members” of an organization, contributing to decision-making, volunteering for related organizations, and making presentations to the community.

Many parallel social purpose enterprises systematically raise political awareness of the context and structures that keep people marginalized, consciously building leadership from within the group of participants. Some involve participants in their advocacy efforts to support policy change.

## Human Assets - Supporting Productive Engagement in the Economy

### Human Asset Interventions

Stage of Intervention	Destabilized	Stabilizing & Engaging	Livelihood Development & Sustainability
Type of Asset:			
<b>Human</b>		<i>Improving access to consistent, quality health care</i>	
		<i>Improving self-care</i>	
		<i>Promoting involvement in quality work (paid &amp; volunteer)</i>	
		<i>Promoting involvement in quality work (paid &amp; volunteer)</i>	
		<i>Aiding access to skills/knowledge</i>	
		<i>Increasing Employability</i>	
		<i>Access to paid work</i>	
		<i>Providing opportunities to contribute to society/economy</i>	
		<i>On the job experience</i>	
		<i>Organizing mainstream work placements</i>	
		<i>Access to preferred work</i>	
		<i>Supporting retention of work</i>	

# Effective Practice in Building Livelihoods

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## **Facilitating access to work**

As we have already noted, finding real work with decent wages is a major challenge for all of the participants in the Toronto Enterprise Fund portfolio. All of the social purpose enterprises place primary emphasis on providing opportunities for participants to work.

Parallel enterprises move quickly to engage their participants in economic activities, viewing work – however part-time or irregular – as a critical leverage point for both the credibility of the program and personal change for participants. The ability to make an economic contribution and to have that contribution recognized through the payment of a wage immediately generates feelings of pride and self-worth in participants, increasing their stability and facilitating the process of engagement. Ultimately they can move on to more substantial work that builds the sustainability of their livelihood.

Involvement in researching, planning and implementing a business venture also offers participants the opportunity for exciting, interesting and meaningful employment, resulting in a quality of work that most people have never before experienced.

Linking programs are geared to develop the skills and experience that will promote access to full-time, mainstream employment. By working within the enterprise, participants gain invaluable, current, hands-on job experience. In addition, external job placements build experience and contacts to support a connection to long-term employment.

## **Promoting employability**

Social purpose enterprises offer features similar to many mainstream employability programs, such as skill assessment and skill building programs, employment counselling, life skills training programs and job search skills workshops. They also tap into the advantages of their status as a business and employer to catalyze the development of employability behaviours. Enterprises use practical, on-the-job experience to build sectoral skills and knowledge, and to change ingrained behaviour established by long years of un/under-employment. Through real work experience, participants begin to acquire a range of other skills that allow them to adapt to employment. They learn how to organize their lives so that they can meet the daily requirements of work, and they gain skills in managing relationships with supervisors and co-workers.

## **Supporting the retention of work**

Parallel programs design enterprises to offer work cultures and work schedules that are friendly to the target population and make it easier for them to stay employed. These accommodation practices are presented in detail in “Accommodation: A

# Effective Practice in Building Livelihoods

Strategy to Promote Economic Participation”. In linking programs, staff follow up by calling participants as they progress through their job placement, job search and into long-term employment. This mentorship, in the form of moral support, advice and help with problem solving, keeps participants connected and strengthens their ability to sustain asset gains and retain jobs, so that they can move towards a sustainable livelihood.

## Financial Assets – Building Income Security

### Financial Asset Development Interventions

Stage of Intervention	Destabilized	Stabilizing & Engaging	Livelihood Development & Sustainability
Type of Asset:	Type of Intervention:		
<b>Financial</b>	<i>Access to entitlements</i>		
	<i>Supplementing social benefits</i>		
	<i>Accessing regular income</i>		
	<i>Access to earned income</i>		
	<i>Growing income</i>		
	<i>Reducing debt</i>		
	<i>Promoting savings</i>		

### Providing access to income

As with getting work, there is something fundamental about the act of earning money and controlling one’s own income that enhances self-confidence and alters the way in which one is perceived by society. When enterprises provide a quick entry point to earning income, they leverage a range of changes for participants: building motivation, increasing interest in and commitment to work, improving access to basic needs, increasing leisure activities and promoting strong personal growth.

### Augmenting economic literacy

Homelessness and unemployment disconnect people from money. For example, the cyclical pattern of getting a social assistance cheque, paying bills and expenses and then having no money until the next cheque is not conducive to the personal planning and management of money. Most social purpose enterprise programs use wages as a practical entry point for building people’s understanding of money, and either formally or informally assist them to budget, plan, save and manage their finances. Many programs intentionally pay employees by cheque, ensuring that they open bank accounts, making it possible for them to start to save. Involvement in the planning of the enterprise also trains participants in the basic principles of financial planning.

# Effective Practice in Building Livelihoods

## Building financial assets by reducing debt and promoting savings

The promotion of debt management and savings are longer-term asset building strategies touched on by some enterprises; but they will need more attention if people are to make solid progress towards sustainable livelihoods. Some programs refer participants to voluntary trusteeship programs, so that they can pay down debts and meet their rent commitments. Others are exploring the possibility of connecting participants to programs such as Individual Development Accounts (IDA) that provide financial incentives to promote savings.

## Personal Assets – Enhancing Personal Identity

### Personal Asset Development Interventions

Stage of Intervention	Destabilized	Stabilizing & Engaging	Livelihood Development & Sustainability
Type of Asset:	Type of Intervention:		
<b>Personal</b>	<i>Counselling / Problem Solving</i>		
	<i>Building Identity &amp; Motivation</i>		
	<i>Promoting self-direction &amp; goal setting</i>		
	<i>Increasing assertiveness</i>		
	<i>Building self-esteem, pride</i>		
	<i>Promoting self-advocacy</i>		
	<i>Supporting Independent decisionmaking</i>		
	<i>Peer mentoring</i>		

## Building identity

People who have been homeless and unemployed often lose their sense of self. Many come to social purpose enterprise programs in a state of depression, hostility and low-self-esteem relating to their loss of faith in both the economy and in social development institutions which have been unable to deliver promised income and independence. How does a social purpose enterprise intentionally build the identity of its participants? From the outset, the social purpose enterprise must capture the imagination of the target population, offering some solution to the challenges that they face on a daily basis, and a reason to begin to feel hopeful. Social purpose enterprise practitioners must design their message to potential participants by emphasizing new and/or more credible employment options for people who have been unable to access or have been “burnt” by mainstream employment.

The immediate connection to income and employment in an enterprise directly builds pride in work and achievement, self-esteem and assertiveness, while also ensuring the credibility of the program. Affiliation with a supportive peer group that has had a similar experience of marginalization reaffirms identity, increases political consciousness and creates solidarity and support. All that remains is for

# Effective Practice in Building Livelihoods

practitioners to be consistent, continuing to support and reinforce participant change, while trusting that daily involvement in work and in the development of an enterprise will take care of the rest.

## Developing independence

Acknowledging that participants will ultimately be responsible for building their own livelihoods, programs often take an empowerment approach that models and reinforces more assertive behaviour and encourages people to be better advocates for their rights and entitlements. Early support for crisis management is a part of this: staff can model self-directed behaviour, supporting participants to make longer-term, more stabilizing choices and to take some calculated risks.

Social purpose enterprises promote the development of goal setting and self-directed learning, taking a problem solving approach to assist participants to take more control of their present and begin to plan for the future. Participants either formally or informally go through a process of assessing their assets and developing livelihood-oriented strategies that will allow them to build strength and independence over time. Enterprises provide an opportunity to model entrepreneurial behaviour, particularly where the participants are directly involved in the planning and implementation of the business.

## Physical Assets - Ensuring Access To Supports, Services, and Entitlements

### Physical Asset Development Interventions

Stage of Intervention	Destabilized	Stabilizing & Engaging	Livelihood Development & Sustainability
Type of Asset:	Type of Intervention:		
<b>Physical</b>	<i>Referral to agencies for support/services</i>		
	<i>Accessing housing</i>		
	<i>Augmenting food supplies</i>		
	<i>Improving personal security</i>		
	<i>Ensuring stable, affordable, quality housing</i>		
	<i>Ensuring access to adaptive supports / services</i>		
	<i>Providing access to information</i>		
	<i>Advocacy</i>		
			<i>Promoting access to leisure</i>

## Accessing food and shelter

In the case of social purpose enterprises starting at the earlier livelihood development stages, it is important to support participants to deal with the pressing, survival-oriented issues of access to food and housing. Many social purpose enterprises provide healthy snacks at all meetings and some use food breaks as an

## **Effective Practice in Building Livelihoods**

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opportunity to facilitate connections among participants and between participants and staff. Most social purpose enterprises refer participants to organizations that connect people to affordable housing. One parent organization has added a new dimension of support to a holistic stabilization strategy by locating the enterprise in a transitional shelter for homeless youth, in order to offer access to employment in addition to housing and basic needs.

### **Promoting access to information, supports and services**

Marginalization cuts people off from the broad range of options and choices that most people enjoy. A great deal of this exclusion has to do with a lack of information and a lack of awareness of rights and entitlements. Many social purpose enterprises use a full spectrum of activities to promote access to services and supports, such as raising awareness, making referrals, undertaking advocacy on behalf of participants and building self-advocacy skills.

Once people are better informed and have begun to set their own priorities, many social purpose enterprises encourage them to enter training programs and go back to school to build crucial assets such as literacy, or to gain a high school diploma. Access to computers and computer literacy is also a feature of most enterprises. The idea is to support people initially to cope with poverty and then to move from coping to more asset-building strategies.

## **REPORT 9**

# **Accommodation – A Strategy to Promote Economic Participation**

March 2004

A Report by The Toronto Enterprise Fund

# Accommodation – A Strategy to Promote Economic Participation

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## Introduction

The word “accommodate” means “to adapt or make fit or suitable, adjust, to settle.”<sup>1</sup> Another aspect of the definition is to “harmonize, reconcile, settle difference between”.<sup>2</sup> For the purposes of this program, the term “accommodation” refers to the strategies and practices that social purpose enterprises use to support low-income and homeless populations to participate in the business, and engage in the broader economy and community.

Homeless and ‘at risk’ populations face numerous personal challenges to participation in the economy, such as erratic work histories; difficulties functioning in a traditional work culture; and the need for enhanced technical and employability skills. Long-term poverty and homelessness also create social barriers to participation. As one social purpose enterprise practitioner put it, “The ongoing frustrations of poverty, discrimination and isolation experienced by those on the [psychiatric] system often lead to interpersonal conflict, which makes working problematic for even the most capable Survivors.”<sup>3</sup> Meanwhile, the workplace also presents innate systemic barriers to sustained employment by marginalized populations: inflexible work arrangements, low wages and rigid expectations of “professional” behaviour.

Social purpose enterprises have devised and refined an approach called “accommodation” that works to remove both the personal and systemic barriers to work. To create job options for marginalized people and support them to engage in the economy, enterprises work intentionally to increase participants’ employability, and establish a flexible, accommodating environment that makes it possible for people who have been unsuccessful in the mainstream job market to access and maintain regular work.

Organizations like the Ontario Council for Alternative Businesses (OCAB) have created the notion of “alternative business”. “Alternative business initiatives offer individuals a chance to work in an environment, which contains high expectations of performance. At the same time they are accommodated when necessary – unlike a regular workplace. In other words, they offer ‘real work’ but with encouragement, understanding and support. ‘We make the job fit the person.’<sup>4</sup>

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<sup>1</sup> Webster’s Dictionary

<sup>2</sup> The Concise Oxford Dictionary of Current English

<sup>3</sup> OCAB semi-annual report.

<sup>4</sup> Ibid.



# Accommodation – A Strategy to Promote Economic Participation

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## Accommodation as a Dual Process

“This is an excellent program. I always feel as if this is a real job. The managers are very nice to us. I never felt like I was less than anyone else. They don’t push us around but encourage us to do more. Lots of learning about working.” (participant/employee)

“We work harder now – no excuses – this is strictly business. I like it – I’m learning to be responsible and manage things. They have very high expectations.” (participant/employee)

“The work is going well – low stress, meeting good people. It is financially enhancing my life, not a drain on my time.” (participant/employee)

Inherent in the “accommodation” approach is the notion of a dual process: changing the work environment to remove barriers to participation while simultaneously promoting behaviour change that supports people to be more employable. Social purpose enterprises must adapt these dual strategies to the particular needs of each target group, creating an appropriate balance between the two aspects of accommodation.

“Parallel” program strategies, for example, work with people who have multiple barriers to employment. These enterprises view the configuration of the traditional workplace as the problem, not the employee who has trouble adjusting to that environment. Parallel enterprises seek to create flexible work with expectations – businesses that support active and fulfilling long-term work opportunities for people who are able to work, but require some flexibility and understanding in their work arrangements.

“Linking” program strategies, on the other hand, work with people who face barriers to employment, and can, with connections and training, fit into mainstream work environments. The employability component thus carries more emphasis in linking programs.

Yet accommodation should not be understood so much as a series of practices as a sensitivity to the vulnerabilities and barriers that participants face, and to the conditions that make it possible for people to work. Accommodations must be designed for particular target populations, facilitating engagement into the workplace and the community; and they must adapt to new conditions and challenges as people progress. Accommodation is about fine-tuning the enterprise to support people’s transition into increased independence and livelihood-oriented thinking.

# Accommodation – A Strategy to Promote Economic Participation

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Most practitioners continually struggle with how far to take accommodation. It is one thing to be an enlightened employer – indeed many mainstream employers could learn a great deal from the flexibility and humanistic approach of social purpose enterprises – but it is quite another to become overly protective and coddling. Enterprises working with ex-psychiatric patients are particularly sensitive to associations with ‘sheltered workshops’: they put a great deal of energy into creating bona fide workplaces and use real work as a leverage point for change.

The overall aim of social purpose enterprises is to provide people with the opportunity to work and to keep on working either through linking or parallel strategies. While some accommodations will always be required, most enterprises “raise the bar” over time, increasing expectations of professional behaviour and quality of work as people learn more and acclimatize to their jobs. Celebrating successes is also a big part of accommodation: people need to have their accomplishments recognized and valued; and as they progress, they in turn can be role models for other participants who are new to the business.

## Accommodation In Practice

Below, we explore the two accommodation strategies and present some specific workplace practices that have been developed by Toronto Enterprise Fund practitioners. These strategies and practices focus on participation and engagement, and complement the Effective Practice in Building Livelihoods outlined in Section 2.

### Designing the work environment for employees’ needs

“Full-time work would be taxing. I went from 8 hours to 20 hours per week and it’s been nice to get extra income. It would be nice to build up a tolerance to be able to work full-time.” (participant)

### Clarity about the rules and expectations of the workplace

It is important for social purpose enterprise staff to work with employees and participants to create clear expectations and rules about workplace behaviours. In parallel businesses, participants are frequently involved at the beginning of the business in collectively establishing and enforcing the rules and expectations of the workplace. Linking enterprises work to model mainstream employment practices to the greatest extent possible, in order to support participants’ acclimatization to the working world and its culture.

# **Accommodation – A Strategy to Promote Economic Participation**

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## **Supportive culture**

Social purpose enterprises tend to build friendly, accepting and supportive workplaces that are grounded in strong relationship building, trust and respect. In such a culture, participants noted that for the first time they felt understood and comfortable being themselves in the workplace. This level of comfort results in improved performance.

## **Timing of work**

Flexibility of scheduling is a prime feature of an accommodating business. Many people only want to work part-time, since they need to continue on social assistance benefits; some involved in social purpose enterprises are only able to work during the afternoons because of the effects of medication; some need to be home when their children get out of school; and others require time off for medical appointments. By accommodating these needs, enterprises make it possible for people to participate in the business and earn income. Many parallel enterprises routinely allow people to take leaves of absence from work, making it possible for people who cycle in and out of health problems to retain their jobs.

## **Supporting the personal conditions that make it possible to work**

Social purpose enterprises go to great efforts to remove individual barriers to participation while still focussing on developing a business that can function smoothly. For example, they provide women with young children safe and affordable childcare so that they can work, or offer transportation allowances, or translation services and ESL training to people with weak English in the early stages of programs.

## **Organization of tasks**

At one enterprise in the Toronto Enterprise Fund portfolio, the supervisor realized that it was difficult for people on strong prescription medication to concentrate and complete tasks because everyone in the team of 12 people was using different tools and doing different work. As an accommodation strategy, the supervisor bought sets of 12 identical tools so that people began to work together and in unison. People found it much easier to concentrate, since they could look at someone else working and figure out what they needed to do.

Other enterprises have organized daily and/or weekly work schedules that make the work routine and predictable. Informal, friendly supervision is organized to provide people with advice and support should they require it.

# Accommodation – A Strategy to Promote Economic Participation

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## Tool design and ergonomics

At another enterprise, one of the tasks required consistent accurate cutting. An employee designed a simple tool that made it possible for people with compromised fine motor skills to complete the task accurately and quickly.

## Strategies to support people to adapt to the work environments

“It’s like a feather in your hat to be able to do this work. It is good therapy and recreation. It’s to my credit that I’m able to work here and do a good job. I can rely on the hours, rely on the job and rely on the money. I take pride in my work and I enjoy it – I’m nice to people. It’s like personality calisthenics – there are running jokes – we have fun.” (participant).

## Working builds positive new routines and behaviours

By going to work regularly, participants/employees are exposed to and learn behaviours that support them to function and succeed in the workplace. Employability behaviours – such as effective time management, improved personal grooming, and dressing appropriately – seem less important and are often neglected when one is unemployed. Incorporating these behaviours into daily routines represents a major shift for most people, and many noted with pride that they are mastering these new or forgotten behaviours.

Time management is a central skill for employment: getting up and to work on time, and calling in if absent or late. Social purpose enterprises all work to build time management skills by modelling behaviour, teaching time management skills and clearly stating expectations and consequences related to lateness. Many social purpose enterprise employers work to accommodate the legitimate scheduling requirements of participants but also expect them to take responsibility for their own personal schedule, all of which prevents last minute cancellations due to scheduling conflicts such as medical appointments.

A structured work environment builds an understanding of expected workplace behaviour.

Many enterprises have built in policies that reinforce changes in behaviour. A “3 strikes and you’re out” policy at one linking organization models the expectations of the sector in which participants will be seeking work: people are asked to learn and follow the expected routines and practices of the workplace and know that if they fail, they will be given more chances to get it right before they are asked to leave.

## **Accommodation – A Strategy to Promote Economic Participation**

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Formal training can assist people to understand and adapt to the mainstream workplace.

Linking programs also offer workshops on how to manage relationships in a hierarchical work situation. Participants are supported to analyse and interpret the culture of the workplace in order to make it possible to fit in, as well as to advance to more responsible, better paid work.

Ongoing assessment and counselling support people to adapt to and retain employment.

Constructive criticism is essential in supporting employees to learn and acclimatize to the workplace. Most enterprises offer informal, ongoing feedback on quality of work. Certain participants will have experienced failure at home, school, work or in broader society, and may require more sensitive, carefully paced assessment by highly skilled trainers.

Other components include problem solving and communication skills so that employees can relate to each other in a way that is conducive to a positive and productive working environment.



# **REPORT 10**

## **Participant Outcomes**

March 2004

A Report by The Toronto Enterprise Fund

# Participant Outcomes

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## Putting Participant Outcomes into Context

In the Toronto Enterprise Fund, the target group of homeless and at-risk-of-homelessness populations was broadly defined to include a range of people whose housing is unstable. Four general sub-groups emerged: youth; immigrant and refugee women; long-term homeless; and people who have been engaged in the psychiatric system.

The Toronto Enterprise Fund understands that those who are homeless or at-risk-of-homelessness often face barriers to their economic and social connections to the community. As a result, the fund emphasizes economic and community supports. This has taken different forms in each social purpose enterprise, but in general has included development, leadership development and connections to support services.

## Goal and Objectives of the Fund

The Toronto Enterprise Fund developed a goal and objectives that are realistic and achievable in light of the poverty and barriers faced by all Fund participants.

### Goal:

To use Community Economic Development (CED) to improve the quality of life of people in Toronto who are homeless or at risk of homelessness.<sup>1</sup>

### Objectives:

1. To provide economic opportunity and community connections to people who are homeless or at risk of becoming homeless
2. To enhance the capacity of grantee organizations to do CED
3. To enhance the collaborative mechanism for funders to coordinate their resources to support CED for the homeless

### Statement of Expected Outcomes:

The program strives to achieve the following outcomes for participants:

- Reduced poverty and homelessness through generation of additional sources of income;
- Increase in periods of earning, employment and work experience, either in the form of community business ownership, part-time employment, self-employment, full-time employment or further training or education leading to employment;
- Active participation in developing and directing the activities of the enterprise

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<sup>1</sup> In 2003, the Toronto Enterprise Fund adopted a new goal statement: To support the implementation of viable social purpose enterprises resulting in improved community involvement, economic participation and quality of life of the homeless and those at risk of homelessness in Toronto.



## Participant Outcomes

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- Increased self-sufficiency, heightened self-esteem and improved quality of life;
- Integration into the community through enterprises and through interaction with peers and business mentors;
- Acquisition of life skills and work skills, which increase prospects for employment.

### Understanding Outcomes through Asset Gains

The Toronto Enterprise Fund undertook a comprehensive evaluation strategy to document and understand the impact of social purpose enterprise on participants. This evaluation adopted sustainable livelihoods and asset frameworks to assess the impact on participants' lives. This asset framework is outlined below.

**Physical Assets: Access to basic needs, services and entitlements** including food security; stable, affordable housing; personal security; and access to social services and information.

Participants experienced significant improvements in their quality of life: they stabilized their housing, improved their food security, and gained increased access to recreation and other basic needs. Yet substantial improvements in personal income will be required if people are to move beyond these basic, though important, gains.

**Social Assets: The ability to engage in the community and broader society** including social connections; peer support; participation in decision-making; and political literacy.

Involvement in social purpose enterprise has had a noticeable impact on participants' ability to develop social capital, which plays a vital role in the transition to increased economic engagement. Participants improved their social supports and networks, and connected to social services offering still more asset-building services. Those people involved in "parallel"<sup>2</sup> programs increased their involvement in community decision-making. Participants frequently spoke about their pride in becoming less dependent on society through contributing productively to their community.

**Personal Assets: Personal identity** including self-esteem; self-confidence; motivation; and other emotional resources.

Participants talked of feeling that they had regained their identity and self-worth as a result of earning income through, and participating in, the broader activities of a social purpose enterprise. Enterprise accommodations and programming allowed them to direct their own progress, laying a critical foundation for their ability to build livelihoods.

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<sup>2</sup> "Paralell" programs develop a business that can accommodate the special requirements of the target population.

## Participant Outcomes

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**Human Assets: The ability to work and to engage in the economy** including employability; leadership; health; skills; and knowledge.

Through hands-on involvement in paid work and business development, participants dramatically increased their employability. For most people, the program provided them with their first real, viable, paid jobs in a long time, and the opportunity thereby to develop transferable skills that increased their ability to work. “Accommodations” designed to support people with multiple barriers to hold down a job – such as offering part-time work and flexible work hours – were extremely helpful in ensuring that participants maintained employment. Part-time work continues to be a prevailing pattern in the current program.

**Financial Assets: Economic security** including: economic literacy; earning power; disposable income; and savings.

Enterprises are chiefly promoting work that supplements, or can be used to “top up”, people’s core income from various forms of social assistance. Although participants did not substantially raise their incomes through working in the enterprises, what financial gains they made have been very important in stabilizing them and ensuring surprising improvements in their quality of life. Participation also greatly increased their economic literacy.

## Implications for Participants’ Progress Towards Livelihoods

Through the participant outcomes research, it was evident that low-income people tend to pass through four general stages as they advance towards independent livelihoods: destabilization; stabilization and foundation building; engagement; and livelihood development/sustainability. This is a slow process, with many setbacks and challenges. It is clear that participants do require basic stability in their lives if they are to benefit from social purpose enterprise interventions: it is very difficult to work with people who are engaged in an immediate struggle to find food and a roof over their heads.

Social purpose enterprise can therefore fit in a complementary way with all of the coping services – such as shelters, food banks and drop-ins – that provide for basic needs; yet probably the ideal moment to involve homeless and at risk populations in an enterprise is at the transition from coping to more long-term asset development. To understand the potential impact of social purpose enterprise, one must take a long-term view as the asset gains made by participants through involvement in the program are assessed, and examine how these gains can support people, over time, to move out of poverty.

The majority of Toronto Enterprise Fund participants (with the exception of psychiatric consumers still engaged with psychiatric institutions, and some youth) had achieved at least a basic degree of stability in terms of shelter, food and other basic needs before they became involved. Most enterprises therefore started their

## **Participant Outcomes**

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work with participants by foundation building: strengthening people's ability to move from survival mode and dependence on coping services towards more long-term asset-development strategies. This transition is extremely hard to make; and in the absence of social purpose enterprise interventions, many living in poverty get stuck at the stabilization stage. Their vulnerability to loss of employment, housing and other essential stabilizing facets of life undermines the development of a stable foundation and the shift towards meaningful economic engagement.

Here lies the value of interventions: they clearly tend to build a more solid foundation for social and economic engagement than most people can achieve independently.

As noted above, the transition towards independence is a long-term process. It also requires ongoing support that must constantly adapt to the needs of each participant. At the end of the research period, it was not yet evident that participants had progressed far enough through the engagement phase to be able to sustain their asset gains. One of the important findings of the research was that asset gains can be difficult to maintain once a participant leaves an enterprise. When participants completed their program, many experienced setbacks, and some reverted back to a situation in which they were struggling to remain stabilized. This finding suggests the importance of transitional supports for participants following their engagement in social purpose enterprise.

Further progress in two main areas is needed to support participants to move towards more independent livelihoods. First, more continuity and long-term asset building is vital to enhance the existing support for livelihoods development. Secondly, people require increased income from employment. As stated above, the research found that, for many participants, employment through social purpose enterprises is supplementing basic income entitlements from social assistance. However, many participants are capable and willing to increase their hours of employment and income. The challenge facing many is fear of losing income and medical benefits associated with social assistance and secondly the existing capacity of the enterprises to sustain longer periods of employment.

The remaining sections of this paper provide a more detailed exploration of the participant-level outcomes and research findings.

### **An Overview of Asset Development by Participants**

Substantial research over three years has helped to develop a picture of the changes that occurred in participants' lives as a result of their involvement in a range of social purpose enterprise activities through the Toronto Enterprise Fund.

A sample of 49 participants was engaged in a research process over two years. This represents about ten percent of the overall program population. The findings of the research have been corroborated through conversations with program staff. We

## Participant Outcomes

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therefore suggest that the outcomes identified here accurately reflect the type and scale of changes in the overall program population.<sup>3</sup>

The quality of information emerging from the periodic interviews was very high. The participants provided candid insights into their lives, the crises they had encountered, about their dreams and goals, and about their strategies for building stable livelihoods. The research provided a moving portrayal of the challenges of living in deep poverty, and revealed the strengths and resilience of people living in poverty.

This research has already identified some general stages that people go through as they move from homelessness to stability and economic engagement. Readers should refer to the report, “Stages of Livelihood Development Through Social Purpose Enterprise” in Section 2, which captures the dynamics of asset gain and livelihood development.

The dynamics of asset development are not always positive and rarely linear. The interviews with participants revealed that people frequently experienced progress followed by setbacks: people experienced a cycle of gaining assets, entering a period of crisis, losing assets, and then rebuilding again. Nevertheless, most participants/employees explained that their involvement in social purpose enterprise has had a significantly positive impact.

The appendix provides a graphic illustration of the asset gains achieved by individuals as a result of their participation in the Toronto Enterprise Fund.

### **Social Assets – *The ability to engage in the community and broader society***

#### **People’s main goals in this asset area:**

Half of the respondents acknowledged building family and social connections as a priority, while 20% talked about building friendship networks. 41% expressed a desire to take more of a leadership role once they became involved in the social purpose enterprise. Participants/employees often spoke about a desire to show appreciation for the support that they have received by wanting to help others: 37% noted a desire to help others in the same homeless or “at risk” predicament that they had experienced.

#### **Social purpose enterprises successfully build support networks and a sense of belonging**

Social connections play an important role in social purpose enterprises, which intentionally cultivate strong working relationships among participants/employees, and with front-line staff. Through peer networks and building relationships with staff, people were able to establish community and, in

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<sup>3</sup> For an overview of the research design and methodologies, please see Section 1

## Participant Outcomes

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many cases, create a surrogate family. Such relationships of trust and support were particularly important for rebuilding their sense of inclusion. A number of participants noted how this had reduced their suicidal and depressive feelings.

“I got into some trouble with the law and people from the program helped me get a lawyer and got me out of jail. They helped me get back to my apartment.” (participant/employee)

“This program makes you be social. I had no friends before – now I meet smart people.” (participant/employee)

“In the workforce and with my family I felt like the freak of the universe. . . here everyone had a common ground and came together . . . Coming here gives me what I need . . . I have a reason for living and getting up in the morning.” (participant/employee)

Some people developed new, positive social networks. 20% noted that they were building new and more positive networks of friends, while 10% said they were reconnecting with and regaining support from old friends.

14% noted that involvement in the enterprise had encouraged them to reconnect with their families. An additional 14% said that they had increased their responsibility to family, contributing more to household expenses, child and eldercare, child support, and providing guidance to other family members.

The role of peer groups and mentors is significant. 35% of those interviewed were part of program-organized peer groups providing mutual support and understanding. Peer group members noted that these groups are particularly effective for building long-term support. 27% see fellow trainees and employees socially. Many participants have used peer connections to build a sense of family, gaining understanding and acceptance.

Caring relationships are instrumental in supporting long-term stability and building a foundation for sustainable asset gain. The research revealed that those participants who had made substantial asset gains had developed an anchor relationship with a person (e.g. a staff person, friend or mentor) who took an active interest in the participant, who was consistently available and followed her or his progress over time, and who provided ongoing individual support for problem solving and planning.

## **Participant Outcomes**

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### **Participants begin to view themselves as more productive contributors to the community and the economy**

Involvement in a social purpose enterprise can begin to reverse the common perception of marginalized people as only “taking” from society. Participants noted that the social purpose enterprises provided them with an opportunity to contribute to their community in a constructive way. Most of the people interviewed expressed pride and satisfaction in the fact that they are now productively engaged in the economy and society.

Strong feelings of solidarity motivate people living in poverty to support each other, even when they have few resources themselves. The experience of working in a social purpose enterprise has motivated many to continue to give back to society by working in social development and supporting other low-income people to cope with poverty.

### **Personal Assets – *Identity, self-perception and other emotional resources***

#### **People’s main goals in this asset area**

At the beginning of the program, most participants were not clear about these goals. As they became more involved, however, and their sense of identity and self-esteem became stronger, they could focus more on personal asset goals. Involvement in the program appears to have stimulated an interest in a broad range of “self-improvement” activities including: building self-esteem (during the course of the interviews, 37% of participants were interested in further increasing their self-esteem) and continuing to learn. 10% of participants expressed a desire for spirituality and/or religion to play a greater role in their daily lives.

#### **Personal identity is enhanced**

Loss of identity and low self-esteem are very common for homeless people, caused by a loss of the grounding routines, privacy, and security that most of us take for granted in our daily lives. In many cases this process has taken years to occur and cannot be reversed quickly. 90% of those interviewed expressed a heightened feeling of self-esteem as a result of their participation in the social purpose enterprise. Almost 80% talked about having a greater sense of control over their lives, while approximately 70% showed improvement in self-care (attention to health, fitness, and personal appearance).

35% of interviewees noted an increase in respect from family and peers, and talked about feeling pride and satisfaction at being involved in the development of a positive and productive enterprise.

## Participant Outcomes

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### Assertiveness and motivation are increased

Involvement in a social purpose enterprise increases the motivation and assertiveness of participants. 80% commented on feelings of greater self-confidence and 67% had the feeling that they can now do things and make things happen.

“I’m actually getting to know myself and feel more confident in the things I know. I’m more determined to get things done.” (participant/employee)

“In a funny way I did learn a lot there and that was how to deal with rude people. That helped me because I can handle myself.” (participant/employee)

“Organizations help out but it doesn’t mean shit – you have to help yourself. They provide great resources, but if you don’t use them, you end up at Queen and Sherbourne.” (participant/employee)

Role modeling and peer support, in addition to direct training, all augment participants’ ability to self-advocate both within the business and externally. As they earn income and gain other benefits, participants become more highly motivated to build on those assets and more systematic about accessing supports to meet their goals. 73% of those interviewed were actively demonstrating self-direction by making constructive choices and deciding to develop assets such as literacy, skills, and education.

### Leadership is strengthened

Parallel social purpose enterprises, in particular, take a community development approach that innately increases the political awareness and leadership capacity of participants. 35% of those interviewed said that they have become involved in leadership activities and 31% said they actively participated in program decision-making. They expressed pride in this heightened role and in the greater respect of their peers that generally went with it. 37% increased their political awareness of the issues related to their poverty, health and housing status.

Participants from those social purpose enterprises that build political literacy demonstrated more engagement in community decision-making. They became involved in presentations to government, public meetings and involved on boards and advisory committees.

## Participant Outcomes

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### **Use of community-based social services is transformed and reduced**

Involvement in social purpose enterprise appears to reduce people's dependence on a broad base of community social services. People told us that they had reduced their reliance on public and non-profit social services and health services.

Some participants/employees made extensive use of multiple services at the time of their first interview. As they became better connected to their new more supportive networks and increased personal income, participants reduced their use of drop-ins, shelters, food banks and other services designed to support people to cope with poverty. There are, however, still periodic crises that have to be dealt with as people build stability in their lives.

There was also a shift in the nature of the programs that participants sought out and used: they began to access programs to develop longer-term productive assets (e.g., through training).

### **Physical Assets – Access to housing, basic needs, services and entitlements**

#### **People's main goals in this asset area**

Participants were clearly shifting from survival mode to more stability over the course of their involvement in the program. At various points during the interview period, over two thirds of the people expressed a desire to improve their housing while one third wanted improvement in access to and quality of food. Yet most participants experienced a change, over time, in the quality of those needs. For example, from working on a daily basis to fulfil their need for secure housing and basic food requirements, most people moved towards fulfilling more sophisticated needs: increased privacy and quality in their housing, improved nutrition, and more access to personal care "luxuries" such as shampoo and deodorant.

#### **Increased access to and stability of housing**

Unstable housing is a major destabilizing factor for homeless and "at-risk" populations. 39% of those interviewed cited the inability to access affordable, safe, quality housing as a major problem. From our understanding of the living situation/conditions of interviewees, we know that 49% were homeless or living in unstable/insecure housing at the beginning of the program (this includes people living in shelters for a limited term). We also know that the quality of housing for people living in "stable" situations is often very poor. All participants are very much excluded from quality housing, and with any crisis could risk losing whatever housing they have.



## Participant Outcomes

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With the support available to them through the Toronto Enterprise Fund, participants got off the street and many found secure housing. For 29% of the sample there has been a shift from less secure housing into longer-term, more stable arrangements. Through connections, some participants managed to access higher quality, subsidized housing.

Shelter use and couch surfing decreased, although it continues to be a transitional strategy, for low-income youth in particular, to make ends meet while searching for affordable housing. There was an increase in the incidence of participants living in shared accommodation – a common strategy for dealing with expensive rents.

A small percentage of people has maintained stability and continuity of housing by continuing to live with family. More people found their own units. While in some cases this related to a substantial rise in income, in others cases people were willing to sacrifice space and quality of housing for privacy.

“This is the first time I’ve ever had an apartment. It gives me more control, I don’t have to take turns for cooking, I don’t have to ask if it’s OK to watch a show. I have privacy.” (Participant/employee)

Yet changes in housing security and quality were limited due to: the unavailability of affordable, quality housing; high rents; low quality of many housing units; long waiting lists for transitional, supportive and rent-geared to income housing; and difficulty in getting access to subsidies. For the majority of participants interviewed, their incomes had not increased sufficiently for them to afford significantly improved housing.

### **Decreased numbers paying high percentage of income in rent**

Although the cost of housing continues to be a major problem for participants, there was a significant drop in the number of respondents paying a very high percentage of their income in rent. At the first interview, 69% of those interviewed were paying 50% or more of their income on rent; by the final interview, this was reduced to 58%. The number paying over 75% decreased even more significantly, from 26.5% to 7.9%. However, those who improved their housing by moving from shelters, where they didn’t pay rent, to rental accommodation, experienced a dramatic increase in the percentage of income paid in rent when they moved. 10% of those interviewed were able to access subsidized housing during the interview period. By the end of the period, 35% were in subsidized housing.

## Participant Outcomes

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### Improved quality of housing

55% reported low quality of housing due to lack of access to proper cooking facilities, poor personal security, unhealthy living conditions, lack of privacy or the lack of space. By the later interviews, 25% reported a low quality of housing; so well over half of the people who were previously dissatisfied had improved their housing circumstances, while others who had previously been satisfied, now wanted to move. It is worth noting that 27% reported an increase in personal security over the interview period as a result of changes in housing or housing conditions.

Participants' satisfaction with the quality of their housing changes constantly, sometimes rapidly, depending on a number of factors. For example, the need for physical repairs to an apartment or the existence of a difficult roommate can continue to worsen someone's situation, or may be quickly resolved. Perceptions of a living space can alter over time: what was once perceived as a comfortable space can begin to seem inadequate as a person earns more money and sorts out more pressing issues.

There was also evidence of self-advocacy: some people successfully lobbied landlords to make repairs. 10% were involved in landlord/tenant conflict and had threats of eviction. These people went to legal aid to assist them in keeping their housing, getting repairs done, and securing fair rents.

### Access to basic needs enhanced

Some people noted a regular and continued reliance on food banks and drop-ins for basic food and supplies. Yet the small additional increments of income earned through work in social purpose enterprises have provided most participants/employees with increased access to basic necessities, and even periodic luxuries (such as eating out and visiting relatives). People generally improved their food security, and have increased their access to basic products for self-care and grooming.

"I've bought a few more clothes in the last little while." (participant /employee)

One fifth of participants noted that improved access to public transit had been a significant asset gain for them. Transit subsidies are vital to participation. People also noted that affording transit is more difficult as they become more active in the community and economy. The cost of transportation was noted as more of a challenge after people had left the program.

## Participant Outcomes

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While only 6% of people owned computers and only one fifth said that they had access, it was evident that those who wanted to have access to computers managed to do so through their programs, and by being linked through their programs to other services in the community. While most people had access to telephones, 14% gained access to a telephone during the program. One fifth of the people we interviewed have a cell phone as their primary number. This is often due to bad telephone debts. Cell phones are a new feature of poverty and most people who own them use a, “pay as you go” service.

“Having a phone makes such a difference! I have more security. I can call a friend or 911 if there’s an emergency.” (participant/employee)

### **Increased access to services and entitlements**

Over a third of the participants/employees interviewed noted their increased awareness of available services as a result of improved access to information and referrals through the enterprise in which they were involved. In addition, a few participants were better able to access income entitlements, such as the Ontario Disability Support Program, with the support of enterprise staff.

### **Human Assets – *The skills, knowledge, health, and abilities required to engage in the economy***

The research has found that accommodating work leverages employability, and initiates economic and social engagement. In social enterprise, real work becomes an entry point for the development of assets and builds the foundation for a livelihood.

### **People’s main goals in this asset area**

The people interviewed have shown that they want to work and can work when their physical and psychological needs are accommodated. 88% identified as one of their main goals getting a full-time or part-time job that would provide them with dignified, quality work. Meanwhile, 27% acknowledged that their personal health had been a barrier to finding and maintaining employment; they wanted to improve their health and increase their ability to participate in the program and in employment.

### **Participation in social purpose enterprises increases employability**

Involvement in social purpose enterprise greatly enhances employability for marginalized people, many of whom have multiple barriers to participation in the economy. The majority of participants significantly increased their employability.

## Participant Outcomes

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The people interviewed told us that, as their participation in the enterprise progressed, they began to establish routines. This allowed them to begin to reverse the patterns that had developed after years of unstructured time when they were unemployed and/or homeless. 65% indicated that they are now able to arrive at work consistently and on time – something they had not done in a long time, if ever. They talked with pride about getting up, cleaned and dressed for work, recognizing the importance of changing ingrained long-term behaviours.

This work is good therapy, recreation – it’s like a feather in your hat to be able to do this. It’s to my credit that I’m able to work here and do a good job. I can rely on the hours, rely on the job and rely on the money. I take pride in my work and I enjoy it – I’m nice to people!” (participant/employee)

It is clear, however, that many homeless and at-risk people have serious and multiple barriers to employment: age, disability, level of education and the length of time out of the workforce greatly decrease employability, and increase the challenges for the programs that are seeking to engage them in the economy.

### **Participants are planning and investing in the future**

Throughout the interviews, people expressed an improved sense of hope, self-directedness and ability to plan into the future. They had moved out of long-term patterns of day-to-day coping, and could identify and work towards longer-term goals.

“I’m improving a lot, I have much more confidence and I know I look different. I know I can do it – I can get better every day.” (participant/ employee)

80% of people interviewed said that they had a more realistic sense of their own abilities and potential, and of the skills they will need to develop, although some staff reported that participants (at least initially) tend to overestimate their abilities and want to progress more quickly than is possible. Participants were keenly aware that employability involves an investment in upgrading existing skills and developing new technical skills. While most enterprises do offer formal training, a great deal of progress is achieved through role modeling and expectations of professional workplace behaviour. Many participants/employees have developed skills that help them contribute to planning and decision-making within the social purpose enterprise.

During the interview period, some people recognized that a chronic, long-term health condition would make it impossible for them to work full-time. These

## Participant Outcomes

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people noted, however, that part-time work had significantly improved their quality of life.

Participants began to think in terms of investing in themselves and their assets. To upgrade their employability skills or educational qualifications, many (59%) have taken additional courses/certifications and 20% have decided to go back to school for further education. A major consideration reducing employability is that 41% of the people interviewed have an incomplete high school education, making it difficult for them to break out of low-skilled/low-income employment patterns. Participants with weak educational backgrounds appear to have benefited greatly from the efforts of the enterprises to accommodate learning styles and to offer more accessible approaches to learning and skills development. Not only has this approach increased participants' skills and confidence, but it has also increased their interest in ongoing training and upgrading.

"In September I will be starting a child and youth program at Centennial College." (participant/employee)

57% are volunteering at other social development agencies to gain experience, contacts and employment skills. Some volunteer to keep busy once they have met their monthly earning cap on social assistance.

One quarter noted that their involvement in the enterprise had directly improved their literacy, and many said that the enterprise had given them the impetus to look for external support to strengthen their ability to read, write and participate in decision making.

### **Health impacts have been positive**

We have seen profound mental and physical health benefits for people participating in social purpose enterprise activities. People are gaining more control over their health and taking more responsibility for self-care.

"The job has improved my health. It gave me something to think about besides paranoid ideas. I found that I was thinking about work a lot. Full-time work would be taxing but I went from 8 to 20 hrs /week. It's nice to get extra income and nice to build up tolerance to be able to work that long."  
(participant/employee)

Many people who had been labelled "unemployable" by the psychiatric system have been able to make a transition to active, productive lives. They have

## Participant Outcomes

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become happier and more vital. 10% of participants noted that, as a result of their new employment activities, they were able to reduce the dosage or number of medications they were taking for mental health conditions.

Many people (especially those more recently off the street and settling after time in a psychiatric institution), talked about taking time to heal from the traumas of their recent experience: 29 people told us that they were focused on personal healing.

“My psychologist helped me a lot with the depression. I’m not seeing her anymore, sometimes I talk to her – we keep in touch . . . I’m happier. I know I can improve.” (participant/employee)

29% noted that they are consciously making an effort to eat better, get more exercise, sleep more and take better care of themselves. Some said that they were drinking less because they were busy, and staying out of trouble.

“I quit everything – I’ve been clean and sober since I came here...I go to the bar but I don’t drink. I don’t have too many friends my age. Most of my friends are dead or they’re still using.” (participant/employee)

People noted that their depression, which was frequently mentioned as an effect of social isolation and poverty, had decreased because of their involvement in a social purpose enterprise and gainful employment. 69% noted lower stress levels, while 18% noted higher stress levels over the interview period. This suggests that the stress related to the daily struggle of making ends meet is reduced, while the stress of coping with the increased demands and costs of participating in work and volunteer activities increases. In general, the majority of people have healthier and more manageable stresses in their lives, but programs should consider how to support participants in adjusting to new life patterns and managing stress as they become more active.

While the majority of participants did have access to family doctors and/or specialists, 4% gained access to a family doctor during the interview period and no longer had to use walk-in clinics or emergency wards. Two people were able to take action to resolve severe dental health problems. Women, in particular, said that access to health and beauty products (such as vitamins and shampoo) increased their happiness and health.

**Most participants have engaged in work for the first time in a long while**

## Participant Outcomes

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67% of the participants were newly involved in paid work as a result of participation in this program. For 38% this is their first work in over 3 years.

“I realized I was working. The whole cheque won’t be a freebee. You feel good because you’re working, not just waiting for the sun to get up and go down . . . I look forward to the days I work . . . Full-time? Maybe some day.” (participant/employee)

### **A pattern of part-time income patching emerges**

#### **Linking Programs<sup>4</sup>**

Over three quarters of the people who participated in linking enterprises were still working or in school at the end of the interview period. 13% had moved from participation in the program to find full-time jobs, and 37% found part-time jobs. 13% went back to school. 47% remained on social assistance at the end of the interview period, and 13% (all youth) were still living in shelters.

#### **Parallel Programs**

89% of participants in parallel programs continued to work part-time in the social purpose enterprise, supplementing ODSP benefits. 44% (with some overlap with the previous group) continued to maintain additional outside part-time employment. Participants/employees in parallel enterprises reported that they rely on income from part-time work in social purpose enterprises to supplement core income from some form of public assistance.

#### **Self-employment**

Self-employment appears similarly to create part-time, income supplementing patterns for people on social assistance benefits. All 6 self-employed interviewees were generating supplemental income. All 5 who had started the program on social assistance continued on benefits. One started in a part-time job not related to self-employment.

People are dependent on public benefits for their basic survival and are using their involvement in social purpose enterprise to make up the shortfall in their public benefits income, thus more effectively meeting their basic needs.

### **Accommodation strategies improve the quality of work**

The people interviewed told us that they wanted to find meaningful, quality work that they would enjoy. Over the course of the interviews, it became clear that job satisfaction had as much to do with workplace culture and expectations as it did with the type of work provided.<sup>1</sup>

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<sup>4</sup> Linking programs provide transitional job experience and programs that build employability and other livelihood assets to link the target population to the mainstream economy.

## Participant Outcomes

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The kind of work created by social purpose enterprises is often basic; but accommodating workplaces and employment policies make it more humane and interesting for participants. In the case of box washing, for example, efforts were made to create a positive, welcoming community for participants/employees, building teamwork, providing food and increasing skills over time. As a result, this menial work has been well received and participating employees have had a positive experience.

It is important to note that underemployed people's employment status is constantly changing as they piece together the income for survival. They may move back and forth from having no visible means of support and living in shelters to finding part-time employment, day jobs, commission, family support or some combination of the above. As a result it has been very difficult to arrive at definitive employment statistics for the sample.

### **Keeping work**

As a consequence of accommodation and job satisfaction, people are increasing their ability to retain employment. 49% reported that they had found work that they enjoy. 35% recognized that the social purpose enterprise had provided specific accommodations to assist them in keeping their jobs. 29% noted that it was the first time in a long while that they had stuck to a task and/or completed a program. 20% increased their supervisory responsibility within the social purpose enterprise over the period of their involvement. In some cases, however, promotions have not worked out, creating setbacks for participants.

### **Sustainable Livelihoods are still a distant prospect**

In linking programs, participants' involvement in the social purpose enterprise, while very beneficial and useful, has not guaranteed mainstream employment. Participants are not always clear about how they will find employment after their involvement in training and/or work placements. People reported that although they had received support to find work during the months immediately after they had left the training program, this job search support or support to help them retain work already found did not continue. Of those people who successfully make the transition to mainstream employment, some are getting trapped in patterns of temporary or part-time work and "survival" jobs.

Many participants in parallel programs do not think part-time employment and the ability to supplement social assistance income are enough to satisfy their needs. As their skills, experience and confidence build, participants reported that they want to move on towards the independence and dignity of full-time employment. They desire stable, secure, long-term work that will allow them to get off social assistance benefits and enjoy an improved quality of life, while maintaining the security of access to drug benefits. Many would be capable of working full-time if their employer could provide an accommodating work



## Participant Outcomes

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environment, and if there was flexibility to allow people to take periodic leaves as health problems arise.

“My psychiatrist never mentioned going back to work – never encouraged me ... They don’t encourage you to work in a full-time job just little jobs ... that’s as far as you’re going. You’re not going to go past that ... half of the people who work or volunteer here are similar and would like full- time jobs.” (participant/employee)

### **Financial Assets – *The economic literacy, earning power, disposable income and savings required for economic security***

#### **People’s main goals in this asset area:**

Again, people’s financial goals became clearer and more sophisticated over time. Early goals in this asset area focused on survival (35% wanted more money to meet basic needs) and/or unrealistic desires for instant security (e.g. winning the lottery). Over time, people became more focussed on income earning as a realistic option. More than half (57%) wanted an increase in earned income, some wanting to go beyond what they were already earning in social purpose enterprise programs. Participants also became more interested in having a little disposable income for recreation and family commitments (10% wanted to increase their disposable income for trips and leisure activities). Some were working to build their long-term financial security: 4% were working to improve their credit rating.

Of the people we interviewed, 10% wanted to get on Ontario Disability Support Program (ODSP) or Ontario Works (OW), while another 10% wanted to work their way off social assistance benefits. During their involvement in the Toronto Enterprise Fund, a greater number of participants/employees were beginning to set this as a goal, although they had trouble seeing how they could navigate the restrictions and claw backs in order to make it happen.

#### **Participants are coping with extreme poverty**

Our interviews with participants/employees of social purpose enterprises funded by the Toronto Enterprise Fund confirm that people are living in extreme poverty. They have very low income with insufficient resources to pay rent and eat.

Their sources of income were generally public benefits and entitlements. More than half of the people participating in this research were on some form of social assistance benefits: 12 (24%) were on Ontario Works and 14 (29%) on ODSP. There was little change in income source over the course of the program. For 11%, a basic needs allowance from a shelter was their primary source of

## Participant Outcomes

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income. This percentage did not change between the first and last interviews, although the individuals reporting were different. Mothers with children reported the Child Tax Benefit as an important secondary source of income, providing money to meet the basic needs of the family.

At the beginning of the interview process it became apparent that the monthly income for the majority of the people was very low: most participants (with the exception of those few people who were living in couples or with dependent children) were living on \$1000 per month or less. People on ODSP are in the best financial situation, with \$932/month for a single person. People on Ontario Works are very marginalized: the single person allotment is \$350/month. Some participants had no visible source of income or were living on shelter allowances.

### **Increased economic literacy**

27% of those interviewed said that involvement in the business increased their awareness and understanding of money and the economy. 14% noted as a direct result of their involvement in the business that they developed financial management skills and are better at managing their personal finances.

Most social purpose enterprises pay employees with cheques that have deductions, while some enterprises make direct deposits to people's bank accounts. 14% opened bank accounts as a result of their involvement in the program.

“My life has improved – they taught me how to manage my income – every penny is valuable. I'm trying to maintain employment, save as much as I can so I never have to resort to homeless supports and that kind of thing again.”  
(participant/employee)

### **Although small, earned income through social purpose enterprise is indispensable**

In the research sample, 84% earned income as a direct result of involvement in the Toronto Enterprise Fund programs and enterprises (including those on honoraria). Approximately 58% were still earning income at the end of the interview period, and over this period, 52.9% of the participants interviewed reported an increase in income. 20% reported a decrease in income. This was a transitional factor: some participants earned money during the program but experienced a decline when their involvement ended. Many people are working for very little additional money because they have to stay on social assistance for health reasons.

## Participant Outcomes

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In most cases, improvements in income were small, amounting to one to two hundred dollars per month. Yet, this additional income acts as a leverage point for significant changes in personal and human assets. People were able to meet more basic needs and thereby improve their basic standard of living.

Almost half (45%) of the participants said that they now have enough money to meet basic needs, and an additional 45% noted that they have improved disposable income. 16% had made loans to friends and associates, although this is more a reflection of the culture of solidarity of people living in poverty than of increased assets.

“I bought my own piece of pie rather than an ODSP piece of pie.”  
(participant/employee)

The income increases made it possible for one interviewee to afford the first family trip home in six years to a city only two hours from Toronto. When another participant was asked what he was going to do with his first paycheque, he said that he was going to buy a new pair of shoes. He had found the only shoes he owned on the street; they were too small and caused him severe discomfort.

People have become dependent on this part-time income to support an improved standard of living within the social assistance system: if the business cannot provide that work consistently, they face hardship. In the case of seasonal businesses, a number of interviewees said that they had become dependent on the supplemental income and that they had suffered during the winter months without it.

### **Earned income is predominantly a secondary source of income**

At this stage of development of the Toronto Enterprise Fund, the parallel social purpose enterprises and self-employment programming have mainly supported income supplementation strategies for participants who are mostly on some form of social assistance. Most participants have been restricted by the terms of social assistance, and many are choosing to work only the allowed number of hours so that their social assistance payments are not clawed back.

Furthermore, a significant number of people from the sample (22%) had not stabilized their income source and were still homeless or seriously at risk. At the end of the interview period they were not on social assistance, still unemployed or underemployed and living in constant upheaval and insecurity (e.g., on shelter allowances, on marginal income from commission work, or surviving on irregular handouts from family). Most of these less stable people were youth.

## Participant Outcomes

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### **Dependence on social assistance as core income has been decreased only slightly**

44% of interviewees have been on benefits for longer than 5 years. People who have been on social assistance for a very long time take far longer to move off it than does a person who has recently started to receive it. This is why longer-term programming is essential to change ingrained patterns of dependence.

Of those on Ontario Works at the beginning of the interview process, 8% have moved off. 4% were temporarily off ODSP as a result of participation in management of a social purpose enterprise. 8% of the overall sample moved from Ontario Works to ODSP. 6% were disqualified from social benefits during the interview period.

Some of those people on Ontario Works who were able to move off benefits as a result of their involvement in income earning activities told us that they had made the move too quickly. They found it difficult to make ends meet, and to cope without health benefits.

2 people got off ODSP while they worked full-time for the social purpose enterprise, but these changes were temporary, lasting only as long as the business was able to pay them. One person was unwillingly taken off ODSP because he did not meet his reporting requirements properly.

### **Savings and debt**

The majority of participants were locked into a monthly cycle revolving around the social assistance cheque, without enough money to make ends meet, and struggling constantly to keep everything together. Most of the earned income goes into consumables to improve their immediate standard of living. They are only beginning to build financial assets.

Nonetheless, 64% had no savings at the beginning of the interview period, as opposed to 46% at the end. The savings are small: only 5 people have over \$2500 saved. 28% reported an increase in savings over the period. 8% reported a decrease, while 65% reported no change.

“I’m contributing toward my burial expenses at \$50/month. In 2003 it will be paid.” (participant/employee)

In terms of personal debt, participants were able to reduce their debts somewhat, although some were increasing their debts as a result of moving to a

## Participant Outcomes

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new stage: 21% reported a decrease in debt over the interview period, while 13% reported an increase and 67% no change.

It is important to note that a substantial portion of the population had no debt to begin with. The percentage reporting no debt in the first interview was 63%. More than half of those interviewed have been on social assistance for more than 5 years and have stabilized or resolved issues of debt.

For the majority of participants in debt, this was a reflection of their history of poverty and crisis. People reported credit card and telephone debt most frequently. One person has a \$3000 Bell bill and assumes he will never be able to have a telephone in his name again. However, progress has its costs and a few participants were financing their futures based on debt. One participant was accumulating substantial OSAP debt as she went through schools and others had accumulated debts in order to finance their self-employed businesses.

## Conclusion

This document represents a summary of the Toronto Enterprise Fund's learning about outcomes using an asset-based model. This model was valuable to deconstruct the different assets that people living in poverty develop as they build livelihoods. As we draw conclusions about the progress that participants have made, it seems fitting to reconstruct the results, pulling all the elements back together in order to assess the value of the social purpose enterprise approach in building livelihoods with homeless and at risk populations.

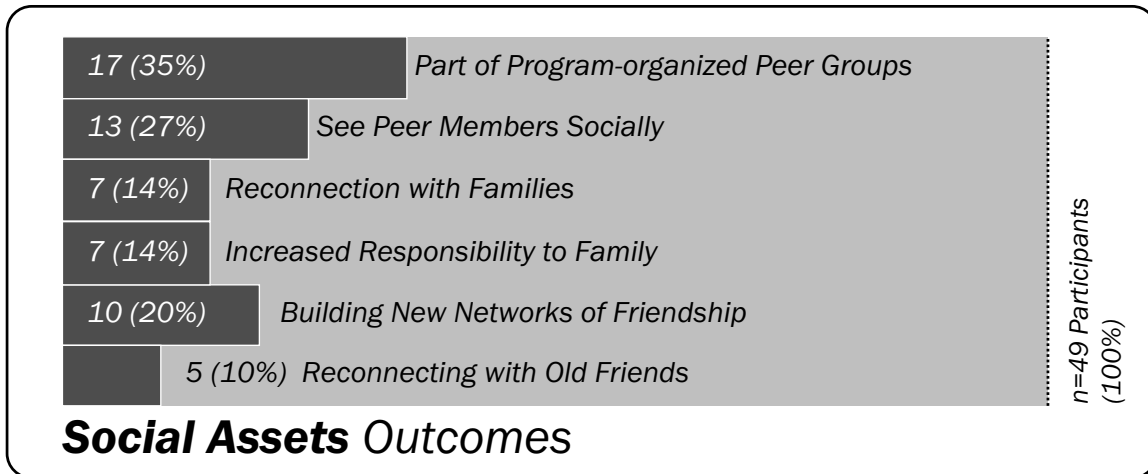
This project has produced dramatic asset gains in less tangible areas such as: social connections, personal identity, political and economic literacy, food security, and stability of housing. Many of the participants/employees have developed a solid foundation of assets and have progressed towards more stable livelihoods. This foundation is still vulnerable and participants' livelihoods are precarious. The very small amounts of money they earned through the project markedly increased their quality of life, but proved insufficient to get them off social assistance, and the work they do is not yet stable and reliable in the long-term.

Yet it is important to keep these results in perspective. Toronto Enterprise Fund programs achieved the overall goal of improving participants' connections to the community and the economy, and also clearly secured an improved quality of life for the vast majority of participants. The social purpose enterprise approach has already proven its great potential for building livelihoods and social inclusion.

In the current context of limited supply of affordable housing and policy constraints limiting the amount of earned income for participants on social assistance, the capacity of social purpose enterprise to help people make sustained improvement in income will be constrained. However, enterprises can improve their capacity to support the transition of participants from their involvement in the enterprise to more mainstream employment.

## Participant Outcomes Appendix: Charts of Asset Gains

**Social Assets:** *The ability to engage in the community and broader society* including social connections; peer support; participation in decision-making; and political literacy.

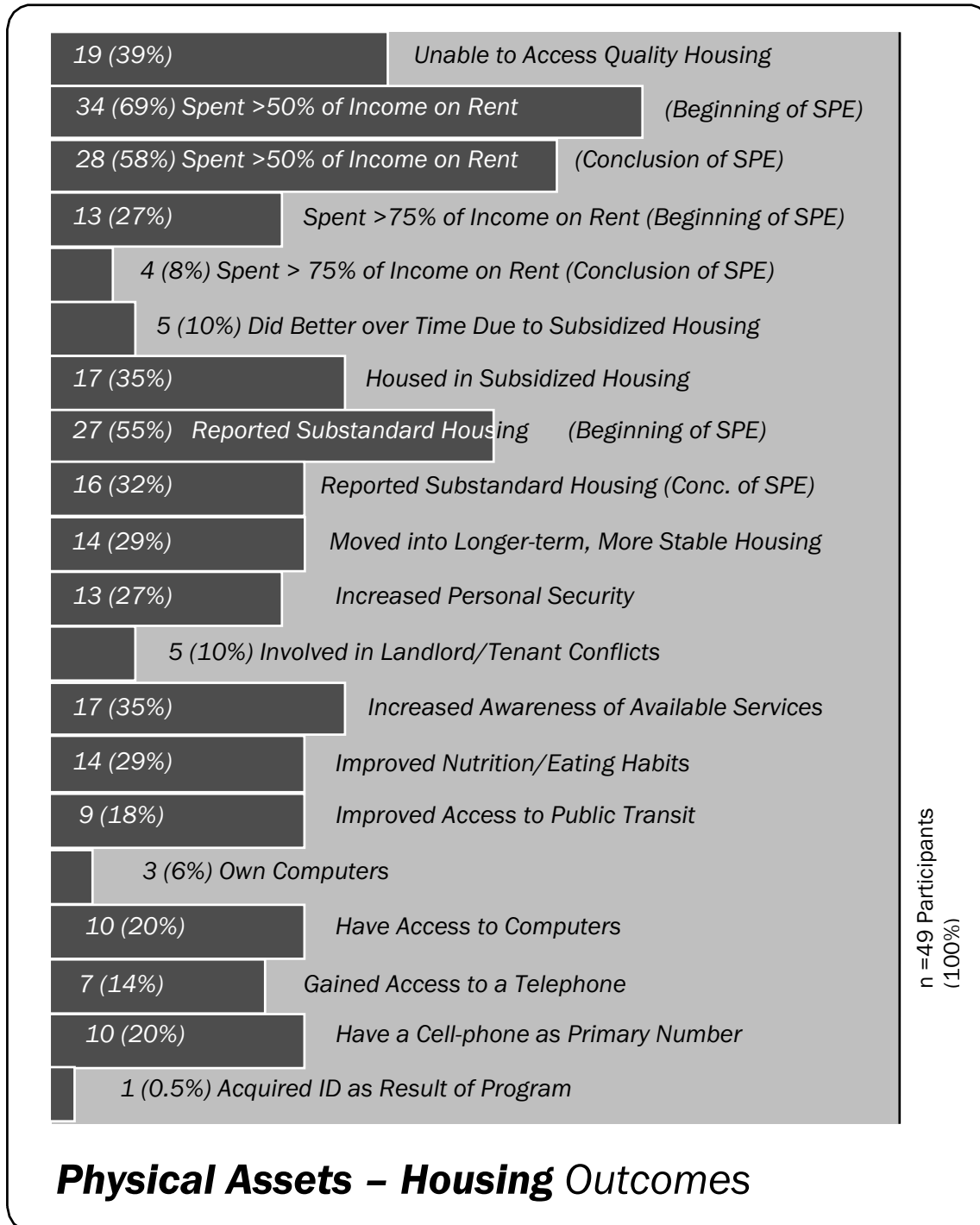


**Personal Assets:** *Personal identity* including self-esteem; self-confidence; motivation; and other emotional resources.



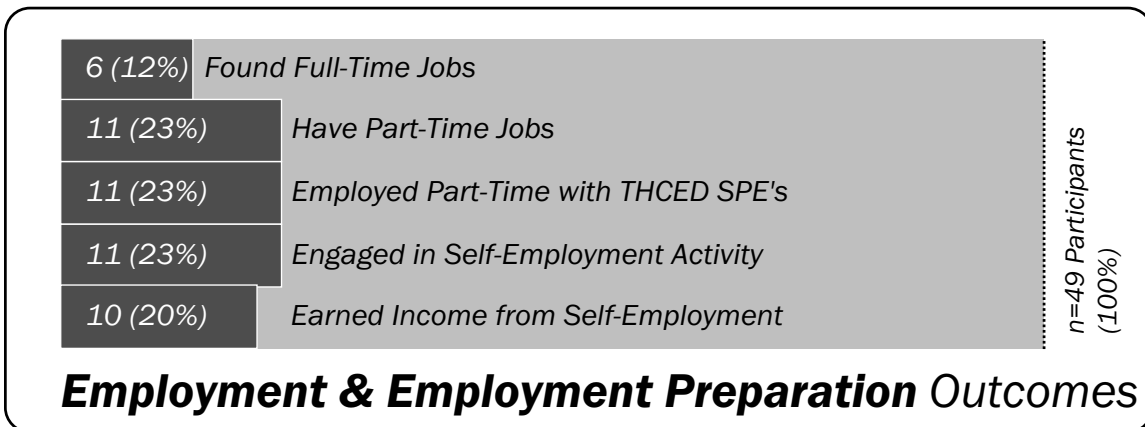
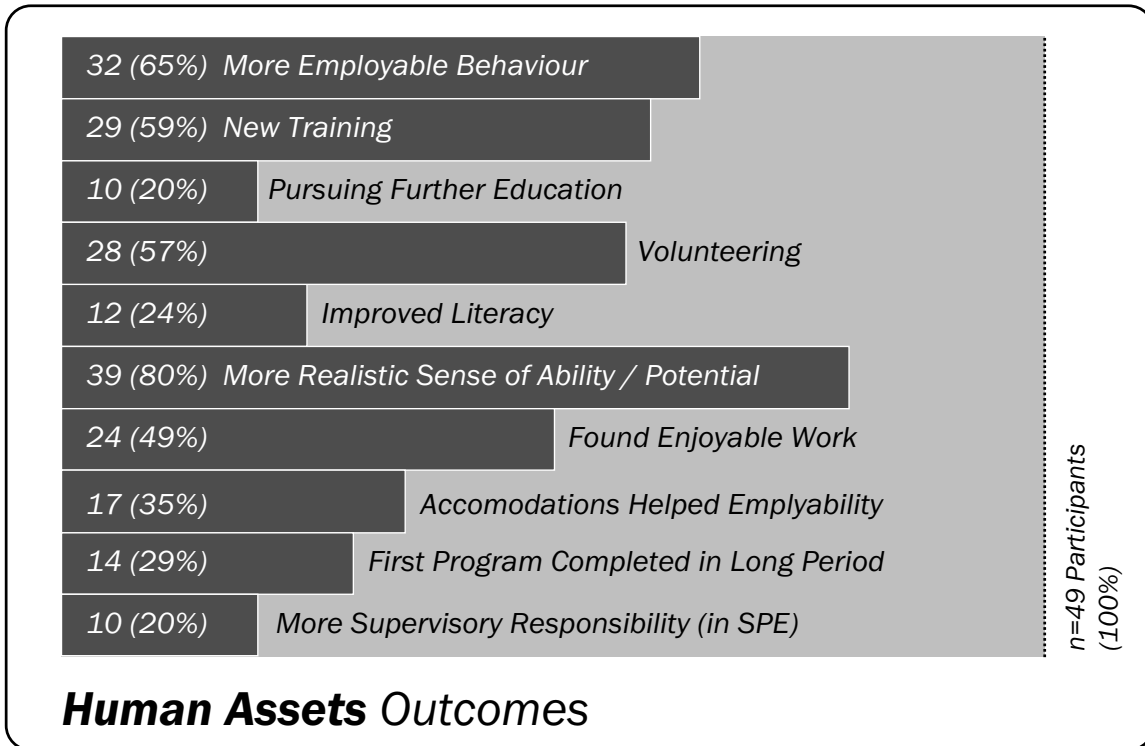
## Participant Outcomes Appendix: Charts of Asset Gains

**Physical Assets: Access to basic needs, services and entitlements** including food security; stable, affordable housing; personal security; and access to social services and information.



## Participant Outcomes Appendix: Charts of Asset Gains

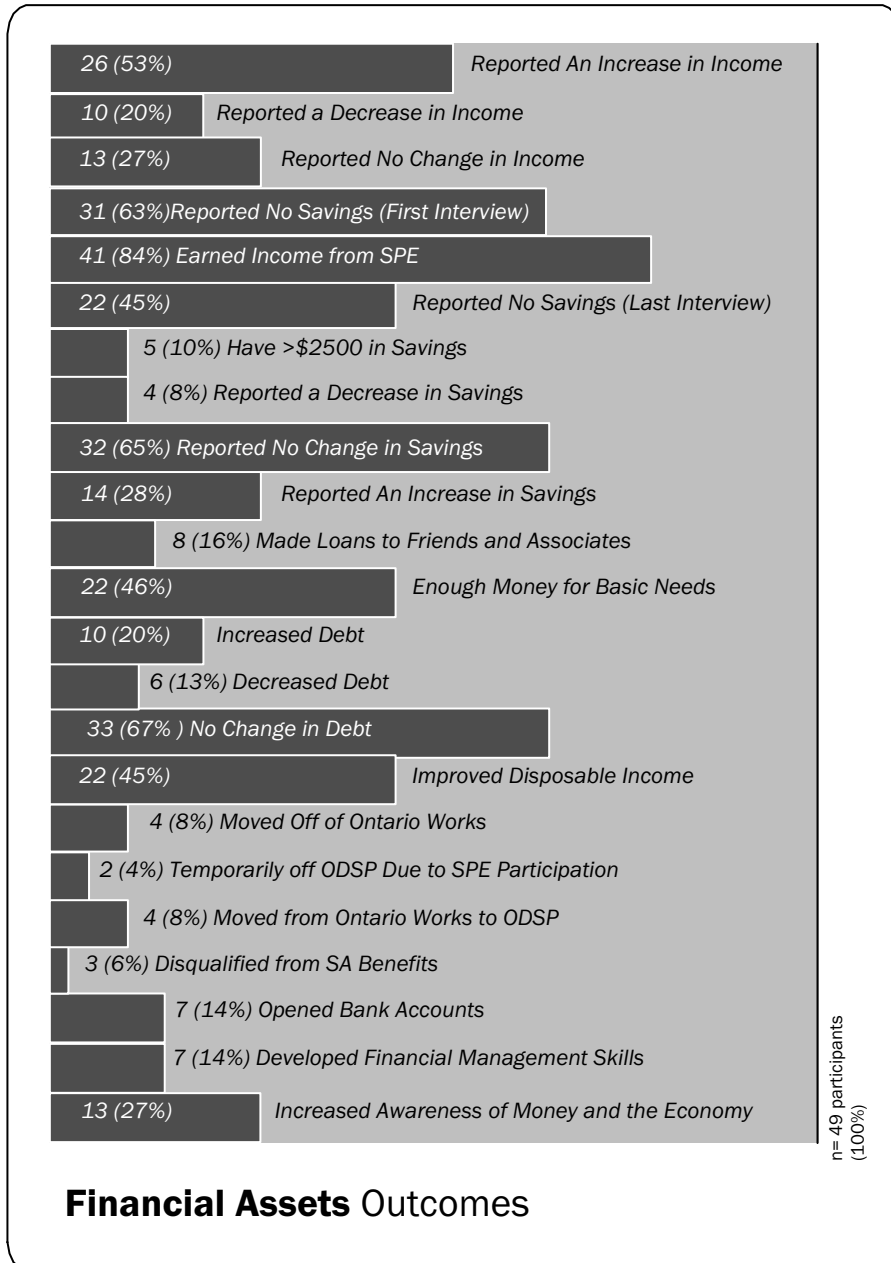
**Human Assets: The ability to work and to engage in the economy** including employability; leadership; health; skills; and knowledge.





# Participant Outcomes Appendix: Charts of Asset Gains

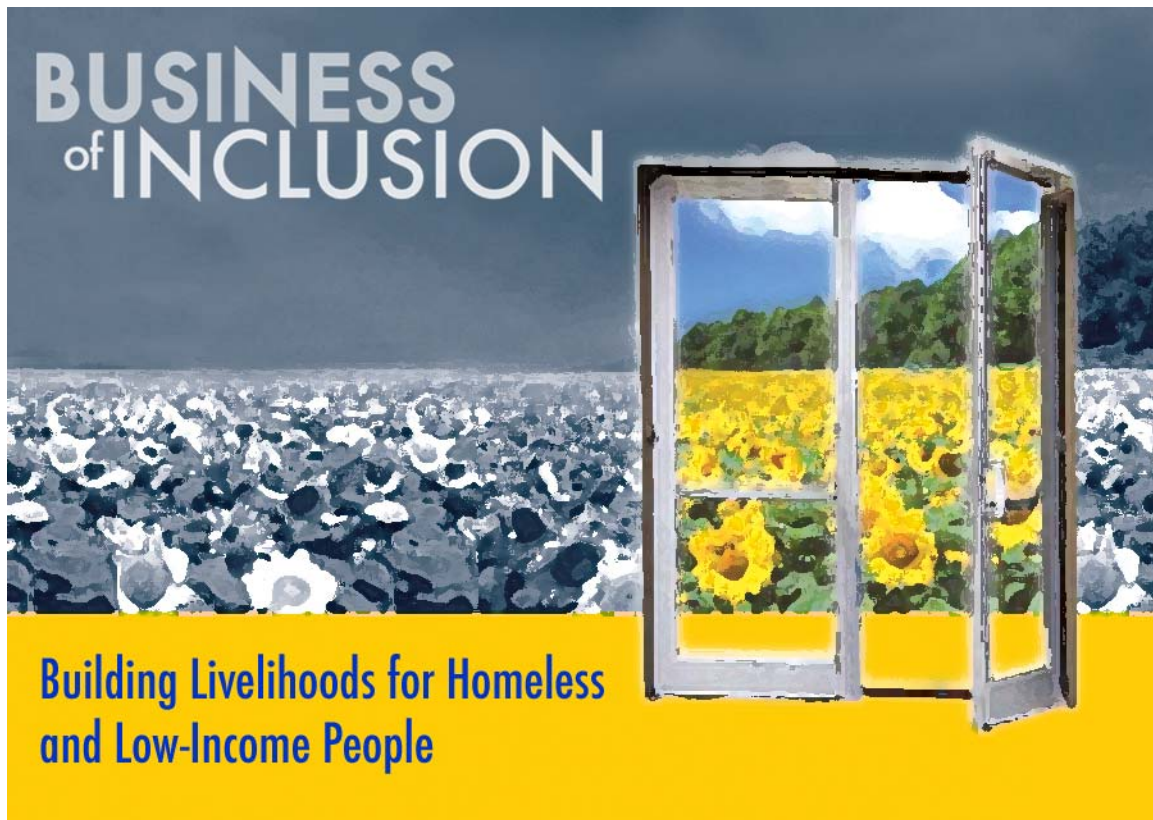
**Financial Assets: Economic security** including: economic literacy; earning power; disposable income; and savings.



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## **The Business of Inclusion**

### **Section 3**

#### **Learning about Enterprise Development**

March 2004

A Report by The Toronto Enterprise Fund



Canada



TORONTO



The Business of Inclusion  
A Series of Reports From the  
Toronto Enterprise Fund

[www.TorontoEnterpriseFund.ca](http://www.TorontoEnterpriseFund.ca)

The Toronto Enterprise Fund supports the development of social purpose enterprises working with homeless and low-income people. Social purpose enterprises create both community connections and economic opportunities for homeless and at-risk populations by developing businesses that balance both revenue generation and a social mission.

This report was researched and written by Eko Nomos Program Development Consultants, [www.ekonomos.com](http://www.ekonomos.com).

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Canada



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# Introduction

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The Business of Inclusion is a series of reports documenting the findings from research on the developmental stage of the Toronto Enterprise Fund and the enterprises it supports. The twenty reports are organized into four sections: Background, Participant Learning, Learning about Enterprise Development, and Decision-Making and the Role of the Parent Organization.

This section explores and documents the experience and learning of the enterprises as they negotiate the early stages of business development. The first three years have been largely developmental. The funded enterprises have had steep learning curves as they have moved through the developmental and start-up phases of the business.

## **The purpose of this section is:**

- To learn about the different stages through which a social purpose enterprise progresses on its way to sustainability
- To identify some effective practices related to the development and implementation of social purpose enterprises
- To explore the planning and programming aspects of social purpose enterprise development

## **List of papers:**

- Report 11: Different Approaches to Social Purpose Enterprise
- Report 12: Employee Ownership and Participation in Decision-Making
- Report 13: Staffing, Management and Leadership
- Report 14: Stages of Social Purpose Enterprise Development
- Report 15: About Business Planning in Developmental Social Purpose Enterprise
- Report 16: Reflections on Self-Employment Programming

## Acknowledgements

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Special thanks go to Janet Murray and Mary Ferguson of Eko Nomos whose dedication and enthusiasm have resulted in a detailed understanding of the development and impact of the social purpose enterprises supported by the Toronto Enterprise Fund. Thanks also to Claire Letemendia for editing the Business of Inclusion reports.

The Toronto Enterprise Fund gratefully acknowledges United Way of Greater Toronto's donors Counsel Corporation and Ed and Fran Clarke, as well as the City of Toronto, the Province of Ontario and the Government of Canada for their generous contributions in support of the research and development of social purpose enterprises in Toronto.

Thanks also to Maureen Adams, Dan Clement and Beth Malcolm, of United Way of Greater Toronto, for their vision, dedication and commitment to this groundbreaking initiative.

# **REPORT 11**

## **Different Approaches to Social Purpose Enterprise**

March 2004

A Report by The Toronto Enterprise Fund

# Different Approaches to Social Purpose Enterprise

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## Introduction

All of the Toronto Enterprise Fund enterprises are focused on supporting homeless and “at risk” people to engage in the economy and to build livelihoods. Yet there are various approaches to accomplishing these goals, depending on the strategies that are adopted for engaging participants in the economy, and for structuring ownership. This report explores four conceptual types of social purpose enterprise development.

While a range of factors differentiated the enterprises that have been funded (such as political perspectives, social development approaches, and the degree of emphasis on earned income), program experience has shown that organizations are faced with two critical choices early on in their preparation for involvement in social purpose enterprise:

- What is the social purpose of the enterprise?
- Who will own the enterprise?

A broad-based typology has been developed using social purpose and ownership as the two inter-related factors that determine types of businesses. These two general considerations influence the developmental processes that are pursued by the parent organization, and the character and structure of the social purpose enterprise. This typology is flexible, acknowledging a range of strategies, approaches, and types of enterprises, including micro-enterprise development through self-employment training programs.

## Exploring the Social Purpose

It is clear that social purpose enterprise practitioners have different philosophical beliefs and political analyses about the causes of poverty, social exclusion and economic disenfranchisement. These different perspectives, often emerging from an intimate understanding of a particular low-income population and/or community, result in very different assumptions and ideas about how marginalized people should be connected into the economy.

The concepts of “linking” and “parallel”<sup>1</sup> are very helpful in distinguishing two general approaches social purpose enterprises use to engage low-income people in the economy. First introduced in Canada, in the 1998 Trillium Foundation Study<sup>2</sup> on the grantmaking implications of funding CED, the terms linking and parallel were advanced to compare organizations’ motivation for engagement in economic development and social purpose enterprise development.

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<sup>1</sup> Lynn Bennett, The Necessity and Dangers of Combining Social and Financial Intermediation to Reach the Poor. (Brookings Institute – Conference on Financial Services and the Poor: September, 1994).

<sup>2</sup> A conceptual framework and toolkit for assessing the long and short-term impact of Trillium-funded CED Activities, Nares, Murray and Harold, 1998.



# Different Approaches to Social Purpose Enterprise

## The Role of Social Purpose Enterprise

Where does your enterprise fit?

“Parallel”	“Linking”
<p><i>Grounding philosophy</i></p> <p>Belief that the economy is itself the problem: for certain populations, the social and economic barriers to participation in the economy are insurmountable by individual effort.</p> <p>Belief that people can be successfully employed if an accommodating workplace can be developed.</p>	<p><i>Grounding philosophy</i></p> <p>Belief that the barriers certain populations face in accessing supports and services, and in engaging in the economy, can be overcome through short-term, asset building interventions.</p> <p>Belief that marginalized people can be successfully linked into the mainstream economy.</p>
<p><i>The target population and their role in the business</i></p> <p>Focused on marginalized people with multiple barriers to employment who require some accommodation and flexibility in the terms of work, to be successfully employed.</p> <p>Participants become “employees”.</p>	<p><i>The target population and their role in the business</i></p> <p>People in these enterprises are likely to be more work ready, and have fewer barriers to employment. The strategy is to support people to find mainstream employment through employability and technical training.</p> <p>Participants are “employee/trainees”.</p>
<p><i>Political priorities</i></p> <p>Social impact is sought through economic development.</p>	<p><i>Political priorities</i></p> <p>Economic impact is sought through training and human development.</p>
<p><i>Strategy for building employability assets</i></p> <p>Experiential and role modelling approach. Employees learn by doing, informally on-the-job through mentors and role models.</p> <p>Formal training is organized periodically outside work hours.</p>	<p><i>Strategy for building employability assets</i></p> <p>A training-based approach: the business is developed as a foundation for building technical knowledge and employability skills.</p> <p>Formally organized workshops and on-the-job training become substantial components of the business’ work.</p>
<p><i>Exit strategy and term of engagement</i></p> <p>Participants often become long-term employees of the business.</p>	<p><i>Exit strategy and term of engagement</i></p> <p>Participants work with the business for a set time period, creating a flow-through situation as they find work in the mainstream economy.</p> <p>Ongoing planning/support is required for the transition.</p>
<p><i>Scale</i></p> <p>Emphasis on depth of participant engagement and support means that longer-term investments and increased staffing are required, and fewer people can be reached.</p>	<p><i>Scale</i></p> <p>A flow-through of participants means that larger numbers can be reached.</p>
<p><i>Potential for self sufficiency of the initiative</i></p> <p>A business-based approach with long-term potential for sustainability through earned income.</p> <p>However, long-term support will be required before the business is stabilized and sustainable.</p> <p>These enterprises often continue to require funding for the social development components of enterprise activities.</p>	<p><i>Potential for self sufficiency of the initiative</i></p> <p>An approach that requires continuing financial support. While businesses can generate earned income, the employability training component will likely always require external support.</p> <p>In the case of self-employment development, this project-based approach will require full funding support on an ongoing basis.</p>

## Different Approaches to Social Purpose Enterprise

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These concepts have since been elaborated and refined through application to a range of social purpose enterprise programs:

**“Linking” strategies** support low-income and marginalized populations to link to the mainstream economy by providing transitional job experience and programs that build employability and other livelihood assets.

**“Parallel” strategies** seek to support employment and community participation for populations with multiple barriers to employment, through the development of a business that can accommodate the special requirements of the target population, over the short or long term.

The adjacent table outlines, in a comparative format, the different conditions and implications of pursuing a “linking” or a “parallel” strategy for enterprise development.

While there are different practical and political implications related to choosing one approach or the other, the experience of the Toronto Enterprise Fund has shown that both approaches are appropriate, depending on the mission and structure of the parent organization, and the assets of the target group. For example, in working with youth and immigrant women, many practitioners have concluded that a linking approach is effective. With the appropriate training and supports, these populations can successfully engage in more traditional, mainstream employment. On the other hand, in the case of psychiatric consumers/survivors, where full-time, traditional employment is not a realistic option for many, organizations often pursue the development of parallel approaches that create businesses to generate flexible, accommodating, long-term employment.

As with most concepts, the distinctions of linking and parallel are guidelines that should not be taken too literally. For example in the case of one social purpose enterprise, the strategy has been to create a parallel work environment, while what has actually happened is that women are using it as a stepping stone to mainstream employment in the long term. Thus, a combination has evolved.

### Four Types of Social Purpose Enterprise Development Strategies

The combination of social purpose and ownership has allowed the creation of four conceptual categories of social purpose enterprise development:

Category 1: Participant-owned group enterprises.

Category 2: Individually-owned micro-enterprises.

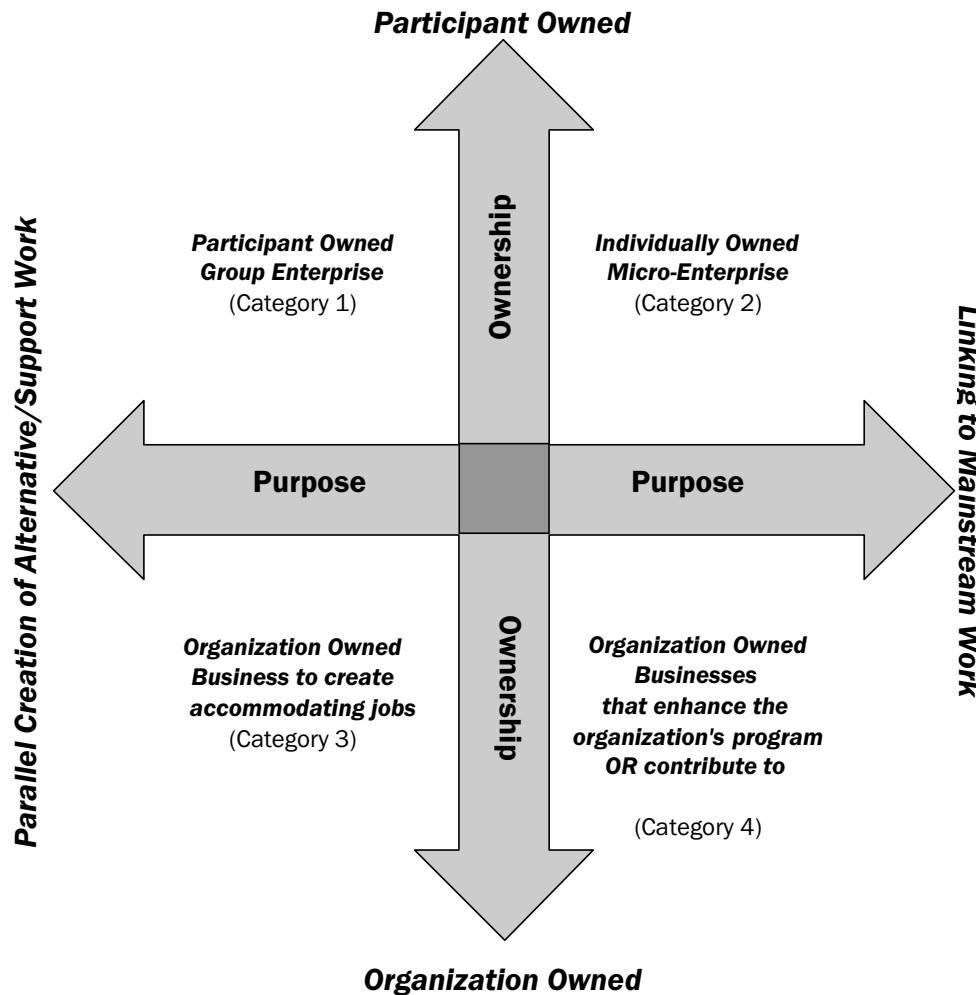
Category 3: Organizationally-owned and driven enterprises that create accommodating jobs.

# Different Approaches to Social Purpose Enterprise

Category 4: Organizationally-owned enterprises that are designed to link people to mainstream employment and/or support the organization’s sustainability through an “earned income” strategy.

The typology also explores the dimension of ownership. It has been structured to compare the level of participant ownership and the extent to which initiatives have been owned and driven by the parent organization. Ownership refers specifically to the legal ownership of the business, but it also takes into account how much the target population participates in business decision-making. The degree to which a target population owns and participates in the business is vital in determining the character and development of a social purpose enterprise. Learning about enterprise ownership is also explored in the report “Employee Ownership and Participation in Decision-Making.”

## Types of Social Purpose Enterprise<sup>3</sup>



<sup>3</sup> This figure has been designed with linking activities on the right side and parallel activities on the left of the horizontal axis. The vertical axis addresses the question of ownership, placing initiatives with high participant ownership in the upper half and organizational ownership in the lower half.

# Different Approaches to Social Purpose Enterprise

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## Category 1: Participant-Owned Group Enterprises

Participant-owned group enterprises include worker co-operatives, profit-sharing initiatives and worker ownership. These types of enterprise are a parallel activity founded on formal ownership and active participation in decision-making by the target population. They require a high degree of awareness, commitment and investment from participants, and, as a result, their development is very process-oriented and takes a long time.

Often they are initiated, and driven by an organization with the long-term goal of spinning them off as worker-owned businesses. Since it is almost impossible to start a cooperative on behalf of a group of people, full responsibility and ownership need to be taken by the group, and the organization requires a transparent exit strategy from the very beginning.

None of the Toronto Enterprise Fund enterprises currently fall under this category, although a number may evolve into this category.

## Category 2: Individually-Owned Micro-Enterprises

These full- or part-time, self-employed businesses are built and survive on the self-direction of the participant: success depends on the vision, motivation, initiative, resourcefulness, planning ability and skills of the owner/initiator of the business. They are therefore similar to Category 1 enterprises in that the emphasis is on high levels of participant ownership.

Self-employment development programs, including training, loan funds, coaching, workshops, mentorship, incubators and accelerators, are designed to link participants to the mainstream economy by supporting low-income people to plan, launch and operationalize their own micro-enterprises. Though the self-employment training may or may not be participatory in nature, the ultimate aim is to support participants in creating their own businesses/jobs. Although self-employed enterprises are not in themselves social purpose enterprises, it is arguable that self-employment development is a social purpose enterprise development strategy.

In the Toronto Enterprise Fund there are two self-employment development projects:

- *SKETCH Connections* – an arts-sector focused self-employment training program for street-involved youth.
- *Inspirations* – a self-employment arts training program for marginalized women focused on arts and crafts.

## Category 3: Organizationally-Owned and Driven Businesses that Create Accommodating Jobs.

These organizationally established, owned and driven businesses create accommodating jobs. Like participant-owned businesses, they are established to provide parallel work

## Different Approaches to Social Purpose Enterprise

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opportunities for participants. They tend to be developed by organizations that use business development as a means of creating employment for specific target groups in specialized, supportive work environments. In the medium- to long-term, these enterprises continue to be controlled by the parent organization. The goal is to secure business viability and sustainability before passing the business on to full employee ownership.

In many cases, organizational ownership is seen as an interim strategy to support the development of a viable business that can then be spun off as an independent social purpose enterprise (thus shifting it into Category 1). Employees may be ready to participate in and take psychological ownership of the business, but may not be prepared for legal ownership and financial investment. In this category, parent organizations have expressed the need to maintain a high degree of ownership, in order to ensure that the enterprise is stable and that it has access to the advantages provided by its connection to the parent organization such as a charitable number and fundraising expertise.

Yet, over time, these businesses tend to build the capabilities and leadership of participants, who are often expected to become increasingly independent and to take a greater role in decision-making. Organizations that intend to “spin-off” their business to become a Category 1, participant-owned operation, need to identify their “exit strategy” at the outset, to create realistic expectations regarding the employees’ role in driving the business. An interesting alternative could be to create a situation in which the employees partly own the business while the parent organization maintains a controlling share; although this has not yet emerged in the Toronto Enterprise Fund portfolio.

In the Toronto Enterprise Fund, there are enterprises that fall into this category:

- *Parkdale Green Thumb Enterprises – a horticultural services business developed by consumers/survivors (of the psychiatric system).*
- *Out of This World Café – a snack bar and catering services developed by consumers/survivors and situated at the Centre for Addiction and Mental Health Queen Street facility.*
- *Haween Enterprises – a sewing enterprise that employs immigrant and refugee women.*

### **Category 4: Organizationally-Owned Enterprises that are Designed to Link People to Mainstream Employment and/or Support the Organization’s Sustainability Through an “Earned Income” Strategy.**

In this category, there are two main types: organization-owned and driven businesses that advance the organization’s social purpose (pre-employment/ employment training and hands-on work experience); and more competitive/mainstream organization-owned and driven businesses that advance the sustainability of the organization through the generation of earned income.

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## Linking participants to mainstream employment

The first type is designed to facilitate the organization's capacity to do a better job of supporting its marginalized participants to link into sustainable, long-term employment. The business-based approach allows agencies to offer pre-employment and technical/skills development training in a more realistic, job-based environment.

The impetus to start the business, which remains wholly owned by the parent organization, is often related to a desire to take more proactive, innovative, and effective approaches to building job readiness. In addition to the opportunity to break out of traditional classroom-based training, a functioning business provides participants with a chance for valuable, on-the-job experience.

Sustainability of employment is the key objective of this work: it is one thing to place a person in a job successfully; it is another to ensure that they retain that job in the long-term. Organizations with linking-oriented businesses tend to provide follow-up job placement opportunities with mainstream businesses, and take a more holistic perspective than traditional employment placement programs when supporting people to make a successful, sustainable transition to full-time, mainstream employment. Consultation of employees regarding management and governance issues tends to be low, although it varies among organizations.

Parent organizations pursuing this form of enterprise development recognize the need to develop enterprises that can generate a significant portion of the operating costs of the business. Yet the training-based approach is costly and has built-in inefficiencies related to the hiring, training and turnover of high numbers of participants/employees. As a result of these inefficiencies, it is very difficult to break even in the business.

The Toronto Enterprise Fund has funded 7 enterprises in this category. Some of the enterprises listed below began as Category 3 enterprises (organizationally owned businesses that create accommodating jobs), but ultimately shifted to be linking operations as they clarified their social purpose and ownership strategies.

- *Phoenix Print Shop – a retail print shop that prepares street-involved youth for jobs in the print industry.*
- *WSC Logistics – an international shipping business and program that prepares immigrant and refugee women for employment in the logistics field.*
- *The Mill Centre – a wood and metal working shop that supports people to link to mainstream jobs.*
- *Growing Green Jobs – an urban greenhouse and produce garden that employs people who are currently engaged in the psychiatric system, supporting them as they begin to engage in the community and to make a transition towards mainstream employment.*
  - *Protégé Media – a recording studio designed to train and support street-involved youth to find jobs in the music industry.*

## Different Approaches to Social Purpose Enterprise

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- *Big Sisters Thrift Shop* – a pre-existing enterprise which then added a retail training and employment component for street-involved youth.
- *Set Monkeys* – an employment service connecting youth to work in the film industry.

Some organizations expect their enterprise to both break-even and to generate additional “earned income” for the organization, while simultaneously meeting its commitment to training people and connecting them to jobs. In the short- to medium-term, this objective has been found to be unrealistic, particularly in the circumstances of low capitalization in which most of the enterprises find themselves.

The Toronto Enterprise Fund has been supporting its Category 3 and Category 4 enterprises to explore ways of separating the social costs of the enterprise from the business operating costs. This separation allows organizations to build business viability while securing external funding for the work that furthers the social mission of the enterprise.

### **Enterprises that support “earned income” strategies for the parent organization**

The second type of business that fits into Category 4 is designed to build the viability of the parent organization. In our current climate of high competition for grant money and reduced availability of the core funding that allows organizations to develop discretionary programs, social development organizations are increasingly turning to businesses to generate earned income independently that they can then allocate to their own organizational priorities. Most organizations look for readily profitable business ideas that are a natural extension of their mission and core competencies. This produces a range of enterprises from for-profit consulting wings of service organizations, to gift shops in hospitals. The solutions are varied. In the case of these businesses, the social purpose is less direct. No businesses of this type were funded under the Toronto Enterprise Fund.

### **Dynamics Within the Typology**

The typology is intended to be a conceptual tool for understanding the field, and for decision-making by organizations interested in becoming involved in social purpose enterprise. Upon being introduced to the typology, the Toronto Enterprise Fund enterprises found it useful, but resisted categorizing their own social purpose enterprises. We learned that most organizations had complex perceptions of the role and purpose of their businesses that sometimes varied among staff, and over time. This variance is likely the result of a number of factors, such as:

- Initially, unrealistic expectations of the earning potential of the business and over-ambition as to the multiple uses and impacts of profits.

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- Lack of organizational consensus about the approach to building and structuring the social purpose enterprise; building shared vision and buy-in takes time and a carefully planned process.
- Poor connection between stated philosophy and practice: organizations tend to be more progressive in their rhetoric than in their actions, which should be reconciled as early as possible.
- Practitioners made value judgments about ownership and social purpose, and the relative merit of various categories of social purpose enterprise. For example, because of the very political nature of social development work, many practitioners hold an innate bias towards the concept of participation, while the nature of their organization's governance/structure, and the linking nature of their approach make participant ownership impractical.

There are many grey areas in the design and implementation of most social purpose enterprises. In the early stages of business development many of the funded enterprises within the Toronto Enterprise Fund experienced difficulties in resolving the social purpose and ownership.

### Principles for Use of the Typology

This typology is designed as a neutral, non-judgmental presentation of various approaches. Here are some principles to bear in mind when using it:

Due to the dynamic nature of social purpose enterprise, flexibility in interpretation and use of the typology is required.

The categorization of an enterprise within this typology should be fluid. Many of the enterprises within the Toronto Enterprise Fund have shifted between categories over time as they move through different stages and strategies of the development of their initiative. For example, enterprises may start off by being organizationally driven and gradually build participation and ownership with the intention of spinning the business off to the participants (thus moving it from Category 3 to Category 1). Some organizations, meanwhile, have focused on self-employment as an initial strategy, but in the longer-term are also considering other strategies, such as the development of a retail outlet to support the marketing of the products produced by the self-employed participants. This would place their activities in two quadrants.

### **The organization must commit to a clear course early on.**

Business development will ultimately stall or be undermined unless the parent organization and participants can produce clear statements about the purpose and ownership of the business. If an organization identifies itself as simultaneously developing businesses in two or more categories, experience shows that they are either confused about their purpose/ownership or have an overly ambitious agenda.

Organizations must be transparent and specific about the terms of participant involvement in ownership and decision-making, and must also have a clear



## **Different Approaches to Social Purpose Enterprise**

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statement of their transition strategy, including the length and terms of low-income people's involvement in the business. The social purpose is often clear in the short-run, but as businesses progress, and employees grow in their abilities, the expressed social purpose may need to be revisited and revised. For example, in the short- and medium-term, employees may require ongoing support and accommodation, but over time they could become capable of entering into mainstream employment. For example, an organization committed to a parallel strategy may find over time that its employees are able and interested in shifting to mainstream employment. In these circumstances, the organization would need to consider linking supports for these employees.



## **REPORT 12**

# **Employee Ownership and Participation in Decision-Making**

March 2004

A Report by The Toronto Enterprise Fund

# Employee Ownership and Participation in Decision-Making

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## Introduction

Social development organizations pursue enterprise development in the belief that active involvement in business development and decision-making provides participants with the basic skills, experience and confidence to support the building of livelihoods. The money that social purpose enterprise participants earn represents more than new income. It brings “ownership”: a sense of pride, self-esteem, and the satisfaction of having participated in the development of a venture that contributes positively to a range of outcomes within the community.

This paper explores a range of challenges that the Toronto Enterprise Fund enterprises faced as they worked through the difficult process of determining and structuring the formal ownership of their enterprises.

In the view of developers of alternative enterprise, social change and personal transformation can best be cultivated through enlightened and accommodating business structures, policies and cultures, and through the active inclusion and participation of marginalized people. Ownership of the business and participation in decision-making are two powerful means to effect these outcomes. The notion of “ownership” implies social inclusion, and the acquisition of skills, knowledge, motivation and pride as well as financial assets: people who have formerly been excluded from society are involved in controlling a business.

Yet successful participant control rests upon a fine balance. Especially in the early stages, it is important for parent organizations to ensure that participation does not move the business in an unrealistic or unsustainable direction. Prudent ongoing facilitation, checks and balances are needed to ensure that participation continues to produce beneficial results while the social purpose enterprise continues to thrive.

## Clarifying Terminology

When exploring the role of participants in social purpose enterprises, it is important to differentiate between the terms “ownership” and “participation”. In the first years of the Toronto Enterprise Fund, the research observed that the social development field, with its emphasis on empowerment approaches to social development, uses the term “ownership” in a broad, metaphorical way. “Ownership” has thus been seen variously as: participants’ psychological “possession” of the development process and business activities; and/or commitment to the success of the venture; and/or active involvement in decision-making.

In the business context, however, “ownership” has a specific, technical meaning: the legal title to or equity stake that a person has in a business. Legal ownership does not necessarily mean that a person with an equity stake in the business has input into the decision-making process, although in most businesses, shareholders have a say to some extent in the policies and directions of the enterprise. In the

# Employee Ownership and Participation in Decision-Making

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Toronto Enterprise Fund portfolio, there has been no participant ownership in this strict sense of the word.

In this paper, “ownership” is used in its more precise, business-specific meaning. Although one must acknowledge the power of cultivating involvement and commitment, we contend that these forms of possession are not likely to be sustainable without legal ownership.

As with “ownership”, the term “participation” is often used loosely to refer to a person’s involvement in the running of the business; yet degrees of participation can vary, from input regarding employee hours and codes of conduct to decision-making about the developmental strategy of the business.

In the Toronto Enterprise Fund portfolio, levels of participation have varied among the types of businesses, and through the various stages of business development. Participation by target populations in the detailed, day-to-day management of the business is rare. Hierarchical business management has been established in all of the social purpose enterprises, regardless of the form of ownership and the extent of participation in decision-making. We have learned that most social purpose enterprises hire managers who are responsible for ongoing management, to assure the efficiency and agility of business decision-making. In some cases, these supervisors and managers have been promoted through the ranks, but it is clear that collective decision-making is not commonly seen as a viable leadership model for the businesses.

The report “Different Approaches to Social Purpose Enterprise” outlined an enterprise typology that explores four dimensions of ownership. They include:

## **Category 1: Participant-owned group enterprises**

These co-op and worker-owned businesses by their very nature have high degrees of participant ownership. In the case of cooperatives and worker ownership, there is also likely to be a high degree of participation in day-to-day decision-making. Some are collectively run, which still involves the appointment of specialized staff to ensure that business operations are smooth and efficient. Many participant-owned businesses adopt more hierarchical, formal decision-making structures that are often very grounded in democratic process. Daily management issues, however, are generally the purview of the person responsible for business management and operations.

## **Category 2: Individually-owned micro-enterprises**

Ownership of self-employed businesses is very clear-cut. The owner(s) make daily decisions, often in the context of an unstructured, informal process.

# Employee Ownership and Participation in Decision-Making

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## **Category 3: Organizationally-owned and driven enterprises that create accommodating jobs.**

While these businesses are owned by the parent organization, they have been developed as parallel businesses to meet the mission of social and economic empowerment, grounded in a belief that participation is a cornerstone of social change. As a result, these businesses often seek high degrees of employee participation in decision-making.

In many cases, parent organizations propose a long-term exit strategy, by which they aim to spin the enterprise off as a Category 1 business. This approach requires an intentional, leadership and human resource development strategy, to assure a foundation of management and leadership skill within the employee group over time, in order to support a separate, independent business.

It is difficult to promote active, authentic participation in a situation where employees do not have real ownership. When participants are involved in the developmental process of exploring and shaping a business idea, they may expect that this involvement in business decision-making will continue through the life of the business. Yet because of the long-term nature of the process of spinning off the business, parent organizations cannot deliver full decision-making participation grounded in ownership. At this stage, tensions arise as the parent organization, business manager(s) and participants begin to negotiate new relationships and processes for the control of the business.

## **Category 4: Organizationally-owned enterprises that are designed to link people to mainstream employment and/or support the organization's sustainability through an "earned income" strategy.**

These businesses are intended to be permanently owned by the parent organization. The business is a component of an employability-oriented approach that treats participants more as "trainees" who cycle through the business, than "employees" who stay for a longer time. While the business frequently makes a commitment to consulting participants about matters directly related to their training and role in the business, participants do not have any decision-making power in the ongoing management of the business.

## **Clarifying the Role of Participants in Decision-Making**

While the above categorizations and descriptions seem clear, they are rarely so during the implementation of a social purpose enterprise. Depending on the type of social purpose enterprise pursued and the clarity of its ownership/social purpose, each enterprise struggled in a different way with the role of participants in decision-making. Here are some cases based on the experience of the Toronto Enterprise Fund that illustrate the complications of facilitating participation in decision-making.

# Employee Ownership and Participation in Decision-Making

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## **Case 1: *Eva's Print Shop***

Early on in the developmental stage of this linking-oriented venture, it was decided that the organization would own the business. Since the social purpose was to link people to the job market, and flow trainees/employees through the business/training program on four-month rotations, it did not make sense to involve participants in business decision-making. Rather, it is expected that the participants will be treated in much the same fashion as employees in a mainstream business: there are clear expectations of performance, and participation is restricted to working and learning in the business and contributing informally to the design of the program and treatment of employees.

## **Case 2: *The Mill Centre***

In this case, the business had been in operation for six years. At the beginning of the Toronto Enterprise Fund, an established program had to transform an entrenched, somewhat outdated decision-making culture to fit the demands of an evolving business structure. The organization was interested in promoting a participant-owned business, and spent the first year and a half working with participants to develop a participatory culture of decision-making. As the business developed, it transformed; and the business manager identified a split in the types of people who were coming to work in the business:

- One group was the long-term homeless. They were individualistic characters who had survived on the streets largely by taking care of themselves. They wanted to use the shop to work on their own projects (which may or may not have been saleable) and they were not interested in working in a more hierarchical production-oriented business.
- Another group was interested in full-time or part-time employment, and was willing to work in a more formal, hierarchical work structure.

Conflict between the two groups' interests led to difficult relationships and a confused, inconsistent vision for the business. A facilitator was hired to help resolve the conflict and to set the business on a path that clarified its ownership intentions and the nature of its social purpose. Well into the project, the staff and participants had to go back to first principles, and determine if they wanted to link people to mainstream work, or if they wanted to provide ongoing employment in an alternative business.

Eventually the organization decided to retain ownership of the business, and work with people who wanted to engage actively in the economy. It thus began reorganizing to offer a more structured hierarchical workplace designed to link participants to mainstream work and self-employment. Restructuring production and operations was a painful process: participants who wanted to use the production for their own independent purposes had to be channelled into other departments of the organization that could support them in their goals.

# Employee Ownership and Participation in Decision-Making

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## **Case 3: *Parkdale Green Thumb Enterprises***

This enterprise grew out of a community development process designed to organize a target population from a specific neighbourhood to develop economic literacy, and explore approaches to income generation and community involvement. Facilitated by a peer-animator, participants were actively engaged in learning about social purpose enterprise, exploring possible business ideas, and researching and developing a business plan.

Participants made decisions collectively about the direction of the group and the choice of the business, with the technical support and facilitation of the parent organization. The developmental process left them with strong psychological ownership of the venture, and a belief that the enterprise was going to be worker owned; yet the parent organization had a different understanding as to what 'ownership' meant.

The parent organization considers the social purpose enterprise to be participant-owned because of the participants' extensive role in guiding and developing the business, and also because the managers of the social purpose enterprise come from the same background as the participants. The organization originally intended to spin the business off as an independent enterprise in the long run, but for the moment it has decided to maintain control and ownership of the social purpose enterprise, which it perceives as being vital to the stability, funding, credibility and sustainability of the venture.

The irony is that while the parent organization has successfully managed to meet its goal of building leadership and citizenship within its constituency, the business model that has been adopted cannot at present support participants to assert those abilities fully. Despite the highly participatory approach, the participants do not have control of the business, which is owned by the parent organization and managed by staff who report directly to the organization's managers and Board.

## **Case 4: *Set Monkeys***

During the early stages of development of this business, the parent organization explored a range of different ownership models and decided to pursue a participant-owned business - preferably a co-op. From the beginning, participants were actively involved in researching, discussing and designing the business, and developed a strong feeling of commitment and control. They decided to change the business idea and take the enterprise in a different direction than had been originally intended. This made the parent organization uncomfortable, and it stopped participants from taking control, arguing that the business direction lacked viability. Ultimately most of the original participants left the business. The organization decided to maintain ownership and shift towards a linking approach, redesigning the business concept to offer flow-through training and employment.



# **Employee Ownership and Participation in Decision-Making**

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## **Lessons Learned From The Toronto Enterprise Fund Portfolio**

### **Clarity about who legally owns the business sets the scope for participation**

Without clarity about ownership, mixed messages about the role and power of participants were generated, resulting in some of the greatest challenges faced by the Toronto Enterprise Fund portfolio in sorting out the style and process of decision-making.

Once ownership is clear, staff must work to facilitate relationships and devise processes that acknowledge where the ultimate control lies, yet also create appropriate and respectful involvement in decision-making.

### **Certain categories of social purpose enterprise and types of parent organizations are more oriented towards participation**

As we have seen above, the four categories of social purpose enterprises have different forms of ownership and diverging social purposes that result in a variety of perspectives on participation in decision-making. Participatory approaches are a priority in parallel or alternative business development. Programs designed to link people to the economy tend to be less participatory and take a more hierarchical, training-based approach. In most categories of social purpose enterprise, ownership, participation and scope for participant decision-making are clear. It is in Category 3<sup>4</sup> that the greatest contradictions and tensions can arise.

### **Transitional strategies from one form of ownership/participant decision-making to another are difficult to orchestrate successfully**

It is very hard to manage a participatory decision-making structure in a context where the participants do not own and cannot control the business. Organizations that intend to spin off businesses as participant-owned enterprises often promote active involvement in decision-making; yet they end up giving participants responsibility but not authority.

As the stakes and risks involved in a social purpose enterprise rise, we have seen organizations rein in control of the business, trying to ensure its stability. Parent organizations have the expertise, credibility, access to charitable status and ability to leverage funds that a fledgling business needs; and a business should not break away too soon. Yet participant involvement can be damaged by this organizational move, particularly in the case of businesses that are intended to be spun off: once participants have gained a sense of ownership and as their capacity grows, they become more interested in exercising a higher level of control. Parent organizations ensure employee participation on advisory committees, planning teams and Boards, but as the business matures employees can be left dissatisfied and disempowered.

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<sup>4</sup> Organizationally-owned and driven enterprises that create accommodating jobs.

# **Employee Ownership and Participation in Decision-Making**

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## **Creating fair and realistic expectations**

We have learned that parent organizations and business developers must be conscious of the expectations that their developmental processes and practices create amongst participants. It is crucial to pursue a consistent policy on participant decision-making, and to be clear and realistic about the roles and responsibilities of the business, the parent organization and the participants.

## **Clear guidelines and processes for participation are required**

Guidelines about the scope of participant decision-making should be written and communicated, and processes and structures developed to represent participants in decision-making. The credibility of these decision-making structures relies to some extent on the effectiveness of the representative chosen and his/her ability to play the role of bridge between the parent organization and fellow employees.

These policies and procedures about participation will require revision as the business grows and matures. Social purpose enterprises must make a commitment to transparent, respectful consultation and consideration to determine appropriate forms of decision-making, particularly in situations where the vision of the business and the role of participants are changing.

## **Sometimes high degrees of participation are neither possible nor realistic**

The idealistic, political nature of the social development sector often tempts social purpose enterprise developers to pursue ideals that cannot be met within more traditional structures and expectations of accountability of their parent organization. Some enterprises have had to acknowledge that active participant ownership and control could not be pursued within their social purpose enterprise. They revised their approaches and returned to more traditional business decision-making structures, in some cases because participatory decision-making did not suit the linking-oriented businesses they were developing, and in another because the organization considered participant control of the business inappropriate.

# **REPORT 13**

## **Staffing, Management and Leadership**

March 2004

A Report by The Toronto Enterprise Fund

# Staffing, Management and Leadership

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## Introduction

From the very early stages of the Toronto Enterprise Fund, human resource issues – particularly related to management staffing – provided a significant challenge for funded enterprises. Without the right person/people in the social purpose enterprise's leadership role(s), the enterprise will not progress. This paper explores many of the staffing challenges that have been experienced in the Toronto Enterprise Fund portfolio.

## Hiring the Right Manager

The ideal person for a social purpose enterprise management position balances a rare combination: years of practical, hands-on business experience (preferably in the sector in which the social purpose enterprise will function), and an understanding of and sympathy for the goals, culture and processes of the social development sector. Hiring the right person depends on personality, ability to fit into the organization and the needs of the social purpose enterprise, and human/process skills. Organizations must ask themselves: “what are our priorities?” and “to what extent is the business or the social expertise a priority?”

Social purpose enterprises need leadership, not simply management. In addition to business skills, management must be able to facilitate a complex developmental process, to navigate strategically between business and social principles, and to involve and motivate a diverse range of stakeholders. Effective social purpose enterprise managers must buy into the organization's mission and the enterprise's social purpose. Because these social entrepreneurs are a rare, new breed, they are difficult to find and keep.

The first priority is to recruit them. Some organizations have continued to use their traditional vehicles of recruitment, even though they are unlikely to find people with the combination of business and social development experience in this way. Some organizations have recruited in a directed way through a particular community, or in the business sector. In other cases, staff are promoted to the business manager position from within the organization.

Enterprises within the Toronto Enterprise Fund have learned that strong business experience is imperative if the venture is to progress out of the “project” stage and grow into a fully-fledged business. Organizations appear to arrive at this conclusion slowly, and often after the “wrong” person has been hired and business start-up has been delayed. Most of the social purpose enterprises experienced these false starts in hiring managers, and it has taken at least a year or in some cases longer for the majority of the organizations to achieve some stability in staffing. Even then, problems arise and staff turnover persists.

In the early stages of developing a social purpose enterprise, many organizations take an expedient, informal approach, hiring internal project staff who have worked

## Staffing, Management and Leadership

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in a social development capacity for the organization. They assume that, with time and study, the staff person can build her or his knowledge and understanding of business while ensuring strong commitment to the social mission. This staffing decision may be satisfactory to the organization, but, as we have found, unless that person has a strong entrepreneurial bent it will be difficult to establish the business within the organization. Haste in hiring becomes a false economy. Turnover is expensive and causes delays that undermine business development. Instead of hiring someone who is a compromise solution, parent organizations are better off spending the time and resources to cultivate and hire solid candidates for the job.

It is vital to invest in professional development to support managers to strengthen the social purpose enterprise in its areas of weakness, such as the more complicated aspects of business development. Many parent organizations hire technically specialized consultants who can take an intentional approach to combining business and professional development, simultaneously supporting training, problem solving and learning.

Even with a business-oriented manager, success is not guaranteed. During the developmental phase, in this context of trial and error, staffing changes and adjustments seem to be inevitable; yet through the practical experience of business implementation, organizations become better at identifying the specialized skills required to manage a social purpose enterprise.

In the case of one enterprise, for example, a manager was hired with experience in the sector, but with strengths in administration and operations. Faced by the prospect of stagnant revenues, the social purpose enterprise ultimately let that manager go and hired a new manager with much-needed sales and marketing expertise.

Some social purpose enterprises have found that a team-based approach, with representation of a range of organizational stakeholders, will build institutional memory, ensuring that capacity is not completely lost when there is a staffing change.

Although many programs begin by drawing upon volunteer labour and honoraria-based contributions to the program, this informal kind of staffing is not sustainable in the long run, as some funded enterprises discovered. By the end of the first year of delivery, one social purpose enterprise was unhappy with the inconsistency and weakness of its honoraria-based, volunteer-led training program. It sought and found money to pay consulting fees to technical trainers for the weekly training sessions that they facilitated for business employees. As a result, the sessions were of a higher quality and responded better to participants' needs.

# Staffing, Management and Leadership

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## Keeping The Right People

A number of factors undermine organizations' ability to retain the business managers that they have hired.

Salaries in the social sector are low and uncompetitive compared to the private sector, and organizations often cannot be flexible over salary ranges. This raises a contradiction between the need to offer a competitive salary to a staff person with a rare combination of technical and social development skills, and the importance of working to promote equity and fairness in the organization.

Job descriptions that demand unrealistic time and effort from the staff are likely to result in turnover. Frequently organizations are too ambitious in what they believe can be done, hiring one person to be fully responsible for the development of the business and the social program. This kind of job description creates stress and forces the person continually to compromise and underperform on both fronts.

If the organization is not clear about the division of labour and the relationship between management and the manager of the social purpose enterprise, a situation of responsibility without authority often results. Business developers need the control and flexibility to make decisions in a rapidly changing business environment, yet organizations cannot move quickly enough to make all decisions. Serious frustration can arise with the slow, process oriented decision-making of social development organizations. It is thus important to define the scope of the manager's decision-making: a broad scope will only work where there exists complete mutual trust between the manager and the organization. Solid communication of expectations and developments is essential. Managers need to organize regular formal meetings to keep all stakeholders comfortable and up-to-date. It is also necessary to institute systems that account for the manager's use of time and resources, to balance accountability with flexibility.

At one organization, for example, a manager had to be fired because he was using the organization's facilities to advance his own business interests.

## Staffing Arrangements

Many organizations have explored alternative arrangements in staffing; often involving an acknowledgement that additional staff is required. Some have divided responsibility for the business and social development components; others have integrated the delivery of the social component into the regular operations of their agencies. Still others have relied on external consultants periodically to support staff with the social development or business development components. We know that there are no easy solutions. Staffing arrangements must alter as the business

## Staffing, Management and Leadership

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grows and matures, and as the organization becomes able to cope better with the changes and demands that the business has created.

The style or focus chosen by the manager contains an inherent dilemma. A socially focused manager collaborates with the organization, seeking to integrate the business into the organization. There may be fewer conflicts, because of this constant focus on the social mission. A business-focused manager, meanwhile, is more likely to pursue the separation of the business from the parent organization, in order to increase flexibility and agility.

Perhaps it is in the relationship between the Executive Director and the business manager that a resolution is found. The Executive Director (or in many cases a senior manager, depending on the scale of the parent organization) must play the role of mediator, facilitating a balance of social and business objectives, keeping the social mission in the forefront while also making judgments about the viability and progress of the business. There is still a debate as to how much sectoral and business expertise the Executive Director requires. We have found that the Executive Director has to remain highly involved in the business in order to navigate this “grey area”. To make effective decisions for the organization, the Executive Director must gradually increase her or his knowledge about the business and the sector in which it operates.





**REPORT 14**

**Stages of Social Purpose Enterprise Development**

March 2004

A Report by The Toronto Enterprise Fund

# Stages of Social Purpose Enterprise Development

## Introduction

This document identifies the stages of business development through which the Toronto Enterprise Fund's enterprises have evolved. It is also designed to support both social development organizations and funders to conceptualize social purpose enterprise progress and to predict emerging challenges and requirements.

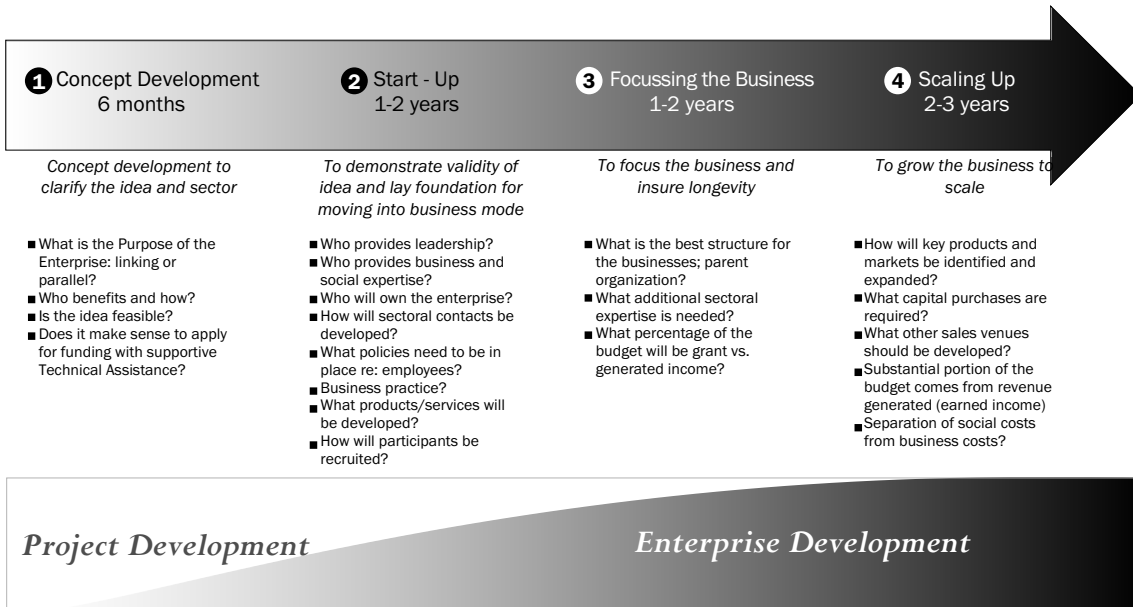
Given that self-employment development work is not itself a business, this paper does not look at the stages of self-employment program design.

The process of social purpose enterprise development is not predictable and linear: progress and setbacks can shift businesses back and forth between stages. Some businesses made more progress in certain areas than others, and could be straddling two categories.

Nevertheless, there are four identifiable stages in the development of Social Purpose Enterprises:

- **Stage 1:** *Concept Development and Assessment*
- **Stage 2:** *Start-up and Planning*
- **Stage 3:** *Focus and Consolidation*
- **Stage 4:** *Scaling up and Growth*

## Stages of Social Purpose Enterprise Development



# Stages of Social Purpose Enterprise Development

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## Stage 1: Concept Development and Assessment

**Key goal at this stage:** *To clarify the business concept and its feasibility*

Most often undertaken before external funding is identified, this stage of business development is supported by an investment of the organization's own funds. The emphasis here is on learning and assessment of a new approach and/or a new opportunity.

Ideally, as a first step, the organizational staff and Board explore their interest in and develop a solid, basic understanding of social purpose enterprise, so that they can build a foundation for organizational buy-in. An early priority will be to find a "fit" between the concept and the organization's mission and current culture. Tough questions must be asked as the organization formally assesses the social and business feasibility of the proposed enterprise.

At this stage the organization works to develop formal and/or informal guidelines for handling risks and liabilities connected to involvement in a social purpose enterprise. In addition, the organization clarifies its expectations by determining the purpose and ownership of the venture. Questions include: What are the expectations of revenues? Will it be non-profit? Under what business and social conditions will the organization maintain or withdraw its commitment to the venture?

Finally, a decision is made whether to proceed. Often this decision is made provisionally, dependent on the organization's ability to develop a solid business plan and to acquire funding. Yet the availability of funding is not always the best reason to go ahead: we have found that the most successful organizations invest a great deal of time and organizational energy to ensure that vital decisions are as resolved as possible before moving forward. A balance must be struck, however, between the organization's need for process and the business' need to respond quickly to opportunities.

In the first funding round of the Toronto Enterprise Fund it became clear that organizations would make better progress if they had resources and expertise to facilitate the process of concept development and assessment. Early on in the second year, a three-month process was planned with a group of potential grantees, to support more in-depth research, planning and feasibility assessment of the business idea. Three workshops were organized: one introducing considerations relating to social purpose enterprise; one supporting business planning and feasibility assessment; and another facilitating the peer review of business plans. Through this process, the new enterprises made quicker progress with the implementation of their businesses, and there were fewer false starts.

# Stages of Social Purpose Enterprise Development

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## Stage 2: Start-up and Planning

**Key goal at this stage:** *To demonstrate the validity of the concept and lay a foundation for establishing the business*

The emphasis of this stage is developmental with a focus on planning, decision-making and start-up. The organization has made a commitment to proceed; but the availability of developmental funding is often a determinant of the depth and speed at which the planning process can take off. In the early stages there is a great emphasis on organizational motivation, learning, policy, structures and systems. Then, as these issues get sorted out, the Board becomes less active. The organization's Board and management should, but do not always, continue to learn.

Decisions made at the governance level determine the future of the business. The organization continually scrutinizes and reviews the business and its ability to deliver revenue and social results. As the concept is clarified, active due diligence is very important in supporting the organization to come to conclusions about mission "fit", social impacts and business viability, and answer the underlying question: "is this approach worth all the effort (and inconvenience), and should it continue?"

Much of the work during this stage is related to business implementation and operations. As a result, a great deal of the organization's energy goes into business research, planning and operations. The business uses the foundations built by the organization to undertake operational planning and business development, and systems and protocols are established to allow the business to function within the organization.

At some point, a manager is hired and the business becomes, to some extent, its own entity. Staffing the management position is an ongoing challenge. Many organizations face false starts as they find it difficult to find the right combination of business and social development expertise at low salary levels.

The social component of the business is also designed at this stage. Participants are recruited, and programming related to the social purpose is implemented and tested.

## Stage 3: Focus and Consolidation

**Key goal at this stage:** *To focus the business and ensure its longevity*

The emphasis at this stage is on revising operational and financial systems and refining marketing and sales strategies for greater efficiency and income earning potential. The business continues to build its market and improve production/service delivery.

# Stages of Social Purpose Enterprise Development

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The social component, whether a training program or a community-building approach, has by now been piloted and refined. Staffing is more stable, systems and procedures have been formalized, and policies have been developed and implemented. Many of the operational issues, related to the way in which the business interacts with the parent organization, have been sorted out. A decision has been made as to which systems and procedures are centralized within the parent organization and which are left at the discretion of the business managers and staff.

At this stage, the Board does not have to be as active in supporting the development of the business, but must still pay regular attention: organizational issues often arise that test both Board and/or organization, often pushing them beyond what they had prepared for or expected. The speed and unpredictability of business growth push parent organizations continually to review and respond to requests for more independence and decision-making freedom on the part of the business. Regardless of the level of preparation, there are always surprises that can challenge the very nature and structure of the organization, and it will be forced to make decisions when learning-by-doing in a constantly changing context.

For example, growing businesses must respond quickly to the need for operating cash flow: In 2002, the manager of one of the Toronto Enterprise Fund enterprises had identified a sales opportunity that required substantial cash flow. Permission was requested of the Board to apply for an independent line of credit over which it would have control. This challenged the parent organization's previously established ground rules for the enterprise about banking, financial risk and independent decision-making. The amount of credit required for the deal was higher than that held by the entire organization. As a result the deal did not go through. The parent organization was not prepared to make such an important decision in the context of the rapid decision-making that was required to secure the deal.

At this stage the fate of the business is often decided, with the determination of ownership, structure and expectations of social returns. Organizations become clearer about the desirability of pursuing a venture-based approach, and the suitability of housing a business within their non-profit structure. These decisions can always be sharpened by asking the question: "would we continue our commitment to this business if the existing funding were not available?"

## **Stage 4: Scaling up and Growth**

***Key goal at this stage:*** *To grow the business and achieve sustainability*

This is still uncharted territory for the Toronto Enterprise Fund. Grantee organizations are only now moving into this stage, for which there has been no documentation of learning.

## **Stages of Social Purpose Enterprise Development**

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Nevertheless, we expect that the issue of social purpose enterprise ownership and structure will be resolved at this stage. There will likely be an increased independence of business decision making, and a transformation of operational, administrative and financial systems to accommodate business needs.

Social purpose enterprises will also have a much better idea of the social costs and level of expected earned income. The parent organization will be able to determine the viability and sustainability of the business, making decisions about whether to continue with the business-based social development strategy.

## **REPORT 15**

# **Business Planning in Developmental Social Purpose Enterprises**

March 2004

A Report by The Toronto Enterprise Fund

# **Business Planning in Developmental Social Purpose Enterprises**

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## **Introduction**

This paper summarizes what has been learned about business planning during the developmental phase of social purpose enterprises over the first years of the Toronto Enterprise Fund. The main business planning challenge faced by the enterprises has been to shift the organizational culture of social service agencies to serve both enterprise development and the requirements of a double bottom-line – to create earned income as well as a successful social component. In general, the enterprises took business planning seriously, dedicating considerable time and energy to research, planning, practical implementation and learning; but it still proved a daunting and often frustrating task.

## **The Challenges of Business Planning**

### **Resistance to business planning has been common**

Business planning has often been a foreign concept for not-for-profit social service sector organizations developing new social purpose enterprises. When asked to prepare a business plan, many of the funded organizations were unfamiliar with the format, purpose, writing style and use of business plans.

Rather than staying with business planning and making it work, many enterprises shifted their attention to operational planning and focused on day-to-day priorities, avoiding difficult, technically specialized questions concerning financial management and marketing in their business sector. Others became sidetracked by process-heavy group planning approaches, which did not result in practical implementation strategies. One enterprise, lacking business experience and struggling to define a viable market niche, took almost three years to develop its first business plan.

Thorough, hard-edged viability assessment is critical before formal business planning can be launched effectively

In the early stages, enterprises progressed to business planning before they had sufficiently clarified their business idea and evaluated it for business, social and organizational feasibility. Acknowledging the expense and operational inefficiencies common to pursuing social objectives, however, few of the enterprises set themselves the goal of “self-sufficiency” or sole reliance on earned income.

Social purpose enterprise is relatively new, and “Social Return on Investment” analysis is complex: very few agencies have developed ways of quantifying or qualifying the social returns to determine whether their businesses are in fact viable. Viability itself may be defined differently according to the objectives of the enterprise. For example, some organizations may be content to operate their enterprises in much the same way as funded projects, continuing to rely on project-based grants. For other organizations that ensure the longevity of the business by combining solid earned income with well



# **Business Planning in Developmental Social Purpose Enterprises**

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diversified external funding, “sustainability” becomes more possible. None of the businesses aimed for enterprise self-sufficiency, or total reliance on earned income. Whatever the case, agencies developing social purpose enterprises should clarify early on what they intend the businesses to yield in earned income and determine realistic objectives for the sustainability of the business.<sup>5</sup>

The format of a traditional business plan does not always suit social purpose enterprises, which face different operational, marketing and financial challenges from regular businesses because they are situated in non-profit organizations with larger, often more complicated decision-making and management structures; and because they are focused on a social mission. In the case of the Toronto Enterprise Fund’s enterprises, the traditional format did not meet their need to assess the feasibility of and plan for social outcomes, in addition to business outcomes. As a result, these two components tended to be planned separately, in a disconnected way.

The enterprises required time and flexibility to negotiate the “grey area” between the business and the parent organization, in order to define the roles, responsibilities, entitlements, and access to resources of both.<sup>6</sup>

## **Early business plans were static and too theoretical**

During the developmental stage, business plans were not updated frequently, nor were they referred to for regular guidance in decision-making. Businesses tended to express business planning in formal, theoretical or academic terms and often based it on secondary source sectoral research. The plans reflected a lack of practical market exploration and sales experience.

## **Marketing and finance are critical planning challenges in early business planning**

The marketing and financial components of business planning have been the weakest: these are the areas that require more business-oriented thinking, technical knowledge and sectoral expertise.

The enterprises have had difficulty in finding a viable marketing niche for their products or services. Businesses often start out by taking a shotgun approach to clarifying their product line, pursuing a wide range of products that they think might work and then seeing which ones sell. Sales experience and strategies have also been weak.

Many enterprises set out with an assumption that the non-profit sector constituted a “friendly market” for their business, believing that their non-profit status and

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<sup>5</sup> For an exploration of the components of viability, and other factors influencing organizations’ decisions to proceed with enterprise development, please see “Assessing Viability” in Section 4. This paper also supports organizations to make an assessment of the balance between social outcomes and business outcomes.

<sup>6</sup> For further detail, please see “Building a Business Culture” in Section 4.

## **Business Planning in Developmental Social Purpose Enterprises**

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social mission would be a key selling point. Experience has shown that the quality and price of the product are more important to customers than the social mission. Furthermore, since non-profit organizations are often underfunded, it is unwise to plan a business that depends on their expenditures.

In terms of financial planning, enterprises have found it hard to develop realistic earned income projections. In addition, they must straddle contradictory budgeting practices, combining the more traditional, expenditure-based budgeting of the non-profit world with the sales-based budgeting of businesses. Cash flow management and sustainability planning are much trickier as the enterprise works to increase its reliance on earned income. Finally, there is the challenge of separating the operational costs of the business from the costs of the social component.

### **Business planning is advanced by hands-on attention to business priorities**

The business planning process, however painful, facilitates practical, grounded learning for the enterprises and their organizations. Through learning “on the job”, enterprises have begun to arrive at more realistic plans and a greater emphasis on earned income. They see more clearly how the organizational, marketing and financial components affect their enterprises, and they are working to resolve organizational/systemic issues, to refine marketing and sales strategies, and to build a strong revenue stream.

Proactive marketing and sales work have supported the refinement of a market niche: clarifying the services and products that are saleable, defining target customers, and detailing more realistic pricing. Enterprises have also had to think creatively to tackle the practical challenges of combining non-profit and for-profit financial management.

### **Funder Interventions to Support Business Planning**

The Fund has learned a great deal about the process of supporting social purpose enterprise development through business planning. As the second intake process was launched, it was adjusted to facilitate an orientation process with a group of short listed applicants, designed to support agencies to think through the dimensions of social purpose enterprise viability and to introduce the concept of business planning. After this series of sessions, both organizations and their enterprises could progress more quickly and effectively with business planning than had the previous generation, despite the continued challenges.

During 2003, the Toronto Enterprise Fund hired professional business consultants to work with the enterprises on updating and improving business plans, with particular emphasis on marketing and sales strategies; and financial planning. Enterprises can now engage in the more technical and sophisticated aspects of business planning, increasing their expertise. The funding partners are also clarifying their expectations of business planning, revenue generation and sustainability.

**REPORT 16**

**Reflections on Self-Employment Programming**

March 2004

A Report by The Toronto Enterprise Fund

# Reflections on Self-Employment Programming

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## Introduction

The Toronto Enterprise Fund's goal is "to use Community Economic Development (CED) to improve the quality of life of people who are homeless or at risk of homelessness". Although the Fund has gradually come to focus on social purpose enterprise as the main means of achieving this goal, it has also funded a small number of self-employment training programs.

The Toronto Enterprise Fund has included self-employment development in its typology of four general social purpose enterprise strategies because it promotes enterprise development as a way to support low-income populations to build livelihoods.<sup>7</sup> Self-employment development is, however, significantly different from the other types of social enterprises: project-based by nature, it relies on ongoing external funding and support. It is a program, not a business, and will not have revenue generation potential.

Nevertheless, all of those parent organizations in the portfolio that promote self-employment development are interested (in the long term) in developing collective social purpose enterprises as a means of supporting micro-enterprise marketing and growth. Many of the self-employment programs are also seeking to combine individual and collective enterprise development, in order to build a viable foundation for the economic engagement of their participants.

## Origin of Self-Employment Projects

Organizations that now promote self-employment did not set out with this intention; rather they were looking for an alternative form of enterprise development that would suit a highly individualistic group of "difficult to serve" people. They were drawn to explore the idea of collectively owned social purpose enterprises because of their preference for cooperative ventures over individual enterprise development.

During the concept development process, the organizations were introduced to various self-employment training models that promoted peer-based learning and business collaboration. In the end, they decided to pursue self-employment training with a group-based program component, to reduce the isolation of participants and to address the marketing and cost disadvantages faced by very small scale enterprises.

## TEF Funded Self-employment Programs

### SKETCH Connections

SKETCH Connections is promoting the business of art for youth and supporting youth in generating income from their art through a self-employment program. The self-employment program is complemented with common studio space and collaborative marketing. The community of artists in the Queen Street areas is

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<sup>7</sup> For information on the typology of Social Purpose Enterprises, see the report "Different Approaches to Social Purpose Enterprise."

# Reflections on Self-Employment Programming

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supporting the program by enhancing the self-employment curriculum and mentoring support for the youth.

## **Sistering Inspirations**

Inspirations is a women's entrepreneurial initiative that brings women together in a common studio space to produce arts and crafts for sale. This project is utilizing a self-employment skills development model with support for additional technical skills in craft making. The creation of arts and crafts products occurs in a supportive peer environment, while the women work on their own business plans for self-employment.

## **The Form of Self-employment Training Emerging in the TEF Portfolio is Unique in Canada**

Many similarities are shared by the two projects that support individual, self-employed income earning activity. Since they work with more marginalized, long-term homeless people, both parent organizations were struggling to identify a social purpose enterprise that would provide not just earned income, but also flexibility in employment for participants. In both cases, the organizations were focusing on more or less the same sector – arts and crafts – which was used to involve people in activities that could help them heal, as well as engage in the community and the economy.

This focus had been determined through long-term programming with the target group: it grew out of their interests and aptitudes. Each of the self-employment programs has taken a different, more elaborate approach than other self-employment programs in Canada, combining self-employment training and sectorally-focused skills development.

Sectorally-based self-employment has proved particularly effective in working with marginalized populations in developing countries<sup>8</sup>, because it builds a technical skill base, in parallel to business skills, making self-employment a more viable option in the long term. The TEF programs were seizing on the opportunity to explore the effectiveness of a well-tested strategy with a different population: the homeless and at risk in Toronto.

## **Challenges Related to Choosing the Arts and Crafts Sector**

Business development and the arts are difficult to mix. If a self-employment strategy is to work, the arts and crafts must be marketable; but marketing art is challenging, even in a mainstream context, since it is difficult to predict what will sell. Few artists ever make enough income from their art to support a sustainable livelihood; as a consequence, self-employment in the context of TEF has, to date, been an income supplementation strategy. Most self-employment programs acknowledge that they will

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<sup>8</sup> For example, for over ten years, the Bangladesh Rural Advancement Committee (BRAC), has been working to build an indigenous silk industry in Bangladesh through a combination of sectoral skills training and self-employment development, and micro-enterprise credit.

## Reflections on Self-Employment Programming

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have to support participants to develop a range of income sources in order to build a viable livelihood.

The TEF programs therefore use self-directed business development programming as an entry point for supporting marginalized people to build livelihoods. Much time is required to build a business to the point where it can provide sufficient income to support a person fully. So although the program is called “self-employment”, for this target group programs are actually promoting independence and economic engagement through an income patching strategy: the majority of participants are incorporating part-time work and supplementation of social assistance benefits in their long-term strategies to develop livelihoods.

### The Development and Evolution of Program Design

From the early stages, the two self-employment programs focused on learning and adapting what they could from existing, well-established self-employment practice in Canada. The programs pooled their TEF technical assistance money to contract the services of Women and Rural Economic Development (WRED), an organization with over ten years of self-employment experience that offered a peer-based, gender-sensitive curriculum. This assistance spared the programs a lot of trial and error, and greatly facilitated their learning about self-employment training and program design. Designing and implementing the program still took time: only after the “hands-on” delivery of the first round of training did the programs begin to find a balance between the need for arts-based training and the extent to which they would focus on business development.

Along with all of the other social purpose enterprises, the self-employment programs found it challenging to recruit and retain staff who could meet the complex requirements of the job, combining an understanding of the target population, a strong knowledge of the arts, and business-development and business training experience. The two programs eventually designed training-based programs that combined an equal amount of technical training and mentorship in the arts with training to support business planning. The aim is for participants to strengthen the quality and marketability of their arts and crafts while also developing a strategy for marketing and selling their art in a way that generates sustainable income.

Achieving a balance between the arts and the business components of the program has been the main challenge. Staff have generally had more experience as artists than as business people, resulting in a bias towards the arts component of the program. Over time, however, the programs have shifted business planning to a more practical level that not only deals with the feasibility of arts sales, but also with the capacity of the arts sales to build livelihoods. In many respects, the business component is becoming a livelihoods planning exercise that supports participants to make and sell the art they love, while piecing together various sources of income to ensure stability and security.

# Reflections on Self-Employment Programming

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## Lessons About Program Design

### **The selection process focuses on identifying people who are ready to earn income**

Self-employment suits people who have difficulty fitting into mainstream employment and who do not thrive in group-based programming: here they have an opportunity to set their own direction. In both programs, participants are recruited through the organization's long-term programs for street-involved people. Participants are screened for their readiness to engage in serious income generation activities.

In the case of Inspirations, the self-employment program is working to change the public perception (which emerged from its early days as a multi-purpose art-focused drop-in centre) that it is an art-therapy program. The parent organization is now positioning it as an economic development program. Women with complex personal and/or psychological problems are referred on to more specialized counselling and support services.

### **Longer term programming is more appropriate for homeless and at-risk populations**

Given the needs of this target population, programming must be long term. While the first year sets the foundation, supporting participants to get started on their work and to begin to feel better about themselves, 2-3 years is probably the optimal length for participants' involvement in the program. People must be able to stabilize their lives, particularly with regard to their housing and income, in order to engage in the economy and, ultimately, progress towards a livelihood. Gradually, as they gain in self-confidence, they can begin to build stronger connections to the community.

The organizations are further tailoring their programs to participants' needs. For example, one program is exploring the option of staged progress, allowing participants to move along more or less at their own pace. Another program is working with small groups that receive strong individual support from staff and specified mentors. The youth program also provides some more traditional job search techniques and help with school applications.

### **Improving skills in design and production is important**

Both of the programs focused on self-employment emphasize the importance of building participants' skills in various art media: without skills and a product, a small business will not be feasible. The programs have managed to secure supporting contacts and, in some cases, more active mentors in the arts and crafts field that have contributed knowledge, expertise and support, enabling participants to hone their skills and increase their earning potential more rapidly.

# Reflections on Self-Employment Programming

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## **Group work is best kept to small numbers for these populations**

Both self-employment programs work with small numbers of participants in group settings. These people have been drawn to self-employment because they are strongly individualistic and self-reliant: as staff have observed, they often have the skills and initiative to access resources on their own. They are also survivors of the street and the psychiatric system, and value their independence and privacy. Women with psychiatric histories, for example, tend not to like revealing personal information in group sessions, and many find working in large group situations very stressful.

The two self-employment programs have been surprised to find that the individual nature of self-employment suits their target population: programs have worked to balance this need for individualized attention by building connections and support networks. Smaller groups allow for the individual attention necessary to the human development aspect of the program and to building sectoral skills. Shorter workshops supported by individual consultation proved most successful in both programs.

## **Crisis management is a regular part of programs**

The participants of these two programs live particularly fragile lives and are easily destabilized, even in the later phase of the program. For both women and youth, unstable housing is a common source of crisis. Women may attend programs for a few weeks and then disappear for a long time; youth need to go to medical clinics; employment income can rise only to fall off dramatically. To cope with this constant danger of crisis, programs must allocate time and staff resources to support participants with their immediate concerns, or else they will be unable to focus on the business. They must also be flexible and accommodating to those who are participating, making it possible for them to return to a program once they are re-stabilized.

## **Participants make excellent role models**

Participants who have worked through the program successfully, building up a stronger portfolio and more professional skills, provide excellent role models. They also gain a boost in self-esteem from showing newcomers where they are going and what they can hope to attain if they persevere.

## **Some people are sensitive about selling their own work**

Selling to the public can make some participants uncomfortable, whether because of mental health or medications, because they are not yet ready to sell their work, or because they are not used to mainstream marketing. Programs must support people to draw a distinction between their work and themselves, and between work done for commercial purposes and work done for personal satisfaction.



# Reflections on Self-Employment Programming

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## **Programs must emphasize income generation**

Generating work and selling it has a huge psychological impact on participants. The business training component of programs is very important and cannot be overlooked. These programs are not about therapy: participants need to be asked constantly, “How can you sell this – how much do you think you can sell it for?” and to be reminded of skills they are building that can be taken elsewhere.

## **Participants need constructive criticism from friendly sources, and outside connections wherever possible**

With advice from “friendly insiders” or mentors, participants’ work is improving in quality, thus enhancing their ability to generate income. And as they move through the phases of business development, they can begin to look towards building valuable outside connections and resources.

## **Participants require support and a taste of success to get established**

There is an obvious artificiality to the workshops and studio that must be taken into consideration when doing financials for individual businesses: in both self-employment programs, participants do not at present pay for materials and equipment and space. They can thus sell their goods and make a profit without accruing any expenses, while the actual cost of production is covered by the program. As the businesses become more established, this cost will be built into the business plans; but people need to experience success first in order to develop motivation. They will eventually have to prepare a transition strategy to deal with the change in business planning, if and when the time comes.

## **The approach to business planning must be customized for different target groups**

Business planning proved a challenge for both programs: writing a business plan is personal, and can trigger many fears and anxieties. In one program, therefore, the business plan development process was facilitated as an individual activity supported by workshops, since it involved private issues that were sensitive for many participants. In another case, business planning now begins a few months into the program, when participants have had an opportunity to develop their skills in a variety of media. After a year or so, people are more prepared to discuss prices and sales.

## **Program participation honoraria are a double-edged sword**

A small weekly honorarium was offered to the participants of one program. While this income made it possible for the youth (most of whom were not on social assistance) to participate, participants were, to a varying extent, destabilized by the loss of income when it stopped at the end of the training period. The program

## Reflections on Self-Employment Programming

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is now exploring the option of transforming the participants' honoraria money into a fund that would provide incentives and small amounts of capital to participants who are ready to implement their businesses.

### **The regulatory environment for OW and ODSP limits success**

Since most of the women in the Inspirations program are on social assistance, they must deal with the difficult regulatory policies involved in receiving Ontario Disability Support Program or Ontario Works benefits while starting a self-employed business. Mistrusting the system, they live in constant fear of being cut off if they earn more from their work than the allowed extra income.

At present, money earned from self-employment is not enough for the women to get off social assistance. Yet it does provide a means for them to improve their quality of life when patched together with other sources of income; and even if the economic gains are modest, the social and personal benefits of self-employment are enormous. Programs struggle with the challenge of supporting women to move to independence and self-sufficiency in a policy context that provides disincentives to entrepreneurial approaches, and undermines the ability of participants to build their businesses over time.

### **Reflections on Results**

It is perhaps ironic that self-employment programming has been developed to support some of the most multiple-barriered, "difficult to serve" groups in the Toronto Enterprise Fund portfolio; and the work is particularly hard but rewarding. The experience of the two programs has confirmed that self-employment training is an excellent entry point from which to build a variety of assets that support marginalized people to begin to take control of their lives, and to make productive contributions to the economy. Self-employment programming builds self-direction, confidence, economic literacy, and social connections, all of which provide a long-term base for increased income and economic security. Toronto Enterprise Fund programs have added a technical/skills training component that has made it more feasible to work with homeless and "at risk" target groups who often have weak backgrounds in formal education and have been disconnected from the workforce for a long time.

With time and experience, the Toronto Enterprise Fund self-employment programs have evolved towards a focus on livelihood development. This means that while the development of a viable business plan is still important to the program, other core results – including the development of marketable skills and increased employability – are just as important as strategies to build sustainable livelihoods.

The two Toronto Enterprise Fund self-employment programs have learned that this takes time. Of the 6 self-employment participants interviewed during the formal research process, none were operating full-time businesses and all 6 were earning varying degrees of part-time, supplemental self-employed income. Yet even though

## Reflections on Self-Employment Programming

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business start-up and self-sufficiency rates are not high, the income earned by participants is of vital importance to improving their quality of life. Self-employment is resulting in income patching strategies, where participants piece together a variety of income sources that changes over time.

The learning from both self-employment and social purpose enterprise is the same: participation in the program may generate only small amounts of income, but it has a profound effect, helping participants to make the difficult transition from instability to economic engagement.

Yet there are some serious design challenges that the programs face. The need to sustain livelihood gains with this target population is of significant importance. As with social purpose enterprise, it is clear that self-employment programs need to find ways of designing their programs to provide long-term support to participants as they build their businesses and livelihoods. The type and depth of supports will change over time; yet results to date suggest that livelihood development is a longer-term process. Thinking about self-employment training must be modified, and the length of the programs extended so that it can provide ongoing support for participants' livelihood strategies.

The second challenge is the need to achieve scale. One program has been taking a very intensive approach, which is felt to be the most appropriate in dealing with this target group – but, as a consequence, it can only afford to work with 8 participants per year.

During the developmental phase it was premature to make any final judgments on fair expectations about results. Nevertheless, it does make sense to explore the question of scale and the appropriate per participant costs of these programs. Realistic expectations for business development should also be articulated and more holistic indicators of livelihood gains explored, so that we can clarify the expected benefits of involvement in self-employment programs.

Both programs are exposing their entire program population – indirectly or directly – to some of the underlying concepts of enterprise behaviour. They have designed their programs to draw upon their target population, gradually and systematically building the potential for serious involvement in marketing their arts and crafts as a livelihood strategy. This bodes well for promoting increases in the scale of self-employment programming over the long-term.

Although self-employment development programming will never be self-sufficient and will require ongoing funding, it has clear merits as an economic engagement and livelihood building strategy for homeless and at risk populations in the early stages of stabilization. It seems particularly effective in facilitating the difficult leap to economic and social engagement. The Toronto Enterprise Fund will likely be able to learn more about the process of building sustainability of those asset gains as the self-employment programs mature during the coming years.

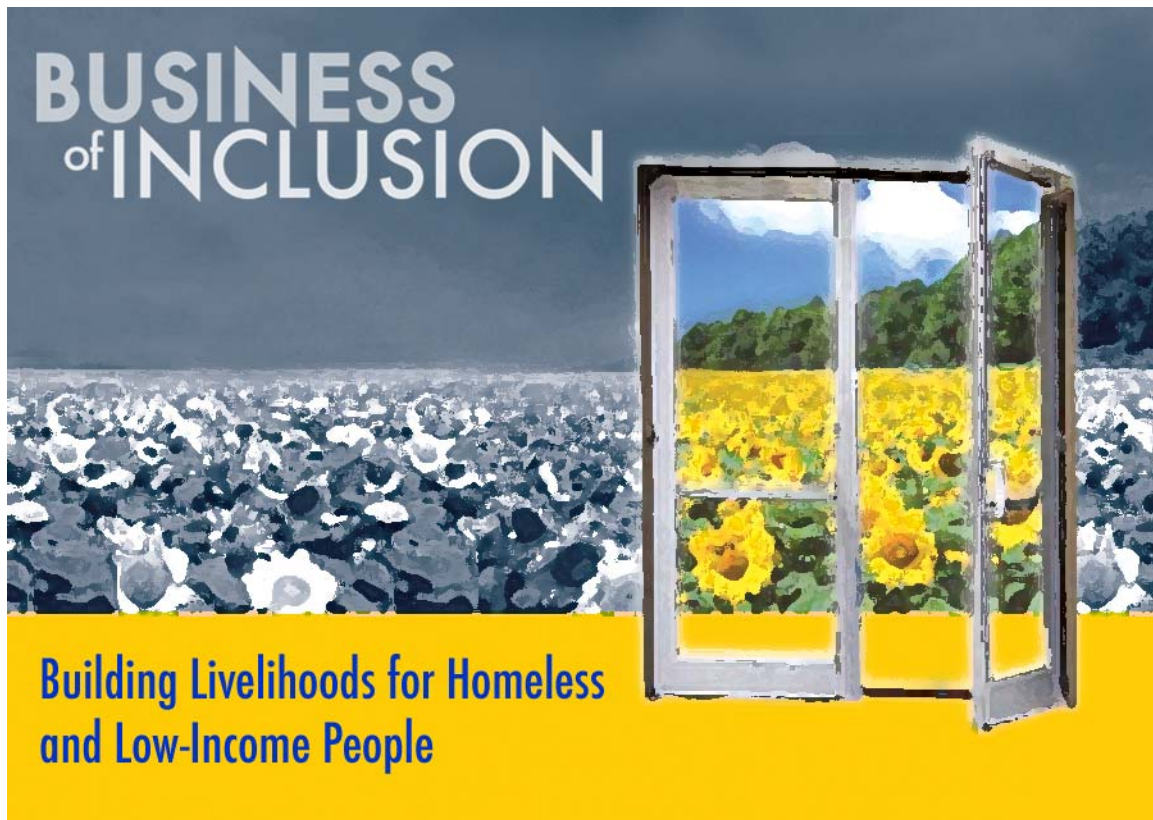






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## **The Business of Inclusion**

### **Section 4**

#### **Decision-Making and the Role of the Parent Organization**

March 2004

A Report by The Toronto Enterprise Fund



The Business of Inclusion  
A Series of Reports From the  
Toronto Enterprise Fund

[www.TorontoEnterpriseFund.ca](http://www.TorontoEnterpriseFund.ca)

The Toronto Enterprise Fund supports the development of social purpose enterprises working with homeless and low-income people. Social purpose enterprises create both community connections and economic opportunities for homeless and at-risk populations by developing businesses that balance both revenue generation and a social mission.

This report was researched and written by Eko Nomos Program Development Consultants, [www.ekonomos.com](http://www.ekonomos.com).

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Canada



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# Introduction

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The Business of Inclusion is a series of reports documenting the findings from research on the developmental stage of the Toronto Enterprise Fund and the enterprises it supports. The twenty reports are organized into four sections: Background, Participant Learning, Learning about Enterprise Development, and Decision-Making and the Role of the Parent Organization.

This section explores the organizational challenges of developing social purpose enterprise within social development culture. As the social development organizations funded by the Toronto Enterprise Fund have engaged in social purpose enterprise, they have worked intentionally to merge two divergent perspectives: they are seeking to combine their core competencies in social development practice with business-oriented thinking in an appropriate and functional way. In the process they invest much time adopting and adapting business concepts and tools to their poverty reduction approaches.

## **The purpose of this section is:**

- To learn about the process of building a business culture into a social development organization
- To identify the components of viability for a social purpose enterprise
- To explore issues related to managerial staffing of the organization
- To begin to identify some effective practices in building board awareness and leadership

## **List of papers:**

- Report 17: Building a Business Culture
- Report 18: Assessing Viability
- Report 19: Organizational Approaches to Building Social Purpose Enterprises
- Report 20: Building Board Leadership

## Acknowledgements

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The Business of Inclusion reports are the result of hard work and a collaborative effort by the funding partners of the Toronto Enterprise Fund, the research team at Eko Nomos Program Development Consultants, the social development organizations funded by the Toronto Enterprise Fund, the staff of the enterprises, and above all, the participants of the social purpose enterprises.

Special thanks go to Janet Murray and Mary Ferguson of Eko Nomos whose dedication and enthusiasm have resulted in a detailed understanding of the development and impact of the social purpose enterprises supported by the Toronto Enterprise Fund. Thanks also to Claire Letemendia for editing the Business of Inclusion reports.

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Thanks also to Maureen Adams, Dan Clement and Beth Malcolm, of United Way of Greater Toronto, for their vision, dedication and commitment to this groundbreaking initiative.

**REPORT 17**

**Building a Business Culture**

March 2004

A Report by The Toronto Enterprise Fund

# Building a Business Culture

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## Introduction

Building a social purpose enterprise is not simply about grafting a traditional business onto a social development organization. During the developmental and start-up phase of social purpose enterprises, it has become clear that there is a grey area: the overlap in decision-making roles and responsibilities between the parent organization and the fledgling business. The Toronto Enterprise Fund has learned that the development of a social purpose enterprise involves forging new organizational and business structures through a dynamic negotiation of control over decision-making and operations between the parent organization and the business. This paper explores this “grey area” and documents program learnings about building a business culture into social development organizations.

## Reconciling the Business with Social Development Approaches

In the experience of the Toronto Enterprise Fund, some of the greatest difficulties have arisen when adapting the enterprise to non-profit values and practices, and/or adapting the organization to for-profit values and practices.

Highlighted below is the broad range of decision areas in which the organization’s interests can overlap with those of the social purpose enterprise.

### **Grey area: Areas of Overlap in Organizational and Business Responsibility and Decision-making**

Operational decisions:

- Human resources
- Business management
- Administration, reporting and record keeping
- Partnerships
- Public relations

Financial Decisions:

- Access to increased organizational commitment and resources (e.g., space)
- Access to separate banking and financial management
- Access to debt financing

Governance and Policy decisions:

- Business decision-making processes (including accountability guidelines and the role of the board)
- Business ownership
- Acceptable levels of risk
- Future of the social purpose enterprise

## **Building a Business Culture**

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There are inherent contradictions and conflicts between business and social service models. Social development organizations are process-oriented and generally move too slowly to be competitive in a business environment. Business decision-making, meanwhile, is not democratic enough for social development organizations. Social agencies manage the bottom line with strong reference and accountability to the funder, ensuring that project funds are spent and accounted for. Businesses, on the other hand, seek to reduce spending, and require regular reporting to support daily decision-making and profit generation.

Successful social entrepreneurs facilitate mutual understanding, trust and communication between the parent organization and the enterprise. A culture of collaborative decision-making must be cultivated, the success of which will determine the ultimate structure and effectiveness of the venture.

With each incremental decision, the division of labour between the business and the organization is clarified and the grey area diminishes. In many respects, the decision-making process during the early stages of enterprise development is an ongoing negotiation to determine which decisions can be made by the business independently, and those which will require the input and/or approval of the parent organization.

The process of implementing a social purpose enterprise thus becomes an effort to forge new systems, structures, processes and policies beneficial to both enterprise and social development.

Decision-making systems must be crafted to offer both the accountability that the organization requires and the flexibility, speed and efficiency required by the business. The ultimate result is a hybrid enterprise that merges business and social objectives, values and practices: each enterprise develops its own unique character and culture.

Over time, more formal structures and protocols emerge to facilitate decision-making. The ownership and accountability structures will take longer to define and will likely be determined by: the size and structure of the parent organization, the legal and liability policies and requirements of the board, the degree of commitment on the part of the parent organization to social purpose enterprise, and the quality of the emerging relationship between the management of the business and the organization.

Highlighted below are some common issues that arose as organizations supported by the Toronto Enterprise Fund worked to implement their social purpose enterprises:

### **Building an organizational foundation for social purpose enterprise**

In the process of developing a social purpose enterprise, most organizations have found themselves to some extent unprepared for the broad organizational implications of initiating a business, and the systemic changes that the business exacts from the organization. Organizations need to prepare themselves early in the planning stages of a social purpose enterprise, yet cannot really change and adapt until they are actively engaged in day-to-day business development. It is very difficult to anticipate and

## **Building a Business Culture**

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proactively to initiate the changes that will be required at a range of levels in the organization. As a result, change often comes in response to a crisis or the need for a quick decision. Managing these organizational changes and risks becomes a crucial component of ongoing work, especially at the Board level.

Although the fiduciary responsibility of a charitable, voluntary non-profit Board is unchanged by the addition of a social purpose enterprise, the Board may be very concerned about risks to the mission and stability of the organization. Levels of tolerance for risk are not high for most non-profit organizations, and without a proper orientation to social purpose enterprise and its implications, the Board may see this new venture more as a threat than an opportunity. Without preparation in terms of building Board commitment and support, clarifying goals and determining social and business feasibility, many organizations find the experience of entering into business difficult and sometimes destabilizing.

### **Investing in required technical and sectoral expertise**

The Toronto Enterprise Fund has learned that the main challenge facing non-profit organizations seeking to develop social purpose enterprise lies primarily in human resources. Since most organizations lack experience in business, they must identify gaps in knowledge and recruit appropriate technical and sectoral expertise at a range of levels if they are to progress.

Leadership needs to think differently and bring new skills to the social agenda. It is challenging to find and hire social purpose enterprise managers who combine an understanding of the subtleties of both social development and business development. New business and financial expertise may also be required on the Board: it is crucial to find a solid mixture of skills and vision. There are many ways for organizations to secure technical expertise: they might change personnel, recruit pro bono technical mentors for the business, or pay for technical consulting and/or enterprise advisory groups.

### **Adapting decision-making and ownership structures**

Many organizations are restructuring the decision-making and ownership systems that they originally devised in order to deal with the contradictions that have arisen in the process of business implementation.

They have to ask some tough questions:

- Is it possible to combine participation and transparency with a decisive, rapid decision making culture?
- Can traditional systems of decision-making and policy setting serve the development of social purpose enterprises well?
- What is the optimum degree of independence for the business?
- What is the optimum degree of control required by the organization?

# Building a Business Culture

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## **Adjusting financial and administrative systems**

There is an innate incompatibility between the non-profit, accountability requirement of projects to spend their budgets, and businesses that set priority on minimizing expenditures and creating financial reserves and profit. This incompatibility affects the purpose, timing, format and structure of the financial and administrative systems. In addition, financial systems in social development organizations often cannot produce the frequency and form of financial reports that facilitate effective business decision-making (i.e., daily vs. quarterly updates). Businesses need to have control of their financial management, including forecasting, bookkeeping, banking and record keeping.

## **Breaking down traditional notions which distinctly separate the charitable and business sectors**

It is important not to underestimate the power of established notions about the roles of the business and social sectors: organizations should expect unanticipated resistance to this new hybrid form of enterprise. For example, the organizations involved in the Toronto Enterprise Fund have learned through their partnerships that there is a persistent, traditional, charitable mentality in the corporate sector, and a lingering taboo related to crossing the invisible yet entrenched line between the expectations of a charitable entity versus those of a business entity. Organizations need to educate their corporate partners to prevent confusion, and a potential backlash against new businesses that could be viewed as being in competition with them.

One of the funded enterprises, in its work with a corporate partner, hit a psychological wall in advancing the notion of a social purpose enterprise. The corporate partner that had been providing mentorship, technical assistance, training and other invaluable forms of in-kind support balked when it learned that the organization intended to make the training-based business profitable in the long run.

They had crossed the invisible line separating the two sectors, raising the spectre of a “subsidized” social sector competing unfairly with the for-profit sector. This chilled the company’s enthusiasm for the project, and the social purpose enterprise had to move quickly to explain that the “profits” would be reinvested in the social purpose and sustainability of the business.

# **Building a Business Culture**

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## **Risk aversion of the organization can undermine business viability**

Business culture by definition involves a level of risk that is unfamiliar to most non-profits and charities; and social purpose enterprises, by their nature and requirements, often push parent organizations to accept more risk than they would like. The social purpose enterprises in the Toronto Enterprise Fund have thus found themselves in conflict with parent organizations as the business is slowed down to allow the organization to comprehend and make informed decisions about risk.

## **Access to critical resources**

There are many advantages gained by social purpose enterprises in being part of a larger organization, such as entitlements to resources, space, information, charitable status and support/expertise for designing and implementing the social component of the enterprise. Yet the businesses must often operate without having control over the resources they require to thrive. For example, there may be disagreements between the parent organization and the social purpose enterprise about the expansion of operational space, or access to a line of credit, or the ability to go into debt to build the business.

## **Commonalities in the Character and Culture of Social Purpose Enterprise Developing Organizations**

Finally, there are a number of common characteristics that have made organizations involved in the Toronto Enterprise Fund suited to, and successful in the role of social entrepreneur:

### **Ability to anticipate and manage change**

Parent organizations of social purpose enterprises want to be in control of their destiny. They acknowledge the inevitability of profound change in the social sector, and wish to be proactive in anticipating challenges and moderating the forces of change. By understanding these trends and forces, many have prepared themselves to adapt quickly. Many are consciously working to engineer a gradual shift from a project-based mentality to a business-based perspective, involving new roles and relationships for Board, managers, staff and participants. This demands a high level of commitment, investment and action from all levels of decision-making in the organization, and an increased willingness to take calculated risks.

### **Promoting proactive solutions to poverty**

These organizations are disillusioned to some extent with poverty alleviation approaches that only offer coping strategies and support. They want to find more effective, long-term solutions to poverty reduction. As a result, they are committed to change at a strategic level, while continuing to work and learn at the practical, grass roots level. Most have made a long-term commitment to the social purpose enterprise approach, and are not just applying for a new project-funding opportunity. They have decided to make a considered



## **Building a Business Culture**

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exploration and investment that might in the long-run increase the impact of their work with low-income populations.

### **Learning orientation**

Actively documenting their progress, these organizations are willing to learn from mistakes through analysis and self-criticism. They are also open to working and sharing learning with other organizations.



**REPORT 18**

**Assessing Viability**

March 2004

A Report by The Toronto Enterprise Fund

# Assessing Viability

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## Introduction

The developmental phase of a social purpose enterprise is in many respects a multi-dimensional exploration of viability. It is in the practical context of the early stages of implementation that the business idea is tested and tempered. Throughout, the underlying question remains: are all the hard work, investment and inconvenience worthwhile for the parent organization and ultimately for the low-income people the enterprise will employ?

This paper explores three components of social purpose enterprise viability (social, business and organizational viability) and highlights the experiences and learning of the Toronto Enterprise Fund portfolio as they went through the process of assessing the viability of their enterprises.

## Viability in a Social Purpose Enterprise Context

In the business world, viability is grounded in survival in a competitive marketplace. In a for-profit business, it might relate to the effectiveness of management, efficiency of operations and so on; but it always comes down to the business's ability to generate adequate revenue to make the venture a worthwhile investment, if not in the short-term, at least in the medium-term.

Determining the viability of a social purpose enterprise is more complicated. While earned income is an important component of viability, so also are the social outcomes and the "fit" of the business into the organization's culture and mission.

Social development organizations must seriously consider what constitutes viability in the context of social purpose enterprise: is it about sustainability (including a diverse range of funding and earned income sources)? Or is it about real market viability (in which the business must generate sufficient revenue to pay for the operations of the business and generate a "surplus" from which the social objectives of the business are covered). The answer is somewhere in between the two, with a balance of social and business objectives.

## Three Components of Social Purpose Enterprise Viability

The process of assessing viability is complicated and time consuming; and there have been no common procedures or standards for judging viability in the Toronto Enterprise Fund. Furthermore, the organization and the enterprise are distinct stakeholders in the decision-making process: they often have different perspectives and priorities.

Regardless of how viability is determined, it has been possible to identify three interconnected, yet separate components of social purpose enterprise viability that have commonly been explored by the Toronto Enterprise Fund portfolio.

# Assessing Viability

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**Business feasibility:** Concerns the desirability of pursuing the social purpose enterprise approach in general and the business idea in particular. The proposed enterprise must be feasible and capable of generating significant revenue.

Important questions include:

- Is the social purpose enterprise feasible?
- Can it generate sufficient revenue to make it sustainable and reduce risk to the parent organization?
- Does the business idea fit within the parent organization's mission and core competencies?

**Social feasibility:** The ability of the enterprise to leverage social change and other benefits to the target population, the organization and/or the community.

Important questions include:

- Can the social purpose enterprise leverage adequate social and economic returns to support the organization's mission and to justify the investment?
- How can the social purpose enterprise improve the parent organization's ability to effect social outcomes?

**Organizational "fit" and feasibility:** The appropriateness of social purpose enterprise as a means of fulfilling the organization's mission and the feasibility of the relationship between the business and the organization.

Important questions include:

- What degree of flexibility, control and responsibility will be given to the business?
- How will the business be structured within the parent organization to optimize the working relationship between the business and the organization?
- What are the risks to the organization?
- How will the organization need to adapt to the requirements of social purpose enterprise?

As the social purpose enterprise advances through different stages of development, the organization must continually return to, and deepen its analysis of each of these dimensions of viability.

## Exploring Each Viability Component

By observing and supporting the developmental and start-up phases of social purpose enterprise, the Toronto Enterprise Fund has been able to identify and document many of the decisions that contribute to viability assessment, and to refine the related questions that must be answered over time.

The following section offers a breakdown of the decisions involved in each of the three viability components. In addition to some case examples of funded enterprises'

# Assessing Viability

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experiences and a summary of lessons learned, included is a series of decision-making tools to assist organizations in exploring social purpose enterprise viability.

## Business feasibility

The choice of business sector and idea will determine the scale, complexity, cost, and risk of the social purpose enterprise. Parent organizations must make a substantial upfront investment in order to identify a business that is not too difficult to implement and manage, and that is capable of generating sufficient earned income and other contributions to make it sustainable. For social purpose enterprises, business feasibility is, in many respects, in the eye of the beholder: depending on the criteria established by the parent organization to gauge the success of the venture, business income may be considered less important than social outcomes or vice versa.

Considerations Include:

- Identification of the business idea
- Assessment of business feasibility
- Business planning and implementation

## Identification of the business idea

Organizations in the Toronto Enterprise Fund portfolio demonstrated a number of approaches to identifying their business idea. Two of the organizations had already done considerable research in a particular business sector that they considered had growth potential, with opportunities for people to make higher than average wages. In both cases, additional research was done to focus more precisely their niche within the sector.

During the business identification stage, Eva's Initiatives had identified two potential business sectors and had done solid research and developmental work for each. A connection made through the feasibility research resulted in a donation of used printing equipment from a local community service group. This development tipped the balance in the direction of pursuing the print business.

In four organizations, the idea emerged from their ongoing working relationship with members of the target population, who had expressed a need for paid employment, and had identified sectors and business ideas that they would like to pursue. The ideas were based on skills that could easily be acquired to generate immediate income. Yet sectors with lower entry levels of skill are often competitive and underpaid; the challenge has been to direct participants towards a choice of sectors that can offer fair wages for quality work.

## Assessing Viability

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The Ontario Council for Alternative Business (OCAB) pursues a model that dedicates the first year to a community development process with participants: it facilitates collaborative learning and research that culminate in the development of a realistic business idea. The participants choose an idea that suits their interests, skills, abilities and resources.

In three cases, the business idea evolved out of an existing business or program in which the organization was already engaged.

FoodShare has a Good Food Box business, which required box washing services, resulting in a new and related business, which has since been spun-off to another organization, Parkdale Green Thumb Enterprises, on a contract basis. FoodShare was also buying sprouts for its Good Food Box, and so launched a business in partnership with the Centre for Addiction and Mental Health to grow sprouts in an underused greenhouse at a large psychiatric hospital. YOUTHLINK® explored the idea of transforming an existing earned income operation into a training-based operation. The Mill Centre was originally a drop-in centre with a training-based component that was intentionally transformed into a workplace.

Good business ideas take time and energy to develop. Staff time and other resources should be invested to explore options and find the right business idea well before making funding applications. Strong ideas come out of the parent organization's mission and activities; and business ideas that are an extension of the parent organization's experience are likely to be more concrete and realistic.

### **Assessment of business feasibility**

In a not-for-profit context, business feasibility must be distinguished from sustainability. While the feasibility of the business relates to its ability to operate and thrive in a competitive market, a business can be artificially sustained by grants and fundraising. A reliance on ongoing, project-based, external funding creates an artificial sense of security, supporting the business to survive even if it cannot generate sufficient revenue to break even and support itself.

## Assessing Viability

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One enterprise came to the conclusion that its business was not feasible after a year of working to develop the idea. They had chosen a sector with complex technical requirements and high capital requirements for entry. Insufficient equipment, facilities and expertise left the social purpose enterprise in a position where it could not compete and, as a result, could not generate revenues. While many different options for revenue were pursued, it was determined that the only way the business could survive was as a fully funded project.

It is important for organizations to set some expectations and standards for the social purpose enterprises in which they are involved, to ensure that the business generates enough revenue to make it a valid business. The real viability test comes when external funding is reduced or ended. In the long run the business' feasibility is intimately tied to its ability to produce market-worthy products and services.

“It is our position that social purpose enterprises operated by non-profit organizations must first and foremost embrace the core mission of operating with no significant net loss to the business. Presently, many social purpose enterprises operating in the United States operate at a loss – and that loss is often justified by management as ‘the cost of our social mission.’ This approach makes it both impossible to manage the enterprise with any true sense of business discipline and prevents organizations from ever being able to truly value the social cost carried by their enterprise.

We are not saying all social purpose enterprises must always operate on a break even or profitable basis. In fact some of the stronger organizations we have seen over the past years are those that generate significant revenue from their activities, but still operate at some level of subsidy in order to achieve their social mission. ... In a phrase, they must understand and be able to quantify their “true” costs and not simply bury those costs within the financial statements of the organization.”<sup>1</sup>

### **Business planning and implementation**

Business feasibility assessment is achieved through a process of formal and informal business planning and evaluation. The enterprise moves through the planning process, gaining in depth and substance as it learns more about itself and its chosen sector.

From the outset of the program, there was a general resistance to business planning within the Toronto Enterprise Fund portfolio. The funders had required all first round

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<sup>1</sup> True Cost Accounting, [REDF Boxed Set](#) (pages 109-110)



## Assessing Viability

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funded enterprises to submit a business plan by the end of year 1. It took a year or more to produce a first draft of their business plans. This resistance came from:

- An inability to internalize business thinking and a resistance to business culture
- A lack of practical grounding in the business planning exercise – a perception of business plans as academic or theoretical documents
- The lack of a business planning format that reflected the realities of planning for a social purpose enterprise, incorporating considerations regarding the business, the social mission and the fit with the organization
- An orientation towards action on the part of practitioners, as opposed to planning

In the case of one organization, it was feared that the expectation of a business plan would result in the social purpose enterprise being treated as a mainstream business, and that the performance ‘bar’ would be set too high for the population with which it was working.

For a number of social purpose enterprises, the business planning process became a refuge from the reality of competing in the sector. They spent a great deal of time thinking through the business, while the funding environment allowed them to get their systems and structures in place without actually launching into sales. They realized that they had to start selling in order to learn about their market niche; and the struggle to identify products and services that were marketable often led them in unanticipated directions. In the end, concrete experience is the only way to develop a useful business plan. The business plan must be a living document, changing as the enterprise grows and learns.

Traditional business planning formats required modification to incorporate the broader range of considerations that a social purpose enterprise must address. Funded enterprises were encouraged to develop shorter, practical plans that focused on marketing (especially sales and pricing), daily operations and financials (especially cash flow projections and business oriented budgets).

All funded enterprises eventually saw the usefulness of business plans, as well as the need to demonstrate how they could generate revenue from the products or services they were producing, and have since taken the notion of business planning more seriously.

When the Toronto Enterprise Fund initiated a second round of portfolio development, it decided to take a more business-oriented approach to the selection of initiatives. The selection process was grounded in a two-staged application process. Applicants initially submitted a brief concept paper about their business idea and its potential for social impact. Those selected to continue were invited to participate in a three-month process with a series of workshops supporting applicants to develop their business concept, to explore its feasibility and to initiate basic business planning. The documents that resulted from this process enabled the Toronto Enterprise Fund to make granting decisions based on a much clearer sense of the feasibility of the social purpose enterprise. In addition, the second round funded enterprises could move more efficiently through the business

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development phase and there were fewer false starts due to unclear or unrealistic business ideas.

## **Social feasibility**

Social feasibility is the ability of the business to leverage social change and other benefits for individuals, the organization and/or the community. Social benefits for homeless and at-risk people can range from concrete results, such as supplemental income and jobs, to things more difficult to quantify, such as social inclusion, improvement in the quality of life and longer-term strategic social change. In assessing social feasibility, the parent organization is determining if the social purpose enterprise will produce social development results that are consistent with the mission of the organization.

The attached tool offers some of the questions that organizations need to review, but we should go still further in developing practical tools and guidelines for assessing impact and cost-benefit.

Considerations include:

- Clarification of the social purpose (parallel or linking?)
- Assessment of social feasibility
- Design and implementation of the social component of the social purpose enterprise

## **Clarification of the social purpose**

There are many questions to answer about the social purpose of the business, but the main decision from which most others flow is whether the business should be a parallel or linking venture. This decision determines the social development approach of the social purpose enterprise, the technical considerations in dealing with the target population and the social outcomes expected.

To determine the social purpose of an enterprise, the target group must be identified and their capabilities, capacity and challenges understood. For example, the target group's literacy levels, learning abilities and daily patterns can determine the types of work that people are able to do, and the kinds of accommodations they will need to be able to work. Determination of social purpose is best made with the active involvement and consultation of people within the target group who can represent the interests and needs of their peers.

Parallel strategies build alternative businesses, and are more common for people with multiple barriers to employment, providing long-term, flexible, often part-time work to those on social assistance and/or unable to work on a full-time basis for a variety of reasons. From choosing a parallel strategy a series of related questions emerge, each with implications for program design and business implementation:

- Do we need to create full-time or part-time work? This factor affects the number of people who can be involved and determines the depth of their involvement.

## Assessing Viability

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- Do we intend to supplement social assistance benefits in order to improve people's quality of life, or help people get off social assistance?

Linking strategies that work to promote access to mainstream employment generally target populations with a stronger base of assets and stability. Linking social purpose enterprises create training-oriented programs with a continual flow through of clients. Related questions include:

- What constitutes an adequate length and depth of training to ensure sustainable employment?
- In terms of scale, what is an acceptable cost per client?
- How will people be supported to find and maintain work? These programs require carefully planned transition strategies for participants to access and maintain employment.

Over time, parallel strategies can shift into linking strategies. In the beginning, many social purpose enterprises choose to support people to top-up their social benefits; but, over time, a group will emerge that wants to move beyond dependence on social assistance to full-time work. A program focused on part-time, parallel work must now meet the needs of participants who want support to make the transition to full-time and/or mainstream work.

### Assessment of social feasibility

The first determinant of social feasibility is its fit with the mission of the organization. Social development organizations often require a great deal of debate and research before they are comfortable with a business-oriented approach to meeting their social missions. Organizations must be satisfied that a social purpose business can offer better social returns than their regular way of doing things. They are also keen to ensure that a business-based approach will not divert the organization from its overarching social mission.

Social feasibility is closely linked to the choice of business sector and idea. Organizations often engage in social purpose enterprise, motivated by the desire to create quality employment and improved income. That motivation should be balanced by the capacities, capabilities and challenges of their target group. A sector must be chosen offering work that employees can do, ensuring a fit between expectations of productivity and the skills and abilities of participants/employees.

By assessing the potential for quality, well-paid employment, parent organizations can perform a reality check on the business, ensuring that the social purpose enterprises are indeed increasing people's access to livelihoods. For example, one funded enterprise intentionally chose a sector with entry-level work and good potential for upgrading and promotion within the sector through an apprenticeship system.

## Assessing Viability

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Some linking enterprises created problems for themselves by the choice of an inappropriate sector.

In the case of one social purpose enterprise, a highly technical sector was chosen: once out of the training, participants discovered that they still required further formal training in order to enter the sector. In another case, a highly competitive sector was chosen that, in the long run, could primarily offer low-paid work to participants. Most parallel, social purpose enterprises choose sectors such as the restaurant business that have realistic skill requirements and offer easy entry into the work.

To improve the social feasibility of their social purpose enterprises, a number of agencies have decided to focus their energy and resources on people who are serious about work. Two agencies in particular facilitated an extensive process of change, whereby they moved from being a more casual drop-in program to a social purpose enterprise working with people who wanted to make money. In both cases, there was a split between people who wanted to use the space for refuge and recreation, and those that wanted a greater focus on employability.

The final decision in both cases was to design social components that targeted people who were interested in making a transition to mainstream work and/or self-employed work. People who were not ready for such a move were referred to other, more appropriate programs. These decisions to focus on specific, employability-related social outcomes pushed the social purpose enterprises' structure and operations in a more business-oriented direction.

### **Design and implementation of the social component of the social purpose enterprise**

Enterprises that link people to mainstream employment tend to take a more formal, separate, training-based approach to building employability and other social results into their social purpose enterprise. Parallel organizations often have a strong social change agenda that leads them to design informal, peer-based development processes, which result in a more holistic approach to building a broader range of assets.

Once social purpose and feasibility are determined, the social purpose enterprise works to refine its program design and delivery. A number of programs have shifted from parallel to linking strategies as they further clarified their target group and goals. Others have reorganized the delivery of training in order to facilitate people's access to employment. The challenge here is to design the social component to be cost effective, to build on the advantages offered by the business, and to fit comfortably into the business' operations and implementation.

# Assessing Viability

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## Organizational “fit” and feasibility

The appropriateness of social purpose enterprise as a means of fulfilling the organization’s mission, and the feasibility of the relationship between the business and the organization also need to be assessed. Organizations must clarify expectations, roles and responsibilities in the overlap between business and organizational decision-making and operations. It will determine the culture and structure of the business within the organization, and the degree of independence of the business from the parent organization in terms of operations, administration and decision-making.

"Organizations whose business goals are aligned with their social mission may have intrinsic advantages when it comes to blending "good works" with profitability, especially in the areas of staffing and marketing. Close connections between a social and business mission do not guarantee success however."<sup>2</sup>

Considerations include:

- Assessment of organizational readiness
- Determination of business ownership and structure
- Formalization of business decision-making processes and clarification of the scope and rules of engagement between the business and the organization

## Assessment of organizational readiness

Stakeholders must understand that it takes time to develop the organizational readiness to proceed with the development of a social purpose enterprise. Active leadership from Board members is required, as stakeholders often fear that the business will hijack the energies, resources and mission of the organization. In turn, the organization should examine its rationale for getting involved, which must clearly go beyond an interest in a new approach or the simple availability of project funding to ask: what are the long-term demands on leadership, staff and Board time, and resources? The organization’s tolerance for various kinds of risk must also be discussed and determined. These questions must be examined regularly as the business progresses and as its relationship with the organization evolves.

Often Boards and key leaders within an organization are too busy with other things to explore a new venture and social purpose enterprise takes substantial vision, leadership and commitment. It demands substantial organizational energy and resources. One funded enterprise was involved with the Toronto Enterprise Fund for six months, during which there was a change in organizational leadership and it became clear that this was not the right time to pursue enterprise development.

The timing of the Toronto Enterprise Fund request for proposals provided an opportunity for some organizations to build on work they had already done, to develop a social purpose enterprise. If the program’s funds had not been available, they would likely have

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<sup>2</sup> Seedco Publications Page, [www.seedco.org/about/pub/index.html](http://www.seedco.org/about/pub/index.html)

## Assessing Viability

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proceeded with the development of the idea, looking for money elsewhere. To be successful, the development of a social purpose enterprise should be driven by organizational interest and commitment, not a funding opportunity.

In the case of one funded enterprise, the organization was interested in becoming involved in CED and already had an enterprise that provided it with earned income. The plan was to transform that business into an employability-training venture. By Year 2 of the granting process, the managers of the business were still not ready to support the transformation. The organization's learning curve was not compatible with funders' expectation of progress.

Organizations also need to explore their interest and capacity to develop partnerships and work closely with organizations from a range of sectors for a range of purposes. Some enterprises have effectively used alliances that they have built with the private sector in order to gain the technical assistance, judgment, information and resources that they require. It takes readiness and professionalism to develop solid, productive partnerships: social purpose enterprises must be clear about their motivation, goals and the terms of partnerships before they approach possible partners.

### **Determination of business ownership and structure**

Ownership and structural decisions are central to the implementation of social purpose enterprises, and again evolve as the business develops.

For most of the Toronto Enterprise Fund portfolio, the social purpose enterprise is owned by the parent organization. With three years of developmental work under their belt, some businesses are ready to review their ownership structure. Some will likely move towards greater independence. Three of them have already sought legal and other professional advice on the best ownership structure for the social purpose enterprise.

### **Formalization of business decision-making processes and clarification of the scope and rules of engagement between the business and the organization**

The decisions here focus on the greatest areas of overlap in roles and decision-making between the parent organization and the business, such as operational decisions, human resources/business management, banking, reporting and record keeping. Structural decisions also need to be resolved.

Problems usually arise where there is a tension between accepted organizational practice and the needs of the business. This is not necessarily a new conflict area for parent organizations: entrepreneurial program managers in the organization will already have identified many of the same issues relating to independent decision-making and control of resources, finances and information. With social purpose enterprises, however, the potential risk of conflict may be even greater.

## **Assessing Viability**

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At a deeper level, this area of decision-making covers broader governance and policy decisions such as business decision-making processes and guidelines, acceptable levels of risk, business ownership, access to separate banking and financial management, including access to debt and capital financing.

# Assessing Viability Appendix: Viability Tools

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## Tool 1: Business Idea Identification

Business idea:

- What sector will you focus on?
- What is your business idea?

Problem Statement:

- What are the social and/or financial challenges that you want to resolve?
- What has mobilized you to undertake this business?

Vision:

- How will your business resolve the stated problem? How will it change things?

Rationale:

- Why will the new approach work?
- How will a business-based approach be more effective than your regular approach?

Defining Success in the Business:

- What are your criteria for success? How long are you willing to wait before they are met?
- Is it expected that the business will be profitable? When? Under what definition of “profit”?
- What is your exit strategy?

Expected Results:

- Name 3-5 things in each of the following areas that will indicate that your project has been successful
- Talk about the different levels of result for:
  - Participant
  - Business
  - Parent Organization
  - Community



# Assessing Viability Appendix: Viability Tools

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## Tool 2: Business Planning and Feasibility Assessment

### 1. Business Organization

1.1 Business name

1.2 Business description

1.3 Form of business ownership

1.4 Business structure

1.5 Overview of sponsoring organization(s)/partners

- Briefly describe the organizations involved in initiating this venture

### 2. Marketing Plan

2.1 Products or service

- Describe in detail your product(s) or service(s)
- How is it produced?
- What is your marketing niche?
- How do you plan to develop your product or service?

2.2 Pricing

- What does it cost you to offer your product or service to your customers?
- Provide a breakdown of how you determined your cost including materials, labour, inventory and overhead costs
- What price will you charge customers for your product or service?
- What level of sales would you have to reach just to cover your costs?
- Have you made provisions for contingency costs?
- List possible adverse conditions and plans to address these, including additional costs

2.3 Promotion

- How will you inform customers about your service or product?
- What form of advertising or promotion will be most effective for your business?
- How much do you intend to spend on advertising?

### 3. Business Context

3.1 Sector trends

- Describe the sector in which your business will operate
- What are the challenges and opportunities in that sector?

## Assessing Viability Appendix: Viability Tools

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### 3.2 Customers

- Describe your typical customer
- Describe the aspects of your market research that support the viability of this business proposition
- Describe your access to potential customer base and how realistic your access is to them

### 3.3 Competition

- Who are your competitors, and how long have they been in business?
- What are their locations?
- Why will your customers prefer your product or service to that of your competitors?

## 4. Business Operations

### 4.1 Production process and/or delivery of services

- What is your operational plan for production and/or delivery of services?
- In which areas do you require technical assistance or further professional development?
- Does it make sense to contract out components of the process?
- What level of technology is required? Will there be capital costs?
- How can the production processes facilitate the training of your target group?
- How does on-the-job learning fit in with the production process? How should the production process be structured to support on-the-job learning?

### 4.2 Human resources

- How will participants be involved in the business? Will they be paid? If yes, how?
- What is your staffing plan?
- Provide brief job descriptions for all positions related to the business
- Outline the existing skills and experiences of current staff that will provide the basis of expertise for the business. Will additional staff need to be hired? At what cost? What skills/experience will the additional staff require to complement existing organization skills? Is the cost of the additional staff included in the business plan? What accommodations will be made to support employees' participation in the workplace?
- What are the rules relating to work?
- Are there any considerations or constraints in your staffing plan related to the parent organization (e.g., trade unions)?

### 4.3 Social component:

- What training will be undertaken?
- Training plan: how will it be organized and scheduled?
- Who will deliver the training?
- What is your curriculum?
- Results expected? Levels of technical competency
- Will external placements be made? How will they be organized?

## Assessing Viability Appendix: Viability Tools

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- What ongoing supports can participants access to help them sustain employment?
- What supports and services do you expect from the parent organization?

### 4.4 Location

- What are the advantages and disadvantages of your location?
- Do you have adequate space and facilities for your planned production process/service?

### 4.5 Purchasing and suppliers

- Who are your major suppliers? (wholesale/retail?)
- Where are they located?
- What are their credit terms?
- Can you change your suppliers easily if required?

### 4.6 Quality control

- What measures will you take to ensure the quality of your service/product?

### 4.7 Customer service

- What is your customer service strategy (e.g., policy re: forms of payment, returns, delivery)?
- How do you plan to get customer input into your business?
- Can you extend credit to your customers? If so, what are the limits and what are your credit collection procedures?

### 4.8 Applicable regulations

- To which by-laws and regulations will your business be subject?
- How will you ensure that you meet the requirements of these regulations?
- What GST/PST apply to your business?
- What associations and support groups are available in the field?

### 4.9 Insurance requirements

- Describe the insurance, and the costs of the insurance that you will need to purchase for the business (contents, liability etc.) Are you satisfied that the liability of the organization and the Board are adequately covered?
- Note any occupational safety and health risks, and your strategy for dealing with them

### 4.10 Legal services

- Describe the legal services that your organization and business will require, and their cost
- Define the legal and governance relationship with the parent organization. Are all the activities of this proposal consistent with the limitations defined by the Staff/Board: i.e., do Staff have the mandate to manage this business?

# Assessing Viability Appendix: Viability Tools

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## 4.11 Record keeping

- Describe your plans for dealing with record keeping (including purchase orders, sales receipts, inventory and petty cash)
- What is your report format for the Board? How often will you report?

## 4.12 Accounting plan

- How will your finances be managed?
- How will separate business records be maintained and whose responsibility will they be?

## 4.13 Banking

- Describe any banking and/or financing arrangements that will be made for the business (accounts, loans, lines of credit etc.)
- Will the business' banking be kept separate from that of the organization?
- What credit limits should be placed on this business?

## 4.14 Business support systems

- What other computer, database or business systems will be important to the success of your business?
- What are the technical assistance requirements for the start-up phase?

## 4.15 Relationship with the parent organization

- What are your official protocols for decision-making? What issues have to be brought to the Board?
- What reporting to the Board needs to be done on a regular basis?
- What scope does the business manager have for daily business decision-making?
- What education and relationship building need to be undertaken with the organization and particularly the Board?
- What is your internal-external communication strategy?

## 5. Financial Planning

### 5.1 Statement of start-up costs

### 5.2 Budget for year one and budget estimates for year two

### 5.3 Cash flow forecast for year one

- What revenues can you expect from fundraising sources?
- What financial and in-kind support are you receiving as an investment by your parent organization? Detail this support including the cost of staff time and organizational facilities. Include these figures in 5.1 & 5.2

# Assessing Viability Appendix: Viability Tools

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## Tool 3: Social Feasibility Assessment<sup>1</sup>

Target:

- Who will be targeted?
- How do you believe that this social purpose enterprise will improve the quality of life of our target group?
- What are the expected impacts?

Social Purpose of the Business:

- What is your approach?
- How do your organization's values influence your approach?
- How do your values fit with the social mission of the parent organization?
- What is the purpose of your social enterprise? To increase the target population's employability (a training-based or linking approach) or to secure employment for people who are difficult to employ (a parallel approach)?
- Scope of purpose: is it to supplement social assistance or support people to gain full employment?
- Is it a transitional or ongoing strategy?
- Will it provide full or part-time employment?
- What is your vision for client participation and ownership?
- Describe how participants will be involved in planning, decision making and business implementation
- What are the accommodation requirements for people to be employed successfully by the business?
- What additional supports and services are required in the long-term to ensure the sustainability of employment?

Social Outcomes

- How labour intensive is the business (the more labour intensive, the better for creating entry level jobs)?
- How many jobs will be created for the investment required?
- Will they be "quality jobs"?
- How attractive will they be to the target workforce?
- Can you impart the skills required for a follow-on permanent position?
- How accessible is the chosen sector to the target population?
- Will follow-on jobs be attainable for your employees?
- Will you create a good "first job environment" for the target workforce?
- What other assets will they develop as a result of participation in the business – social, financial, physical, personal and human?

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<sup>1</sup> These questions have been based on a list of social feasibility questions developed by REDF which have since been modified and embellished. See *New Social Entrepreneurs*, pages 22-23.

# Assessing Viability Appendix: Viability Tools

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## Tool 4: Organizational Feasibility<sup>2</sup>

### Timing

- Can the organization devote sufficient resources (human and financial) towards the significant effort necessary to start up a new business and make it succeed at this time?
- Can the organization (management, Board, staff) focus on a new enterprise right now, or are there other commitments requiring its attention?

### Leadership

- Who will be the social entrepreneur that leads this new business?
- What will be required of the Board?
- What role will current senior management play?
- What demands will be placed on the organization's staff?
- How can this role be managed given other commitments?
- Will management time be diverted from other priorities?

### Internal knowledge/expertise needed

- Does the organization have the technical expertise/sectoral knowledge to start and run the enterprise?
- What level of industry, functional and management experience does the venture require? How could those needs and the industry standards for compensation and structure fit with the organization's human resource strategy?

### Capital requirements

- How much investment will be required upfront and over the next five years?
- How much of that capital can the organization invest or realistically obtain from third parties?
- How will that investment affect other organizational priorities?

### Financial risk for the rest of the organization

- How will the enterprise be funded?
- How much cash and what level of in-kind resources (such as management time, administrative supports, fundraising support, technical and legal advice etc.) would the parent organization need to contribute to the enterprise upfront and over the next five years?
- Are there hidden costs (e.g., lost organizational productivity because of the high learning curve, organizational dissension, etc.)?
- What are the financial risks?
- How will it divert our existing resources?
- Could the non-profit survive the loss of its total investment, and/or if it were required to pay off accumulated debt?

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<sup>2</sup> These questions have been based on a list of social feasibility questions developed by REDF which have since been modified and embellished. See *New Social Entrepreneurs*, pages 22 – 23.

## Assessing Viability Appendix: Viability Tools

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- What structures could be put in place to minimize financial exposure (rent vs. buy property, slow expansion, low initial inventory levels etc.) without jeopardizing the business?

### Ability to develop partnerships

- What allies do we need?
- What technical assistance do we need?
- What kind of partnerships do we want to pursue? For what purposes?
- Do we need any guidelines for partnerships?

### Board readiness for this type of business

- How well does the current Board understand this business?
- What specific expertise could individual Board members contribute?
- How does the business fit with the Board's risk profile?

### Demonstrated success in a similar business

- Is there any evidence that this business could be successful with the target population?
- Is it reasonable to believe that a non-profit has any advantages that would enable it to reach profitability in this business?

## Assessing Viability Appendix: Viability Tools

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### Tool 5: Questions About Organizational Risk and Control of the Business

- Identify all risks to the organization and social purpose enterprise related to the social mission, finances, charitable status, and Board liability
- Review the organization's tolerance for risk in each of these areas – any guidelines regarding risk set for social purpose enterprise management?
- Assess the organization's comfort level with rapid change
- What are the tax, worker's compensation, union and insurance implications?
- What is the Board/organization's legal liability?
- What are the staff liability issues?
- Are there structural implications for the organization?
- What are all stakeholders' willingness and readiness to deal with organizational change?
- Is there an exit strategy? What are the criteria for remaining committed to the business? What revenue needs to be achieved? What outcomes need to be achieved?



**REPORT 19**

**Organizational Approaches to Building Social  
Purpose Enterprises**

March 2004

A Report by The Toronto Enterprise Fund

# Organizational Approaches to Building Social Purpose Enterprises

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## Introduction

This paper is intended to support decision makers as they consider the issues and implications related to the development of a social purpose enterprise within different organizational structures. Below, three different types of organizations that engage in social purpose enterprise have been identified based on the experience of the Toronto Enterprise Fund. The paper then explores the implications of these organizational structures in determining the mission, target group, Board involvement, social purpose and approach of the enterprise.

Different types of organizations develop different relationships with social purpose enterprises. The relationship between the organization and the business goes beyond the status of legal ownership. It is a product of the organizational culture and structure, leadership, human resources and personal interactions. Evolving over time, that relationship is vital to the enterprise's success and survival. It determines the character and functionality of the business including the:

- structure
- systems
- decision-making processes
- level of independence
- ability to draw on organizational resources

The Toronto Enterprise Fund has supported enterprise development exclusively with non-profit, social development organizations, the majority of which have charitable status, and target homeless and 'at risk' populations. Many of the funded parent organizations are involved in the provision of emergency food and shelter services to the homeless.

## Organizations Focused on Social Purpose Enterprise Development as a Mission

This type of organization has an enterprise development mission, growing businesses to promote social development and human rights agendas by creating employment and investing in the development of a range of assets with a specific target group. An integrated approach is taken, in which all resources are coordinated and focused on enterprise development.<sup>1</sup>

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<sup>1</sup> We have referred to and drawn upon the Roberts Enterprise Development Fund's (REDF) classification of organizations, adjusting the scope and terminology of their definitions of three types of non-profit organizations engaged in social purpose enterprise development, in order to fit the Canadian, non-profit context. The REDF classification is well worth reading. See REDF Boxed Set – Investor Perspectives in Heather Gowdy et al, True Cost Accounting: The Allocation of Social Costs in Social Purpose Enterprises.(2000), p.106.

# Organizational Approaches to Building Social Purpose Enterprises

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## **Mission:**

These organizations develop businesses to connect people to the economy and community.

## **Target group:**

The target group is very focused and specialized, such as low-income consumers/survivors, or street-involved youth.

## **Board:**

These organizations are led by a proactive Board with a strong vision of their role in promoting change for the target group. There is a high representation of the target population in governance and decision-making, and the Board tends to have an in-depth awareness of business operations.

## **Purpose:**

Linking or parallel approaches may be adopted. These organizations have extensive experience with social purpose enterprise development, often managing multiple businesses at the same time.

## **Relationship between the parent organization and the business:**

The businesses are registered as separate and non-profit, although they tend to share centralized administrative functions with the parent organization, which owns them legally. For linking businesses, the aim is long-term ownership by the parent organization; for parallel strategies, the long-term goal may be to develop sustainable business that can be spun off. The parallel approach tends to build active employee involvement in the development of the business, and in governance and informal decision-making processes. Leadership, management and technical skills can thus be built within the target group, possibly supporting legal ownership by the employees in the long-term.

## **Approach:**

These organizations are able to specialize, developing multiple businesses and choosing sectors carefully, and tend to develop a model/approach to the social purpose enterprise development process, which is then replicated. The businesses have a separate identity from the parent organization, which is structured as a resource/coach to the business and as an advocate for the target group. Other services and supports, such as bookkeeping and specialized training, are centralized for efficiency, although the organizations do not have the resources to provide a broad base of holistic supports to their businesses' employees. Such resources are often tapped by developing strategic partnerships with like-minded social service agencies and by referring participants to other services. These organizations are more likely to understand and support the development of accounting systems necessary for business management. Cooperation among the businesses owned by the parent organization are encouraged and facilitated.

# Organizational Approaches to Building Social Purpose Enterprises

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## **Organizational issues related to business development:**

Business development models/approaches are not necessarily replicable nor are they transferable between sectors; and shifts between sectors mean substantial new investments with a steep learning curve.

It is important to create clear expectations about exit strategies and relationships between the parent organization, the business and employees. In the case of parallel initiatives, the challenge is how to maintain sustainability, while building the capacity of employees to run and ultimately own the business.

There are two parent organizations that fit into this category:

- Ontario Council of Alternative Businesses (OCAB)
- All-a-Board Youth Ventures

## **Organizations Providing Wrap-Around Integrated Services that Include Social Purpose Enterprise Development**

Here, the parent organization runs one or more businesses to provide on-the-job employment experience and training, but also offers a range of complementary employability and technical training programs. The organization tends to be focused on a specific target group. Involvement in the business may be available to a smaller subset of participants/employees, while most are involved in training programs and activities.

### **Mission:**

The mission is directed at broader social and economic goals, to build employability, food security and livelihoods, although the organization does recognize business development as a key component of its delivery strategy.

### **Target group:**

A broad-based target group is usually identified, such as youth or women, and a holistic approach adopted to support that group to develop a good base of employability assets.

### **Board:**

Strategic and problem-solving, the Board is actively committed to learning about and adapting to new business-oriented concepts and practices. Its role becomes to manage change and build a new culture in the organization.

### **Purpose:**

These organizations often focus on strategies to link their participants/employees to the economy. Linking involves working with people for a set period and then supporting them to move on to mainstream employment, creating a flow through situation. In some cases, however, enterprises do offer ongoing employment to those who wish to continue working.

# Organizational Approaches to Building Social Purpose Enterprises

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## **Relationship between the parent organization and the business:**

The organization seeks to control ownership, maintaining the business as a central component of its work to link people to the economy. These businesses will probably not be spun off, since they are so closely linked to other programming, and they tend to be registered as non-profit. Although the business has a manager, the Executive Director and/or a senior manager of the organization are still actively involved in decision-making and operations.

## **Approach:**

All programs, including the business, pull together to meet the main objective of livelihood development. This approach integrates services in a new way that combines market-oriented thinking. If the organization has multiple businesses, they are often in complementary sectors and organized to offer support and services to each other. Over time, this type of parent organization is able to increase its commitment and ability to support the objectives of the business by adapting existing systems and services. While participants/employees have access to a range of employability-oriented supports and services, the organization must make referrals to external agencies in order to ensure a solid base of supports.

## **Organizational issues related to business development:**

This type of organization is the most likely of all three types to experience broad-sweeping, fundamental organizational change as a result of its engagement in social purpose enterprise. The Board must find an appropriate balance between managing risk and working at the policy level: micro-management is undesirable, but arms-length stewardship is often untenable.

The organization also has to reorganize in order to coordinate businesses and activities more efficiently: for example, one funded organization is seeking to integrate and combine separate businesses to ensure efficiency of organizational resources and to focus energies. There is the danger of a split within the organization, where the business may be perceived as better or more important than another program or department. As a result, some agencies have worked to increase the functional integration of separate components of the organization.

There are five parent organizations that fit into this category:

- Working Skills Centre
- Somali Women and Children's Network
- FoodShare
- Riverdale Community Business Centre
- Sistering

# Organizational Approaches to Building Social Purpose Enterprises

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## Organizations Pursuing Program-Based Social Purpose Enterprise Development Strategies

There are also businesses that have been started by programs or divisions of large, multi-service social development agencies with strong community development agendas and broad social agendas. REDF noted that some “parent non-profits have more broad-based missions, and have multiple programs serving one or more constituencies. One or more of these programs may involve the operation of small businesses, while others may be social service programs independent of the business and serving a client population that may include, but is not limited to, employees of the business(es).”<sup>2</sup>

### **Mission:**

The organization has a broad social development mission. The division of the organization creating a social purpose enterprise will have responsibility for focusing its goals while also ensuring that there is a fit with the parent organization’s mission.

### **Target group:**

Although the parent organization will likely have a range of target populations, the target group of the division or program that sponsors the social purpose enterprise tends to be focused.

### **Board:**

The Board sees social purpose enterprise development as one of many strategies, and less central to the mission of this type of organization. In these organizations, the staff leadership for the enterprise often comes from a division or department that can more directly benefit from social purpose enterprise development. There is, therefore, a less direct relationship between the Board and the business, and the Board appears to have less direct ownership and commitment to social purpose enterprise than is the case with other types of organizations. Advisory Committees are commonly established to report to the Board on the progress of the enterprise.

### **Purpose:**

These types of organizations largely pursue linking strategies designed to fit the employment-oriented mission of the agency and to increase organizational effectiveness – e.g., to fill a gap in the organization’s spectrum of services. The development of social purpose enterprises is also a reflection of the organization’s work to innovate in response to a new context requiring different solutions. This type of organization is the most likely of the three to introduce business as an earned income strategy.

### **Relationship between the parent organization and the business:**

These businesses are registered as non-profit and are completely owned by the organization, however, they often share the same status as funded projects in the organization. The business begins to develop a business identity and an arms-length

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<sup>2</sup> ibid.

# Organizational Approaches to Building Social Purpose Enterprises

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relationship with the organization, a process that can create tensions over time as the cultures diverge and operational requirements differ. Although the business attempts to function separately, it often has limited flexibility and is subject to control within a highly structured institution, and thus faces a challenging situation of responsibility without decision-making authority or business autonomy.

## **Approach:**

These larger organizations tend to structure social purpose enterprise delivery departmentally or divisionally. The businesses can draw on the supports and services provided by other divisions of the organization, increasing the ability of the social purpose enterprise developer to focus on business development. Participants/employees have access to a slate of basic needs, supports and services within the parent organization. Yet organizational systems tend to be highly structured, and unable to respond to the requirements of the business, which may end up keeping separate sets of books, for more effective management and decision-making.

## **Organizational issues related to business development:**

It is hard to break out of the project-based mentality of this type of organization. Nevertheless, active Board understanding and ownership of the social purpose enterprise must be cultivated if it is to survive beyond its current funding arrangements. The business requires a special commitment to a longer-term perspective that shifts the way in which the organization operates. In a highly institutional, bureaucratic environment, it is also difficult for social purpose enterprise staff to develop control and operational flexibility in the management of the business: the Board is more removed from the operation and as a result less committed or willing to take risks for the business.

Social purpose enterprises in these organizations encounter efficiency and decision-making setbacks created by the centralized structure of accountability including bookkeeping, financial management and decision-making. Structural solutions will ultimately be required, and alternative ways of positioning the business within the organization will need to be negotiated. While ownership is expected to remain tightly held by these parent organizations, their enterprises will ultimately be structured separately to allow them more operational control and leeway. Many of these organizations are unionized, presenting particular challenges to building the business and employing low-income people. Careful discussion and planning with the union will therefore be required.

There are three parent organizations that fit into this category:

- YOUTHLINK®
- Dixon Hall
- Eva's Phoenix





**REPORT 20**

**Building Board Leadership**

March 2004

A Report by The Toronto Enterprise Fund

# Building Board Leadership

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## Introduction

For a successful social purpose enterprise, staff from both the organization and the business must collaborate to build leadership and Board buy-in. Board guidance is essential in developing a viable enterprise, pursuing a relevant social mission effectively, and ensuring a “fit” with the parent organization. This paper reviews the role of the Board and other organizational leadership in the development of social purpose enterprise. While no prescribed approach for building social purpose enterprise leadership in organizations has emerged from the experience of the Toronto Enterprise Fund, some general learning has, and is summarized below.

## Commitment and Communication

It is important to have high-level organizational commitment and enthusiasm before proceeding with a social purpose enterprise. Board development must be woven throughout the different phases of business development in a flexible, learning oriented manner. This prepares the Board to deal with continually evolving operational and governance issues. Over the long-term, a strong relationship with clear, consistent communication will keep Board members interested and committed to the venture.

## Sources of Organizational Resistance

Through the process of developing social purpose enterprises, Boards and leaders may encounter numerous sources of organizational resistance related to:

- The stress and inconvenience caused by rapid change
- Concerns about a shift in mission
- Tensions and contradictions caused by merging business and social values/approaches
- Uncertainty regarding decision-making and authority for the business in decision-making
- Conflicts related to personal turf
- Perceptions that this new direction means more work with no corresponding resources, becoming an add-on to already overloaded job descriptions
- Tensions between existing financial structures and new financial reporting requirements to operate the business

These sources of resistance must be resolved if the social purpose enterprise is to have a fertile environment in which to develop.

# Building Board Leadership

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## Stages of Board Buy-In

Three levels of Board leadership and buy-in, **Enacting** → **Tailoring** → **Owning**, have been identified by Community Wealth Ventures in the United States.<sup>1</sup> These stages resonated with our experience of the Toronto Enterprise Fund.

### Enacting

The decision to proceed with the development of a social purpose enterprise cannot be taken lightly, and most organizations invest substantial time at the level of Board and senior staff, weighing the options and implications of engaging in social purpose enterprise. Beyond the practicalities of business start-up, an organization must determine if the social purpose enterprise will divert it in any way from its social mission, and if the very nature of the organization will change as a result of its decision to proceed. Exploration of social purpose enterprise starts informally, to familiarize decision makers with the idea and consult them about it. Many parent organizations then engage in a more formal inquiry process, reviewing the enterprise in light of the organization's vision, culture, resources and social mission.

The role of the Board during the enacting phase is to explore the desirability of a social purpose enterprise approach for the given organization, ensuring its best interests, minimizing risk, and preventing failure. The early stages of social purpose enterprise development require a great deal of decision-making regarding policy and governance issues, and hence demand a great deal of Board attention, understanding and support. Boards are often highly engaged in intentional learning and systematic decision-making at the enacting stage, and devote more energy into understanding the implications of building a business approach into their social development work. In building the enterprise, organizations will be wise to pursue due diligence with research and expert advice.

During the early days of building a social purpose enterprise, the organization will be unlikely to secure external funding; and so the Board will have to commit to spending on additional staff time, technical expertise, and other in-kind costs. The formal relationship with the business begins when staff are hired, and many organizations will involve Board representatives in this process.

### Tailoring

The relationship of the parent organization to the social purpose enterprise is determined by the process of Boards working together with the senior staff of the organization and the manager of the enterprise to negotiate and lay out systems. Over time, Boards of organizations involved in social purpose enterprise consciously adapt their role in the process as they become more aware of the demands of the business and the implications for the organization. We have found that there are as many decision-making relationships and processes as there are social purpose enterprises, but some common patterns have emerged that are related to the type of parent organization.

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<sup>1</sup> Community Wealth Ventures Inc. Presentation, "Culture and Board Buy-In", 4 December, 2002.

## Building Board Leadership

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Once the business is operational and there are fewer strictly policy-oriented issues with which to deal, the Board's role becomes more ambiguous. In many cases, Board involvement wanes after the active decision-making of early start-up. At this stage, Boards may rely too heavily on management and/or the steering committees they have created, and can lose touch with the enterprise. If this happens, Boards may be brought back to decision-making about the business in the context of an operational crisis that requires an immediate response.

The less effective Board communication and collaboration with the enterprise becomes, the more likely a conflict between the enterprise and the parent organization. It is critical for Board and management to share a common vision for the organization and the social purpose enterprise.

Business issues evolve and Boards turn over, so Board development work is still needed for quite some time after organizations begin to develop social purpose enterprises.

As social purpose enterprises advance to the growth stage, some Boards have renewed their commitment to learning, augmenting their access to expertise, managing change and ensuring due diligence on policy issues, in order to break out of crisis management mode.

### **Owning**

Board ownership and buy-in are the result of the organization's ability to change its culture, and to gain enthusiasm and proactive support both for the notion of a business approach to social development, and for the implementation of a particular business idea. They take a long time to build.

We have seen that Boards tend to take a provisional approach to social purpose enterprise. Once it has been confirmed that the social purpose enterprise is within organizational purview and will not deter the social mission or harm the organization in any way, Boards are often willing to proceed conditionally upon the availability of funding, and upon the achievement of some basic expectations of social returns.

Until Boards and managers of parent organizations can internalize a more entrepreneurial culture, it takes time for the organization to define its expectations of business returns. Boards often do not ask enough of business performance; they simply require the business to stay within its project budget.

At some point, the organization has to review the progress and impact of the social purpose enterprise and make a decision about whether the organization will proceed with the business. A commitment to the merit of the approach and the benefits of the social purpose enterprise lead to ownership. This in turn facilitates the organization's shift from a project-based mentality towards a more investment-oriented perspective, making a practical commitment to assure sustainability. Once ownership has been established, the organization will see more clearly how to adapt its mission, Board expertise and operational structures to support and accommodate the hybrid social purpose enterprise.

# Building Board Leadership

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## Characteristics of a Committed Board

### **Commitment to proceeding, and learning along the way**

A committed Board understands the complex dual purpose of a social purpose enterprise, and wants to learn more about adapting the organizational culture to support this dual purpose.

### **Confidence and trust in the people involved**

There is confidence and trust in the team who is developing the social purpose enterprise, usually because of a strong relationship with organizational managers who are fully aware of risks and liabilities.

### **Support for principles and direction**

Hostile sentiments have been dealt with in a productive way, avoiding a potential rift in the organization by involving everyone in the new initiative.

### **Desire to contribute to the success of the venture**

The organization is prepared to make a financial investment (in addition to grant money) in the venture, and is able and willing to leverage information and support through external alliances and contacts.

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