THRIVING OR SURVIVING: Social Enterprises in the GTA

SOCIAL ENTERPRISE TORONTO

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The two primary researchers Huyen Hoang and Mehnaz Rahman, along with their supervisor Andrew Holeton, developed the survey questionnaire, conducted analysis, and completed the report. Other consultants and advisors involved in this process were Robyn Hoogendam, Feodor Snagovsky, Tim Maxwell, Paul Chamberlain, and Peter Frampton.

The questionnaire was refined over several iterations. The following studies served as a guideline in terms of phrasing questions and standardizing terminology:

- Daly, Kate, Paul Chamberlain, Peter Elson, Joanna Flatt, Peter Hall, Matthew Thompson. Inspiring Innovation: The Size, Scope and Socioeconomic Impact of Nonprofit Enterprise in Ontario. Ontario: The Canadian Community Economic Development Network, Institute for Nonprofit Studies, Mount Royal University, Simon Fraser University, 2013.


A special thanks and acknowledgment goes to Kofi Hope and colleagues at Community Empowering Enterprises for sharing the questions developed for the project “Mapping the Assets of Social Enterprises in the Greater Toronto Area, Prepared by Community Empowering Enterprises: Kofi Hope, Hibak Mahamed, Tasheka Mason, Andrew Newsome, Maryatha Procope-Shaw, and Dominique Rivière, 2013.” Their work was an inspiration for this research, and the questions they developed were of great help to us. We are grateful for their insightful approach and willing support.

This project would have not been possible without the kind support of our research participants, the social enterprise practitioners who took time out of their busy schedules to share their knowledge and experiences. We would like to thank our interviewees for their invaluable contribution and support in building this knowledge resource for the sector. We wish them success in continuing their work that makes a difference in people’s lives every day.

We also would like to thank Social enterprise Toronto’s (SET) Steering Committee and SET members for their support throughout this project.

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Executive Summary

Social Enterprise Toronto (SET) is an expanding network of non-profit social purpose enterprises and practitioners. SET’s strategic plan for 2013 included the development of research of interest to SET members and to address the knowledge gap that exists in the sector. The overarching objective of the 2013 SET Social Enterprise Research was to respond to these needs and carry out an investigation of key strategic issues that would help operating social enterprises in the GTA. Specifically, the study focused on several issues relating to and affecting growth. The findings of the study were based on in-depth interviews with 32 social enterprises, and focus on three distinct areas:

- Marketing Practices and Needs
- Food-based Social Enterprises
- Start-up Stories

Growth Needs & Aspirations

- 13% of GTA Social Enterprises Want to Maintain Their Current Level of Growth
- 38% of GTA Social Enterprises Want to Grow Extensively
- 47% of GTA Social Enterprises Want to Grow Moderately
- 88% of GTA Social Enterprises Want to Increase Sales
- 69% Want to Hire More Staff
- 63% Want to Open More Locations or Expand Current Location
- 56% Want to Diversify Their Products/Services
- 56% Want to Serve More Program Participants
Social Enterprise Toronto’s research study takes a step away from academic, mission-based research, to delve into the operational aspects of Toronto enterprises. The research topics address questions and issues frequently raised by social enterprise practitioners. The findings are based on in-depth interviews with 32 social enterprises.

The marketing study examines the marketing practices of social businesses, particularly in relation to their growth aspirations. The studies show that 85% of participating enterprises wish to grow, specifically by increasing their sales. However, 50% of them do not have a marketing budget. In order for social enterprises to grow their businesses and their capacity to serve communities, this gap must be addressed.

**Who is responsible for marketing?**
- 78% Manager

**Is their role dedicated to marketing?**
- 77% Said “No”

**Number of hours spent on marketing activities**
- 12 on ave. per week

**Have you received any in-kind support for marketing?**
- 52%
FOOD-BASED SOCIAL ENTERPRISES

Our sample: 11 GTA food-based social enterprises (10 nonprofit and 1 privately owned).

Many organizations started a food-based social enterprise despite low profit margins because preparing food involved a lot of labour and thus created employment for target populations.

KEY FINDINGS

GROWTH
91% wanted to grow and increase sales. Most interviewed enterprises wanted to grow moderately.

COLLABORATION
82% expressed interest in collaborating with others by sharing clients and business leads. There was great interest in working together to increase sales.

MARKETING NEEDS
70% of those who wanted to increase sales did not have a dedicated marketing staff.

PRODUCTION CAPACITY
If we summed up the portions that could be prepared by the nonprofit enterprises, their combined production capacity together would be near 2,500 meals for one event.

In 2012, non-profit food-based enterprises provided at least 86 jobs (22 full-time & 64 part-time).
INTRODUCTION

Started in 2006, Social Enterprise Toronto (SET) is an expanding network of non-profit social purpose enterprises and practitioners. SET’s mission is to grow social enterprises in the Greater Toronto Area (GTA). SET achieves this through operational and policy research, professional development, and shared marketing/communications opportunities. SET is also a leading voice in advocating for greater procurement opportunities for social enterprises.

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- Marketing Practices and Needs
- Food-based Social Enterprises
- Start-up Stories

The study focused on social purpose enterprises within the GTA. Approximately 60 enterprises were invited to participate in the study. Thirty-two social enterprises were ultimately able to complete the surveys with the research team during the data collection period of the project. The enterprises were primarily located in Toronto, with a few based in Mississauga. While this project focused on non-profit social enterprises, two privately owned social enterprises were also interviewed.
OVERVIEW OF SOCIAL ENTERPRISES IN CANADA, ONTARIO, AND TORONTO

Although less established than in the US and the UK, social enterprises have existed in Canada for over a century, attracting more attention and investment in the past few decades as globalization, unstable government funding, and economic shifts have affected communities. Since the 1970s, the number of launched social enterprises in Canada and the US has steadily increased. Many Canadian researchers have taken an interest in this growing sector. Several province-wide studies have been published, based on British Columbia and Alberta Social Economy Research Alliance’s (BALTA) social enterprise research that provided baseline data on the size, scope, and number of non-profit social enterprises.

The 2012 Social Enterprise Survey for Ontario (based on BALTA’s work) notes that half of all non-profit social enterprises in Ontario are well-established but also nearly one-fifth of them started trading within last three years, indicating growth in the sector. Ontario social enterprises generate total revenue of at least $207.6 million, providing thousands of jobs for those who may have not been otherwise able to participate in labour market. Social enterprises in Ontario operate in many sectors but primarily in “retail sales, education, food service/catering, janitorial/cleaning services, tourism, and sport and recreation.” Despite the prominent role that social enterprises play in communities and the economy, their cohesion as a unique and separate sector has not yet been recognized to a desirable extent in Ontario.

The recent factors shaping the social enterprise sector are changes in policies, funding structures, and socio-economic trends that create both opportunities and challenges for practitioners. Recognizing the urgency for addressing these, social enterprises from across the world have come together to build networks for sharing ideas and to perform collaborative work at local, national, and global levels. One example of such an effort is the remark-

2 Daly, Kate, Paul Chamberlain, Peter Elson, Joanna Flatt, Peter Hall, Matthew Thompson. Inspiring Innovation: The Size, Scope and Socioeconomic Impact of Nonprofit Enterprise in Ontario. Ontario: The Canadian Community Economic Development Network, Institute for Nonprofit Studies, Mount Royal University, Simon Fraser University, 2013.
3 Daly, Kate, Paul Chamberlain, Peter Elson, Joanna Flatt, Peter Hall, Matthew Thompson. Inspiring Innovation: The Size, Scope and Socioeconomic Impact of Nonprofit Enterprise in Ontario. Ontario: The Canadian Community Economic Development Network, Institute for Nonprofit Studies, Mount Royal University, Simon Fraser University, 2013.
able work of Community Enterprise in Scotland (CEiS), which mobilized social enterprises to connect and form strategic partnerships to advance the sector in the areas of policy, procurement, and practice. In a little more than a decade, the sector in Scotland has created a flourishing environment for social enterprise initiatives to grow by forming strategic partnerships, establishing business supports, and creating dialogues with both government and private sectors.

SET, formerly known as Social Purpose Enterprise Network of Toronto (SPEN), has been supporting practitioners and researchers in studying the sector and helping it grow since 2006. SET has acknowledged the inherent value of collaboration and has involved multiple partners to advance the sector. The current research initiative is a step towards broader development projects across the sector.
SET RESEARCH INITIATIVES

The 2012 Social Enterprise Survey for Ontario has collected baseline data regarding Ontario enterprises. However, stakeholders have also increasingly requested more action-oriented research for social enterprises to build their capacity in serving communities. Managers of social enterprises have emphasized the many challenges stemming from the unique social enterprise model of striving to balance business growth and social impact.

While social impact has been thoroughly researched, the operational and business aspects have not been investigated as extensively, resulting in limited information for practitioners who seek best practices and models to adapt to their needs.

Responding to a knowledge gap in currently available research, the three research projects were inspired by questions and issues of concern to social enterprise practitioners. The individual components of the 2013 SET Social Enterprise Research Project were as follows:

1. **Marketing Study**: The project was an in-depth examination of the marketing practices of social enterprises in order to help determine the future direction of SET and the services and the support offered to its members.
2. **Food-based Social Enterprises**: This project gathered information from 11 GTA enterprises operating in different areas of the culinary sector. The study highlighted the issues specific to these enterprises: growth and marketing; production capacity; staffing and facilities; and cross-enterprise collaboration.
3. **Start-up Stories**: The social enterprise start-up project aimed to document enterprise start-up stories as an ongoing archive and resource for those looking to launch or design new enterprises.

This initiative was designed to deliver practical findings and facilitate actions to strengthen the work of the sector. These three studies were conducted together with a holistic approach and focused on gathering relevant information to directly benefit new and existing social enterprises in the GTA.

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DEFINITION OF SOCIAL ENTERPRISE

The definition of social enterprise used for the purposes of this study is described in the 2012 Social Enterprise Survey for Ontario as¹:

“A business venture owned or operated by a non-profit organization that sells goods or provides services in the market for the purpose of creating a blended return on investment, both financial and social/environmental/cultural.”

To be specific, this research project focused on the subcategory of social enterprises, called social purpose enterprises, as defined in the 2012 Social Enterprise Survey for Ontario²:

“The social purpose enterprise category consists of social enterprises that specifically train and/or employ people with persistent barriers to stable employment.”

It is important to note that the term social enterprise is widely used to describe enterprises which do not meet the aforementioned criteria. The social purpose enterprises, as defined above, represent a majority of the sample of this study. However, two for-profit businesses run by social entrepreneurs that have a similar focus on the social mission of providing employment and training opportunities for disadvantaged populations were also included.

¹ Daly, Kate, Paul Chamberlain, Peter Elson, Joanna Flatt, Peter Hall, Matthew Thompson. Inspiring Innovation: The Size, Scope and Socioeconomic Impact of Nonprofit Enterprise in Ontario. Ontario: The Canadian Community Economic Development Network, Institute for Nonprofit Studies, Mount Royal University, Simon Fraser University, 2013.
² Daly, Kate, Paul Chamberlain, Peter Elson, Joanna Flatt, Peter Hall, Matthew Thompson. Inspiring Innovation: The Size, Scope and Socioeconomic Impact of Nonprofit Enterprise in Ontario. Ontario: The Canadian Community Economic Development Network, Institute for Nonprofit Studies, Mount Royal University, Simon Fraser University, 2013.
METHODOLOGY

The study consisted of 4 surveys:

General Profile: This section gave us a demographic and baseline information about the participating enterprises. Basic questions included: business type, mission, human resources, finances, location, growth needs, requirements and obstacles, business planning methods and the implications of having a double bottom-line.

Marketing: This section focused on the marketing practices of the social enterprises. Questions focused on: outlining marketing/communications goals, marketing budgets and human resource capacities; detailed charting of marketing practices; methods of marketing/communications planning; listing marketing/communications supports that are needed; and sharing stories and best practices.

Food-Based: This was a section that was completed solely by food-based enterprises. The questions looked at: charting business type, product offering, typical sales, capacity, resources, expenses, possible areas for collaboration, listing suppliers of products/services, human resource needs and requirements, required skills training and development, and a SWOT (Strength/Weakness/Opportunities/Threats) Analysis.

Start-Up Stories: This section recorded information about the enterprises start up experience. This included recording: key dates, figures, events and accomplishments to create a start-up time-line.

Due to length of this report, the actual surveys were not included in it. Those who are interested in obtaining a copy of the original surveys may do so by contacting SET at socialenterprise@toronto@gmail.com.

METHOD

The general profile, marketing and food-based sections consisted of survey questionnaires that gathered quantitative and qualitative data. The start-up section was an informal narrative style interview, where the researchers guided the discussion. All the sections were administered through in-person interviews. The non-food-based interviews typically ran between 60-75 minutes. The food-based interviews typically ran between 75-100 minutes.

Following the interviews, the participants were given an opportunity to review the collected data in an effort to ensure accuracy. On occasion, the participants were contacted through email or telephone to clarify unclear data.
INTRODUCTION

PROCESS

The study was completed within a 6-month time frame, beginning in May 2013. The initial 2 months were dedicated to determining the objectives and research questions guiding the study, crafting and revising the survey questions, reading other pertinent studies, and creating a list of social purpose enterprises within the GTA. Approximately 60 social enterprises were contacted via email or telephone and invited to participate in the study.

Between July 2 and September 6, thirty two social enterprises were interviewed. The next phase included data consolidation and participant verification, followed by analysis and report-writing.

RESULTS

This study was designed to allow social enterprises to speak for themselves. The goal was to have a holistic view of the social enterprise sector from within. The study aimed to collect information not just through quantitative data but also by documenting the experiences and stories of the enterprise practitioners. Many interviewees used anecdotes and examples to illustrate points. While the respondents were encouraged to be as exact as possible when providing quantitative data, close estimates were also deemed acceptable.

Due to the large variance in age, business type and organizational structures of the participating social enterprises, there is often a great variance in the data provided, and a large gap between maximum and minimum values. In cases where the variance is great, a range of figures have been provided rather than one average number, or the maximum and minimum values have been presented. The cases where extenuating circumstances have resulted in outliers or anomalies have been pointed out.

While 32 social enterprises were interviewed, not all participants responded to all the questions. Given the length of the interview, the participating enterprises were able to stop the interview whenever they wished, or choose not to answer any given question. The data provided in the report reflects information collected from only those enterprises that provided complete data for any given topic.

The lack of response for specific questions was partly due to insufficient and missing records. This was especially true of financial information. Another reason for low rates of response on specific topics can be attributed to the diversity of social enterprises and their organizational structures: some questions asked were simply not applicable.
AGE

Approximately half of the responding social enterprises have been operational for 10 years or longer. However, there was also a strong representation from newer social enterprises, as 39% of the participants have been operational for 5 years or less. In fact, 19% of all the interviewed enterprises are younger than 2 years. The largest age group is 10-19 years, representing 35% of all the participating enterprises. However, the data suggests that the GTA social enterprises are comprised of a representative mix of age groups. While there are many well-established social enterprises, new enterprises are also opening, with 23% younger than 3 years.
BY MISSION

Like the BALTA studies\(^1\), the participants were asked to identify the mission of their enterprise. The majority of participants indicated that their mission is providing employment, closely followed by providing employment development, training and placement – 77% and 74%, respectively. Sixty-eight percent indicated that they have a social mission, and 39% indicated that they generate income for their parent organization. Twenty-nine percent indicated that they have an environmental mission, and 10% indicated that they have a cultural mission. Almost all (90%) identified multiple missions.

It must be noted that unlike the BALTA studies, this research project focused on social purpose social enterprises, which explains the preponderance of employment and training based enterprises. Given this bias, it is easy to understand the discrepancy with the results from the Ontario CCEDNet study, where 77% of respondents indicated that they operate to fulfill a social mission, and only 37% indicated that they provide employment development and placement support.

Of the enterprises that indicated that their mission is to provide income generation for their parent organization, 58% have been operating for 8 years or less. All are younger than 20 years.

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Social Enterprises by Mission

- **Provide Employment**: 77%
- **Employment Development/Training/Placement**: 74%
- **Social Mission**: 68%
- **Income Generation for Parent Organization**: 39%
- **Environmental Mission**: 29%
- **Cultural Mission**: 10%

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\(^1\) Daly, Kate, Paul Chamberlain, Peter Elson, Joanna Flatt, Peter Hall, Matthew Thompson. *Inspiring Innovation: The Size, Scope and Socioeconomic Impact of Nonprofit Enterprise in Ontario. Ontario: The Canadian Community Economic Development Network, Institute for Nonprofit Studies, Mount Royal University, Simon Fraser University, 2013.*
BY BUSINESS SECTOR

GTA social purpose enterprises are engaged in very diverse businesses. In total 34 different business types are represented within the sample group. While there is a heavier representation of labour intensive businesses, professional and creative services are also well represented.

Food-based social enterprises form the largest grouping, comprising 34% of all the participating enterprises. Following that group, 22% of participating enterprises identified themselves as providing professional services including administrative services, finance and insurance, public administration, business services, research, language interpretation and translation services. Another 22% is engaged in retail and wholesale sales. Creative services including communications, printing, interactive digital media, information technology, music publishing and graphic design providers comprised 19% of respondents. Another 19% of the participants reported that they are engaged in janitorial, cleaning, landscaping, gardening, moving, hauling, repair and maintenance, property management, waste management, transportation, storage and delivery services. Sixteen percent of the participants indicated that they are engaged in arts and culture, including gallery arts, sewing, theatre, and performing arts. Nine percent reported that they are engaged in education, employment services, immigration and settlement, and health care. Following that, 6% are engaged in social services and daycares.

BY SCALE OF OPERATION

A majority of the social enterprises, 68%, operate out of one location. This figure does not include businesses like cleaning services that have one central location but several operational sites.

Most of the participating enterprises, 93%, indicated that they operate within the city/town, while 63% indicated that they operate within the neighbourhood/local community. Ten percent reported that they have a province-wide operation.

The enterprises that have a wider scale of operation tend to be involved in the arts, digital media, and/or communication sectors. Years of operation do not seem to have any correlation with the scale of operation.

(continued...)

1 The number is higher than the sample size of 32 because some enterprises selected more than one business type.
BY DEMOGRAPHIC GROUP TRAINED/EMPLOYED OR SERVED

GTA social purpose enterprises serve a wide range of clients/participants. The largest group that the participating social enterprises train, employ or serve are individuals with mental health or developmental health challenges or disabilities. More than half also train, employ or serve lower income individuals, as well as youth and young adults. Approximately a third of all the participants also work with ethnic groups and minorities, as well as immigrants and women. The enterprises can be broken down into the following:

1. People With Mental Health/ Developmental, Health Challenges or Disabilities: 58%
2. Youth/Young adults: 55%
3. Lower Income Individuals: 55%
4. Ethnic Groups/Minority: 35%
5. Immigrants (Including Temporary Workers and Permanent Residents): 32%
6. Women: 32%
7. All People in a Particular Place or Community: 26%
8. Aboriginal/Indigenous People: 23%
9. Senior/Aged/Elderly People: 23%
10. Homeless People: 19%
11. Men: 19%
12. Refugees: 19%

(continued...)
13. People With Physical Disabilities: 13%
14. Children: 10%
15. Other: 10%
16. Families: 6%

The data shows that the newest social enterprises (0-3 years old) are geared towards youth. All the newest enterprises serve youth clients among their target populations, while 45% exclusively serve youth clients. In comparison, 25% of the newer enterprises serve individuals with mental health/developmental health challenges or disabilities among their clients, while none of them serve this demographic exclusively.

This pattern is reversed among the oldest enterprises (aged 20-26 years). One hundred percent of the oldest enterprises serve individuals with mental health/developmental health challenges or disabilities among their target population, while 75% of the enterprises serve this client group exclusively. Comparatively, 25% of the oldest enterprises serve youth clients, while none of them serve youth clients exclusively.

While the sample size is too small to generalize, this may indicate a shift in focus amongst GTA social purpose enterprises. This could also indicate a problem for those with mental health consumer/survivors or people with developmental disabilities, if the older ones close. Are youth over-served or just catching up? Is this only funding driven or need driven? This worth looking into and requires further research, analysis and consideration.
Most of the interviewed social enterprises (90%) identified skills training as a desired outcome for their program participants (individuals trained, employed or served as part of their mission). Connection to workforce and integration/reintegration into society were also identified as desired outcomes by three quarters of the participants (77% and 74%, respectively). Almost half (48%) of the participants indicated that long-term employment with their social enterprise was a desired outcome.

Thirty percent indicated that they had other desired outcomes such as:
- Fostering a sense of belonging and community
- Fostering a sense of purpose,
- Instilling self-confidence
- Contributing to their program participant’s incomes
- Contributing to a business
- Encouraging long-term volunteer engagement
- Supporting the creation of long-term self-employment and education

<table>
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<th>People with Developmental disabilities</th>
<th>Long-term Employment with Social Enterprise</th>
<th>Connection to Workforce</th>
<th>Re/Integration into Society</th>
<th>Skills Training</th>
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<tr>
<td></td>
<td>67%</td>
<td>78%</td>
<td>89%</td>
<td>94%</td>
</tr>
<tr>
<td>Lower Income Individuals</td>
<td>41%</td>
<td>76%</td>
<td>71%</td>
<td>94%</td>
</tr>
<tr>
<td>Youth</td>
<td>29%</td>
<td>76%</td>
<td>65%</td>
<td>88%</td>
</tr>
</tbody>
</table>

Most enterprises indicated more than one desired outcome for their participants. One enterprise manager explained that, “connecting to workforce is a big part of our youth job training so that we can place them into jobs. Many [have] never had a job before. We also encourage education because education improves the quality of their work. If we take a young person who hasn’t finished high school and we find them a job in food services because they obtained life and work skills, they are pretty much going to be resigned to be in entry-level jobs for many years. Without education, you are not going to advance in a workplace, even in food service. We are always keen to direct people to school and help them obtain credits (e.g. co-op credit in high school for working here).”
BY BUSINESS PLANNING PRACTICES

Eighty percent of the interviewees indicated that they utilize a formal business-planning document. Fifty-seven percent indicated that they engage in business planning through informal planning activities. Forty percent specified that they use a combination of formal and informal business planning. The only participating enterprise that claimed that they do not engage in business planning also indicated that they do not wish to grow their business and want to simply maintain their current level. Several enterprises mentioned other business planning activities such as working with pro-bono marketing/design companies, planning yearly budget forecasts, meeting with an advisory team and working closely with a consultant.

When asked how often the participating enterprises review and redevelop their business plan, almost half (45%) indicated that they do so annually, 21% indicated quarterly, 14% indicated that they never review their plan or do so very infrequently, and 10% indicated that they review their business plan on an on-going basis. The organizations that indicated that they do not review their business plan tend to be older established enterprises, and half of them indicated that they do not want to grow their business beyond their current level, while another half indicated that they would like to grow their business extensively.

The survey asked respondents to identify who is responsible for business planning in their enterprise. All the responding enterprises selected management, followed by 66% who selected staff members, and 62% who selected board members. Interestingly, over half the respondents (52%) indicated that outside consultants were involved in business planning activities (including volunteers, committees, advisory teams comprising of individuals with expertise, professional marketers, partner associations including funders and advisors). One food-based enterprise indicated that their initial business planning included several different groups coming together to plan, including their initial funder, the organization that provided them with operating space, and representatives of the community who were trained and employed in the business. On average, over a quarter of the respondents (28%) indicated that the target population (or demographic served, employed or trained) was involved in the business planning. One enterprise manager specified that they “try to run it like a democracy. If I am putting in a bid for something, I tell the staff all about it so they have some ownership and are excited.”
BY GROWTH NEEDS

Some of the questions that this study sought to address were:

- Are GTA social enterprises looking for growth or are they looking to maintain their current level?
- If they are looking to grow, are they looking to grow moderately, or are they looking to grow extensively?
- What are their growth priorities, or, in what way are they looking to grow?
- What sort of supports do they require if they are looking to grow?
- What are the obstacles to growth?

These questions were deemed to be extremely important as the answers would influence the type of marketing practices/supports they require. Also, the answers would affect the procurement opportunities of the entire sector. They would also have an impact on SET’s future directions as a network of non-profit social purpose enterprises.

The data shows that most social enterprises want to grow (either moderately or extensively).

Almost half of the participating enterprises (47%) indicated that they want to grow moderately. One social enterprise manager clarified that the reason they want moderate growth and not extensive growth is because they are a “very grassroots organization, and don’t do anything unless it is dictated by the needs of the community.” Another enterprise specified that, “we are growing right now because we are constantly getting new people. We can’t grow too fast because if we don’t have money, we can’t pay employees.” Human resources also seem to be a concern, as one enterprise manager stipulated: “there are only two managers, so growth has to come slowly. Despite the barriers to growth, it is happening. Last year was our best year and this year promises to be better.” One social enterprise looking for moderate growth expressed an interest in replicating throughout the city. Other enterprises indicated that their growth prospects depend on their ability to get more contracts and increase sales revenue.

Over a third of the participating enterprises (38%), indicated that they would like to grow extensively. One food-based social enterprise manager explained that they would like to, “grow the business, grow the catering. There is another opportunity to open a café ... Also, [we would like to grow the business] through bulk bean sales.” Another enterprise explained that they would like to revamp their business model in order to grow extensively.
Four of the participating enterprises (13%) identified themselves as wanting to maintain their current level. One these enterprises specified that, they would like to grow but do not have capacity do to so due to human resource limitations. So for the time being, they are satisfied with their current level of growth. Another enterprise explained that while they are satisfied with their current growth level, they would like to scale and replicate.

The data shows that overall, there is a sector-wide desire for growth. While many expressed a preference for cautious growth, it is clear that GTA social enterprises would like to take on more business.

**GROWTH PRIORITIES**

Most of the participating enterprises demonstrated an interest in growing both their business and their social mission.

A large majority (88%) expressed a desire to increase sales. One enterprise specified that the money they make goes back to their community programs and therefore they can serve more people. Most of them (69%) also would like to hire more staff. One enterprise manager explained that more staff means more participants. They would also like to create more internal employment opportunities for their participants. Sixty-three percent of participating enterprises also indicated that they would like to open more locations or expand their current location. One manager said that they would like to develop more social enterprises. More than half (56% each) of the participating enterprises identified serving more program participants and diversifying products and services as growth priorities.

Many of the enterprises indicated other growth priorities, such as one manager who wanted to “develop larger scale partnerships, and develop shared procurement strategies.” Others identified priority areas such as growing selling partners, contract opportunities, and contributions to the parent organization.

**REQUIREMENTS FOR GROWTH**

Data shows that most of the responding enterprises need more sales and more grants in order to grow (83% and 80% respectively). Space/location and staff were also identified by most as growth requirements.

The additional collected comments suggest that professional development and training for staff is a key concern, along with job specialization and dedicated and passionate staff. Some enterprise managers voiced the following concerns:
Several others indicated that space is also a key concern. Apart from opening new locations, enterprise manager comments suggest that they would like to expand their current locations. The need for diversified selling spaces also arose as an issue.

Cleaning, maintenance and lawn-care related enterprises have indicated that space to store supplies and equipment is sorely needed. They also indicated that improving their transportation system by purchasing a truck would be a crucial factor in achieving desired growth.
INTRODUCTION

Marketing has been an area where social enterprises continue to struggle. Not unlike many small businesses, social enterprises are labouring to compete in the open market with companies that have large marketing budgets. Most social enterprises do not have the financial resources or human resource capabilities to compete on an equal footing.

Previous research has shown that social enterprise managers tend to have responsibilities that go far beyond the typical responsibilities of a business manager¹. Marketing is one of the many roles enterprise managers have to take on due to human resource restrictions. As a result, marketing often becomes a low-priority business operation, even though most recognize its importance.

This research study shows that a majority of participating GTA social enterprises operate with insufficient marketing budgets. In order to compete in the market, they tend to adopt creative grassroots marketing practices; they develop collaborative partnerships and seek out in-kind donations in the form of marketing expertise; and they rely heavily on cost-effective, time-efficient practices.

The unique hybrid nature of social businesses poses other challenges. Many funders fail to recognize and sufficiently support social enterprise business operations like marketing. The importance of marketing and the need to provide adequate funding for it is largely overlooked. This can only change by building greater awareness, and creating a shift in perspectives and behaviours.

Marketing supports must be provided to social enterprises if we are to develop an ecosystem that encourages growth. A desire for peer support groups, peer training opportunities and collaborative resource sharing already exists, and must be supported.

The marketing report is a hybrid of numbers and stories. We have allowed social enterprises to speak for themselves. While quantitative data is presented, some of the most salient points come through in the words of the enterprise managers.

MARKETING GOALS

The key to contextualizing the marketing needs of the social enterprise sector is to first understand what social enterprises wish to achieve through their marketing practices. We asked the research participants to define their marketing goals, as a way to shed light on the following:

- Is there a connection between the enterprise’s desire for growth and its marketing goals?
- Do social enterprise marketing goals mirror private sector marketing goals, in a general sense?
- How well defined and clear are social enterprise marketing goals?
- Do social enterprise marketing budgets reflect their marketing goals?

The response to this question demonstrated that the GTA enterprises ranged between those that had clear, specific goals and enterprises that had no marketing goals at all. The chart below lists the categories that the goals can be generally be broken down into.

This figure charts the marketing goals of social enterprises. Increasing sales and client base is by far the largest category.
A vast majority of social enterprises indicated that their overarching marketing goal is to increase sales and client base. This points to an understanding that marketing is an essential business support. However, in spite of this, it is also evident that marketing is not viewed as a priority in most cases. For the most part, this is due to budgetary and human resource restrictions.

The fact that most enterprises identified increasing sales and client base as their top marketing goal directly corresponds with the data that shows that a majority of social enterprises wish to grow their business.

Unlike private sector practices, many of the research participants also indicated that they wished to increase awareness of their social mission through marketing. Some of the key differences between social enterprise and private sector marketing practices is the fact that social enterprises often not only promote the goods and services they offer, but they also have to promote their programs and/or solicit donations.

**MARKETING BUDGET**

One of the key and most telling pieces of data collected for this research study are the marketing budgets that social enterprises tend to have at their disposal. By asking about the enterprise’s marketing budget, we wished to understand:

- Is there a correlation between an enterprise’s marketing budget and their desire for growth?
- Is there a correlation between the age of the enterprise and the size of their marketing budget?
- How do social enterprise marketing budgets compare with private sector norms?

Fifty percent of the interviewed social enterprises have no marketing budget. Of the enterprises that do have a marketing budget, over 50% spend less than 5%.

There were only 3 enterprises in total that indicated budgets over 5%. It must be noted however, that two enterprises that indicated that they allocate 10% of their budget to marketing qualified their answers. They are considered to be outliers because their estimates included activities that lie outside typical marketing activities. As such, these two will be considered anomalous.

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1 Due to the fact that hard financial data is difficult to obtain, the solicited answers are estimations to the best of the interviewee’s knowledge. It must be noted that in some cases, it was difficult to obtain even an estimation. For the most part, this is due to close financial and administrative ties between the enterprise and its parent organization.
MARKETING PRACTICES

There was one enterprise that indicated that they spent 20% of their budget on marketing.

The following analyses will take these anomalies into consideration.

ACCORDING TO GROWTH ASPIRATIONS

Social enterprises, regardless of their aspirations for growth, do not have the capacity to market themselves adequately. It is evident that they have the desire to grow, but the support system that will enable them to do so is not yet in place.

All the interviewed enterprises were asked to identify their growth aspirations by indicating whether they want to grow extensively, grow moderately, or maintain their current level. The enterprises that expressed aspirations for growth were then asked to identify the areas in which they would like to see growth. As discussed above, 38% indicated an interest in extensive growth; 47% expressed a desire for moderate growth; and 13% indicated that they would like to sustain their current level. Of the enterprises that claimed that they would like to grow, 88% expressed a desire to increase sales.

It was expected that the amount of money spent on marketing would correlate with the expressed desire for growth. However, no such correlation could be found. There was no discernible pattern to be found, and the difference between the enterprises aiming for moderate and extensive growth was minimal.

The results show that the enterprises that indicated that they would like to maintain their current level spend 5% of their budget on marketing, on average. It is possible that the inclusion of one potentially anomalous number might have skewed these results. Without that number, the average would work out to be 1%.

The enterprises that indicated an interest in moderate growth spend 2% of their budget on marketing, on average. Fifty percent of enterprises in this category spend 0% on marketing.

The enterprises that indicated an interest in extensive growth spend approximately 1.9% of their budget on marketing. Fifty percent of enterprises in this category spend 0% on marketing.

\[1\] Due to the large variance between the maximum and minimum values, it must be noted that 60% of enterprises in this category spend 0% on marketing activities.
MARKETING PRACTICES

ACCORDING TO AGE

The data shows that enterprises aged between 0 – 2 years spend an average of 0% of their budgets on marketing¹.

Enterprises aged between 3 – 5 years reported that they spend an average of 0.4% of their budgets on marketing. It is important to note that 80% indicated that they spend 0% on marketing.

Enterprises between the ages of 6 – 10 years reported that they spend 0.75% of their budgets on marketing. 75% of enterprises in this group spent 0% of their budget on marketing.

Enterprises aged between 11 – 15 years reported that they spend 2% of their budgets on marketing. The percentage of enterprises with no marketing budget fell drastically to 29%.

Enterprises aged between 16 and 20 years reported that they spend 3% of their budgets on marketing². 25% of enterprises in this group indicated that they have no marketing budget.

The data shows a trend indicating that enterprises tend to allocate more resources to marketing as they age. The number of enterprises with no marketing budgets decreases with age.

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¹ This figure excludes the two enterprises that spend 10% of their budgets on marketing that were identified as potential anomalies. If these two enterprises are included in the calculations, the figure jumps to 5%.

² This figure excludes the two enterprises that spend 10% of their budgets on marketing that were identified as potential anomalies. If these two enterprises are included in the calculations, the figure jumps to 5%.
PRIVATE SECTOR RULE OF THUMB

“As a general rule of thumb, companies should spend around 5 percent of their total revenue on marketing to maintain their current position. Companies looking to grow or gain greater market share should budget a higher percentage—usually around 10 percent. This percentage, of course, will vary by company and industry. For example, companies in highly competitive industries—such as retail, consumer products, and pharmaceuticals—often spend 20 to 50 percent of their net revenue on marketing.”

It follows that it is important to get a better picture of who social enterprises are competing with. That data should inform decisions like size of marketing budget. It will also help enterprises understand whether having a social mission gives them a competitive edge.

QUICK FACTS

Who is responsible for marketing?

- Manager: 78%
- Staff Members: 59%
- Contractors: 34%
- Volunteers: 25%

A majority of the interviewees said that the enterprise manager was responsible for most of their marketing activities, followed by other staff members. Others identified parent organization staff, board members, interns, and third party contractors.
MARKETING PRACTICES

Is their role dedicated to marketing?

- 77% Do not have a dedicated staff member for marketing
- 23% Have a dedicated staff member for marketing

Number of hours spent on marketing activities per week

- 56% spend less than 5 hours per week
- 12 hours per week on average

Third party services

- A third of the responding enterprises indicated that they have solicited third party support for marketing.

52% of enterprises have received some form of in-kind support, ranging from $200 in consulting services to $40,000 in pro-bono projects.
CUSTOMER BASE

GTA social enterprises seem to have a good understanding of their customer base. A majority of enterprises identified multiple market segments within their customer base and 81% of them indicated that they market to each segment differently.

We market to the community that shops here with parties and festivals and sales. We market to the bargain hunters through advertising, and [to others] through special high-end events.

[We use] Facebook for clients aged 20-30 and LinkedIn for corporate clients.

With government there is more tendering and involvement with transparency. [For] non-profit, it’s all about budget restraints. Most non-profits have tight budgets. And we market to people based on their needs. So with corporation, lets say, we could do something more holistic.

We work with corporate clients trying to break into the youth market. We’ll approach them with more of a tongue-in-cheek kind of ‘we’re cool so you need to work with us’ kind of idea versus marketing to other non-profits ... With other non-profits, we’ll use more of the non-profit approach - community development and building.
COMPETITION

Among the interviewed enterprises 68% claimed that they are competing with small to medium businesses. Thirty-nine percent claimed that their main competitors are big businesses and corporations. Twenty-six percent viewed other social enterprises as competitors. Other non-profit organizations were identified by 16% as competitors. A couple of interviewees added a caveat regarding other social enterprises and non-profit organizations, claiming that while they might provide the same retail services, they were “not competition because we don’t involve ourselves in that.” A few enterprises claimed that they did not face much competition. This was primarily due to their unique products/services or because they catered to a very niche market.

Thirty-eight percent of the interviewed enterprises claimed that they track their competitors’ promotions/marketing communications campaigns. Out of this, many added that they do so sporadically and minimally. Sixty-three percent claimed that they do not track their competitors’ marketing activities. Many specified that this would be too time consuming.

MARKETING/COMMUNICATIONS TOOLS & PLATFORMS

Most social enterprises opt for low cost marketing/communications platforms. Several enterprises identified word-of-mouth advertising as their primary means of generating sales. Apart from the fact that it is well known that word-of-mouth advertising is one of the most effective methods of marketing, the budgetary restrictions that social enterprises face explain why so many social businesses rely heavily (and sometimes, solely) on word-of-mouth referrals.
**MARKETING PRACTICES**

- **Principle purpose: word of mouth**
  - "[It's a] big part of getting sales. People always come back."  
  - "[The] main way [we] get business is through referrals."

- **Principle purpose: website**
  - "[We use it to] share stories, convey information, connect with audience, and deepen existing relationships."  
  - "[It is the] instrument of [sharing] information about the company [with] the community."  
  - "Customers can order through the website."  
  - "[It is a] platform to educate youth, showcase artists, add opportunities - the website IS our company."  

- **Principle purpose: social media**
  - "[We use it for] marketing and outreach, ... like announcing the information session we just had, general information, pictures from the market, something that would inform the people in the future or give them an idea of the stuff we do."  
  - "[We] communicate issues around mental health, [and for] educating the audience. [It's an] anti-stigma tool. The more exposed people are to mental health issues, the more normal it becomes to have mental health challenges."  
  - "[We use it to] build brand awareness, engage clients, attract customers to our boutique, and provide visual stimulation and intrigue."
MARKETING PRACTICES

HOW DO YOU DECIDE WHICH MARKETING TOOLS TO USE?

From highest to the lowest:
Ease of Use; Intuition; Familiarity/Comfort Level; Research Industry Trends; Consult Experts; Informal Customer Feedback; Survey Existing Customers

Required Training & Support
Developing marketing strategies
Making pitches
Research
Different/new/creative marketing
Networking & relationship building
Web development/maintenance
Target/ mass marketing
Facebook, Google, Google Analytics, Survey Monkey, QR Codes
Learning how to market to private sector - tweaking products to make it attractive for private sector [use]

Other factors that were mentioned include cost, trial and error, and time-efficiency.

[We require additional training in] all [areas], but we do not have the funding to pay for it.

[We could use training in] any marketing that’s not too costly that a not-for-profit [organization].
The interviewed social enterprises seem to be engaged in varying degrees of marketing/communications planning. A large majority engage in short-term, informal planning, while a third of them also have formal marketing plans. A few enterprises indicated that they engage in minimal to no planning.

We do what we can, when we can

[We have an] employee engagement policy. [It is a] survey that goes out to staff to ask if we are doing everything [we should be doing]. Because we have one person who is the voice of the organization, we want to make sure [we are being] inclusive … We do this survey to ensure that we are on track with our marketing/communication plan. We get some interesting feedback. I would recommend this to other organizations.

We leave a lot of room because marketing is based on current trends. You can't plan a year ahead of time what summer sales are or what donations are coming in. There are some formal marketing targets that we set for ourselves - larger plans, e.g. Twitter is a very large marketing plan … But promotions will be a month before, based on the products we get in.
MARKETING PRACTICES

WHICH ASPECTS OF MARKETING/COMMUNICATIONS PLANNING COULD YOUR ENTERPRISE USE SUPPORT WITH?

I think with most social enterprises, when there is no budget, time and money are the same thing, so having the time to work on all these different things - there just isn't time. We don't have a marketing person or department to do the research and build a marketing plan.

[We need help with] marketing research - the intangible impact of branding (measuring impact, that’s really expensive).

[We need help with] co-productions, co-marketing. We have applied for business support … for developing new markets. We applied to Pan Am but we really need to couple with another [business] in order to qualify and meet the volume.
WHAT IS THE MOST VALUABLE SERVICE SET COULD PROVIDE ITS MEMBERS?

Full-time SET Staff 65%
Funding for Marketing 77%
Training for Staff 48%
Shared Technology 48%

[SET could provide] open source sharing, partnership and collaborations.

[SET could share] funding opportunities that are out there ... even $500 grants.

[SET could set up] mentorship programs (get industry professionals to help with marketing).

SET could help with co-marketing and cross promoting.

SET could help by sharing access to information and resources ... And connecting [us] with other enterprises that need [our] services.

I know that SET is doing some work on Pan Am and the City, and that's really useful because they're working for the sector as a whole around community benefit agreements and procurement and policy. I would support that.

[We are] interested in getting support with business practices. [We] would like training in graphics, photography, etc.

Procurement is a huge issue for us, and if there was something in [procurement] policies, like [getting] points for contracting social enterprise, etc. We do have a private partnership with a small company ... but we don't have big partnerships.

[We would like help with] business supports, grant writing, anything related to marketing.

Training is great but the most valuable resource is time. We have no time.
CROSS PROMOTION

Forty-eight percent of the interviewed enterprises reported that they have partnered with another organization (apart from their parent organization) to cross promote or co-market. Fifty-one percent said they have never engaged in cross-promotion. Of the enterprises that have partnered with other organizations, 40% reported that the experience was a positive one, 27% reported negative experiences, and 33% reported neutral experiences (either neutral or a mixture of positive and negative). The dominant message that was echoed by many of the interviewees was that it is important to be very clear about the goals of each organization, be on the same page and be equally engaged in order for it to be a successful partnership. It is extremely important to communicate clearly and understand each other when entering into a partnership.

"We do it all the time. It is very successful because of availability of marketing resources."

"Its very important to be clear about the goals of each organization, whether [you are partnering with] a charity or for-profit."

"You have to be really pushy, especially as a young person doing something new. And you have to understand [the partner organization's] mission and mandate and objectives."

"[The] Positive [result was that we] reached a greater audience. [The] negative [aspect was that] messaging can be a little blurred because we are sometimes partnering with organizations that aren't a perfect fit and the messaging can get a little disorganized."

"Both partners have to be equally engaged and both have to benefit from it - or else it won't work. Both have to be on the same page about outreach."
MARKETING PRACTICES

SOCIAL MISSION VS. BUSINESS

The social enterprise sector has never had a unified opinion about whether it is better to actively promote the enterprise’s social mission, or to underplay the social mission and promote the business.

As one expert puts it: “each social enterprise makes its own decision about how to market. In some cases, social enterprises opt to create marketing messages that are similar to for-profit businesses. Others seldom use the social aspect of the enterprise as a selling feature, out of concern for perceptions about preferential positioning among competitors or subsidization or inferior products or services.” On the other hand, some businesses have achieved great success in advertising its social aspect.

The research participants were asked to rank social mission, quality and price in order of importance when it comes to marketing messages. Quality of product/service was deemed most important, followed by social mission and then price.

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MARKETING BEST PRACTICES, ADVISE AND STORIES FROM THE RESEARCH PARTICIPANTS

You don’t need a large budget to market. Everything we have done is purely grass-roots.

In starting up a social enterprise, you have to have a product that is marketable. You are a business and you have to be profitable. [You have to know if there is] a need in the market for your participants. Is the industry sustainable? It is important to understand your demographics and figure out how to align their needs. [Identify] what has worked - we operate a strong business and recognize that there is a shortage of entry-level individuals in the industry. It takes a long time and a lot of work to make effective change.

Provide a service people need and want. Provide this service better than competitors to the best of your ability.

Time management is both a horror and a success story. Working with a marginalized group, … everything is a matter of timing - will you meet deadlines, will you not meet deadlines, are you setting realistic deadlines, are you setting realistic timelines for your clients, are you taking jobs just because you need the money to prove to the parent organization [and funders] that this enterprise is viable? … What I would like to share with people is that just do what you think is best for your business and … the mission of your parent organization… Don’t get caught up in the funding. If a product is good, it will sell itself … What I would suggest to people is that understand the limitations of your staff, don’t be afraid to tell your clients that these are your limitations but do your best to overcome those.

[Our enterprise] started as a workers co-op with no hierarchy. This led to a lot of problems. Without a dedicated hierarchy, we were driving people away and affecting the social mission. This is changing now. So it’s important to not only be enthusiastic with people but also assign them the right role.

What I think is that consistency works - consistency in marketing and strategy … I find that for us, doing in-store events is a real draw … We’ve had steel pan players come and set up outside the store. We’ve had barbeques outside the store. We’ve done sidewalk sales, where we were just calling people in from the street, giving them a flyer, [and] products.
MARKETING PRACTICES

Keep it simple, fresh, up to date with very consistent messaging. We have a gatekeeper who controls all messaging. We have people who make sure two things don’t conflict with each other and it is in the best format to get out there. Our advantage is that we have a great network of staff and skills.

Having a strong leadership team is important ... Survivors are 89% unemployed. We can’t handle the pressures of mainstream business practices ... You can’t “push through it” … Find the right people who fit with your mission.

Trust your instincts in what you know about your customers, [and don’t] get pulled into opportunities that might seem exciting to promote because they may not be right for your group. Make it more meaningful because you only have one chance sometimes to make first impression. Be careful [that] your brand [is] cohesive. Every document you put out has to have the same kind message … Seek out opportunities where you don’t have to pay for promotions. You never know who is going to talk to whom and what the ripple effects are. The more people you come across, the better [you can] leverage relationships and opportunities. Recruiting corporate volunteers helps spread the word about what we do.

Horror story: be careful who manages your social media. Wrong messages can get out there if the person managing social media is not the right one.

Most of [our] business [comes from] word of mouth. We haven’t really done [much] marketing. We very, very really careful with what we do, making sure we maintain privacy.

Partnerships are key because we get so much of our marketing done through partnerships. We don’t pay for a lot of marketing tools. Even though we are for-profit and don’t get foundation money, we get a lot of the benefits and it has to do a lot with being a social enterprise.
RECOMMENDATIONS

The research study shows that a majority of participating GTA social enterprises operate with insufficient marketing budgets. In order to compete in the market, they tend to opt for creative grassroots marketing practices; they develop collaborative partnerships and seek out in-kind donations in the form of marketing expertise; and they rely heavily on social media marketing. Another limitation they face is the lack of human resources and available time. As a result, marketing often becomes a low-priority business operation even though most recognize its importance. A supportive ecosystem must be built in order to rise above the challenges the sector faces.

Additional research: Additional research is required around the marketing practices of social enterprise industries, for instance, marketing practices of social enterprise retail stores etc. This will allow researchers to recommend specific tactics and strategies.

Strategic cross-sector partnerships: Any industry-specific research must include private sector partners. This will enable access to industry experts. Moreover, most social enterprises are competing with private sector business and we need to work with private sector analysts to understand the marketing practices of social enterprise competitors.

Additional training/resources: Any marketing/communications training or supports that are provided to social enterprises must take into consideration the monetary restraints and time/human resource restraints. For instance, effective use of social media, and blogging would be more useful than a training course on print advertising. Since word of mouth marketing seems to be the most relied upon method, additional training in effectively capitalizing on this would be useful. This can be achieved through support with sponsorship marketing, networking, relationship building, and creating successful marketing and sales pitches. Many enterprises are successfully leveraging their community connections and partnerships to off-set limitations in resources. This is a skill that must be shared with the sector.

Collaboration: Better communication opportunities must be created within the sector so that best practices can be shared and partnerships can be formed. The non-profit social enterprise sector must come together to promote themselves, each other, and the sector as a whole. Technical expertise and best practices can be shared in peer-to-peer training sessions.
INTRODUCTION

In Ontario, 19% of enterprises operate in food service/catering areas, making it one of the most common types of businesses in the enterprise sector. Despite this popularity, there are few studies focusing on food-based social enterprises as a sub-sector on its own, even in the countries where social enterprise research has been established, such as the UK. One study conducted by the Scottish Enterprise Coalition delivers baseline data to capture the scope, diversity, and scale of social enterprises operating in the food and drink sector. In Canada, such initiatives have not been undertaken to our knowledge, possibly making this research the first report to analyze food-based social purpose enterprises in the Ontario or even in Canada.

A recent report, prepared by Rotman Nexus Consulting Group for The Learning Enrichment Foundation, suggests that “social enterprises had unique needs for research” because of their dual nature in balancing social mission and business. Since 63% of social purpose enterprises see business growth and social growth as synonymous, the traditional approaches of business analysis and academic research, when applied separately, cannot fully capture the complexity of the enterprise model or deliver practical findings useful to social enterprise managers. This is especially the case in food-based social purpose enterprises, where the emphasis on an employee-oriented approach distinguishes it from traditional profit-focused businesses, thus influencing every aspect of operations.

The 2013 Social Enterprise Toronto (SET) research project gathered data from 11 GTA food-based social purpose enterprises, out of which 10 were non-profit and one was privately owned (referred to as “for-profit enterprise”). The research investigated the following areas:

- General overview of food-based enterprises in the GTA and their mission.
- Target populations employed and trained at food-based enterprises.
- Growth and business planning needs.
- Operational aspects of running food-based enterprises and trends affecting them.
- Opportunities for collaboration, including capacity for arising procurement opportunities.
- Marketing practices and needs (see Appendix A).

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1 Daly, Kate, Paul Chamberlain, Peter Elson, Joanna Flatt, Peter Hall, Matthew Thompson. Inspiring Innovation: The Size, Scope and Socioeconomic Impact of Nonprofit Enterprise in Ontario. Ontario: The Canadian Community Economic Development Network, Institute for Nonprofit Studies, Mount Royal University, Simon Fraser University, 2013.
PEOPLE & SKILLS

FOOD-BASED SOCIAL ENTERPRISES

Many organizations started a food-based social enterprise despite low profit margins because preparing food involved a lot of labour and thus created employment for target populations.

Why did organizations start a food-based enterprise?
- Training opportunities for target demographics
- Location and/or facility availability
- Perceived market demand for food-related products/services

Commonly served or employed demographic groups:
- Youth/young adults
- Low income individuals
- Ethnic minorities
- People with developmental and/or mental health challenges or disabilities

Positions created:
- Cooks
- Servers
- Managers
- Dishwashers
- Delivery persons
- Other positions: graphic design, administration, blogging, and roasting coffee

Skills Training:
- Top skills acquired through training: Essential skills, Food preparation
- In 80% of organizations, participants also learned customer service and/or serving skills.

In 2012, the nine non-profit food-based enterprises provided:
- at least 86 jobs
- 22 full-time
- 64 part-time employees
- at least 15 seasonal & contract workers
- at least 316 hours of labour per day
PEOPLE: THE CORE OF FOOD-BASED SOCIAL ENTERPRISES

WHY THE FOOD SECTOR?

Food and drink is among the top five most common types of businesses in the social enterprise sector in the U.S. and Canada. This is not surprising as farmers’ market, food security, and ethnic food movements are widespread and gaining momentum. The public demand for local/organic food, coupled with the rise in popularity of food entertainment, has created an appealing market that many organizations aspire to access or are already capitalizing on.

However, there are few studies specifically investigating the reasons behind their popularity, apart from the notion that many organizations focusing on employment and workforce development choose to operate in food service and catering. The research project by the Scottish Enterprise Coalition suggests that employment and skills training are common goals among food and drink enterprises and often the reason for their formation.

There were three main reasons why interviewed organizations started a food-based enterprise:

- Training opportunities for target demographics (80% agreed with this reason)
- Location and/or facility availability (70%)
- Perceived market demand for food-related products/services (60%)

Since our sample included social purpose enterprises with missions to train and employ people, these findings were expected. However, our research results provided a deeper understanding of practitioners’ perspectives. As one manager said, the skills required to work in the food sector were considered “relatively easy to train,” particularly because many participants already had some experience in home cooking and thus were not completely unfamiliar with the trade. Not surprisingly, most organizations disagreed that a perceived ease of business planning and high profit from sales were main the reasons they chose to be a food-based enterprise. One manager explained that many organizations started a food-based enterprise despite low profit margins because preparing food involved a lot of labour and thus created employment for target populations. “Margins in food business are razor thin [...]. One of the reasons people, especially enterprises, think about it [food business], because it is very labour intensive. It is an easy way to provide employment. But it is hard to succeed.”

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Other frequently mentioned reasons for starting a food-based business included:

- Food-based business was an entrepreneurial project started by a person experiencing systemic barriers.
- There was an availability of key partnerships (such as social service agencies and food rescue programs), which aligned with the organization’s mission to serve target populations.
- The idea of a food-based enterprise was novel and original at the time of start-up.
- Serving the needs of the community through food services was a natural progression of the organizational mission and work. In one case, food service providing nutritious food was important for creating a welcoming atmosphere and gathering place at school to sustain youth from high-risk neighbourhoods. Another organization started a kitchen when it was approached by youth who demonstrated a strong need for food services.
DEMOGRAPHICS SERVED

The four most common demographic groups who were either participants or employees of food-based enterprises were the following:

- Youth/young adults (70% served this group).
- People with developmental and/or mental health challenges or disabilities (60%).
- Low income individuals (60%).
- Ethnic minorities (40%).

The type of demographic groups served was clearly connected to the social mission of a parent organization or strategic partners, as well as their funding requirements. Other factors were the location of the organization and connections to priority neighbourhoods and ethnic groups.

DESIRED OUTCOMES FOR PARTICIPANTS

Considering the employment and workforce development-oriented mission of the interviewed food-based enterprises, it was not surprising that all respondents indicated skills training as the desired outcomes for their participants. Nearly all (90%) reported “integration/reintegration into society” and 80% reported “connection to workforce” as another desired outcome. Slightly more than half (60%) of the enterprises wanted to provide long-term employment for people at their own enterprise, creating opportunities for individuals who otherwise might have not a chance to participate in the traditional workforce. It is important to note that only 33% of organizations indicated that they tracked employment and education-related outcomes up to 2 years.

A third of enterprises (33%) claimed to not record outcomes, although in some cases they stayed in touch with their program graduates informally. Occasionally, it was the parent organization that kept track of outcomes rather than the enterprise itself. One enterprise indicated that it did not track outcomes because of privacy issues: it strictly worked within an employer-employee relationship. In contrast, another organization which provided long-term employment monitored various employees’ outcomes in achieving goals through their Individual Support Plans. Some enterprises kept track of information required by funders, such as number of program graduates who became later employed or went back to school.
Skills clients acquire through training

Related to the desired outcomes for participants were the skills individuals acquire through their training at food-based enterprises. Nine respondents reported that their participants acquired essential skills and food preparation skills during their training. In nearly 80% of these organizations, participants also learned customer service and/or serving skills. Examples of other skills included:

- Teamwork, time management, event planning
- Life skills
- Self-awareness
- Management/Administrative Skills
- Accounting/bookkeeping
- Food safety handling and sanitation
- Math and money skills and financial literacy
- Graphic design
EMPLOYEES

Number of employees

In 2012, the nine non-profit food-based enterprises employed at least 86 people (22 full-time and 64 part-time), 16 of which were managers or supervisors. In addition, they hired at least 15 seasonal employees and contract workers. The food-based enterprises also engaged at least 92 volunteers. In our analysis, we excluded the one for-profit enterprise because it was an outlier, employing 40 full-time staff.

On average, a non-profit food-based enterprise employed nearly 11 people, of which 2-3 were managers or supervisors. The average number of part-time employees was approximately 2.5 times higher than full-time employees. There were two reasons mentioned for the higher number of part-time positions:

- Organizations wanted to hire as many people as possible and part-time positions expanded the number employed: “It’s part-time based on the fact that we are a small business, [...] so we can employ as many people who need training as possible.”

- Many individuals from target populations preferred part-time work because of the need for flexibility that met their situations. These employees often experienced health issues, family circumstances or income-earning limitations (associated with receiving social assistance) that reduced their ability to work full-time.

Number of employees and other people at social enterprises

<table>
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<tr>
<th></th>
<th>Full-time paid employees</th>
<th>Supervisors and managers</th>
<th>Part-time paid employees</th>
<th>Seasonal employees</th>
<th>Freelancers and contract workers</th>
<th>Volunteers who work more than 10 hours per month</th>
<th>Volunteers who work less than 10 hours per month</th>
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<td>64</td>
<td>6</td>
<td>9</td>
<td>36</td>
<td>56</td>
<td>86</td>
</tr>
</tbody>
</table>
Positions and Employee Compensation

Food-based enterprises created a wide range of positions allowing their employees and trainees to develop numerous talents and skills as described below.

Cooks

Among seven non-profit organizations responding to this question, it was reported that at least 5 full-time and 17 part-time cooks were employed. This number would be higher if we included 5 full-time paid interns who also participated in preparing orders as a part of their training. This was the most common position among the enterprises.

- Full-time cook salary range: $25,000-$43,000/year.
- Part-time cook salary range: $11-$15.50 per hour. At one organization cooks were paid on a profit-sharing basis, and thus their earnings were in the range $6 to $30 per hour (depending on the size of the catering order).
- Paid interns: $10.25/hour.

Servers

This was another common position. The seven non-profit organizations reported employing at least 3 full-time and 17 part-time servers.

- Full-time server salary range: $25,000-$35,000/year.
- Part-time server salary range: $10.25-$20/hour.

Managers

These seven organizations employed at least 5 full-time managers and 1 part-time kitchen coordinator. One enterprise relied on a part-time volunteer manager, while another organization considered employees partners and ran the enterprise with support from job coaches.

- Full-time manager salary: $40,000-$60,000/year.
- Kitchen coordinator wage: $15/hour.
- Partners: paid based on shared profit.

Dishwashers

There were at least 3 people employed as dishwashers in the enterprises.

- Dishwasher wage: $10.25/hour.
Delivery

Responding enterprises reported that at least 3 people were employed to deliver product, although expect this number would change as two enterprises were in the process of developing delivery systems that utilize their staff.

- Delivery person earnings: $35-$100 per delivery.

Other positions

One enterprise employed a staff person responsible for graphic design, administration, and blogging. This organization also had a position designated for roasting coffee.

It is worth noting that in two enterprises, employees have opportunities to cross-train, rotating their duties between serving, dishwashing, cooking, and other functions.

Types of support and accommodations associated with social mission

Most organizations indicated that training and support were embedded in participants’ and employees’ work time, thus making it difficult to specify the number of hours dedicated specifically to these activities and the costs associated with achieving a social mission. Although most food-based enterprises agreed that training and coaching participants/employees was an ongoing process, some had separate training programs designed for participants to complete before they started working. In addition to training, participants and employees of food-based enterprises were provided with various types of accommodations and support. These included the following:

- Coaching individuals in performing their job duties.
- Educating them about alternative diets and food restrictions
- Providing child minding for participants attending training.
- Peer mentorship programs, which assigned new staff to experienced employees to help them realize personal goals.
- Providing one-on-one counselling and Individual Support Plans.
- Employment supports for participants.
- Ensuring flexibility in accommodating participants’ needs for time off to attend appointments, treatment or to other personal issues.
BUSINESS OPERATIONS

FOOD-BASED SOCIAL ENTERPRISES

$647 average good day of sales
15-500 customers a day
100% provided catering services

70% of enterprises reported that least half of their sales came from hot or cold meals.
OPERATING FOOD-BASED SOCIAL ENTERPRISES IN THE GREATER TORONTO AREA

SALES
Among the nine non-profit enterprises which provided data, the estimated “good day of sales” average was $647, ranging from $75 to $2000. To track their sales, 80% of interviewed enterprises used an automated system, and 20% used only a manual system.

CUSTOMERS/CONTRACT TURNOVER
The interviewed non-profit enterprises served from 15 to 500 customers a day. Businesses saw more or less customers based on hours of operation, labour availability, and facilities. The two catering-focused enterprises were a good example of how their circumstances influenced production capacity. One operated daily at its own facility, averaging 6 orders a day. The other enterprise, which did not have its own kitchen and where staff worked solely on call, prepared 6-8 orders a week during its busy season.

SERVICES OFFERED
All interviewed enterprises provided catering services, although one indicated that their catering was limited to occasional customers from the parent organization. Over half (60%) of enterprises offered limited take-out services. Only 40% of food-based enterprises provided a dine-in experience, as this requires a considerable capital investment in space.

Half of enterprises provided additional services, including:

- Planning to set up a market with the parent organization.
- Retail food and co-packing.
- Wholesale.
- Coffee cart that goes from unit to unit of the larger host organization.
- Art sales and retail sales.
- Café/kitchen rental.
- Cooking workshops.
PRODUCTS OFFERED AND PROFIT MARGIN

Interviewed enterprises offered a wide range of products: savoury and sweet snacks, cold and hot meals, and beverages. Two enterprises also sold to-go products, such as jarred jams and sauces. One enterprise sold cutlery and utensils as requested by catering clients. Two enterprises sold alcohol: one for off-site catering, and the other had an alcohol license for its restaurant. One enterprise also diversified its product offering beyond the food sector, generating additional income from art sales, retail sales, café/kitchen rental, and workshops at night (e.g. cupcakes for kids).

A majority of food-based enterprises relied on selling meals, with 70% of enterprises reporting that least half of their sales came from meals. In these businesses, savoury and sweet snacks contributed from 5% to 30% of sales. Beverage sales tended to be lower than other categories (the exception being coffee-based enterprises), particularly when enterprises delivered catering orders using public transit.

When asked about profit margin for each of these product categories, in general, interviewees were not able to provide specific numbers. This was particularly the case when enterprises used donated food ingredients and/or shared products with parent or sibling organizations, making it hard to separate financial data and conduct food costing. One enterprise reported making a profit equivalent to 5% of their annual revenue in 2012 (based on its financial statements).

An accurate comparison with private industry was not possible because this one enterprise did not provide its operating profit margin.

For those interested in starting their own food-based business, Statistics Canada indicated that operating profit margin ranged between 2.3% to 3.8% for food services and drinking places in Ontario in 2011.\(^8\)

Although anecdotal, the following table provides the estimates of profit and gross margins provided by two managers, based on their experience in the food industry.

\(^8\) Statistics Canada: http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/serv42g-eng.htm
OUTSOURCED SERVICES

Food-based enterprises outsourced a wide range of services:

- 20% of enterprises reported outsourcing delivery of food.
- 20% of enterprises reported outsourcing administrative tasks (HR, accounting, bookkeeping, and legal services, administrative services).
- 40% of enterprises reported outsourcing marketing-related tasks.
- 60% of enterprises reported outsourcing maintenance tasks (including refrigeration, duct cleaning, pest control, uniforms, laundry, knife sharpeners, etc.).
- 80% of enterprises reported outsourcing repair.

### Estimated profit from each type of products

<table>
<thead>
<tr>
<th>Savoury snacks</th>
<th>Sweet snacks</th>
<th>Cold meals</th>
<th>Hot meals</th>
<th>Beverage (soft drinks, coffee, tea, etc.)</th>
<th>Alcohol</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>25% Profit margin</td>
<td>25% Profit margin</td>
<td>30% Profit margin</td>
<td>30% Profit margin</td>
<td>40% Profit margin</td>
<td></td>
<td></td>
</tr>
<tr>
<td>50-80% gross margin</td>
<td>50-80% gross margin</td>
<td>70% gross margin</td>
<td>70% gross margin</td>
<td>80-90% gross margin</td>
<td>over 80% gross margin</td>
<td>Gross Margin = Selling Price less Cost / Selling Price.</td>
</tr>
</tbody>
</table>

Profit margin = net income divided by revenues, or net profits divided by sales.
Nearly all interviewees recognized that food-based enterprises compete in the open market, against a vast number of businesses’ products and prices, so there is an urgency to differentiate.

**MARKETING COMPONENTS IN ORDER OF IMPORTANCE:**

1. Quality of product/service
2. Social mission
3. Price of products/services

**SOME STRATEGIES TO RETAIN CUSTOMERS:**

- Create a new menu and advertise developments
- Use Open Table reservation system
- Soliciting customers’ feedback through surveys
- Member cards and discounts
- Inform customers & share successes

**QUOTES**

**WORD OF MOUTH**

“75% of our new customer base is because they heard of us from someone or they were at the event and they liked food and witnessed it being successful. Customers trust each other more than what we are trying to pitch them.”

**BUILD RELATIONSHIPS**

“If you don’t provide a quality product that is reasonably priced, they will only buy once. If you go the opposite direction, people will buy from you once to be good socially and that’s it. We want to build ongoing relationships where people are our long-term customers and happy with what they are getting.”

THRIVING OR SURVIVING: Social Enterprises in the GTA
MARKETING PRACTICES AND NEEDS

Food-based enterprises faced a lack of resources and staff to carry out and plan marketing activities. Despite the fact that 91% of respondents reported that they want to increase sales, the reality was that 60% of them did not have a marketing budget. Those who had some funds available estimated spending no more than 5% of their total budget on marketing. Fifty percent of respondents reported relying on in-kind donations for marketing, the estimated value of which ranged from $400 (for graphic design and/or printing of brochures) to $40,000 (for a pro-bono marketing plan). Seventy percent of these who wanted to increase sales did not have a dedicated marketing staff.
Most interviewed enterprises wanted to grow moderately. Nearly all interviewed enterprises (91%) wanted to increase sales. Of these, 60% turned away contracts for catering because they were too busy and had limited capacity.

Many had a highly cautious attitude with respect to extensive growth & risk.

Wanted their growth to:
- Serve more participants
- Increase sales
- Open more locations/expand
- Hire more staff
- Diversify products/services

Wanted to increase sales:

Top things needed to grow:
- Sales
- Staff
- Time
- Grants
Others mentioned: business supports to staff, and expertise in marketing, catering & kitchen management
GROWTH NEEDS

GENERAL GROWTH INTENTIONS/NEEDS

Ninety-one percent of participating food-based enterprises reported that they wanted to grow (either extensively and/or moderately). Most interviewed enterprises wanted to grow moderately. Many enterprises had a highly cautious attitude with respect to extensive growth and risk, which were illustrated below:

“[We are a] very grassroots organization, don’t do anything unless it is dictated by the needs of the community around us.”

“To really make sure we are doing it right the first time, there has to be a lot of risk management and this can be an obstacle. We fundraise and get these grants and it’s not money we can throw around – we have to use it cautiously and effectively.”

One enterprise indicated that it wanted to only sustain the current level:

“We would like to grow but we don’t have capacity. We are limited because the volunteer manager/coordinator doesn’t have enough time.”

GROWTH PRIORITIES

Out of 10 enterprises reporting that they wanted to grow (extensively or moderately), 60% indicated that they wanted their growth to:

- Serve more program participants.
- Increase sales.
- Open more locations/expand.
- Hire more staff.
- Diversify products/services.
Such priorities were similar to the desires of food-based enterprises interviewed by the Scottish Enterprise Coalition, for which the main themes were the “growth in volumes and value of business,” engagement, and employment opportunities. This was consistent with findings of SPEN’s 2010 survey, where most managers saw business and social growth as synonymous.

Some interviewees also described other types of growth they were pursuing:

- Revamping the business model to move from training to active business.
- Opening new enterprises.
- Developing larger scale partnerships.
- Developing shared procurement strategies.

Nearly all interviewed enterprises (91%) wanted to increase sales. However, among those that wanted to increase sales, 60% turned away contracts for catering because they were too busy and had limited capacity. Sixty-six percent of those which wanted to both increase sales and had also turned away contracts indicated interest in sharing clients and business leads with other enterprises.

**Supports and obstacles to growth**

As shown in the graph below, the top things enterprises needed for their growth were sales, staff, time, and grants. This was not a surprise, as these resources were limited for non-profit organizations, in which the staff was usually pressed for time. Often, managers handled many responsibilities across a wide spectrum of cross-disciplinary expertise. As one interviewee said, “if we want to grow, we need a greater job focus and not wear as many hats, for example manager runs day-to-day[operations] while chef focuses on kitchen.”

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Examples of “Other” supports that enterprises indicated they needed for growth:

- Education and staff development.
- Business supports to staff (traditional business acumen).
- Expertise in marketing/branding, catering and kitchen management.
- Dedicated staff and the right people for the jobs.
- Creativity and innovation.
- Right partnerships.
Interviewees elaborated on their obstacles to growth and mentioned the following.

- Financial obstacles and capital requirements, often related to funding availability/continuity

  “Biggest obstacle is funding. Because of our business model employing people with mental illness and addictions, we need more supervisory staff than would normally be required. We can’t pay for these supervisory staff through sales alone, we need some support through funding. […] To get good people, supervisory staff, we need it to be a continued job.”

- Employee salary structure relying solely on profit-sharing making it difficult to increase hiring:

  “The problem is the more people we have, the more their pay goes down because of our shared revenue structure. We could grow if we had more funding to provide more support.”

- Negative perception of the enterprise because of its connection to the parent organization: “People say they don’t want second-hand food.”

- Challenging market, dictating low prices making it hard to achieve sustainability:

  “Ideally, we would be able to sustain the cafeteria with the sales from cafeteria. To break even for cafeteria, we would need to sell 150 meals per day.”

- Budget cuts: “CAMH, who are our big customers, decreasing significantly orders in terms of content and frequency.”

- Lack of time: “Someone from [another art organization] contacted us; they had a space they wanted to fill with a café. But they wanted to start in September, which is not a lot of time to do anything[…] It does take time to open a new restaurant.”

- Lack of permanent, paid staff.

- Lack of recognition of the business.

- Challenges in balancing the needs of target populations and business growth needs.

- Competition: explained in Appendix: “Marketing food-based social enterprises.”
Our research explored the possibility of collaboration between food-based enterprises in these areas:

**Purchasing Together**
- 55% of interviewed enterprises expressed interest in collaborating to train staff. More research is necessary to pursue this opportunity.

**Training Staff**
- 72% of enterprises expressed interest in collaborating to train staff. More research is necessary to pursue this opportunity.

**Sharing Clients & Business Leads**
- 82% of interviewed enterprises expressed interest in sharing clients by collaborating with others by sharing clients and business leads. There was great interest in working together to increase sales.

Other areas in which food-based enterprises wanted to explore collaboration were sharing operational costs, selling each other's products, and kitchen sharing.
If the non-profit food-based enterprises were to collaborate on sharing a catering contract, their production capacity would still be of smaller scale. It was estimated that if we summed up the portions that could be prepared by the non-profit enterprises, their combined production capacity together would be near 2,500 meals for one event.

**COLLABORATION TO ADDRESS MARKETING NEEDS**

The idea of food-based enterprises collaborating in marketing came up frequently enough to further explore this option. Food-based enterprises and other enterprises interviewed, expressed interest in working together, learning from each other and sharing on the topic of marketing. Despite the fact that 91% of food-based enterprises wanted to increase sales, the reality was...

- **MARKETING STAFF**
  - 70% of those who wanted to increase sales did not have a dedicated marketing staff.

- **MARKETING BUDGET**
  - 60% of those who wanted to increase sales did not have a marketing budget.

- **IN-KIND DONATIONS**
  - 50% of respondents relied on in-kind donations for marketing.
OPPORTUNITIES FOR COLLABORATION

INTEREST IN COLLABORATION IN DIFFERENT AREAS

Our research explored the possibility of collaboration between food-based enterprises. Although there were strong indicators of interests in collaboration, some expressed reservations:

“It may be difficult to partner with other enterprises because of the business model. A catering company is a stand-alone business, so collaboration may not be a strong suit for us. It’s more personal and competitive; the vision and mission might be different.”

Sharing clients and business leads to increase sales

Eighty-two percent of interviewed enterprises expressed interest in collaborating with others by sharing clients and business leads. Specifically, there was great interest in working together to increase sales. Ninety-one percent of participating enterprises wanted to increase sales, yet 60% of these turned away contracts for catering because of limited production capacity. Seventy percent (70%) of those who wanted to increase sales expressed interest in sharing clients and business leads with other enterprises. Some were already referring clients another social enterprise when they could not complete a contract.

Purchasing together

Shared purchasing was of interest to about half of the enterprises (55%). However, many pointed out obstacles preventing joint purchasing, such as:

- A very strict purchasing protocol favouring small local suppliers with a similar mission.
- Inconsistent orders could make it hard to predict what was needed.
- Complications because each enterprise had different operations and separate businesses.
- Enterprises are too small to realize savings through collective purchasing: “You need millions of dollars a year to get a discount.”
Marketing

The idea of food-based enterprises collaborating in marketing came up frequently enough to further explore this option. Food-based enterprises and other enterprises interviewed, expressed interest in working together, learning from each other and sharing on the topic of marketing. One interviewee said, “We can probably realize some economy here working together [in the marketing area].”

Many enterprises had already leveraged their connections to increase their marketing impact. Forty percent of food-based enterprises had partnered with other organizations to cross promote and/or co-market. Both negative and positive experiences were reported. One enterprise praised the positive effects of the access to marketing resources and expertise gained through the network. Another partnered with its sister enterprises and claimed the collaboration worked well.

Overall, the interviewees agreed that co-marketing and/or cross-promoting allowed them to reach a broader audience. However, one interviewee cautioned that the benefits of co-marketing were not always visible: “Messaging can be a little blurred because we are sometimes partnering with organizations that aren’t a perfect fit and the messaging can get a little disorganized.”

Training staff

Seventy-two percent of enterprises expressed interest in collaborating to train staff, for example in Food Handler Certification or kitchen maintenance. More research is necessary to pursue the opportunity.

Other areas for potential collaboration

Other areas in which food-based enterprises wanted to explore collaboration were:

- Sharing operational costs
- Selling each other’s products
- Kitchen sharing

CAPACITY AND READINESS WITHIN THE SECTOR

The idea of working together to increase sales certainly created a strong response from interviewed enterprises, thus we further explored their readiness in terms of capacity to accept new contracts.
Percentage of time at maximum capacity and busy times

When asked how often food-based enterprises were at their maximum capacity, the responses of eight non-profit enterprises varied (see below).

Sixty percent of enterprises indicated they did turn contracts away because they were too busy. In some cases, they operated within limited hours and had to turn away contracts that fell outside of their operating hours. Location of the enterprise or terms of a rental agreement were both examples which limited the capacity of the enterprise.

Unsurprisingly, the workload of food-based enterprises followed the seasonal/business cycles of their clients, which was common to the industry. Interviewees generally cited the months of July and August as a slower time because of vacations.

Some cited business opportunities arising throughout the year were:

- **January-March and April-June**: catering opportunities for business events, e.g. the end of fiscal year in March for non-profits, Annual General Meetings, and other meetings.
- **Summer**: farmers’ markets and festivals.
- **September-December**: catering opportunities associated with universities opening, and people going back to work, business planning cycle, and Christmas holidays.

Hours of Labour

Together the non-profit enterprises provided at least 316 hours of labour per day, ranging from 3 to 160 hours per day. Almost half of all interviewed enterprises provided less than 50 hours of labour per day. Managers believed the labour cost at their enterprises were significantly higher than in private industry equivalents because of more labour efficiency forgiveness and the overhead costs associated with the social mission such as extra training/support. Many interviewees noted that productivity was lower at enterprises because it took more time to prepare orders.

Procurement opportunities: do we have production capacity?

If the non-profit food-based enterprises were to collaborate on sharing a catering contract, their production capacity would still be of smaller scale. It was estimated that if we summed up the portions that could be prepared by the non-profit enterprises, their combined
production capacity together would be near 2,500 meals for one event. This was relatively small number compared to the one interviewed for-profit enterprise, which had the capacity to provide 300 hours of labour per day and prepare 30,000 portions per week. None of the interviewed non-profit enterprises indicated readiness and willingness to accept orders exceeding 1,000 meals.

It is important to note that working at maximum capacity was not always desired, and doing so could negatively affect the enterprise. For example, one enterprise had the capacity and had catered for an 8,000-person event for its parent organization. The manager indicated that this internal large order caused far too much strain on the kitchen. Thus, the enterprise decided to only accept outside catering orders with a maximum of 600 people per event.

Despite mostly optimistic expectations on potential procurement opportunities for enterprises, some interviewees also expressed concerns:

“[We are] not really interested in procurement opportunities (Pan Am) because it will possibly set up people for failure. If you are not able to procure something that is one thing specifically, then there is really no point. We wouldn’t be able to provide what we do to other people if we focus just on that; we have two ovens, they would be going constantly the whole time. […] We just wouldn’t want to say “Yes, sure we can do that”, and then risk losing other business, and then if something happens, we would find we are not getting paid for what we did, but we still have to go out and buy products to supply that. There is a lot of risk involved […]. Also, because [our sister organizations] order from us, we wouldn’t be able to give them what they need, so their business would suffer as well. It kind of has a triple effect.”

### Percentage of time at maximum capacity

<table>
<thead>
<tr>
<th>Range</th>
<th>Percentage of enterprises choosing this answer</th>
<th>Number of enterprises choosing this answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>75%-100% of all operating time, the enterprise is working at maximum capacity</td>
<td>37.5%</td>
<td>3</td>
</tr>
<tr>
<td>15%-40% of all operating time, the enterprise is working at maximum capacity</td>
<td>37.5%</td>
<td>3</td>
</tr>
<tr>
<td>0% (the enterprise never works at maximum capacity)</td>
<td>25%</td>
<td>2</td>
</tr>
</tbody>
</table>
RECOMMENDATIONS

Our research on food-based enterprises in the GTA has produced findings of value to practitioners and SET. The results provide an overview of food-based enterprises and their plans, as well as possibilities and resources to create an enabling environment for them to thrive. The recommendations for the next steps are the following:

- Establishing platforms and service programs to address the marketing needs of food-based enterprises and facilitate their collaboration within and outside the sector.

- Involving subsector stakeholders and industry experts to develop ways to respond to trends affecting food-based enterprises and capture trends in the food industry.

- Further examining the possibility of collaboration to increase sales, particularly arising procurement opportunities. The scale of current production capacity requires particular attention and involves exploring ways to capitalize on opportunities.
This project aimed to document social enterprise start-up stories as an ongoing archive and resource for those looking to launch or design new social enterprises.

Methodology

Our approach was the narrative-based interview guided with these questions:

- How did you develop the idea for your social enterprise?
- Who were key players who got your social enterprise off the ground?
- How long after you formed did you make your first sale?
- What were the main challenges in your start-up process?
- What kind of support would you have liked to have had?
- What were the milestones in the development of your social enterprise?
Who started and/or took the social enterprise off the ground?

- Individuals who experienced systemic barriers themselves
- Relatives and volunteers related to a person from the target population
- Professionals with industry experience and business expertise
- Social workers or people experienced in working with the target populations
- People experienced in non-profit sector and social enterprises

“The best thing that happened was bringing health sector people into the advisory committee. They helped us set up the business the way they felt that would be the best practice. They were the ones who used our service and helped us grow. We got major hospitals to become our customers.”

(Social enterprise manager)

Challenges Associated with Growth

“The thing that happened is that when they turned it over, they experienced a period of really rapid growth that they weren’t prepared for, and that was overwhelming and challenging. Same thing happened in 2012; we were expecting to grow, but we didn’t know by how much. In the beginning, it can be really overwhelming. I don’t think that there is any support that can be provided for what is really unknown.”

(Social enterprise manager)
INTRODUCTION

The Social Enterprise Toronto (SET) start-up project aimed to document social enterprise start-up stories as an ongoing archive and resource for those looking to launch or design new social enterprises. While the initial documentation of start-up stories was part of the research project, the complete results were not included in this report because of the ongoing nature of the project.

We are currently exploring options for creating an online archive of the start-up stories that others could add to. We believe this is an important learning tool for the broader sector. The following summarizes our approach, experience, and initial findings.

METHODOLOGY

There have been other projects documenting case studies of social enterprises including their start-up stories to some degree (e.g. The Ontario Non-profit Housing Association), yet different approaches utilized in each study may make a comparison difficult. Our study attempted to find an approach that was flexible to capture the richness of start-up experiences but also organized enough to allow for comparison and easier navigation through themes. While designing the research methodology, we experimented with several survey designs, ranging from a structured questionnaire (with multiple-choice and some open-ended questions) to a more narrative-based interview. Our final approach was the narrative-based interview, which enabled our participants to convey their start-up story while being guided with these questions:

- How did you develop the idea for your social enterprise?
- Who were key players who got your social enterprise off the ground? Where did they come from? What was their expertise?
- How long after you formed did you make your first sale?
- What were the main challenges in your start-up process?
- What kind of support would you have liked to have had during the process of starting the social enterprise?
- What were the milestones in the development of your social enterprise? (Timeline)
EXPERIENCE COLLECTING START-UP STORIES

Our interviewees were generous in sharing their knowledge about how their social enterprises started, particularly given that they also participated in our two other main research projects. Each start-up story was unique and multi-dimensional, but at the heart of each were inspiring people who were passionate about building a social enterprise that served the community. In all cases, we allowed our interviewees to freely unfold their narrative, taking the perspectives that they thought were relevant in telling their story.

Some challenges in conducting the research were:

- Given our limited time with interviewees, many of the start-up stories we collected may require revisiting for additional details.
- In many cases, the people who started the social enterprise and/or who were able to answer specific questions were no longer with the organization. Often, there was very little documentation or recollection of the detailed start-up experience, thus many organizations have lost this valuable knowledge over time.
- The narrative-based approach allowed for flexibility, but it also created very different stories. Although we aimed to guide the interview with aforementioned staple questions, the conversation frequently changed directions, adding information that was hard to fit into our analysis and made cross-comparison challenging.

INTERESTING THEMES AND QUOTES

In our initial analysis, we found some interesting themes commonly presented in start-up stories.

KEY PEOPLE

People who started and/or took the social enterprise off the ground usually belonged to one of these groups:

- People from disadvantaged populations who experienced systemic barriers themselves (e.g. when entering traditional labour market).
- Relatives and volunteers who were related to a person from the served population and wanted to support them.
START-UP STORIES

- People experienced in starting and/or running a business, particularly professionals with experience and expertise in the business sector in which the social enterprise operated (e.g. hospitality or pottery art). This group was key to taking the social enterprise’s business off the ground and growing it.

- People with social work-related background who had experience working with the target disadvantaged populations.

- People experienced in starting and/or running social enterprises and/or co-operatives or working in non-profit sector and social enterprises.

A significant success factor in social enterprise development was creating a pool of expertise in the board of directors or advisory committee, who could also act as champions and supporters. As one interviewee said, “without the right board, you can’t get anywhere.” Members, when given an opportunity to contribute to the area in which they specialized (e.g. law, finance, education, and social services), could help social enterprise overcome major challenges and reach new growth milestones:

“The best thing that happened was bringing health sector people into the advisory committee. They helped us set up the business the way they felt that would be the best practice. They were the ones who used our service and helped us grow. We got major hospitals to become our customers.”

PARTING WAYS WITH THE ORIGINAL PARENT ORGANIZATION

In several cases, the evolution of a social enterprise took it in a new direction that differentiated or separated it from the original parent organization. Such a change often catalyzed further development while the business model was not necessarily affected.

“It was the hospital’s decision to divest because they didn’t want to be a retail service provider. The business model hasn’t really changed.”

“If it was kept at the hospital, it would have not been possible to develop it to where it is now. It would not have been able to get funding outside the hospital, and we would have to work within the bureaucracy of the hospital.”
UNIQUE ENTERPRISE MODELS

Most of our interviewees indicated that the circumstances in which their social enterprises developed were unique and required specific factors to be aligned. Replicating the model might have not worked in a different environment. Some business models were hardly replicable, like in the case of a social enterprise that provided research services:

“Not sure if there is any support we could use because it is a very particular social enterprise; there is no expenditure. It is not like we are making a product that we sell. If we get work, we get some money.”

SUPPORT FOR START-UP SOCIAL ENTERPRISES

Interviewees indicated types of support that would have been beneficial to their social enterprise during start-up, including the following:

- More money/funding to hire more staff: “Often start-up staff and founders are responsible for everything, and potential for burnout is high.”

- Greater networking opportunities: “Help people match up and get enterprises together.”

- Increased marketing support: “Marketing is the biggest one. That would have helped us a lot. We are good with operations but not marketing, and we would like to give it to someone else to do.”

- Awareness of models that work for a social enterprise: “When we were doing research, there was no one to look to as a model. So we had to turn to the business community, and they don’t have the charity aspect so that led us astray. It would have been useful to have SET as a soundboard. Are we doing the right job? Are we on track?”

- A strong body of ongoing support: “[To] Have a support committee. Not in a management way but as a support. Calling and checking in to see how things are going.”
CHALLENGES ASSOCIATED WITH GROWTH

The majority of social enterprises interviewed preferred moderate rather than rapid growth. Managing growth was often complex and challenging, particularly when there were many unknown factors. One interviewee indicated rapid growth put additional pressure on his social enterprise.

“The thing that happened is that when they turned it over, they experienced a period of really rapid growth that they weren’t prepared for, and that was overwhelming and challenging. Same thing happened in 2012; we were expecting to grow, but we didn’t know by how much. In the beginning, it can be really overwhelming. I don’t think that there is any support that can be provided for what is really unknown.”

MULTIPLE EFFECTS OF RELOCATION

Sometimes social enterprises changed locations because of financial restraints.

“We later stopped doing it because the rental spot became very expensive. Before, it was more social enterprises and small restaurants [at that location], but then it became more profitable, and the word got around. Larger restaurants started bidding, and they could pay more money than we could.”

One social enterprise indicated that changing a location can impact the social enterprise and its participants on multiple levels.

“(Relocation] opened opportunities for the new shop. The challenge is that the women [participants who make pottery products] don’t sell as much because of the new location and have less space. They used to make more at Queen Street location. On the other hand, this encourages the women to go out and sell their products at different venues and become more independent. [We] have a very supportive community in the new neighbourhood.”
FUNDING LOSSES AND CHANGES

As interviewed social enterprises experienced changes related to funding, they reported its tremendous effect on social enterprise development:

“[We] went through different funders, changed directions depending on funders. At one point it was [mental health challenge] survivor-driven.”

“It’s important to have appropriate and continuous funding. Funding had stopped for a while. And we had a great space but no way to start [the social enterprise’s operation]. We had to let go of the chef and other key people.”

“We never knew if there would be money (it was project to project-based); there were no full-time staff at that time. It was very hard for the founder, as if set-up to fail.”

“Thanks to a grant, we moved to the current location, which had a positive impact on the business: more space, hired more coaches and people.”

FUTURE DIRECTION

Although our SET research team has collected a significant number of social enterprise start-up stories, we would like to expand our project to include more social enterprises, as well as to revisit some participants to obtain more details. Once the initial project is completed, additional contributions will be possible through a web-based portal that will add to this valuable resource for the sector. While our current database includes successful start-ups stories, many have pointed out that there is also much that can be learnt from documenting the experiences of enterprises that have not done as well. To make this resource available and encourage others to add their experiences to it, SET is exploring options with academic and sector partners for the most impactful way to share this valuable knowledge. Ongoing updates will be available on our website (www.socialenterprisetoronto.com).
To learn more about Social Enterprise Toronto, our research, and other initiatives, please subscribe to our online mailing list. If you have any questions, please contact us at socialenterprisetoronto@gmail.com.

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