

# Perspectives/Initiatives

## **A Challenge to the Social Economy Ecosystem: Social Enterprise Access to Current Government Services for Small & Medium Size Enterprises (SME)**

---

DAVID LePAGE\*, ANDREA DI LUCCA \*\*  
\*Enterprising Non-Profits / enp, \*\* Vancity Credit Union

Upon recognizing the significant role that Social Enterprise has on the overall social economy ecosystem, a collaboration of social economy actors and organizations convened the BC Social Enterprise Policy Forum in late 2007. The forum brought together social economy practitioners, funders, academics, and other non-profit and social economy players. It identified four pillars required to create a supportive policy environment for social enterprise:

- Support the development of business skills in the non-profit sector
- Show the value of social enterprise through research
- Provide access to the appropriate financing along the entire business development path
- Develop market opportunities

Many initiatives have used this policy framework to move forward on supporting the development and success of social enterprises (Enterprising Non-profits, 2011a). This paper examines one specific policy and recommends adjustments to it, in order to build the business capacity of non-profit organizations, thus strengthening the Social Enterprise sector. Specifically, we are interested in the following question: What are the opportunities and barriers for non-profit businesses to have equal access to existing Small / Medium Size (SME) business planning and development services funded by the Federal / Provincial / Territorial governments? As will be described in this paper, Enterprising Non-Profits (enp) examined the criteria, policies, and practices of accessing the services of nearly 100 existing Federal, Provincial, and Territorial Small & Medium sized business support programs.

### **Background**

Small and medium size enterprises (SMEs) are essential to the economic and employment health of urban and rural communities across Canada. Industry Canada indicates that Canadian SMEs deliver 60% of Canada's economic output, 85% of new jobs, and employ almost 6.8 million, or 64 %, of private sector employees. The federal, provincial, and territorial governments (F/P/T) recognize the value of SMEs by providing a full range of business development supports, resources, and tools to help them achieve success. These services include business planning, advisory services, investments, investor incentives, market development, and management support.

Imagine the community impact and tax savings if we could address, even partially, the social and economic impacts of homelessness, welfare, health care, and the justice system. What if we

could employ many of the people caught in these circumstances because they do not fit the current normal work place environment? Are we interested in supporting the person who is often left out of employment because of a physical disability, facing mental health challenges, struggling with or recovering from addiction, or coming back after a spell of bad luck? These conditions represent unemployment by circumstance and lack of opportunity, they are not unemployment by choice; however, they still lead to personal isolation, poverty, health issues, and the community or government supports and costs created by those factors. Yet, we continue to struggle with community problems when one solution is right in front of us: using business models to create social value. Social enterprise is an answer with immediate and preventative benefits that can serve many persons in need, save government a lot of money, and create a more just and sustainable economy and society (O'Connor, Elson, Hall & Reimer, 2012).

Social enterprises are businesses operated by non-profit organizations for the blended purpose of generating income from sales and creating a social value (Social Enterprise Council of Canada, 2012). They are engaged in multiple business sectors including retail, manufacturing, business services, arts and culture, family services, and food services. By the very nature of their size, they are SMEs as well. They work across industries, from catering and couriers, from recycling to manufacturing and building services, and on and on. Social enterprises in Vancouver's Downtown Eastside employ over 400 persons with barriers to employment. Add the impact of Inner City Renovations in Winnipeg, the Toronto Enterprise Fund, and other programs across the entire country, and it is possible to see the diverse application and value of this model.

One sector of the social enterprise spectrum tends towards arts, culture, environment, and education. Think of all the art galleries and theatres across the country operating solely to support the cultural health of our communities. Most are operated by non-profit organizations, most use a business model of entry fees, ticket sales, and gift shops to create their main source of income. Their sales income may be supplemented by grants, gifts, and sponsorships, but without sales of tickets to customers to view the art – the product – they would not be able to open their doors. One example is the Haida Gwaii Education Society that operates an accredited university level academic program to bring students to their community to learn about the local First Nations culture and arts and the unique biology of the local environment. In addition, there is an important local economic impact for the isolated region of Haida Gwaii.

### **The Playing Field**

Existing SME services are almost exclusively focused on and designed to serve sole proprietors and share-based small- to medium-sized for-profit corporations. Neither of these key structural elements is true for social enterprises that operate in a non-profit or charitable structure and are focused on creating a blended return on investment, both financial and social. As an SME with a social purpose, social enterprises use business models to address complex social issues. They create employment for targeted groups, services for families and children, and sustainability for the non-profit sector. Social enterprises as SMEs of course require, at a minimum, the same business supports as any business. A pertinent question then is whether the existing F/P/T business services are also available to social enterprises?

In the spring of 2011, research on social enterprise (SE) access to Federal, Provincial, and Territorial funded (F/P/T) small and medium enterprise services was initiated by Enterprising Non-

Profits.<sup>1</sup> In 2010 Human Resources Skills Development Canada (HRSDC) sought evidence-based information and recommendations to further the role of the F/P/T governments in developing a strategy that contributes to and supports resources for social enterprise development. The research engaged key stakeholders in each of the areas of government, as well as social enterprise operators and intermediaries. The research was intended to understand the service gaps and barriers for social enterprise entities in accessing services from all levels of government. Ultimately the aim was to demonstrate what the federal government could do to enhance services for social enterprises.

Out of the 100 SME business development services surveyed, only 2% explicitly deny service to non-profit organizations. It is also notable that only 5% of the research sample clearly offers their services to non-profits operating a social enterprise. Therefore, the research identified that 93% of program eligibility descriptions are unclear when it comes to non-profits. That is, either non-profits are mentioned in the criteria, but the program does not define non-profit or what type of activities can be undertaken by the non-profit; or non-profits are not mentioned in the criteria, and their inclusion/exclusion cannot be determined (Enterprising Non-Profits, 2011b). In addition to the surveys, the Social Enterprise Access to SME Services research also involved interviews and program review research, which identified two critical concerns:

1. The inaccessibility to SME services for social enterprises is in a few cases real, but in the majority of cases access is unclear, ambiguous, or perceived as inaccessible. Clearly, the majority of F/P/T government programs only require improved clarity and defined program access to service offerings to become available to social enterprises.
2. Secondly, the unique non-profit, blended value proposition of social enterprise requires some service adjustments to existing SME programs, as well as the development of an additional set of social enterprise specific services.

In interviews with small business service providers, the answers were similar: “we don’t exclude social enterprises, we just don’t include them” (Enterprising Non-profits, 2011b, p. 7). Comments from another participant accurately summarize an important and prominent theme that emerged throughout the research: the lack of clarity on access to programs by both the potential service user and the existing service provider. The quote below accurately highlights how the issue of social enterprise access to SME programs and services are unclear, and in most cases a matter of omission of information rather than necessarily access denial on access.

[There is]...frustration from the community sector around finding appropriate programs, even getting the list of SME programs [is] a challenge. It is not clear what the federal government is doing to support the most innovative, most entrepreneurial of services delivered by charities. (Enterprising Non-profits, 2011b, p. 4)

The fact that non-profits or social enterprises are not explicitly mentioned in applicant criteria leads to an increased perception of exclusion to the SME services environment. While this exclusion may not be accurate (i.e. it is often a case of neglect or omission, as opposed to purposeful exclusion), it still has negative implications for social enterprise and demonstrates that there are delivery and clarity issues with regards to the applicability of SME programs and service to non-profit businesses.

A second issue for social enterprises that emerged was that existing SME services are not aligned with the structural elements of social enterprises that operate in a non-profit or charitable structure and focus on creating a blended return on investment (ROI), both financial and social. The non-profit governance models based upon membership and democratic control and the blended value

---

<sup>1</sup> The original research was conducted by Enterprising Non-Profits in 2010 under a contract from Human Resources Skills Development Canada (HRSDC). Information on methodology and background can be found on the original report Enterprising Non-Profits (2011b).

ROI framework often means that the traditional, for-profit SME services, service providers, and investment tools are inadequate to meet non-profit, social enterprise needs.

### **Recommendations and Looking Forward**

Government support for business development is recognized as a valuable contribution to strengthening the economy and creating employment opportunities. Since social enterprises are businesses, the question quickly arises as to why they are also not receiving similar forms of support? The research project was designed to provide both an analysis of the barriers and recommendations for improving access to SME programs for non-profit social enterprise businesses. Based upon the interviews and research, several policy recommendations are being proposed:

1. Lessons must be taken from programs and services that support social enterprise and their process and regulatory support replicated.
2. Unclear services must clarify the definition of “non-profit” and eligibility requirements.
3. SME services that have neglected non-profits in descriptions and requirements must define requirements and regulations with more detail, explicitly including social enterprises.
4. In cases of denied access, changes must be made to eliminate exclusionary practices and regulations.
5. Existing programs should be enhanced and adjusted, and develop new service-specific offerings to meet the unique needs of social enterprises’ blended value and non-share, non-profit structures.

It is necessary to bear in mind that social enterprise will not solve all of social and economic issues; it is not always the right solution and does not necessarily offer the right course for many non-profits. But as we review the research and hear the anecdotal stories from so many communities, social enterprise emerges as an under-valued opportunity for using business models to create social value.

The recommendations developed from this research are intended to assist the three levels of government to gain a better understanding of the accessibility of F/P/T SME services available to social enterprises. In regard to the lack of programs for non-profit ownership models and definitions, this research may indicate that government will have to enhance and adjust existing programs and develop new service-specific offerings to meet the unique needs of social enterprises’ blended value and non-share, non-profit structures.

Making adjustments and clarifying access to the existing SME programs and filling service gaps will address key business development needs for social enterprise and strengthen social enterprises across Canada. Given the value of social enterprise to the entirety of the social economy, equal access to business development services will be a valuable tool to enhance their capacity and better support their impact throughout our communities. While there was a specific focus to this study and the recommendations arising, the government’s relative policy blindness regarding social enterprise that the study has nonetheless revealed may in all likelihood be relevant to other areas of interaction between governments, social/public policy, and social enterprise. Further research in the related government/social enterprise areas of financing, marketing, and purchasing could also not only be productive, but also necessary for continuing to create a supportive ecosystem for a flourishing social enterprise sector.

## References

- Enterprising Non-profits. (2011a). Public policy. Retrieved from <http://www.enterprisingnonprofits.ca/e-library-resources/public-policy>
- Enterprising Non-profits. (2011b). Social Enterprise Access to Government SME Services: Challenges and Opportunities. Retrieved from <http://www.enterprisingnonprofits.ca/resources/social-enterprise-access-government-sme-services-challenges-and-opportunities-2011>
- O'Connor, R, Elson P.R., Hall, P.V., & Reimer, B. (2012). Measuring the Size, Scope & Scale of the Social Enterprise Sector in Manitoba. Retrieved from <http://mtroyal.ca/ProgramsCourses/FacultiesSchoolsCentres/InstituteForNonprofitStudies/NonprofitResources/ssLINK/INS-MBSurvey>
- Social Enterprise Council of Canada. (2012). About Social Enterprise. Retrieved from <http://www.secouncil.ca/en/general-information-other/about-social-enterprise>