



TRAINER'S WORKBOOK

**SOCIAL  
ENTERPRISES'  
ANALYTICAL  
MODEL**

[Non-Profit Organizations and Co-operatives]

Produced by Chantier de l'économie sociale, 2009  
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## FOREWORD

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

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

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

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

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

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

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

## ACKNOWLEDGMENTS

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

We also thank the participants in the different consultation sessions who contributed useful comments: Alain Keutcha, Anne Jamieson, Annie Dell, Bryn Sadownik, Carroll Murray, Catherine Ludgate, Cindy Coker, David Upton, Denyse Guy, Dolores Le Vangie, Eli Malinsky, Elizabeth L. Green, Garry Loewen, Jen Heneberry, Margot Smart, Marty Donkervoort, Matthew Thompson, Mike Hayes, Paul Chamberlain, Paul Crane, Penelope Rowe, Seth Asimakos, Stacey Corriveau, Tim Beachy, Tonya Surman.

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

## INTRODUCTION

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

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

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

We thus suggest that you study the definition of social economy as developed by the leading players in the field in Québec, and the definition of a social enterprise.

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

### For whom is this material intended?

This guide was designed for trainers who want to deliver training or raise awareness in the social economy field.

The *Social Enterprises Analytical Model* session can be offered within the context of a small-group training approach to the analysis of projects of social enterprises (the other two themes of the series are: *The Québec social economy experience* and *Financial analysis of a social enterprise*).

This session is intended for social economy practitioners. The Model has been conceived for analysts who receive a social enterprise project, who must analyze it and make recommendations regarding an investment decision. This session can also be used to raise awareness of financiers, public servants or Fund managers who do not necessarily have an understanding of the social economy field but who are comfortable with the principles of analysis of conventional business (private sector) projects.

The Trainer's Workbook is organized in four columns: theme, content, media and duration. The "theme" refers to the elements of the content discussed during the workshop, while the "content" presents the sequence of training activities. In the "media" column, there is a reference to the tools, such as a link to the PowerPoint presentation, which is an integral part of the workshop, as well as texts or exercises to be distributed. Finally, the last column gives an approximate time to be allocated to training activities. At the very end of the workbook, there is an "appendix" section that compiles the documentation necessary to hold the workshop.

# TRAINER'S WORKBOOK

## SOCIAL ENTERPRISES' ANALYTICAL MODEL

### Goals

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

### Content elements

- Why a model?
- Presentation of the model based on the social enterprises parameters.
- Establishing a profile to make an investment decision and assist development
- Covers every sphere of an enterprise: overall analysis, entrepreneurial approach, democratic management process, mission, human resources, operations, marketing, etc.
- The Overall Evaluation Grid.

**Proposed angle for the sessions:** show the analytical approach based on the parameters of the social economy

**Approach:** work in subgroups – theoretical contribution – exercises – real case

**Suggested length of the sessions:** 1 day

**Material for the participants:** PowerPoint presentation – Participant's Workbook

**Target audience:** financiers – analysts – coaches – consultants – fund managers

**Prerequisites:** be familiar with accounting and finance

Theme	Content	Media	Duration
<b>Welcome and introduction</b>	1. Welcome the participants.	PowerPoint #1	5 minutes
	2. Introduce the general context of the project: Part of a competency transfer approach / project submitted by different partners in Canada.		
	<b>Solidarity financing and the community sector: transferring the lessons of a decade of innovation in Québec</b>		
	<b>There are two other sessions:</b> <ul style="list-style-type: none"> <li>● The Québec social economy experience.</li> <li>● Financial analysis of a social enterprise.</li> </ul>		
	3. Introduction of the trainer.		
	4. Introduction of the project partners.	PowerPoint #2	
	5. Go around the table: ask the participants to introduce themselves (position – role in the social economy) and identify a question or an aspect for which they would like to find an answer.	Write the questions (expectations) on the flip chart with the participant’s name – post the flip chart on the wall.	20 minutes
6. Review the questions (expectations) and be sure to make adjustments if some questions are not discussed during the day.		5 minutes	
7. Explain the objectives and the points discussed during the session – schedule – break. Distribute the schedule.	PowerPoint #3 Session schedule		

Theme	Content	Media	Duration
<p><b>Welcome and introduction</b></p>	<p>8. Mention that you have a participatory approach and that you want a dynamic day based on exchanges and discussions to learn as much as possible. It is also possible that sometimes there are major differences between their practice and what is presented. They are invited to raise these questions.</p> <p>9. For participants who do not already have the RISQ's Guide, mention that they can obtain the <i>Guide for analysis of Social Economy Enterprises</i> by contacting <a href="mailto:www.risq@cam.org">www.risq@cam.org</a> or 514 866-2355.</p> <p>10. Time is limited. Assign yourself the role of timekeeper during the day.</p>	<p>Distribute the PowerPoint presentation to the participants and the <b>Participant's Workbook</b></p>	



Theme	Content	Media	Duration
<p><b>Why a model?</b></p>	<ol style="list-style-type: none"> <li>7. Mention that you understand that the contexts are very different in the various regions of Canada – that the realities are very different – that one of the day’s goals is to draw inspiration from new practices with the aim of learning to serve their clientele better.</li>   <li>8. Also mention that it is very important to bear in mind the definitions of the social economy and social enterprise, because the analytical model that will be presented is based on these concepts.</li>   <li>9. Given the awareness of the divergent concepts or practices, a short glossary has been designed to explain the differences. Refer to the “Glossary” section.</li>   <li>10. The analytical approach must be seen as a <b>Model</b> that forms a coherent whole in accordance with the social economy principles that were the object of the statement of principles in Québec.</li> </ol>	<p>Ask the participants to consult the Participant’s Workbook.</p>	

Theme	Content	Media	Duration
<b>Presentation of the model</b>	<ol style="list-style-type: none"> <li data-bbox="506 228 1308 289">Present the different logic of social enterprises / private enterprise: <ul style="list-style-type: none"> <li data-bbox="558 318 1260 521"><b>Social enterprise:</b> <ul style="list-style-type: none"> <li data-bbox="590 378 1260 521">● Reliance on donations or fundraising: logic of non-market exchange, appeals for mutual aid – to the relationship among the members of a community and not to the ability to repay the contracted debt.</li> </ul> </li> <li data-bbox="558 553 1283 756"><b>Private enterprise:</b> <ul style="list-style-type: none"> <li data-bbox="590 613 1251 643">● Investment approach – ability to repay debts.</li> <li data-bbox="590 670 1283 756">● Reliance on credit (medium and long-term). This form of financing is mainly associated with entrepreneurial management.</li> </ul> </li> </ul> </li> <li data-bbox="506 821 1308 850">Mention that historically resistance by NPOs to using credit.</li> <li data-bbox="506 911 1241 940">Present the findings in the social economy field.</li> <li data-bbox="506 1000 1262 1094">This change of direction is recent or still to come. The social enterprise must assume an investment approach to develop and market its production.</li> <li data-bbox="506 1154 1251 1214">The social enterprise must assume to generating sales revenue to repay the contracted debt.</li> <li data-bbox="506 1276 1308 1425">Mention on the other hand, financial institutions are often reluctant to support enterprises that do not have the goal of maximizing profits. This is why it is necessary to demonstrate the ability to repay <b>AND</b> raise awareness of the values and operation of the social economy.</li> </ol>	<p data-bbox="1356 228 1577 258">PowerPoint #8</p> <p data-bbox="1356 907 1577 937">PowerPoint #9</p> <p data-bbox="1356 1000 1587 1029">PowerPoint #10</p>	<p data-bbox="1787 228 1944 258">40 minutes</p>









Theme	Content	Media	Duration
<b>Establishing a profile</b>	<p>3. Present a second factor, organizational vitality:</p> <ul style="list-style-type: none"> <li>● Without a real organizational life, risk of seeing mobilization of the members and the community weaken over time.</li> <li>● In a Co-op, the mobilization potential of the members can be reduced to a mere market exchange logic.</li> <li>● In an NPO, it is important that the membership be representative of the collectivity.</li> <li>● The organization must give life to the membership.</li> </ul> <p>4. Present the analysis with the grid of vitality indicators. Explain the grid, asking the participants to follow in their guide.</p> <ul style="list-style-type: none"> <li>● Mention that the analyst must ensure that organizational vitality is very present or in the process of being established sustainably.</li> <li>● Active participation of the organization's members must be noted - recognize the appropriation of the project by the members.</li> </ul> <p>5. Present the democratic management process - it is important to note that organizational vitality and the democratic management process are closely related:</p> <ul style="list-style-type: none"> <li>● Consultation of the members.</li> <li>● Circulation of information.</li> <li>● Transparency of decisions.</li> <li>● Application of principles / day-to-day management / operational decisions.</li> </ul>	PowerPoint #19	5 minutes
		See the Participant's Workbook	
		PowerPoint #20	
		PowerPoint #21 - #22	5 minutes

Theme	Content	Media	Duration
<b>Establishing a profile</b>	<p>6. Present the analysis of the democratic management process:</p> <ul style="list-style-type: none"> <li>● Evaluate the balance of leadership between the management and the Board of Directors.</li> <li>● The collective nature of the enterprise requires a formal management structure to ensure effective decision-making while preserving the democratic space necessary for a group of promoters and partners to express themselves on the organization's orientations and modus operandi (management committees, assemblies, etc.)</li> <li>● Pay attention to the turnover rate, which may be a sign of problems.</li> </ul>	PowerPoint #23	
	<p>7. Present the 4<sup>th</sup> and last factor, grounded in the community:</p> <ul style="list-style-type: none"> <li>● Grounded in the community is defined by the ties between the enterprise and its community, its territory, its sector of activity.</li> <li>● Mobilization indicates that a social enterprise is grounded: people are close to the project and their participation in economic development organizations is sustained due to a convergence of goals.</li> </ul>	PowerPoint #24	5 minutes
	<p>8. Present the analysis of being grounded in the community. This means looking at the following factors:</p> <ul style="list-style-type: none"> <li>● What impact the enterprise's activity will have on its environment: a territory of affiliation, a specific population targeted by the activity;</li> </ul>	<p>See the grid in the Participant's Workbook</p> <p>PowerPoint #25</p>	

Theme	Content	Media	Duration
<b>Establishing a profile</b>	<ul style="list-style-type: none"> <li>● Evaluating the recognition of this impact, expressed by being grounded with people, organizations and institutions;</li> <li>● Being grounded in the community translates into testimonials of moral or financial support, involvement of volunteers, etc.</li> </ul> <p>9. Review the points discussed up to now:</p> <ul style="list-style-type: none"> <li>● A model – the four organization factors and their analysis;</li> <li>● The mission recognized by the community thanks to strong grounding in the community;</li> <li>● The mission has an impact on the chosen economic activity and the market;</li> <li>● Being grounded in the community has an impact on funding (to find financial partners who will tend to have confidence if there is a large pool of active members);</li> <li>● Governance supported by organizational vitality and its democratic management process;</li> <li>● Organizational vitality and the management process will have an impact on management of operations and human resources.</li> </ul> <p>10. We will start working on an actual case to apply the concepts previously presented. Distribute the two cases: Co-op and NPO.</p>	<p>See the two cases(CO-OP &amp; NPO) at the end of the Trainer’s Workbook to prepare the material for the exercise - make enough photocopies for the group exercise. Distribute the two cases: CO-OP and NPO</p>	<p>10 minutes</p>

Theme	Content	Media	Duration
<b>Establishing a profile</b>	11. Explain that they will have to choose one of the two cases and then perform the proposed exercises. They will have to work on the same case for the rest of the day to facilitate learning.		
	12. The participants will have to read the two cases and choose one of them. Ask the participants to divide into groups of 3 or 4. Ask them to read only the first part concerning the factors related to the organization. They can read the rest of the case later when we are working on the factors related to the enterprise.		35 minutes
	13. They have 15 minutes to read the two cases, the first part only. They then will analyze the cases with the grid as a group. They have 20 minutes. Ask them to use the analysis grids at the end of the Participant's Workbook.	The analysis grids for the organizations's factors in the Participant's Workbook.	
	14. Ask the subgroups to return to the large groups. Go around the table to collect the comments, questions and difficulties and ensure that they have clearly understood the analysis.		
	15. Parallel to the factors related to the organization, there is also the analysis of the factors related to the enterprise: <ul style="list-style-type: none"> <li>● Product - activities - market</li> <li>● Operations</li> <li>● Human resources</li> <li>● Financial viability - social benefit</li> </ul>	PowerPoint #26	

Theme	Content	Media	Duration
<b>Establishing a profile</b>	<p>16. Using Diagram #3, explain each of the factors related to the enterprise.</p> <p>17. Present the market – products – activities:</p> <ul style="list-style-type: none"> <li>● The social enterprise carries out economic activities to serve a mission.</li> <li>● Operates in two complementary markets – the market for products related to the economic activities and the market related to the mission.</li> <li>● Possible for the 2 markets to be superimposed or, on the contrary, very distinct.</li> <li>● Example: an adapted enterprise (integration of handicapped people) that manufactures biodegradable bags (product market). In this case, the part of the enterprise involving integration of handicapped people can receive salary subsidies from the State, while bag sales will be billed services.</li> </ul>	<p>Diagram #3 of the Model in the Participant's Workbook</p> <p>PowerPoint #27</p>	
	<p>18. Present the market analysis:</p> <ul style="list-style-type: none"> <li>● The market analysis must make it possible to target the market and define the appropriate marketing strategies, as in any business project.</li> <li>● What new needs will be met or what new approach will allow the enterprise to be competitive?</li> <li>● The mixed nature of the market results in a different vision of the customer: sometimes this means not maximizing the selling price but instead developing access to a product or a service – and thus evaluate the ratio of costs to expected benefits.</li> </ul>	<p>PowerPoint #28 – #29</p> <p>See the Participant's Workbook</p>	5 minutes

Theme	Content	Media	Duration
<b>Establishing a profile</b>	<ul style="list-style-type: none"> <li>● It is important to validate that you're the enterprise that uses its mission to establish complementary marketing axes.</li> <li>● Mobilization of the users and the clientele creates sympathy "capital" due to the mission, which has an impact on the social enterprise's viability.</li> <li>● Based on its mission, the enterprise sometimes can benefit from a preference in the decisions to buy the goods or services it offers.</li> <li>● The attitude of the user (or consumer) who is convinced the mission's validity will produce a direct economic effect – customer loyalty amplified by word-of-mouth development potential.</li> <li>● However, this sympathy capital will only be effective for the social enterprise on quality and price conditions comparable to the competition's offer.</li> <li>● <b>For example:</b> a caterer will have to offer good food. It cannot only count on the social character of its mission. If the food isn't good, the customers won't order any more. The same logic can be applied to a community radio station, which must have interesting programming. The listeners won't continue to listen just because it's a community radio station.</li> </ul>	PowerPoint #30	5 minutes
	<p>19. Present operations:</p> <ul style="list-style-type: none"> <li>● The operational aspect must cover all equipment, activities and people within the organization allowing it to meet its sales goals as effectively as possible, while respecting the social values related to its mission.</li> <li>● Infrastructure / Location / Production Process</li> </ul>	PowerPoint #31	

Theme	Content	Media	Duration
<b>Establishing a profile</b>	<p>20. Present the operational analysis:</p> <ul style="list-style-type: none"> <li>● The enterprise must show coherence between its resources and its goals.</li> <li>● Verify the reliability of the assumptions adopted and the forecasts.</li> <li>● Operational realism.</li> <li>● Overall feasibility.</li> <li>● The operations will be influenced by the social aspects of the mission and will modify the operating revenue: for example, salary subsidies for adaptation of workstations, sustainable development policy, customer access, etc.</li> </ul>	<p>PowerPoint #32</p> <p>See the Participant's Workbook</p> <p>PowerPoint #33</p>	
	<p>21. Present human resources:</p> <ul style="list-style-type: none"> <li>● Even more for social enterprises (because of their social mission) than for private enterprises, human resources represent the central element for success.</li> <li>● Human resources are human capital and organizational capital.</li> </ul>	<p>PowerPoint #34</p>	<p>5 minutes</p>
	<p>22. Present the human resources analysis:</p> <ul style="list-style-type: none"> <li>● Must be able to rely on a management team and relevant management and production expertise.</li> <li>● Validate the players' competence.</li> <li>● Potential importance of volunteerism in social enterprises.</li> <li>● Evaluate the quality of the relationships among the players.</li> </ul>	<p>See the Participant's Workbook PowerPoint #35</p>	

Theme	Content	Media	Duration
<b>Establishing a profile</b>	<p>23. Present financial viability:</p> <ul style="list-style-type: none"> <li>● Revenue related to the social purposes.</li> <li>● Revenue related to the sale of goods/services.</li> <li>● Operating costs.</li> <li>● Ability to honour its financial commitments in order to meet development needs.</li> </ul> <p>24. Look at the “Financial viability of the social enterprise” diagram with the participants. Explain the importance of the balance between revenue from activities and operating expenditures / surpluses.</p>	<p>PowerPoint #36</p> <p>See in the Participant’s Workbook</p>	<p>5 minutes</p>
	<p>25. For the analyst, this means:</p> <ul style="list-style-type: none"> <li>● Validating the revenue and expenditure assumptions to ensure the project’s operational feasibility</li> <li>● Validating that all the funding will be present and that the arguments and conditions for public funding are understood by the enterprise</li> <li>● See how the revenues are structured – their recurring nature – we will go into more detail on this analysis tomorrow in the Financial analysis of social enterprises.</li> <li>● Finally, this means ensuring that the enterprise can support the anticipated growth from the funds generated or forecast the growth rhythm to avoid liquidity crises.</li> </ul>	<p>PowerPoint #37</p>	<p>5 minutes</p>
	<p>26. To complete the analytical process, discuss the social benefit of the enterprise, namely the impact and the positive effects on the community. The social benefit wraps up the analytical process, serving as the synthesis to some extent.</p>	<p>PowerPoint #38</p>	<p>5 minutes</p>

Theme	Content	Media	Duration
<b>Establishing a profile</b>	<p>27. Social benefit analysis:</p> <ul style="list-style-type: none"> <li>● The relevance of the mission and the activities chosen regarding a problem is therefore fundamental. It counts for a lot in the longevity of organizations.</li> <li>● The more relevant an activity in responding to the community's needs, the more the community and the public funding bodies support the enterprise and thus sustainably create the conditions of its development.</li> </ul>	<p>The analysis grids for the enterprise's factors in the Participant's Workbook.</p>	
	<p>28. Present the next steps in the exercise to the participants:</p> <ul style="list-style-type: none"> <li>● They can continue to work with the case chosen previously: CO-OP or NPO. They must finalize their reading concerning the factors related to the enterprise.</li> <li>● They have 10 minutes for reading and 20 minutes for analysis.</li> </ul>		<p>30 minutes</p>
	<ul style="list-style-type: none"> <li>● Ask the subgroups to return to the large group. Go around the table to collect the comments, questions and difficulties and ensure that they have clearly understood the analysis. Note the comments on the flip chart as needed.</li> </ul>		<p>15 minutes</p>
	<p>29. Produce a synthesis of the main points discussed.</p>		<p>5 minutes</p>

Theme	Content	Media	Duration
<b>Evaluation grid and report</b>	<ol style="list-style-type: none"> <li data-bbox="499 228 1304 326">1. Mention that all this analytical work serves to draft the written report and to complete the overall analysis grid.</li> <li data-bbox="499 391 1304 488">2. Present the written report to the participants. Look the main parts with them. Ask participants to follow with the model in the Participant's Workbook.</li> <li data-bbox="499 553 1304 708">3. Mention that the analyst must record the scores for the main criteria in the Overall Evaluation Grid. There are ten criteria (social purpose, anchoring, management team, etc.), which are used to produce a synthesis. Look few criteria with them.</li> <li data-bbox="499 773 1304 870">4. Ask the participants to analyze the case (CO-OP / NPO) with the assessment grid as a subgroup. They have 15 minutes.</li> <li data-bbox="499 935 1304 1089">5. Ask the subgroups to return to the large group. Go around the table to collect the comments, questions and difficulties and ensure that they have clearly understood the analysis. Note the comments on the flip chart as needed.</li> </ol>	<p data-bbox="1360 228 1591 261">PowerPoint #39</p> <p data-bbox="1360 358 1703 456">See the written report at the end of the Participant's Workbook</p> <p data-bbox="1360 553 1703 643">Assessment Grid at the end of the Participant's Workbook.</p>	<p data-bbox="1787 228 1938 261">5 minutes</p> <p data-bbox="1787 773 1938 805">15 minutes</p> <p data-bbox="1787 935 1938 967">10 minutes</p>

Theme	Content	Media	Duration
<b>Conclusion</b>	<ol style="list-style-type: none"><li data-bbox="506 228 1262 293">1. Produce a synthesis of the main points discussed during the day.</li><li data-bbox="506 358 1304 513">2. Tell the participants that at the beginning of the day you asked them to identify a question or an aspect for which they wanted to find an answer. Go around the table to hear the comments. Distribute the workshop evaluation form.</li></ol>	Make photocopies of the workshop evaluation form	20 minutes

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

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

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

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

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

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

## What is CED?

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

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

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

## Other definitions...

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

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

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

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

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

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

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

Definition in use in Manitoba.

## A Social Enterprise is two entities in One

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

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

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

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

## Follow-Up With Examples

The following pages present two case studies:

- The Manufacture Plus Worker Co-operative,
- and the CKOW Community Radio Station.

For each case, you are given a description of the enterprise. Group yourselves into teams of three to four and complete the grids for one of two examples after having read about it.

## Case Study No.1 : The Manufacture Plus Co-operative

### Background

The Manufacture Plus Cooperative is a worker co-operative operating in the manufacturing sector.

Established in 1999, The Manufacture Plus Cooperative is a worker co-operative operating in the textile sector, specifically in high-end fabric dyeing. The co-operative was created through the purchase of equipment belonging to a family business, for which the majority of the founding members of the co-operative had worked for fifteen years. The family business was forced to close because of financial difficulties arriving at a time when the owner was approaching retirement age.

- while ensuring the best possible working conditions,
- while constantly seeking to improve its products,
- while contributing to the expansion and creativity of the Québec fashion industry.

The old equipment was purchased for \$250,000. After four years of operation, the enterprise now wishes to obtain additional financing of \$90,000 to increase its production capacity (\$40,000 for equipment) and to finance its accounts receivable while increasing its ability to maintain a certain level of inventory (\$50,000). The project would lead to the creation of three additional jobs, bringing the total to 10.

### The Team

The co-operative currently sustains seven jobs, all held by members, and it hopes to hire three new members when it increases production capacity. During the last two years, five of the co-operative's seven founding members have left. These people were replaced by young workers. The entire staff has professional training related to the sector and relevant work experience. Nevertheless, the co-operative's operation depends largely on the presence of the chief administrator, a founding member and the co-operative project's main promoter, who has ten years experience in textiles, including eight as a foreman managing a business in the same sector. He currently holds the position of General Manager and of that of Production Supervisor. The manager is supported by a young high school graduate with an administration diploma who performs administrative and marketing duties. The average age of members is 42.

### Organizational culture

The co-operative was the initiative of a group of people who shared the same work environment for many years. While member turnover has modified this situation somewhat, a solid democratic structure remains. This operates informally for the most part and is based on several rather simple principles rather than on frequent meetings. All production work is performed by members.

As regards meetings, a general assembly is held once a year and is usually attended by five out of seven members.

The board of directors is comprised of three members, two of them founding members, including the general manager, who has also occupied the position of president since the co-operative's creation. The board of directors meets once a month for a thorough exchange of information about operations and finances. There are no auxiliary committees focused on operations or organizational life. During occasional meetings after work shifts, members are consulted about or informed of important facts or issues relating to an upcoming strategic decision. A transparent working process that revolves around a central individual, rather than a truly collective, mutually-supportive organization can be observed. Given that the co-operative generated a deficit during its first years, there has been no sharing of patronage returns.

The mandates of the organisation and of the enterprise have not been clearly established. The roles of general manager and president are played by the same person, which leads to some confusion, but this is minimized by the small size of the association. Everyone rallies around the goals of developing the business and improving the co-operative's performance, with an eye towards sharing surpluses and improved working conditions.

No training related to governance or to the co-operative approach has been given since the start of operations. The only training took place when the co-operative was formed and was successfully given by the CDR [Regional Development Council]. An orientation session is also given to new members. The turnover of members has not resulted in any new organized training for all members.

The co-operative's leadership rests on collective ownership supporting a defacto individual entrepreneur who is backed up by the members. The operational importance of the general manager is recognized and everyone knows that their financing and their clientele were acquired because of his proven expertise. For his part, the manager knows he must retain the members' confidence and win their approval for strategic decisions to continue to function as the leader. The co-operative grew out of the desire and commitment of a small group of people, but it was made possible by the internal and external acceptance of an individual social entrepreneur.

## Grounded in the community

The co-operative is mainly a closed environment, isolated from its regional community and largely uninvolved with sectoral organizations. The board is composed entirely of worker members and no real effort is made to find external support, except in the form of new clients and distributors. Thus, the enterprise's networking goals relate solely to its economic reality and not to its associative and communal nature. The co-operative sporadically attends activities organized by the CDR or CLD. It is also a member of the Fédération québécoise des co-opératives de travail, but does not participate in decision-making. Co-operative members do not devote any time to voluntary activities, apart from the time spent deliberating at meetings and general assemblies. The co-operative's financial partners are a Caisse d'économie and RISQ<sup>3</sup>. The CLD supports the co-operative and provided it with funding for the creation of a detailed business plan.

## Market

The co-operative specializes in custom dyeing of small quantities of high-end fabric. It began operations by keeping two of the main clients of the business that closed. However, it experienced difficulties due to the closure of some suppliers and of regional businesses selling finished goods. The textile market presents difficulties; it is structurally in decline due to the growing presence of imports or of foreign producers setting up in Québec. The co-operative now depends on a clientele of six distributors for access to its market. The co-operative operates by meeting monthly orders from its distributors, who are themselves in direct and frequent contact with a hundred end-users. Because it has no exclusive contract with its distributors, the co-operative must respond to variations in the prices submitted by their competitors. The co-operative greatly depends on its distributors and invests time and money in maintaining cordial relations with the salespersons.

The co-operative reached a sales figure of \$377,000 during the previous operating year. This represents a 27% increase over sales of \$297,000 in 2001. This growth is significant, especially in a sector with a mature market. Furthermore, this increase was achieved alongside an increase in the profit margin from 40% to 44%. The co-operative's income is supplemented by small subsidies from Emploi-Québec for integrating youths into the labour market. The co-operative received financial aid from the CLD to develop a more aggressive, better-targeted business plan. Thus, the enterprise is succeeding in creating enough appreciation for the quality of its work to raise its sale price.

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<sup>3</sup> Réseau d'investissement social du Québec

The market is occupied by a few Québec producers (four separate groups) and many foreign businesses that are much better at producing large volumes at prices far lower than those of the co-operative. The co-operative's prices are high, but they are justified by the careful attention given to special orders, the small volume of each order, and the short delivery schedules. The co-operative's strategy of offering flexibility, quality, and speed is well-adapted to small custom clothing manufacturers, which are becoming more numerous in Québec, and this approach compensates for the higher per-unit production prices. Added to the threat posed by the existence of major competitors is fear of the multiplication of new textiles (microfibers, etc.) that the co-operative cannot work with using its current equipment. The new investments will not eliminate this potential strategic weakness, at least not in the medium term.

For a long time, the co-operative did not have a proper marketing plan. It operated on the basis of orders from distributors and relied on feedback from its partner's agents to remain abreast of end-user's needs. Thanks to funding from the CLD, it now has a better understanding of its industry and of the players it must confront. The co-operative is taking steps to become better known, including attending industry trade fairs and directly visiting end-users to enquire into their needs.

## Operations

The co-operative generated \$377,000 in sales revenue (total revenues of \$416,000) in 2002 with seven employees, including one in administration. It produced 5,140 metres of dyed fabric.

The co-operative's equipment is both outmoded and heavily used (86% of capacity) which creates scheduling pressures and leads to high maintenance costs. The rate of use must be lowered before major breakdowns occur. The consistent quality of the product is proven and recognized.

The co-operative is located in a building that is inexpensive and has adequate surface area. It is quite far from supply centres and the market, but close to the major access routes. Electricity, heating, and maintenance fees, as well as taxes, are low and well -controlled.

Order scheduling is done by the general manager, who groups the work according to machine configurations in order to minimize the number of work stoppages for equipment recalibration. One member is responsible for inspecting the final product, including initial samples and random samples at the end of each contract. At the start of each new order, colour samples are produced for the client's approval, as with graphic artists and printers.

The co-operative keeps accurate statistics on the rate of equipment use, on the hours of operation, maintenance and inactivity on breakages, and on forecast and actual maintenance schedules. However, data on the cost price are incomplete. A chart monitoring the main aspects of production as well as the co-operative's financial position is distributed monthly to all members to keep them informed of changes affecting production and of their financial consequences. Among other things, the chart shows total revenue as a function of units produced. The distribution of this document presents both an opportunity to motivate the team and the occasion to warn when there has been a reduction in output or quality.

## Human Resources

The ratio of the co-operative's labour costs relative to revenues is 37%. Thus, operations are labour intensive. The production process is not automated and the quality of finished products depends on the worker's attentiveness and professionalism.

The co-operative's staff tries to secure the best possible working conditions, while ensuring the enterprise's competitiveness in a fierce sector. In this way, salary limitations are offset by some flexibility regarding work schedules and a strong concern for ensuring equality among members. There are many training activities, most of which focus on technical aspect of the work. Management is involved in production activities.

In practice, members are consulted relatively frequently, but the real decision-making process only involves three people. There is strong awareness of the fact that the enterprise's survival depends on the quality of their products.

## Case Study No.2 : CKOW Community Radio station

### Background

The CKOW community radio station is an NPO that has been broadcasting radio programs for fifteen years.

Although the station has been experiencing financial difficulties for several years, an external analysis carried out in 2001 found that the radio station's audience is growing and that the local community strongly supports its alternative media outlet. This information is confirmed by the response to fundraising campaigns, which collect a minimum of \$60,000 every year.

The station came into being 15 years ago in the form of a non-profit organization. From its inception, it was conceived of as a community station oriented towards a youthful audience. It has gone through several phases of development, including experimentation, maturation, and recognition.

The station went through several financially difficult years, accumulating significant deficits. It was granted a subsidy by the Fonds de stabilisation de la culture to help reduce its deficit. In 2000, the station embarked on a program of strategic reflection in an effort to consolidate its position.

In 2002, the station acquired close to \$56,000 of new materials for the purpose of renewing its digital equipment.

## Mission

To provide the community with a radio station that is in-tune with their milieu, offers alternative news and cultural content, complements commercial media, and is in touch with the needs of the central districts of a large city.

## The Team

The station employs a dozen people and coordinates a team of sixty volunteers who collaborate in the production of shows. Many young people are involved in programming, but there is a high turnover rate among them. On the other hand, certain volunteers have been present for many years.

## Organizational culture

Power is exercised laterally and is shared among several governing bodies, the most important of which are the board of directors and the general assembly.

The board of directors has always been actively involved. The board includes ten members, plus the workers' representative who is invited to attend. The board has established various committees in which many volunteers participate: finance, training, special projects, and recruitment. On average, the board of directors meets four times a year, but the board has always been very present in times of crisis.

Among employees and volunteers, the sense of belonging is very strong and communication is generally good, but expectations are not always the same. The employees, whose involvement is partly financial, are more sensitive to the need for independent revenue, whereas the volunteers assign priority to freedom of expression and programming. There is unanimous agreement as to the station's mission; however, there is occasionally tension surrounding strategic choices that must be made to ensure the station's longevity.

## Grounded in the community

The radio station has a membership of 200 individuals and 40 corporate organizations. It is a member of ARCQ<sup>4</sup>. Volunteers are recruited mainly from among residents. The annual fundraising campaign amply demonstrates the loyalty of the station's listeners. Good years and bad, the station collects between \$60,000 and \$70,000 in revenue from this activity.

The station's financial partners are a Caisse d'économie and RISQ. The local development centre (CLD) is helping the station develop a restructuring plan.

## Market

The broadcasting territory extends over the central districts of a new, medium-sized city, encompassing a pool of 100,000 people. About 30,000 listeners tune in to the station, and 12% of these are over the age of 16.

Each year the Ministère de la Culture et des communications provides financial support for the station's cultural mission. For advertising revenue, the station relies on about forty advertisers, many of whose businesses are located in the heart of the city's neighbourhoods.

Competition comes mainly from the commercial media. Listener ratings, measured by BBM polls, are very high.

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<sup>4</sup> Association des radiodiffuseurs communautaires du Québec [Québec association of community radio stations]

## Operations

The station's premises are easily accessible and sufficiently adaptable to accommodate evolving changes. A significant portion of the station's equipment was modernized in 2002.

Volunteers carry out 70% of the programming. Morning shows are largely the responsibility of the paid staff, whereas volunteers are mainly in charge during the rest of the day and on weekends. The programming aims to reflect as closely as possible the reality of the city's neighbourhoods and the people who live in them. Therefore, the station encourages the development of new shows and provides volunteers with training in the use of media and in-station procedures.

## Human Resources

Among the twelve permanent employees are :

- a general manager with eight years experience in the cultural sector and training in management;
- a programming director with six years experience in community media;
- two sales representatives with twelve years of collective experience;
- a secretary / bookkeeper.

For a long time, the station invested little in its sales team. In 2000, within the context of its strategic reflection, the station decided to enlist the help of an expert in trade relations, which led to the hiring of two new representatives. Advertising sales have increased significantly since then.

Working conditions are consistent with those in the sector.

Volunteers receive guidance from the programming director concerning the content and quality of shows, whereas the general manager monitors information circulation within the team.

Regular programming meetings are held and these serve as an occasion for those involved to share their experience and to smooth out relations between employees and volunteers.

## Social Benefit

The station's most evident social benefits are its cultural contribution to communities and the sense of belonging it reinforces. Residents relate to the broadcast information, which reflects their daily experience and opens a door to the wider community. Many young people are interested in participating in shows, as much for the content (alternative music) as for the experience of using the equipment.

## Management Challenges

Management's role is central: it must coordinate the efforts of a highly-involved board of directors, which sets the station's overall agenda, and a team of people who must deliver program content on a daily basis. Management must also maintain a balance between the team of paid employees and the volunteers.

The station is intended as a tool for communicating between neighbourhoods, developed by and for residents, as a way for citizens to take charge of their community.

## Workshop Evaluation

The most important thing I learned today:

Circle the number corresponding to your opinion.

	Disagree				Agree			N/A
1. The information concerning social enterprises was satisfactory	1	2	3	4	5	6	7	
2. The proposed analytical tools were adequate	1	2	3	4	5	6	7	
3. The exercises were relevant	1	2	3	4	5	6	7	
4. The discussions among the participants were rewarding	1	2	3	4	5	6	7	
5. I had a good understanding of the topics discussed	1	2	3	4	5	6	7	
6. The language used to discuss the concepts was accessible enough	1	2	3	4	5	6	7	
7. This workshop will be useful for my practice	1	2	3	4	5	6	7	
8. The facilitator's presentation was clear	1	2	3	4	5	6	7	
9. On the whole, this workshop is appropriate	1	2	3	4	5	6	7	

1. In your opinion, was the length of the workshop:

Appropriate

Too short

Too long

2. Comments and suggestions:

Organization:

Date:

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