

The Business of Inclusion

Section 1

Background

March 2004

A Report by The Toronto Enterprise Fund



Canada



TORONTO



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

www.TorontoEnterpriseFund.ca

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

This report was researched and written by Eko Nomos Program Development Consultants, www.ekonomos.com.

Funding for this report was provided by:



Canada



© United Way of Greater Toronto, 2003

I.S.B.N. # 0-921669-31-3

Introduction

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

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

The purpose of this section is:

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

List of papers:

- Acknowledgements
- Report 1: The Business of Inclusion – An Introduction
- Report 2: What is a Social Purpose Enterprise
- Report 3: Why the Rising Interest in Social Purpose Enterprise
- Report 4: The Learning and Evaluation Process
- Glossary of Terms
- Bibliography
- Resources

Acknowledgements

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

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

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

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

REPORT 1

The Business of Inclusion – An Introduction

October 2003

A Report by The Toronto Enterprise Fund

The Business of Inclusion – An Introduction

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

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

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

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

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

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

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

² From the original planning framework for the Toronto Homeless CED Program, November 2000.

³ City Of Toronto. The Toronto Report Card on Homelessness 2001.

The Business of Inclusion – An Introduction

A Backgrounder on Social Inclusion:

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

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

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

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

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

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

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

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

The Business of Inclusion – An Introduction

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

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

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

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

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

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

The Business of Inclusion – An Introduction

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

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

REPORT 2

What is a Social Purpose Enterprise?

October 2003

A Report by The Toronto Enterprise Fund

What is a Social Purpose Enterprise?

Introduction

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

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

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

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

The Search for Appropriate Definitions

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

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

¹ Seedco, When Good Work Makes Good Sense: Social Purpose Business Case Studies. (November 2002), p. ii . http://www.seedco.org/about/news/NVN_Final.pdf

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

What is a Social Purpose Enterprise?

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

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

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

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

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

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

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

⁴ Seedco, op. cit., p. ii.

⁵ ibid., paraphrased from Roberts definition.

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

⁷ ibid., p. 1.

⁸ ibid., p. 2.

What is a Social Purpose Enterprise?

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

The Toronto Enterprise Fund Approach

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

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

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

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

REPORT 3

Why the Rising Interest in Social Purpose Enterprise?

October 2003

A Report by The Toronto Enterprise Fund

Why the Rising Interest in Social Purpose Enterprise?

Introduction

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

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

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

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

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

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

Social Purpose Enterprise is Not New

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

Why the Rising Interest in Social Purpose Enterprise?

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

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

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

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

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

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

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

Why the Rising Interest in Social Purpose Enterprise?

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

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

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

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

Rising dissatisfaction with the old ways of doing things

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

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

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

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

⁴ The Canadian Women’s Foundation’s Papers on Sustainable Livelihoods can be found at www.cdnwomen.org under “Sharing Our Learnings”

Why the Rising Interest in Social Purpose Enterprise?

The shifting funding context is a major motivator

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

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

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

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

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

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

⁵ Venture Philanthropy Partners, *Venture Philanthropy 2002: Advancing Nonprofit Performance Through High-Engagement Grantmaking* (Community Wealth Ventures Inc.) (www.venturephilanthropypartners.org)

⁶ (quoted in Seedco - Lipman and Schwinn, 2001)

Why the Rising Interest in Social Purpose Enterprise?

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

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

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

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

What motivated the organizations supported by the Toronto Enterprise Fund?

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

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

REPORT 4

The Learning and Evaluation Process

October 2003

A Report by The Toronto Enterprise Fund

The Learning and Evaluation Process

Introduction

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

The objectives of the learning and evaluation process were:

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

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

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

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

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

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

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

The Learning and Evaluation Process

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

Stage Two: Implementation (March 2001 - October 2002)

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

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

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

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

The Research and Documentation Strategy

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

Participant:

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

The Learning and Evaluation Process

Organization/Enterprise:

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

Program:

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

Research Methodology at the Participant Level

Individual interviews:

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

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

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

The Learning and Evaluation Process

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

Number Interviewed At Each Stage

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

Interview timing and process:

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

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

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

Research Methodology at the Enterprise Level

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

Site documentation sessions:

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

The Learning and Evaluation Process

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

Monitoring reports:

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

Joint learning and problem solving sessions:

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

Stakeholder review:

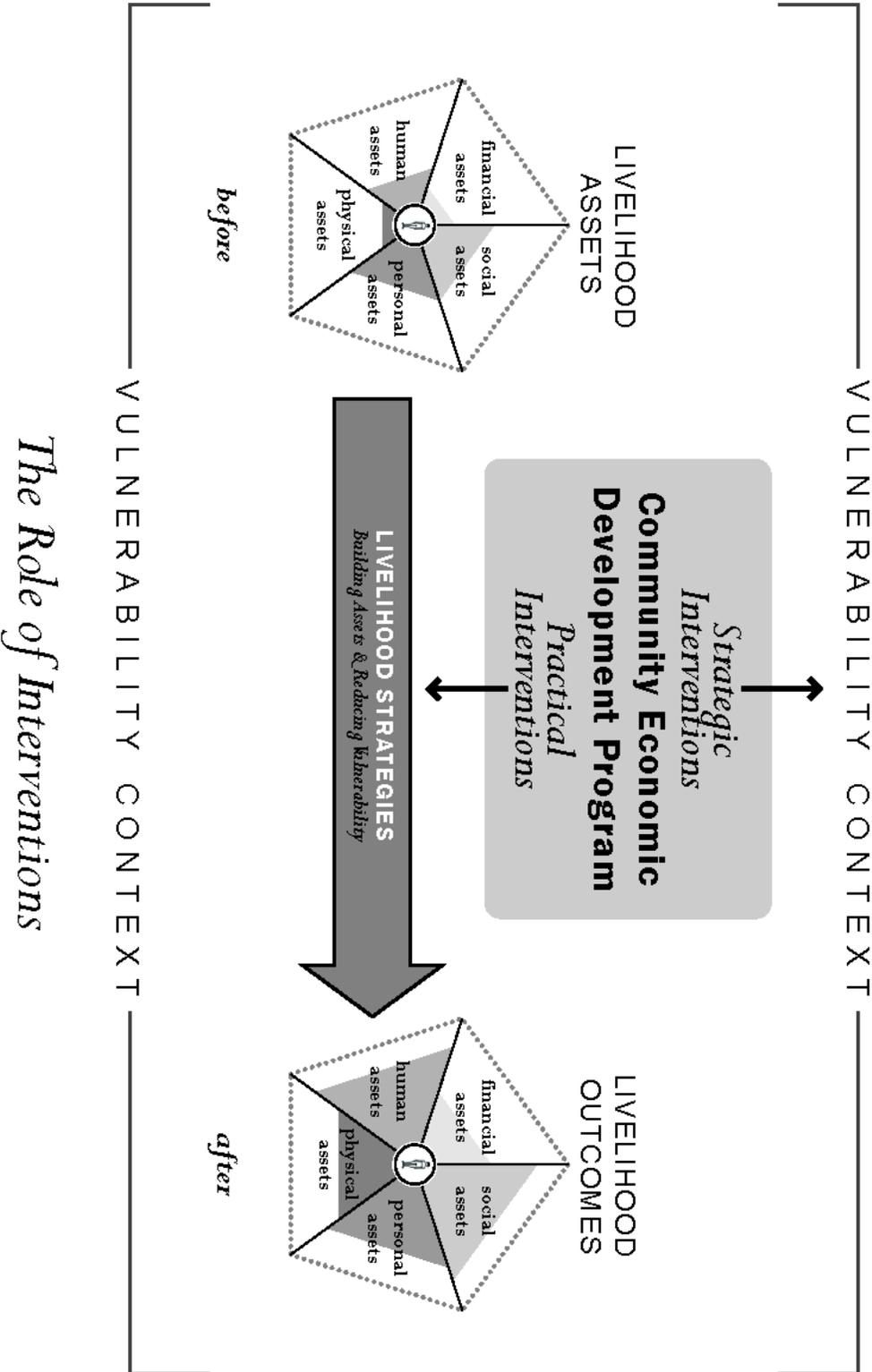
Shortly after the second round of grantmaking and two and a half years after the first enterprises were funded, a Stakeholder Review of the Toronto Enterprise Fund involving donor partners and funded enterprises reviewed the effectiveness of the program's decision-making and grant-making approaches.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

An Asset-Based Approach to Documentation

Eko Nomos adapted its Sustainable Livelihoods framework¹ to structure the research tools and process. The Sustainable Livelihoods approach provides a number of components that help to organize complex information about the context of poverty and the impact of program interventions on people's lives.

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

Sustainable Livelihoods Framework



The Learning and Evaluation Process

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

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

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

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

The framework explores three dimensions:

1. Assets and livelihood strategies

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

² Participatory Assessment and Planning for Sustainable Livelihoods, (United Nations Development Program: 1999), page 2.
www.undp.org/sl/Documents/Strategy_papers/Participatory_Assessment_for_SLSW.htm/PAPSL.htm

³ ibid., page.3.

⁴ Section 1.1 Sustainable Livelihoods Guidance Sheets, Department for International Development (DFID) www.dfid.gov.uk

The Learning and Evaluation Process

Social assets

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

Financial assets

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

Human assets

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

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

Personal assets

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

Physical assets

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

The Learning and Evaluation Process

2. Vulnerability context

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

3. Program interventions by social purpose enterprise practitioners

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

The Learning and Evaluation Process Appendix: Participant Interview Guide

Introduction

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

Participant Interview Format

First interview:

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

Purpose:

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

Introduction of session:

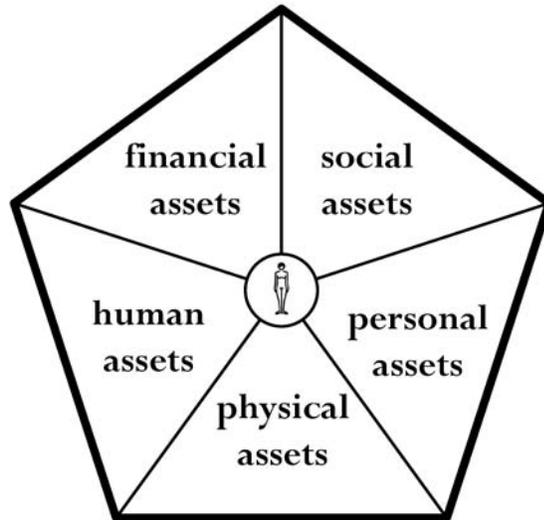
- *Reiterate purpose of the research*
- *Sign waivers*

Demographic information:

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

The Learning and Evaluation Process Appendix: Participant Interview Guide

Explain the five areas using the visual:



History:

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

Contacts and supports:

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

Money and things:

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

The Learning and Evaluation Process Appendix: Participant Interview Guide

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

Health and ability to work:

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

Personal strengths:

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

Follow-Up Interviews

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

Glossary of Terms

Accommodation

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

Affirmative Business

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

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

Alternative Businesses

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

Assets

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

Community Economic Development

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

Double Bottom Line

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

Earned Income

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

Glossary of Terms

Exit Strategy

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

Homelessness

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

Describes people who:

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

“Linking” Strategies

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

“Parallel” Strategies

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

Self-sufficiency

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

Social Entrepreneur

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

Social Purpose Enterprise

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

Social Return On Investment (SROI)

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

Sustainable Livelihoods

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

Glossary of Terms

Sustainability

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

Transition Strategy

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

Venture Philanthropy

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

Vulnerability Context

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

Bibliography

British Columbia Ministry of Social Development and Economic Security and the BC Housing Management Commission. Homelessness – Causes and Effects: The Relationship between Homelessness and the Health, Social Services and Criminal Justice Systems: A Review of the Literature, February 2001.

Church, Kathryn. Because of Where We've Been: The Business Behind the Business of Psychiatric Survivor Economic Development, Ontario Council of Alternative Business, 1997.

City of Toronto. The Toronto Report Card on Homelessness, 2001. City of Toronto, 2001.

Johnson, Sherrill. Social Entrepreneurship Literature Review. December 2002.
www.sen.org.au/resources/papers/1044853770_18331.html

Murray, Janet and Ferguson, Mary. Women in Transition Out of Poverty: A Guide to Effective Practice in Promoting Sustainable Livelihoods through Enterprise Development, Women and Economic Development Consortium Canadian Women's Foundation, January 2002.

Murray, Janet and Ferguson, Mary. Women in Transition Out of Poverty: An Asset Based Approach to Building Sustainable Livelihoods, Women and Economic Development Consortium, Canadian Women's Foundation, February 2001.

National Housing and Homelessness Network. State of the Crisis, 2001: A Report on Housing and Homelessness in Canada, November 2001.

National Housing and Homelessness Network. "More than Half Provinces Betray Commitments: NHHN 'report card' on Anniversary of Affordable Housing Framework Agreement". November 22, 2002

Ontario Council of Alternative Businesses. Working for a Change: A Handbook for Alternative Business Development: How to Start the Process in Your Community. 2002.

Ross, David P., Scott, Katherine J, and Smith, Peter J. The Canadian Fact Book on Poverty 2000 Canadian Council on Social Development, 2000.
www.ccsd.ca/pubs/pubcat/fb00.htm

Structured Employment Economic Development Corporation. When Good Works Make Good Sense: Social Purpose Business Case Studies, Structured Employment Economic Development Corporation, 2002.

Toronto Board of Trade. Affordable, Available, Achievable: Practical Solutions to Affordable Housing Challenges, April 2003.

Tuan, Melinda and Emerson, Jed. The Roberts Enterprise Development Fund: A Case Study on Venture Philanthropy, The Roberts Enterprise Fund 1996.

United Way of Greater Toronto and the Canadian Council on Social Development. A Decade of Decline: Poverty and Income Inequality in the City of Toronto in the 1990s, 2002.

Bibliography

United Way of Greater Toronto. Toronto at a Turning Point, 1999.

United Way Of Greater Toronto. Beyond Survival: Homelessness in Metro Toronto, November 1997.

Vallis, Mary. 14,000 Live in Temporary Shelters: StatsCan: Collective Living Snapshot, National Post, November 6, 2002.

Venture Philanthropy Partners. Venture Philanthropy 2002: Advancing Nonprofit Performance Through High-Engagement Grantmaking (Community Wealth Ventures Inc.) (www.venturephilanthropypartners.org)

Some Useful On-line Resource Links

On-line network and discussion group of Canadian Social Entrepreneurs
Canadian_Social_Entrepreneurs@yahoogroups.com

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

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

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

On-line discussion group of social entrepreneurs in the United States and Canada
npEnterprise@yahoogroups.com

Roberts Enterprise Development Fund (REDF) Resources
http://www.redf.org/pub_intro.htm

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

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

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

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

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

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



Building Livelihoods for Homeless and Low-Income People

www.torontoenterprisefund.ca