

For-Profit Social Ventures in Waterloo Region

An Exploratory Study

2010



Capacity Waterloo Region

Capacity Waterloo Region is a five-year pilot project to fuel social innovation in our community. We're developing an enabling environment that brings together resources from all sectors to support the people and ideas that build lasting social change.

About This Paper

Commissioned by Capacity Waterloo Region, *For-Profit Social Ventures in Waterloo Region* was researched and written by Tania Del Matto, Brendan Wylie-Toal and Lindsay Matthews of My Sustainable Canada with additional content and editing by Jennifer King of Capacity Waterloo Region.

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Executive Summary

Social ventures are becoming an increasingly powerful force in the global economy, attracting rising amounts of money, talent and attention. It's no longer business as usual.

Social ventures represent a new way to solve the world's most challenging social and environmental issues with commercial solutions that combine business and social goals.

This exploratory study of for-profit social ventures in Waterloo Region was part of Capacity Waterloo Region's social ventures initiative to build an enabling environment for social ventures by bringing together resources from all sectors to support the people and ideas that build lasting social change.

We see a big picture social venture sector where non-profits, for-profits, and hybrids inhabit the same space, all driven by a mission to address social and environmental challenges. Our view reflects our approach to break down silos and encourage innovation in the space that exists as common ground.

The research for this study focused on defining social ventures and developing an initial inventory in order to help us shape our understanding of this growing sector and the ways we can support it.

Importance

A social venture seeks to affect social change directly through its business, either through its products, services and/or general business practices. A social venture is driven by a social or environmental mission and creates value for its customers, society and/or the environment.

Three main themes emerged on the importance of for-profit social ventures:

- The need to address social issues continues to grow and social ventures have the potential to fill gaps left by reduced funding for non-profits.
- Social venture leaders can often have a greater impact than their non-profit counterparts by fully utilizing their business expertise and entrepreneurial savvy.
- Social ventures are also redefining business, pushing traditional boundaries with new legal forms such as L3C's and B Corporations.

The Inventory

A set of criteria was developed and used to evaluate the current state of the local social venture economy. The criteria included "strongly present" social missions and integration of social dimensions into operational practices. The result is an initial inventory of 51 social ventures representing a variety of sectors, most notably, food services and agriculture which represented 26 of the 51 ventures.

Businesses in this list tackled more than 20 different issues, including eliminating poverty, waste reduction, energy efficiency, and green building design. Their scales varied with some impacting local communities, and others with global impact.

Challenges

Social entrepreneurs told us they face distinct challenges from their mainstream business counterparts, including:

- Finding investors who appreciate a double or triple bottom line.
- Measuring impact.
- Realizing a return that matches or exceeds invested resources.

- A lack of mainstream understanding of the value of social ventures.

Moving the Sector Forward

In order to drive the social venture sector forward and tap in to its potential to create social and environmental change, the sector needs better measurement and reporting, strong market development, and more investment. This study clearly illustrated a need to build a supportive environment for social entrepreneurs in Waterloo Region that expands the impact, size and growth of the sector.

To help do that, several recommendations are highlighted in this report, including:

- Building an ecosystem for for-profit and non-profit social entrepreneurs that provides the same type of support that contributed to the growth of our local tech entrepreneurs. This includes training, peer groups, and dialogue among social change leaders locally, nationally, and globally.

- Advocating for the development of more effective social finance mechanisms to support the social venture sector, including supporting current provincial and national developments and their forthcoming recommendations.
- Promoting and developing metrics that measure social impact and add significant validity to the social venture model.
- Providing a toolkit for new and evolving social ventures.
- Raising awareness of the presence and benefits of social businesses.

Capacity Waterloo Region can play a leading role in the development of an ecosystem that helps social entrepreneurs – both for-profit and non-profit – turn their ideas into reality. We're excited about the potential of these entrepreneurs to start and grow ventures that solve some of the biggest social and environmental challenges of our time, from right here in our region.

Introduction

Social ventures are gaining recognition as a valuable business model for creating more sustainable, equitable, and healthier societies. Often characterized as businesses that find commercial solutions to social and environmental problems, the inherent value of social ventures is two-fold: their business operations have positive social impacts, and the profits generated by their activities are used to further their social missions and, often, expand their scale.

This paper outlines the results of an exploratory study on for-profit social ventures in Waterloo Region. The study was part of Capacity Waterloo Region's social ventures initiative focused on building an enabling environment for social ventures by bringing together resources from all sectors to support the people and ideas that build lasting social change.

The research undertaken in this study was part one in developing a greater understanding of the overall social venture sector, both for-profit and non-profit.

The research focused on two key objectives:

- a. Define for-profit social ventures
- b. Develop an initial inventory of Waterloo Region for-profit social ventures using the definition

The research also began to identify unique challenges and opportunities facing for-profit social ventures and led to several recommendations for next steps.

In order to meet the research objectives, the following activities were completed:

- a. Literature review on what constitutes a social venture
- b. Interviews with social venture thought leaders
- c. Development of social venture criteria
- d. Identification of possible for-profit social ventures by utilizing existing working lists, reviewing local business directories and recognition programs, and soliciting opinions from socially-minded members of the community
- e. Application of the framework of social venture criteria to the list of possible for-profit social ventures
- f. Interviews with a sampling of entrepreneurs of potential social ventures
- g. Finalizing the for-profit social venture inventory
- h. Wrote six case studies, each featuring a Waterloo Region for-profit social venture

What is a Social Venture?

A social venture is a business with a social or environmental purpose. It can be for-profit, non-profit, or, where feasible, a hybrid of the two. For the purpose of this report, we looked specifically at for-profit models.

There is plenty of debate on the definition of a social venture and a wide variety of definitions, even among experts in the field. Some would argue that definitions are not particularly productive to the discussion. However, we chose to define it in order to begin shaping our own understanding of the social venture sector and the ways we can support it, as a community and as an enabling organization.

A social venture seeks to affect social change directly through its business, either through its products, services and/or general business practices¹. A social venture is driven by a social or environmental mission and creates value for its customers, society and/or the environment through the following²:

A product or service that itself addresses a pressing social or environmental problem.

A supply chain where vendors are selected for social or environmental reasons.

Internal operations that provide fair and equal opportunities as well as engage and empower employees.

Advocacy or philanthropic activities that use company brand space, time and resources to

spread awareness, support and action on social or environmental issues

Ethics that integrate social value creation into corporate governance structures and everyday decision-making.

Capacity Waterloo Region sees a big picture social venture sector where non-profits, for-profits, and hybrids inhabit the same space, all driven by a mission to address social and environmental challenges. It's part of our organizational approach to break down silos and encourage innovation in the space that exists as common ground.

In the past, these different forms have been distinguished by their own terminology: "social enterprise" for non-profits and "social purpose business" for for-profits. Social enterprises are commercial, revenue-generating entities that are owned and operated by non-profit organizations; social purpose businesses are commercial for-profit entities that maintain their social purpose at the core of their operations.

To understand them both as a sector, we can view social ventures on a continuum (Figure 1 below).

The primary distinction between the two entities is the legal framework, where one is non-profit and the other is for-profit. There are other, finer distinctions between them, most of which stem from this primary distinction.

- A social enterprise's main purpose must be attainment of certain social goals, rather than profit maximization (Munoz and Tinsley, 2008).
- Social enterprises have a very limited ability to attract equity from investors, and thus

¹ Adapted from: *RISE For-Profit Social Entrepreneur Report*, Columbia Business School's Research Initiative on Social Entrepreneurship (RISE): 2006.

² Ibid, 2006.

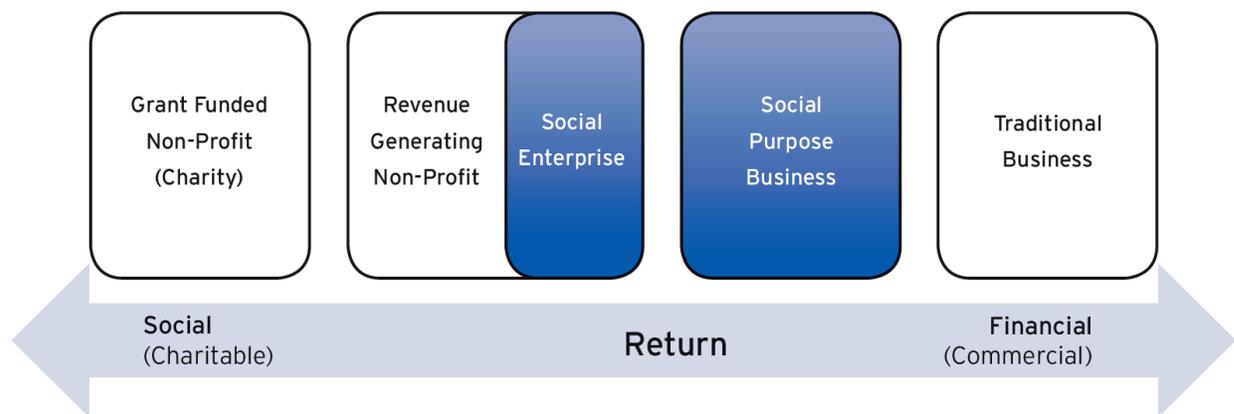
have reduced access to venture capital (Clark and Ucak, 2006).

- In social enterprises, decision-making is not limited to capital ownership. Rather, it extends decision-making power to stakeholders (Spear and Bidet, 2003).
- In social enterprises, all assets and accumulated wealth are not in the ownership of individuals, but rather used for the benefit of the community they serve (Ridely-Duff, 2007).

Social ventures also differ from corporate social responsibility (CSR), which rests more within the space of the traditional business (Figure 1). More and more, traditional businesses are

adopting social or environmental causes as part of their community outreach programs. While the CSR movement is building much-needed momentum, actions inspired by CSR are typically unaligned with business operations and are not reflected by a business' value proposition (Neck, Brush, and Allen, 2009; Porter and Kramer, 2006). Conversely, a social venture is defined not only on its financial return, but on how it seeks to solve an environmental or social problem and this is apparent in how it integrates social value creation into its everyday business operations.

Figure 1: Social to Financial Business Continuum



Source: MaRS Whitepaper Series, 2009. Social Entrepreneurship

Interviews with Social Venture Thought Leaders

As part of this exploratory study, 14 social venture thought leaders were interviewed by phone. The interviews provided insight into defining social ventures and helped guide the process of identifying and evaluating local social ventures. A summary of the results from the interviews is provided in Table 1.

Table 1: Summary of Interviews with Social Venture Thought Leaders

Summary of Insights from Interviews with Social Venture Experts/Thought Leaders		
Social venture thought leaders interviewed* (*all were asked for their perspectives in the context of for-profit social ventures)	Characteristics of social ventures	Challenges and recommendations on identifying social ventures
<ul style="list-style-type: none"> • Anne Jamieson, Toronto Enterprise Fund • Paula Howley, RISE, UK • Allyson Hewitt, SIG@MaRS • Gary McPherson, Canadian Centre for Social Entrepreneurship • Carin Holroyd, CIGI/UW • Allison Kouzovnikov, BALLE, Nova Scotia • Dana Bass Solomon, Social Venture Institute • Stacey Corriveau, BC Centre for Social Enterprise • Andy Horsnell, Social Enterprise Council of Canada • David Lepage, Enterprising Non-profits Program • Mark Simpson, Institute of Entrepreneurship and Community Innovation, Georgian Brown College • Julie McDowell, ClearlySo Canada • Aileen Sweeney, Social Venture Network • Chris Lowry, Green Enterprise Ontario 	<ol style="list-style-type: none"> a. Socially driven mission: “business with a social purpose”; responding to a social need b. Interest in making money and making a difference, struggle with maintaining their values and the pragmatics of making money (dual purpose, dual outcome) c. Require strong evidence in terms of social impact. Social ventures need to define their performance metrics (ideally) toward how they are making a social impact. d. Portion of profits are re-invested in social mission (in UK, minimum requirement of 50% of profits go towards social mission; CSR typically has 10% of profits go towards social/environmental goals) <p>When a social entrepreneur is faced with the decision to go non-profit or for-profit, some factors include:</p> <ol style="list-style-type: none"> a. What structure is most familiar to the social entrepreneur b. Access to capital (i.e. grants, donations, loans, investment capital) c. Control (i.e. reporting to a board of directors, retaining at least 51% of shares) d. Public perception might be important for choosing non-profit 	<p>Challenges</p> <ol style="list-style-type: none"> 1. Some blurred lines along the spectrum of Social Enterprises (non-profit); Social Purpose Business (for-profit); and businesses that have embraced Corporate Social Responsibility 2. What is done with profits? 3. How stringent should social venture criteria be? (many favoured being inclusive, especially in cases where the business self-identifies as a social venture) 4. A metrics system to measure the impact of the social venture to generate social value was thought to be valuable and will lend credibility to any efforts given to marketing social ventures <p>Recommendations</p> <ol style="list-style-type: none"> 1. Emerging space, allow for self-identification. 2. Allow for inventory exercise to be inclusive, perhaps apply a tiered set of criteria or view those on the inventory as sitting on a spectrum 3. Social venture criteria could be used by all businesses as a ‘target’ worth striving towards

The Importance of Social Ventures

When conducting this study, four main themes emerged on the importance of for-profit social ventures, both through the literature and through discussions with social venture thought leaders. These themes are summarized below.

The Need to Address Social Issues Continues to Grow

Governments are stepping back in their provision and funding of social services. As a result, many charities and non-profits are facing an increasing demand for their services, paired with the challenge of having to do more with fewer resources.

Social ventures have the potential to fill the gap, addressing a variety of social and environmental issues and helping to alleviate the increasing demand for social services.

Agent of Social Change

Social venture leaders use their commercial expertise and entrepreneurial savvy to advance social change. The financial profit they generate is used to grow their business and sustain their social impact.

In the social venture sector, non-profits and for-

“What I aspire to be, is a combination of the two – a social working capitalist, if you will – and I know that I’m not alone. We are a growing, vibrant club of entrepreneurs who care passionately about using practical and effective business solutions to address serious challenges and build a better, kinder, fairer, cleaner and healthier world.”

~ Julie McDowell, ClearlySo Canada

profits co-exist as agents of change. But many experts argue that with today’s current charitable structure, for-profits may actually

have more impact in addressing social and environmental problems than their non-profit counterparts.

“A social venture is more likely to achieve success than a social enterprise since they can enlist a greater wealth of business minds and marketing,” said Chris Lowry of Green Enterprise Ontario.

Redefining Business

As a sector, social ventures are changing the way business is done, asserting themselves as a unique business entity and instigator of systemic change. This is evidenced by the new legal structures emerging in the United States, as well as accreditation programs and growing social investment activity.

A **low profit, limited liability company (L3C)** is a new legal form of business entity created in the United States to facilitate investments in socially beneficial, for-profit ventures. L3Cs began in Vermont in April 2008 and are now legal in all 50 states. This legal entity combines the financial advantages of a limited liability company with the social advantages of a non-profit entity, allowing for different classes of investors, including individuals, non-profits, for-profits and government granting agencies.

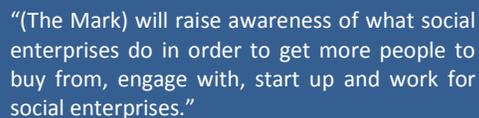
B (“Benefit”) Corporations are also emerging in the United States. Initially, the B Corp was not a new legal form but rather a U.S.-based certification program designating certain businesses as socially responsible. However, this April, Maryland became the first state to legally create this new form of corporation. Ten other states are considering similar legislation. In December 2009, Philadelphia became the first city to offer tax incentives to B Corps.

The B Corp certification process requires a business to rewrite its articles of incorporation to make it clear to investors that the business' management team is required to consider the interest of societal stakeholders when operating its business. It also requires them to report on how the company is contributing to its social or environmental goals and allow auditing of their impact.

Close to 300 companies are now certified. Better the World Inc, Canada's first – and so far only – B Corporation, was certified in March, 2009.

The Social Enterprise Mark in the United Kingdom is a branding program that promotes businesses working primarily for social or environmental goals.

The emergence of the Mark reflects the public's appetite to connect with businesses that are doing more than just "the usual". Businesses that meet the Mark's specific criteria (demonstrably working primarily for greater goals and 50% of profits are reinvested toward them) are awarded the use of the brand in marketing.



"(The Mark) will raise awareness of what social enterprises do in order to get more people to buy from, engage with, start up and work for social enterprises."

~ Social Enterprise Mark

More recently, the criteria have been used by traditional businesses as a target worth striving toward.

"Our [social venture] criteria are being used by the broader business community as a set of best practices" says Paula Howley, a key administrator of the labelling program.

Aside from new legal structures and certification programs, there is also growing activity and interest in social investment and a rising tide of interest in social finance in general.

Socially responsible investment strategies are based on an investor's view of the social outcomes resulting from particular investment choices. Summarized in figure 2 (below) are the growing amounts of assets invested according to socially responsible guidelines. More than ever, investors consider the ethical consequences of their investment choices and are finding socially responsible investing more attractive.

Knowledge Sharing Opportunities

Social ventures stand as potential models to emulate, led by enterprising individuals who apply business practices to solve societal problems.

For-profit and non-profit social ventures have plenty to learn and share with each other. Non-profits typically have more experience on the social side of the equation while for-profit ventures are generally stronger in business. Fostering cross pollination between different social ventures is an essential strategy for helping the social economy grow and thrive. More and more, traditional non-profits are embracing and evolving into hybrid versions of social ventures. These hybrid enterprises are able to pursue alternative or diverse forms of income from commercial related activities that were once limited to the "business world."

Figure 2

**Summary of SRI assets in Canada (\$billions)
Canadian Socially Responsible Investment Review, 2008**

	2008	2006	2004	2002	2000
Core SRI Strategies					
Asset managers employing social and environmental screening ¹	27.564	36.493	21.217	16.730	11.300
Retail investment funds	22.186	18.141	14.809	9.940	10.350
Community Investment and social finance	1.397	0.809	0.546	0.069	0.085
Socially Responsible Lending	3.021	1.939	1.288	0.127	NA
Core SRI Total	54.168	57.389	37.860	26.866	21.735
Broad SRI Strategies					
Asset managers employing ESG integration ²	10.287	12.708	NA	NA	NA
Pension funds employing ESG integration, ESG proxy voting or corporate engagement, or economically targeted investment	544.131	433.066	25.445	24.100	27.200
Shareholder Advocacy ³	NA	NA	2.100	0.453	1.000
Sustainable Venture Capital	0.641	0.449	0.052	NA	NA
Total Broad SRI Strategies	555.059	446.223	27.597	24.553	28.200

Source: Canadian Socially Responsible Investment Review, 2008

An Emerging Snapshot of a Social Venture Economy in Waterloo Region

As part of this exploratory study, a set of criteria was developed in order to evaluate the current state of the local social venture economy. The criteria were created using insights from the literature review and interviews with thought leaders (see Figure 3). These criteria were then applied to a select list of potential for-profit social ventures in Waterloo Region, which included nearly 90 businesses.

The evaluation started by examining each business’ mission. Those with fully to strongly present social missions were separated from those with absent or partially present social missions. This process served to attempt to distinguish genuine social ventures from businesses that simply exhibited some elements of socially-minded behaviour.

The next step was to evaluate, for both groups, how each business integrated social dimensions into their operational practices.

The businesses in the inventory were found to represent a wide variety of sectors, including: agriculture, clean technology, education, financial services, green design and construction, health and wellness, hospitality and food services, information technology, retail, professional services, and youth services (see Figure 4). Those that were found to be social ventures operated across all of these sectors.

A few sectors stood out. Most notably, food services and agriculture represented 26 of the final 51 social ventures. There are many factors that may contribute to this result such as: the growing popularity of fair trade, organic, and local food in general; the strong focus on the organic food movement in the region; and the

Figure 3: Application of Social Venture Criteria

SV Criteria	Social Venture "A-List"	Socially Minded "B-List"
Driven by a social/environmental mission	Fully to strongly present	Partially present
Dual purpose: generate social and economic value	Fully to strongly present	Partially present
Social values are integrated into 5 operational practices: -product/service -supply chain -internal operations -advocacy/philanthropy -ethics	Strongly realized (3 or more practices)	Partially present (1-2 practices)

high proportion of all businesses in the region that are in the food and agricultural sectors.

Outside of the agricultural sector, which was relatively unified in its social purpose (sustainable farming practices), the businesses in the inventory address a wide variety of social causes (see Figure 5).

For example, from the list of social ventures, there were over 20 different issues being addressed, including: eliminating poverty, waste reduction, social equity, energy efficiency, and green building design. This variety is inspiring and demonstrates the potential of the social venture business model to address any issue. These businesses aren’t nested in a small handful of issues. Rather, they are addressing dozens of issues on a wide range of scales, from those that impact local communities, to those with global impact.

Figure 4: Number of Social Ventures by Sector

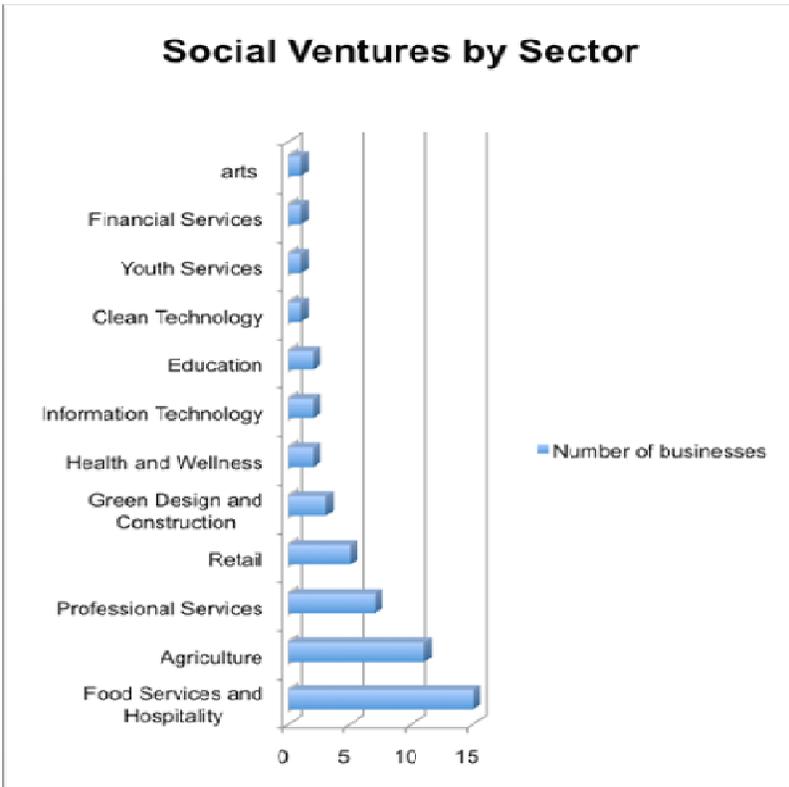


Figure 5: Issues addressed by social ventures

Sustainable farming practices (12); Organic food (6); Energy and efficiency; Local food (4); Waste reduction (3); Green building design; Social justice; Support local artists; Employment of the disadvantaged; Health (2); accessible health services; Awareness of global issues; Counseling for youth at risk; eliminate poverty; Food Security; Funding socially responsible projects; growth of social ventures; Natural clothing; education on natural environment; Re-use clothing; Social equity through fair trade (1)

Interviews with Social Venture Entrepreneurs

To further the research objectives of the study, 20 social venture entrepreneurs were interviewed. The interviews focused on five key questions and the findings are summarized below.

Do you identify your business as a social venture?

This question helped determine if local businesses were aware of the concept of a social venture and, if so, whether they labelled themselves accordingly.

Of the businesses interviewed, twice as many self-identified compared to those that did not. For those that did self-identify, the prevailing reason was that the business owners were socially conscious and have made social value an integral part of their business.

Of those that did not self-identify, the prevailing reason was being unaware of the concept. In some cases, it was also found that businesses intentionally did not self-identify as a social venture. These businesses choose not to be explicit because the social aspects of their operations do not define them. The fact that they can create social value while being a competitive, for-profit company is a point of pride.

"For us to be an African brand would be a huge marketing mistake. As much as people love the story, they care about the numbers."

~ Tal Dehtiar, founder, Oliberté Change Agent series speaker

Do you promote your business to stakeholders as a social venture?

The results for this question were evenly distributed between those that did promote themselves as social ventures, those that did not, and those that somewhat promote themselves as social ventures.

For those that did promote, the main reason was the market advantage gained by being socially conscious. Others mentioned that promoting the social aspects of the business was done out of a desire to support other like-minded businesses, and to advocate for the concept of social purpose business.

Generally, those that did not promote themselves as a social venture were also those who were unaware of the concept of social ventures.

Those that somewhat promoted their business as a social venture did so out of a realization that a small but growing percentage of consumers are aware of and seeking to buy goods and services from socially beneficial businesses. These businesses tended not to have socially beneficial products and services, but rather socially beneficial internal operations, ethics, and supply chains—those best practices often associated with the corporate social responsibility movement.

Do social ventures face unique challenges?

This question provided several insights that serve to justify the need to assist and support

"Social ventures, in my experience, are a black hole for time."

~ Seven Shores

social ventures. The common challenge faced by social ventures is awareness. These

businesses invest a significant amount of time, energy and resources to make themselves as socially or environmentally sustainable as possible. Unfortunately, many of these businesses fall short in realizing an absolute return that matches or exceeds the invested resources. Since a social venture is a novel concept for the majority of consumers, the act of seeking out a social business is not yet a mainstream practice. As one respondent noted, “it is always easier to fill a need others perceive to be there than to educate consumers on why they need your product.”

It is clear that social ventures in the region would benefit from services that educate the public on the benefits of social purpose businesses.

Other challenges revealed by the interviews were:

- Increasing competition as more social businesses emerge.
- Taking a social issue and creating a feasible business to address it.

“...the biggest challenge was refining the idea into a feasible business.”

~ Philanthrokidz

- Finding lenders and investors who appreciate social value as well as financial return.
- The market that socially beneficial businesses appeal to is debatable. Some believe it is small (20% of consumers or less) while other research points to a more significant and growing mainstream appeal.
- Given its dual purpose (i.e. the need to balance social goals with financial sustainability), social businesses are time and resource intensive, which detracts time

away from focusing on other important business operations.

How has your business integrated social or environmental goals into its operations? An important measure for the study revolved around the integration of social value into everyday business practices. The most common areas for integration were products or services and business ethics. It is hard to imagine a social business without strong social ethics, and businesses with social products and services are the easiest to identify.

The business operation least utilized was internal operations while advocacy, philanthropy and the supply chain were in the middle. Some businesses were downgraded from the list of social ventures to the list of socially minded businesses because of inadequate forms of integration. Helping businesses integrate social values into each business practice could help move them along the continuum toward more substantial social and environmental impact.

Does your business measure its social or environmental impact?

Feedback from thought leaders in the field revealed that measurement and metrics were an essential component of social ventures. However, results from the interviews with social entrepreneurs revealed that, in fact, very few

“I don’t have time to (measure) Nor would I know where to start. Carbon footprint? Kilowatt hours saved?”

~ Whiting Design

businesses evaluate their social and environmental impact.

In part, this is due to difficulty in measuring social impact and the limited resources of the businesses in question.

While there are established financial metrics (P&L, etc.), there is nothing similar in the social venture world. But unless funders and investors have “a clear understanding of the importance of establishing and reporting on appropriate social and financial metrics, the amount of capital made available to this emerging sector, including patient capital, loans or equity investments, will be limited,” summarizes a recent MaRS report on Social Entrepreneurship.

“[A social venture] ideally should have strong evidence in terms of the social impact it is making, however there’s little capacity for businesses to measure this.”

~ Paula Howley,
Regional Infrastructure for Social Enterprise Limited

These types of investments are critical to driving the social venture sector forward and tapping in to its potential to create social and environmental change.

Globally, there is a growing movement toward better metrics and a call for standardization with organizations like the Rockefeller Foundation establishing Impact Reporting and Investment Standards. Locally, there is an opportunity for Capacity Waterloo Region to advocate for better metrics and to take a leadership role in adopting solutions that appropriate for the Canadian environment.

Reflections and Lessons Learned

While the results of this study are enlightening and inspiring, there were several challenges. The study began with a literature review on the concept of social purpose business. The goal was to create a definition and a set of criteria for social ventures that would be applicable for Waterloo Region. This proved challenging since the concept of a social venture is contentious and definitions are varied and sometimes contrasting (Schwartz, 2010).

During our interviews with thought leaders, opinions on social ventures continued to reflect this variation. Social purpose businesses exist on a continuum of those that are driven by social purposes to those that are more profit driven and resemble the practices of corporate social responsibility. As a result, the social venture inventory reflects a process where the application of the criteria has resulted in a two-part list that identifies and provides a high-level analysis of businesses with social missions and social value integration, laying the groundwork for more in-depth future analysis.

Applying the criteria was challenging due to the qualitative nature of social values. It was often difficult to subjectively assess to what degree a business' mission is socially driven. This issue is compounded by the lack of information available for potential social ventures. While the interviews greatly helped to fill information gaps, time restrictions precluded this option for each business. For those businesses where follow-ups were not performed and information gaps exist, intuition was used to evaluate the mission criteria.

The consequence of these challenges is that businesses may be inappropriately profiled due to the subjective nature of the evaluation process. Developing or implementing a set of

metrics to allow for social dimension measurement would build upon and increase the robustness of this exploratory study.

Finding potential social ventures was also a challenge. We relied on word of mouth, prior knowledge, and references to develop our primary list. In the end, most of the businesses were those that provide social or environmental products or services. While it is possible that this is a trend in social ventures, it is also possible that this is a limitation of the study. It is much easier to populate a list of potential social ventures with businesses providing social products and services since this aspect of their business is marketed and advertised. However, it is possible that there are many "hidden" social ventures that do not offer socially beneficial products or services but rather integrate social value into business operations. Such businesses may be poorly represented since the aforementioned business operations are difficult to detect.

A U.K. recent study emphasized the potential size and contribution of this hidden social venture sector. It concluded that official government estimates on the size of the sector are underestimated by as much as four times. It found that as many as one in five businesses in the U.K. identified making a difference as the primary trigger for establishing their business.

"(Hidden social entrepreneurs') estimated contribution to the UK's sustainable economic growth is estimated to be enormous and by identifying them, we have widened the debate on social entrepreneurship and social enterprise..."

~ Hidden Social Enterprise Report
Delta Economics and IFF Research

Recommended Next Steps

This study has paved the way for many exciting opportunities and has touched on the need to build a social entrepreneur ecosystem in Waterloo Region. The inventory has demonstrated that the social venture economy in Waterloo Region is relatively strong. However, the impact, size and growth of this sector would most certainly increase with one or more of the subsequent steps listed below.

Building an Ecosystem for Social Entrepreneurs

Our region has a very strong system of support for entrepreneurs, particularly technology entrepreneurs. Services and programs include incubator programs, events, workshops, investment readiness programs, and peer groups.

Capacity Waterloo Region could play a leading role in the development of a similar ecosystem that encourages social entrepreneurs – both for-profit and non-profit - to begin and flourish in our region.

By building on the ecosystem already in place for traditional businesses we could develop supports such as:

- A Social Entrepreneur Bootcamp
- A Social Entrepreneur Summer Institute
- Webinars and online chats with experts
- Peer groups, including interaction with non-profit social venture leaders
- A Venture4Change online community
- An in-depth study of social enterprises within nonprofits in Waterloo Region, including case studies that will stimulate entrepreneurial activities throughout the province
- Build on Venture4Change with the organization and delivery of a provincial conference on social entrepreneurship to be held in Waterloo Region, bringing

together multi-sectoral leaders in social change and innovation

Social Finance

Capacity Waterloo Region could also play an advocacy role in the development of more effective social finance mechanisms to support the social venture sector. Other social finance activities could include:

- Dragon's Den-style investment pitch competitions
- Leading the exploration of crowd-sourcing investment models similar to Kiva or Kickstarter.

Providing a Toolkit for New and Evolving Social Ventures

As the inventory illustrates, there are dozens of businesses that are only a few small steps removed from meeting our criteria for social ventures. A toolkit that promotes the concept of social ventures, shows what is needed and what can be done to be recognized as a social venture, and how to measure social and environmental impact, would be valuable.

The toolkit would also be useful for new enterprises and conventional businesses interested in changing the way they do business.

The toolkit could take many forms. An online format would be most accessible, versatile and current. For example, in addition to providing resources, the virtual space could be used to facilitate peer dialogue and mentoring groups – building on Capacity Waterloo Region's online and offline work. This would help foster a sense of community among local social ventures and provide opportunities for collaboration and knowledge transfer.

Social Value Metrics

One of the major challenges facing social purpose businesses is the measurement of social impact - the “blended value or “double or triple bottom line.”

It’s a global challenge that is only becoming more important to address with the growth of the social venture sector and corporate social responsibility around the world. Tackling social metrics will most certainly lead to new investors coming to the sector as investors will be able to make informed decisions based on more standardized reporting.

For a business to be sustainable, it must be able to evaluate its progress. Since these businesses have value propositions that include both financial and social goals, they should have metrics to evaluate each aspect of the business (MaRS, *Social Entrepreneurship: Social Impact Metrics*; Neck, Brush, and Allen, 2009).

While the financial aspects of a business are easy to evaluate, the social aspects are much more difficult. A future opportunity for this project would be to either develop or build on an existing framework for measuring social impacts. This would allow social purpose businesses to evaluate how well they are achieving their mission. Metrics also allow social businesses to assess their value in more complete and tangible terms. For example, social return on investment is a metric system that translates social impacts into financial terms. Utilizing such a system would add significant validity to their social business model.

A system of metrics would also provide the opportunity to create a social venture brand or certification. With the ability to measure social impacts, more specific criteria and benchmarks could be developed. This would add validity to the evaluation process set out in this study; such validity would be needed if a social venture brand or label were to be created.

Marketing Needs and Opportunities

The results of interviews with social ventures revealed a need for efforts to raise awareness of the presence and benefits of social businesses. One possible avenue to achieving this goal is the development of a social venture shopping guide. Drawing from the success of other initiatives, such as Food Link’s Local Food Map, and Grey Bruce County’s The Art Map, Capacity Waterloo Region could develop a guide to social ventures in the Waterloo Region. The guide could take many forms, such as printed maps, virtual maps, and listings of social ventures by sector and product/service. Such a project would be incredibly beneficial to local social ventures, and would serve to empower consumers to better vote with their dollar.

Local Social Venture Supplier Network

Businesses need to procure supplies. Creating a social venture supplier network would allow businesses to source socially responsible supplies. This would be beneficial not only for local social ventures, but for all businesses. For example, a conventional business interested in “greening” its supply chain would have a resource to do so. The supply network could also be extended to public institutions and consumers who are looking to spend their money responsibly.

APPENDIX

An Initial Social Venture Inventory for Waterloo Region

Name of Potential Social Venture	Sector (Product/Service Description)	Social/Environment Problem being addressed
Aberle Farms	Agriculture	Sustainable farming practices
Baileys Local Foods	Food	Local food
Bio-Ag	Agriculture	Sustainable agricultural practices
Blue Skies Yoga	Health and Wellness	Accessible health services
Bowman's Organic Produce	Agriculture	Sustainable farming practices
Community Minded Music	Arts	Support local artists
Dolphin Digital	Information Technology	Employment of the disadvantaged
Donbar Farms	Agriculture	Sustainable farming practices
Dragonfly Centre for Change	Health and Wellness	Health
Duke Street Muse	Food	Health
Earthwinds	Retail	Social equity through fair trade
Eating Well Organically	Food	Organic food
Ella Organics	Food	Organic food
Enerliv	Professional Services	Energy and efficiency

Name of Potential Social Venture	Sector (Product/Service Description)	Social/Environment Problem being addressed
Enermodal Engineering Limited	Design and Construction	Energy and efficiency
Enviro Digital Printing	Professional Services	Waste reduction
Environmental Quescense	Professional Services	Waste reduction
Enviro-Stewards Consulting	Professional Services	Energy and efficiency
Exhibit Café	Food	Local food
Full Circle Foods	Food	Organic food
Garden Party	Food	Food Security
Go Green Bamboo	Retail	Natural clothing
Golden Hearth Bakery	Food	Organic food
Hand Me Downs	Retail	Re-use clothing
Harmony Organic Dairy Products	Agriculture	Sustainable farming practices
Harvest Homes	Green Design and Construction	Ecological construction
Healthy Foods and More	Food	Organic food
Idea Alternatives	Professional Services	Growth of social ventures
Indulge Kitchen	Food	Local food
Janlan Farms	Agriculture	Sustainable farming practices

Laepple Organic Farm	Agriculture	Sustainable farming practices
Name of Potential Social Venture	Sector (Product/Service Description)	Social/Environment Problem being addressed
Little City Farm	Food	Local food
LOFT Market	Agriculture	Sustainable farming practices
Meritas: socially responsible investments	Financial Services	Funds socially responsible projects
Mindscape Innovations	Professional Services	Green building design
Morning Glory Café	Food	Employment of the disadvantaged
PeaceWorks Computer Consulting Inc.	Information Technology	Social justice
Pfennings Organics	Food	Sustainable farming practices
Philanthrokidz	Education	Awareness of global issues
Pioneer Youth Services	Youth Services	Counseling for youth at risk
Rare Funk	Retail	Support local artists; reuse goods
Reese Cleaners	Professional Services	Waste reduction
Seven Shores Trading Company	Food	Eliminate poverty, fair trade, and to provide access to safe, healthy, and local food
Stone Lane Farm	Agriculture	Sustainable farming practices
The Old Kitchen Cupboard	Food	Organic food
Unlearn	Retail	Social justice

Vigor Clean Tech Inc.	Clean Technology	Energy and efficiency
Name of Potential Social Venture	Sector (Product/Service Description)	Social/Environment Problem being addressed
Whiting Design	Green Design and Construction	Green building design
Wings of Paradise - Butterfly Conservatory	Education	Preserve, enhance and promote education of natural environment
Unfactory Farm	Agriculture	Sustainable farming practices
Vibrant Farms	Agriculture	Sustainable farming practices

9.0 Appendix

Social Venture “A-List”

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