

Establishing a Social Enterprise Toolkit

**Defining Revenue &
Evaluating Impact**



Establishing a Social Enterprise: Defining Revenue and Evaluating Your Impact

This document is intended to be a guide to support organizations that want to start a social enterprise, but aren't sure if it will be the right fit or if they have the capacity to do so. This is only meant as a starting point to encourage further conversations within organizations at the management and board level.

Finance and its roots in colonialism and racism

With any discussion involving finance, it is important to remember that money and oppressive systems, like colonialism and white supremacy, are deeply tied, so centring anti-racist, anti-oppressive, and decolonial practices within social enterprises requires more intentionality. Remember, financial wellness impacts organizational wellness.

Defining Social Finance

- A form of revenue generation where the profits are reinvested to make a social impact
- Social enterprises can be non-profits/charities since you are using the revenue to fund the non-profit efforts

Who to involve in discussions exploring the feasibility of a social enterprise?

Depending on the size and type of your organization, folks in following roles should be involved:

- Finance
- Program development
- Management

The board of directors will also need to get involved as with any large financial decisions, if that is appropriate for your type of organization. Creating a social enterprise can be a big undertaking, so collaboration across roles is key to ensuring proper setup and sustainability.



Defining Revenue

After understanding what a social enterprise is and who to invite to discuss it further, it's time to think about whether or not there are any immediate factors limiting you from starting a social enterprise.

Is a social enterprise a good fit?

- There is staff with enough capacity to take on a new project
- There is staff with finance or business background
- There is an existing financial management system set up across the organization
- The enterprise will not compromise the mission of the organization
- Your board is comfortable with the amount of risk associated with taking on a new business

These don't necessarily exclude the organization from creating a social enterprise forever, but some other changes may need to happen first in order to be properly prepared to run a social enterprise.

Mandate Evaluation

Next, let's consider what values and needs your organization has and see if any existing programs or services can be commodified. It is best to run a business that continues to serve your members, such as offering employment or education opportunities. While revenue is essential, your members and commitment to your mission are paramount, which is why it's crucial to always keep them in mind when having discussions about running a social enterprise.

Tools required: Your organization's mission, vision, values and most recent strategic plan.

Answer these questions with capacity concerns for your organization in mind, but do not let it limit the range of possible ideas.

1. Why would you want to run a social enterprise?

2. What values are integral to how you run your association?

3. What services are you currently providing?



4. What needs exist within your community?

5. Can existing services be commodified or expanded to create revenue?

6. What assets do you currently have, and what can change?

Be vigilant in not exploiting your members for unpaid labour, but instead use them as an opportunity to create a source of income in which you can build your own community's financial capacity as well.

Capacity Assessment

The following questions were created to help you determine your organization's current ability to take on a new project. Creating a social enterprise can be a lot of work, and it's important to be aware of what kind of commitment you are able to take on.

What are the current projects your organization is leading?	On a scale of 1-5, how much capacity do these projects take? (1 = low, 5 = high)

1. If you launched a new project, will you need to hire someone to manage the project, create a new team, or contract an external consultant?

2. Does someone on your team/your staff have the following:
 - Light enough workload to take on a new project
 - Comfort with managing invoices, contractor payments, and product purchases
 - A background in business or marketing



3. What kind of financial risk is your board willing to take on?
 4. Do you have enough capital required to start a business?
 5. Will you need to apply for a grant or a loan?
 6. What kind of fundraising options have you exercised in the past?
 7. What are future capital raising techniques your organization can potentially access?
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Impact Measurement

After you have an idea for your enterprise, you need to consider the implications that may come with its creation. You must consider the **impact**, which is anything that your business might influence in some way. They can be positive, like increasing the number of relationships between community members, or negative, like polluting the community's water source through production. You must also then measure the impact, i.e. keep track of your impacts. **Impact measurement** makes it clear how the organization is changing over time to evaluate success.

Goals of Impact Measurement

1. Ensure your organization is being transparent to your community
2. Show funders the importance of your projects
3. Evaluate your own organization's goals and level of success

Business Impact Analysis Framework

It is a way of prompting you to think about different ways your social enterprise may impact the world around you. This model is typically used in risk analysis to predict how a disruption may impact different areas of a business, but it can be generalized for holistic business impacts, such as with a social enterprise.

Can you think of some questions in each category that make sense for your enterprise?

1. **Environment:** Considers how your product/service may influence physical spaces. Consider both what the potential impact on the environment is and how impact can be reduced if it's harmful.
 - Does your product significantly contribute to climate change?
 - Are there ways you can make your product more sustainable?

2. **Reputation:** Relates to the community relationships you have.
 - Is your product/service in line with your mandate?
 - Are you still meeting the needs of your community?

3. **Regulatory:** Anything pertaining to legislation and governance of your organization.
 - Are you investing 100% of your profits into community programs and services?
 - Are you staying up-to-date with financial management and covering taxes or meeting other fiduciary commitments?

4. **Financial:** Consider the financial wellbeing of your organization and any suppliers.
 - Are you making a profit?
 - What will the profit go towards in serving your community?
 - How will the profit reinvestment/change in services affect your community?

5. **Production Output:** Consider the labour and manufacturing of a product or service content.
 - Are you able to produce enough work to make a profit that can be reinvested?
 - Do you have enough staff to run existing community programs and services so the quality of your non-profit activities are not reduced?



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Once you have identified the areas of impact that most align with how your social enterprise will be governed and which outcomes you wish to have, you can use these categories as a benchmark to determine growth or loss over time. For example, we want to measure community impact broadly, and within that perhaps we have a goal of improving community engagement.

One method of impact evaluation could be seeing how many people attend your programs each month. As your social enterprise grows and changes, perhaps the time lost does not offset the added income to provide these programs. Effective measurement standards really help to make sure the project is on track and accomplishing the goals that you set out for it.

Based on what ideas you came up with in Defining Revenue above, what are some ways you could evaluate the success of your social enterprise?

Remember to consider both the financial impact and the community impact.

Environment, Social, Governance (ESG)

ESG investments are a framework that investors may use in assessing risk for social enterprises. Investors are starting to prioritize ESG alongside finances. This can help you stand apart from other companies when you apply for funding.

- **Environment:** Prioritizing sustainable practices (recycling, water management, etc)
- **Social:** Impact on local community and employee diversity and wellbeing
- **Governance:** Board diversity and company ethics policies

Presenting Your Measures

Who are you talking to? _____

Align the information you present with their financing priorities.

What type of loan do you want? _____

A line of credit is better for ongoing purchases and a loan is better for a lump sum purchase.

What kind of risk is involved for the investor? _____

Is it high risk with a lot of money and the potential for little return? Or lower risk because you have good credit and a good revenue plan?

What is the value that you are bringing to the investor? _____

Tell the story in a way that ties in your impact. If you get the money, what will change?



Now that you have thought through some of the first steps of creating a social enterprise, you can start to flesh out a business plan with other members of your organization. This is only the beginning, but there are a lot of opportunities for both your organization and your community with this type of business.

More details are available in the resources section.

Resources

Funding

- [Alberta](#)
- [Cape Breton \(New Brunswick\)](#)
- [Indigenous communities in Atlantic Canada](#)
- [Farming enterprises](#)
- [St. John \(New Brunswick\)](#)
- [Social Finance Fund \(National\)](#)
- [Futurpreneur \(National\)](#)
- [National Indigenous Funding](#)
- [Ottawa \(Ontario\)](#)
- [Southwestern Ontario](#)
- [Community Forward Fund \(National\)](#)

Social Finance Education

- [ESG Investing](#)
- [Myths on non-profit wealth building](#)

Impact

- [Sell With Impact BuySocial Report](#)