BALANCING THE DOUBLE BOTTOM LINE OF SOCIAL ENTERPRISE: AN EVALUATION OF THE BUSINESS COST RECOVERY METRIC

by

Taryn Pimento

A thesis submitted in conformity with the requirements for the degree of Master of Arts
Department of Adult Education and Counselling Psychology
Ontario Institute for Studies in Education of the University of Toronto

© Copyright by Taryn Pimento 2010
This study examines the utility of the Business Cost Recovery (BCR) metric, a social accounting tool that is used by social purpose enterprises in Toronto Enterprise Funds portfolio to separate their business and social costs. This research builds upon the BCR metric developing definitions for social and business costs and a guide to accompany the metric. The researcher tested the reliability of the metric using test-retest methods with 20 participants. Three social enterprise experts evaluated the validity of the reliability test.

The reliability test proved statistically significant, indicating that the BCR metric accompanied by the BCR guide can be used consistently. The BCR metric is a practical tool for the field of social accounting because of the relative ease with which it can be used to distinguish between social and business costs. The definitions created for this research can help mitigate ambiguity that exists across the field of social accounting.
Acknowledgements

It is a pleasure to acknowledge those who made this thesis possible. First of all, I would like to show my gratitude to my supervisor, Jack Quarter, whose expertise, patience, and guidance were invaluable to me throughout the writing process. I would like to extend my thanks to Sherida Ryan, who has made available her support in a number of ways. To Anne Jamieson and Susanna Cameron of the Toronto Enterprise Fund, thank you for collaborating with me on the background research for this thesis and for the very important work you do everyday.

My partner, Margo Foster, deserves acknowledgement for her never-ending support and for inspiring me to live life to its fullest. Thank you for challenging me and for teaching me so much.

I am also indebted to my family for providing me with the opportunities to learn and for teaching me to value education. Mom, thank you for the compassion you have always shown and for the countless essays of mine you have carefully sifted through over the years. Dad, it is because of you that I value life-long learning. To my sister, Taylor, I cannot possible explain how much your love and support means to me.

And lastly, I would like to express thanks to my academic peers, Madelyn Steed, Melissa Fong, Monica Kronfli, and Paul Pabello, for their advice and encouragement.
Table of Contents

Abstract...........................................................................................................................................ii
Acknowledgements.......................................................................................................................iv
Table of Contents............................................................................................................................v
List of Tables...................................................................................................................................vii
List of Appendices............................................................................................................................viii

CHAPTER 1  INTRODUCTION.................................................................................................1
  Background.....................................................................................................................................1
  Rationale for this study..................................................................................................................2
  Purpose of the Study and Research Questions...........................................................................7

CHAPTER 2  LITERATURE REVIEW AND OUTLINE OF CONCEPTS.............8
  Overview of the Social Economy.................................................................................................8
  Social Enterprise.........................................................................................................................10
  Social Purpose Enterprise Defined............................................................................................11
  Social Accounting Defined..........................................................................................................13
  Stakeholder Perspective...............................................................................................................14
  A Background on Social Accounting........................................................................................15
  The Evolution of Integrated Social Accounting........................................................................17
  Social Value...............................................................................................................................19
  Business Planning for Social Enterprise....................................................................................20
  Feasibility Studies for Social Enterprise....................................................................................22
  Defining Costs............................................................................................................................23
  An Introduction to Quantifying Social Costs.............................................................................27
  Clarifying Social Enterprise Mission.......................................................................................28
  Quantifying Social Costs............................................................................................................30
  Common Social Costs for Social Purpose Enterprises............................................................32

CHAPTER 3  METHODOLOGY AND RESEARCH DESIGN........................34
  The Business Cost Recovery (BCR) Metric..................................................................................34
  Background Work.......................................................................................................................36
  The BCR Social Accounting Guide............................................................................................41
  Overview of Study Methodology...............................................................................................44
  Participants and Procedures........................................................................................................48
  Consent........................................................................................................................................50
  Data Analysis.............................................................................................................................50

CHAPTER 4  FINDINGS.................................................................................................51
  Validity Testing............................................................................................................................51
  Reliability Testing.......................................................................................................................52
CHAPTER 5  DISCUSSION………………………………………………………………..56
Interpretation of Findings.................................................................56
Implications for Social Accounting.................................................58
Implications for Social Value........................................................59
Limitations of the Study...............................................................62
Future Research.....................................................................64
Conclusion............................................................................65

References..................................................................................67


**List of Tables**

<table>
<thead>
<tr>
<th>Table</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1</td>
<td>Social Entrepreneur Survey Responses</td>
<td>39</td>
</tr>
<tr>
<td>3.2</td>
<td>Calculating %Social for Employee Wages and Benefits</td>
<td>42</td>
</tr>
<tr>
<td>4.1</td>
<td>Business Cost Recovery Metric Validity Questionnaire and Responses</td>
<td>51</td>
</tr>
<tr>
<td>4.2</td>
<td>Correlation Coefficients by Survey Questions</td>
<td>53</td>
</tr>
<tr>
<td>4.3</td>
<td>Descriptive Statistics for Business Cost Recovery Questionnaires</td>
<td>54</td>
</tr>
<tr>
<td>4.4</td>
<td>Reliability Test Responses Among Different Participants</td>
<td>55</td>
</tr>
</tbody>
</table>
## List of Appendices

<table>
<thead>
<tr>
<th>Appendix</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appendix A</td>
<td>Business Cost Recovery (BCR) Metric</td>
<td>73</td>
</tr>
<tr>
<td>Appendix B</td>
<td>BCR Social Accounting Guide</td>
<td>75</td>
</tr>
<tr>
<td>Appendix C</td>
<td>BCR Metric Questionnaire for Social Entrepreneurs</td>
<td>93</td>
</tr>
<tr>
<td>Appendix D</td>
<td>BCR Metric Questionnaire for TEF Managers</td>
<td>95</td>
</tr>
<tr>
<td>Appendix E</td>
<td>Validity Testing Online Questionnaire</td>
<td>99</td>
</tr>
<tr>
<td>Appendix F</td>
<td>Validity Testing Online Questionnaire</td>
<td>101</td>
</tr>
<tr>
<td>Appendix G</td>
<td>Reliability Testing Questionnaire</td>
<td>103</td>
</tr>
<tr>
<td>Appendix H</td>
<td>Reliability Testing Case Study</td>
<td>104</td>
</tr>
<tr>
<td>Appendix I</td>
<td>Reliability Testing Fabricated Case Study</td>
<td>105</td>
</tr>
<tr>
<td>Appendix J</td>
<td>Toronto Enterprise Fund Training Case Study</td>
<td>106</td>
</tr>
<tr>
<td>Appendix K</td>
<td>Reliability Testing Participant Consent One</td>
<td>109</td>
</tr>
<tr>
<td>Appendix L</td>
<td>Reliability Testing Participant Consent Two</td>
<td>111</td>
</tr>
<tr>
<td>Appendix M</td>
<td>Search for Participants Email Script</td>
<td>112</td>
</tr>
</tbody>
</table>
CHAPTER ONE
INTRODUCTION

Background

The field of social accounting is vast and expanding to accompany a myriad of socially minded organizations that have both economic and social missions. This growth is much needed, as the logic of traditional accounting does not reflect the social values of organizations within the social economy. Organizations with both social and economic objectives include nonprofits, cooperatives, and social enterprises. Social enterprise is also known as social business enterprise, social purpose enterprise, and social venture, and “is a form of community economic development in which an organization exchanges services and goods in the market as a means to realizing its social objectives or missions” (Quarter, Mook, & Armstrong, 2009, p. 107).

Each social enterprise is developed to serve a target population and to function in the market economy. However, many social enterprises require external financial support to survive in the market economy. Some social enterprises sell products or services directly to their target population, others act as intermediaries, which buy goods produced by disadvantaged entrepreneurs and sell them on the market. A third model of social enterprise achieves social impact by employing their target population, who might otherwise be denied work (Alter, 2000). Although all social enterprises aim to satisfy both social and economic objectives, they function in different ways to do so. Similarly, social and business costs incurred are unique to each social enterprise, as social enterprises produce a broad range of products and services.
The Toronto Enterprise Fund (TEF) is an organization that supports the establishment of social purpose enterprises, providing transitional or permanent employment for people who are homeless or at risk of homelessness in Toronto. By working closely with the social enterprise managers, the Toronto Enterprise Fund has developed a social accounting tool, the 100% Business Cost Recovery (BCR) metric (Appendix A), as a measure of an enterprise’s financial sustainability. The Business Cost Recovery metric is calculated using a worksheet that is set up to help managers separate out enterprise business costs from social costs.

**Rationale for the Study**

According to TEF (Demonstrating Value, Framework and Tool Proposal, July 2007) “the separation of social and business costs enables managers to have a better understanding of exactly where specific costs are coming from and its required revenue mix (e.g. sales and grants). Furthermore net income with social costs removed reflects true business costs, thereby enabling managers to compare their performance with others in the industry” (p.15). The Business Cost Recovery (BCR) metric has been used by managers of the enterprises the fund assists. However, its use has not yet been documented, nor has it been tested.

The BCR metric has always been introduced and taught in a workshop exclusively by the manager of Toronto Enterprise Fund (TEF), who has held this position for the past six years. There are no formal written instructions indicating how the BCR metric should be completed. In this sense, the BCR is not a stand-alone tool, nor is it accessible to individuals and organizations outside TEF. This research aims to test the Business Cost Recovery tool with individuals who are
not familiar with the field of social accounting, to determine its strengths and limitations, and the breadth of its application.

In working with the Toronto Enterprise Fund and observing the use of the Business Cost Recovery metric, it is apparent to me that the tool can be more comprehensive, reliable, and valid than it currently is. The tool was developed by a consultant, and is only taught to social purpose enterprise managers by one particular TEF staff. While it is consistent for the staff to be the only person providing instruction for the BCR, I believe accompanying the BCR worksheet with a series of instructions and a guide accessible via the internet would improve its reliability and use across the country. Through this research I aim to adapt the BCR so that it is a comprehensive and accessible social accounting tool that can be used reliably by managers from differing social enterprises. Additionally, this modified BCR metric will be of use to social enterprise managers, parent organizations, and funders.

As is, the tool is fairly interpretive and requires a lot of guidance in order for it to be completed correctly. Social purpose enterprise managers may need a more stand-alone worksheet to maximize the potential benefits of the tool. Through this research I aim to evaluate social purpose enterprise managers’ current use and understanding of the BCR metric and whether or not they feel there are improvements and changes to be made.

It is important that the BCR is not only useful to the Toronto Enterprise Fund as a major funder but also to the managers who utilize it. I believe the BCR can be valuable not only for reporting to funders, but for managers to track and analyze costs and budget for the future, and as a
performance measurement. There are a number of existing social accounting tools that report performance to funders (e.g., Social Return on Investment [SROI], REDF Social Cost Tool, Expanded Value Added System [EVAS]) (Mook, 2007; REDF, 1996). The SROI and EVAS are important social accounting tools because they both ultimately measure the social value of business endeavours. While these tools are invaluable to the field of social accounting and to the social economy as a whole, they are developed for use by accounting professionals and are tools that are unnecessarily complicated for social enterprise managers, who often come from a social service background and may have little training in accounting techniques.

The Toronto Enterprise Fund’s Business Cost Recovery (BCR) metric, by comparison, is a much simpler social accounting tool that provides basic accounting information to social enterprise managers and funders. The tool supports and caters to the unique needs of social business. Social enterprises have both a for-profit and non-profit dimension and therefore they face salient tradeoffs between financial and social missions (Kersnar, 2006), and these missions are measurable through simple social accounting tools such as the BCR metric.

In addition to being the initial users of the SROI in North America, REDF has a social cost tool that is similar to the Business Cost Recovery metric. The purpose of both tools – to measure social and business costs in social purpose enterprises – is fairly simple. In reality, this task is complicated by a number of variables. Some businesses that are set up to create employment or training opportunities for people with disabilities will never become financially self-sustaining.
Like Toronto Enterprise Fund’s BCR, REDF’s spreadsheet for calculating social costs has few written instructions.

Despite the array of social accounting tools that are employed by social enterprises, none is used exclusively across the sector. This research aims to ensure the BCR is a reliable, valid, and comprehensive tool to assist social purpose enterprise managers in dividing social and business costs, recording expenditures and revenues, and budgeting. Social enterprises, parent organizations and external funders will benefit from a simplistic and comprehensive budgeting tool.

Another purpose of this research is to establish working definitions of social cost and business cost, two concepts upon which all social accounting tools are based. This will involve an investigation of the existing definitions of social and business costs and a reworking of these into two comprehensive and all-encompassing terms that may be used across the field of social accounting. I believe this work will make a significant contribution to all existing social accounting tools and therefore the whole body of literature. In addition to presenting definitions of social and business costs, this research aims to provide definitions for social and business costs relative to the specific line items of the Business Cost Recovery metric.

Furthermore, I aim to improve upon the current Business Cost Recovery tool by detailing each line item of the tool. This will include instructions to aid managers in establishing social and business components of their financial costs, and simple equations for certain line items (costs) where possible. The current application of the tool is vague both in the methodology of
determining costs and in the period for which these costs are calculated. I propose to organize the BCR tool worksheet in order for managers to calculate their social and business costs per month. I believe this figure is particularly important for managers to budget for upcoming months and to compare their monthly outcomes.

In order for this tool to prove comprehensive, valid and reliable, and for it to be of use to social enterprises across the country, I believe line items must be clarified and basic equations are needed to ensure accuracy. I believe this research will be of practical relevance to the field of social accounting, the Toronto Enterprise Fund, and all managers who employ the BCR metric. It will contribute to existing knowledge by developing common terminology for social and business costs, and as a social accounting tool for which there will be no parallel.

A major component of this research is an in-depth investigation of the working definitions of ‘social cost’ and ‘business cost’ being employed across the field of social accounting. Currently, there are a number of definitions, most of which possess some similarities. The relevant costs incurred by a social purpose enterprise, include both the costs of supporting the social mission(s) and the costs of fuelling the business component of the enterprise. This research aims to distinguish between social and business costs, theoretically, and for the purpose of clarity and reliability across social accounting tools. I believe it is essential both for the use of the BCR tool and for the field of social accounting at large to adopt common definitions of such fundamental terms.
Purpose of the Study and Research Questions

In short, the purpose of this study is to explore the current use of the Business Cost Recovery metric, and to improve the reliability and usability of the tool. The function of the Business Cost Recovery tool – to measure social and business costs in social purpose enterprises – is relatively simple. In reality, this task is complicated by a number of variables. This research aims to ensure the BCR is a reliable, valid, and comprehensive tool to assist social purpose enterprises in dividing social and business costs, recording expenditures and revenues, and budgeting for the future. Specifically, there are three research objectives: 1) To conceptualize and operationalize the terms social and business costs; 2) To develop an accessible guide for the Business Cost Recovery metric: and 3) To test the validity and reliability of the Business Cost Recovery (BCR)

This thesis consists of 5 chapters. Chapter 2 reviews relevant literature on the social economy and social enterprise, and the field of social accounting. Additionally, key concepts will be discussed. Chapter 3 outlines background research, the BCR Social Accounting Guide, and an overview of study methodology and research design. Chapter 4 presents the analysis of the data. Chapter 5 presents a discussion of study limitations, as well implications for policy, the field of social accounting, and future research.
CHAPTER TWO
LITERATURE REVIEW AND OUTLINE OF CONCEPTS

Literature Review

This section provides an overview of the social economy, reviews the literature on social accounting and social enterprise generally, and then describes and reviews the Business Cost Recovery (BCR) metric, a social accounting tool for social purpose enterprises. Additionally, the process of quantifying social and business costs will be discussed.

An Overview of the Social Economy

There is no conclusive definition of social economy, although most definitions consist of several overlapping characteristics. Quarter, Mook, and Armstrong (2009) describe the social economy as “a bridging concept for organizations that have social objectives as central to their mission and their practice, and either have explicit economic objectives or generate some economic value through the services they provide and purchases they undertake” (p. 4). There are several differing definitions of the social economy; however, Quarter et al. (2009) provide a clear and inclusive description of the blending of social mission and economic value fundamental to the social economy.

According to le Chantier de l’économie sociale (1996), the concept of the social economy combines two terms that are often seen a contradictory. Social refers to social return or social value, which is determined by the provision of a wide range of services in order to improve upon the quality of life and general well being of a population. Social impact can also be evaluated in
terms of the number of jobs created. Economy refers to the production of goods and services to increase collective wealth.

The Co-operatives Secretariat of the Government of Canada (2006) defines the social economy in terms of the distinct organizational forms that participate in it (i.e., foundations, co-operatives, mutual societies and associations that pursue both economic and social activities). The Quebec Task Force on Social Economy describes the social economy as a collaboration of “association-based economic initiatives founded on the values of solidarity, autonomy and citizenship” (Ninacs, 2002, p. 5). The social economy unites entrepreneurship with social objectives that are based on principles of participation, management, and individual and collective responsibility in valuing people above profit (Chantier de l’économie sociale, 1996).

The social economy is comprised of organizations that value social viability on par with or above economic profit (The Co-operatives Secretariat of the Government of Canada, 2006) and is often referred to as a spectrum of initiatives that do not fit into the public economy or the private sector. While this is true, it is a simplistic view of the range of organizations pursuing social, financial, and environmental returns.

For the purpose of this research, the social economy is defined as a diversity of organizations that support community needs and are governed by social missions that guide their programs and policies. Some social economy enterprises operate in the market economy; however, all organizations value social and environmental goals above the accumulation of capital.
Social Enterprise

As mentioned above, social enterprises are business ventures with the dual purpose of generating revenue and creating social value or purpose. Also known as social business enterprises, social firms, nonprofit enterprises, social purpose businesses, and social ventures (Quarter, Mook, & Armstrong, 2009), social enterprises can take a variety of forms and create social value through a diversity of means. In terms of revenue generation, a social enterprise may create products to be sold on the market or deliver services for monetary exchange.

Social enterprises are organizations that balance social and financial missions and earn revenue by operating within the marketplace (Quarter, Mook, & Armstrong). Social enterprises differ from for-profit businesses with social initiatives, in that their social objectives are their raison d’être and are fundamental to the organization’s decision-making and operations. Unlike social enterprises, corporate social responsibility (CSR) is often seen as a marketing strategy in response to the general public’s growing interest in corporate accountability. As Quarter, Mook and Armstrong argue, it is in the best interest of for-profit businesses to be perceived as good corporate citizens, which is often the rationale behind CSR. Thus, social objectives are not crucial to the culture of for-profit business as they are to social enterprises.

From a fiscal perspective, a social enterprise can generate anywhere from a few percent to one hundred percent of its business and social costs. While some social enterprises are capable of earning a considerable percentage of their revenue from the marketplace, most require financial support from a parent organization (Alter, 2000).
Parent organizations, most often in the form of nonprofits, charities, or co-operatives, provide oversight and financial support to social enterprises” (Enterprising Non-Profits Program, 2005, p. 25). Parent organizations may support a social enterprise anywhere from the completion of its startup process until the point when the enterprise reaches financial viability.

A social enterprise is considered financially viable when it no longer requires subsidized funding to support its social mission (Alter, 2000). Most social purpose enterprise parent organizations and funders emphasize financial viability through revenue generation. However, financially supporting business operations while simultaneously advancing a social objective is usually an unrealistic goal for any social purpose enterprise. Thus financial viability or profitability is an objective many social enterprises strive for, but it is secondary to supporting its mission. In other words, it is very common for social enterprises to create significant social value and never reach financial viability.

As Quarter, Mook, and Armstrong (2009) assert, “market-based solutions to social problems has attracted great interest since the 1990s” (p. 108). The neoliberal agenda, which has led to a decrease in social spending, has provided impetus for the development of social economy organizations. More and more communities are looking to the social economy to help counteract cuts to social programs by contributing to community economic development.

Social Purpose Enterprise Defined

Social purpose enterprises are social enterprises that provide transitional or permanent employment for people who are socially marginalized. Definitions of social purpose enterprise
vary among practitioners. The Toronto Enterprise Fund (2003) describes social purpose enterprises 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” (p. 1). The Robert’s Enterprise Development Fund (REDF, 1996) defines a social purpose enterprise as “a revenue-generating venture founded to create jobs or training opportunities for very low income individuals, while simultaneously operating with reference to the financial bottom-line”.

In other words, a social purpose enterprise is an alternative business whose main objectives are to address social needs whilst working within the market-based economy. Toronto Enterprise Fund (2003) explains that social enterprises straddle business and social sectors and contribute to society in a “practical” and “holistic” way (p. 1).

Social purpose enterprises provide opportunities for addressing social and economic issues. By employing the disenfranchised, social purpose enterprises can serve as a primary source of livelihood for a population who might otherwise be without work. Some of these enterprises are training organizations that help participants to enter the mainstream workforce, and others provide this target population with permanent employment. In both cases, social purpose enterprises actively assist in reducing poverty and dependence on social assistance. Just as cuts to social spending have contributed to the rise of social economy organizations, the deinstitutionalization of psychiatric facilities has led to large numbers of unemployed, at-risk individuals, and therefore a societal need for opportunities for these individuals.
Social Accounting Defined

A significant body of literature on social accounting exists. However, social accounting for enterprises with a social mission is a much newer and less developed field of research (Mook, Quarter, & Richmond, 2007). As defined by Mook et al., social accounting is “a systematic analysis of the effects of an organization on its communities of interest or stakeholders, with stakeholder input as part of the data that are analyzed for the accounting statement” (2007, p. 2).

Spence (2007) defines social accounting as “all elements of the practice of social, environmental and sustainability accounting and reporting” (p.7). Gray, Dillard, and Spence (2009), describe social accounting as a diverse notion with a variety of practices that can range from non-profit sector syntheses to environmental management accounting. One cannot define social accounting as singular or restricted in its scope. However, all social accounting approaches are produced to understand the effects that organizations have on the communities in which they are situated or those to which they relate.

Traditional accounting ignores the social and environmental impact of organizations, which undermines the very essence of social economy organizations. As Quarter et al. (2009) articulate, “social goods and services, ones that are not given a monetary value, are often a large part of the operations of a social economy organization. Without taking these goods and services into account, there is neither a clear pictures of a non-profit’s performance nor the contributions made by its volunteers.” (p. 313). Thus, Quarter et al. (2009) explain that social accounting is needed to report the unique activities of organizations that are created to fulfill social missions.
One of the most basic premises underlying social accounting is that organizations are held responsible by the public – not just by financial shareholders – to be transparent about their interaction with, and impact on, the environment and society (Adams, 2002; Bebbington, 1997; Gray et al., 1987, 1995, 1996, 1997; Mook, Quarter & Richmond, 2007; Spence, 2007; Thomas & Bebbington, 2005). This sense of accountability in social accounting is often referred to as a stakeholder perspective, in that its approaches account for how stakeholders contribute to and are influenced by social economy organizations.

**Stakeholder Perspective**

The most widely accepted definition of stakeholder, as presented by Freeman (1984, p. 46), is: “any group or individual who can affect or is affected by the achievement of the organization’s objectives”. Clarkson (1995) divides stakeholders into two further categories: primary and secondary. Clarkson describes the primary stakeholders as those groups whose continuing participation is so integral to the operations of an organization that it cannot survive without them (e.g. employees, customers, suppliers, markets). Berman et al. (1999) refer to key stakeholders rather than primary stakeholders, but provide a similar definition to Clarkson’s primary stakeholder concept. Secondary stakeholders, on the other hand, are referred to as individuals who do not engage in transactions and are not vital to the survival of an organization, but who influence or affect or are influenced or affected by it (Clarkson, 1995).

Although Clarkson (1995) and Berman, Wicks, Kotha, and Jones’ (1999) stakeholder concepts are directed to for-profit businesses, many of these notions can be usefully applied to social economy organizations (Mook, 2007). The stakeholder theory stresses the significance of
developing sound relationships with individuals who are integral to and those who are more external to the enterprise. This reciprocal relationship between organization and stakeholders makes clear some of the ways in which social accounting can be used as a driver for social change (Mook et al., 2007). Paying such attention to reciprocal relationships is something corporate social accounting practice has failed to do. In sharp contrast to the stakeholder-focus of social accounting, corporate social accounting practices tend to conceal social and environmental wrongdoings, further condoning both irresponsible corporate behavior and the exploitative societal structures upon which such activity depends.

Many theorists suggest that one of the roles of social accounting is to examine the contradictions and the procedural and structural limitations inherent to capitalism, and to expose and critically engage with its structural limitations (Gallhofer & Haslam, 1997; Lehman, 2001, Spence, 2007). Similarly, Thomas and Bebbington (2005) explain that social accounting should be transformative, demonstrating a “multiple and subjective understanding” (p. 520) of the interactions between organization, society, and environment. Cooper, Smith, and Catchpowle (2005), argue that it is imperative that the discipline of social accounting be situated within the broader socio-political context in which it operates.

A Background on Social Accounting

In the early stages of social accounting practice, accountants relied heavily on accounting principles and practices from the private sector. Over the past two decades, the field of social accounting has become more independent from private sector theory and practice, as it “need only engage with the baggage of traditional accounting to a very limited- and possibly deliberate-
degree” (Gray et al., 2009, p. 551). Many argue that the most significant developments made by the field of social accounting are not attributed to the pre-existing literature and principles of traditional accounting (Pearce, 2003; Pearce & Kay, 2005; Pestoff, 2004; Quarter et al., 2003).

According to Mook (2007), social accounting tends to incorporate economic, social, and environmental concerns. Economic concerns are those related to the production, distribution, and consumption of goods and services. Social components are those pertaining to society, and the welfare of individuals or groups within. Lastly, environmental concerns focus on the impact of an organization on the health and behaviour of people within a geographic sphere.

Social accounting is a distinct field, as traditional accounting focuses exclusively on financial aspects of economic decision-making. Traditional accounting concentrates on the reporting of quantitative financial information (American Institute of Certified Public Accountants (Accounting Principles Board, 1970, Section 1023). In contrast, social accounting incorporates a wider scope of considerations, including those that have an impact on stakeholders other than the shareholders (Mook, 2007). Mathews and Perera (1995) describe “social accounting” as “a comprehensive form of accounting which takes into account externalities” (p.364). Furthermore, social and ethical accounting is concerned with an organization’s impact on society and about its “relationship with an entire range of stakeholders – all those groups who affect and/or are affected by the organization and its activities” (Institute of Social and Ethical Accountability, 2000, p. 1, as cited in Mook, 2007).
Mook (2007) separates social accounting endeavors into two broad categories: supplemental social accounting and integrated social accounting. The former utilizes qualitative data and descriptive statistics in order to determine the degree to which an organization fulfills its mission, meeting the needs of its stakeholders (New Economics Foundation, 1998; Sillanpaa, 1998, Zadek, 1998). Supplemental social accounting is frequently viewed as an addition to financial statements, receiving secondary consideration (Coupland, 2006). Accordingly, such qualitative accounting is often unacknowledged (Laufer, 2003; Owen & Shift, 2001).

The second category, integrated social accounting, incorporates social, environmental and economic data within an accounting statements (Mook, 2007). Instead of supplementing financial reports, social and environmental dimensions are also integral components of the accounting statement. Integrated social accounting models therefore consider an organization’s influence in all three areas, combining these performance measures in a single statement. In doing so, a monetary value is assigned to social and environmental performance in order to express the data in the accounting statement in a common (financial) language.

The Evolution of Integrated Social Accounting

Integrated social accounting first appeared in the 1970s, disappeared in the 1980s, and then resurfaced in the 1990s (Mook, 2007). Here, its first appearance is referred to as the first wave of integrated social accounting. The re-emergence of integrated social accounting in the 1990s is described as the second wave.
The emergence of integrated social accounting in the 1970s was characterized by an increasing public demand for information about the social impact of for-profit organizations. During this time alternative models of accounting were employed in an attempt to measure expenditures and their associated social impacts (Dilley & Weygandt, 1973).

Linowes (1972) published the Socioeconomic Operating System, calculating the difference between a business’ voluntary expenditures aimed at social improvement and social nonactions – those detrimental issues management chose to disregard. Linowes’s monetization of social actions was seen as controversial, leading to its dismissal by most critics (Bauer, 1973; Burton 1973; Lewis, 1973; Mobley, 1973). However, Linowes’s work provided a springboard for other models of social accounting.

Another early model of social accounting is the Abt model (Abt & Association, 1971, as cited in Butcher, 1973). The Abt group modified previously existing accounting statements in an attempt to broaden the scope of items included. Although inclusive, this approach was believed to be too complicated and impractical for a method of accounting (Bauer & Fenn, 1973). Shortly after, Estes (1976) created the Social Impact Statement, using social benefits and costs to determine a “social surplus” or “social deficit”.

The first wave of integrated social accounting was followed by a period in which the field of research appeared untouched. However, integrated social accounting gained greater visibility in the early 1990s. The triple bottom line approach proposed by Elkington in the early 1990s marked the return of integrated approaches to social accounting (Elkington, 2004). The concept
of the triple bottom line refers to a union between social equity, environmental equity, and economic prosperity (Elkington, 2004).

Similarly, Bent and Richardson (2002), as cited in Mook (2007), put forward a financial sustainability accounting model. This model incorporates a Value Added Statement, an Environmental Financial Statement, and a Social Financial Statement measuring an organization’s performance and reporting on profit or loss. Bent and Richardson’s (2002) profit and loss statement became the most extensive inclusion of environmental, social, and economic factors.

The second wave accounting also brought about a rise of social accounting for organizations outside of the for-profit sector (Mook, 2007). Traditional accounting practices impractical for organizations within the social economy (non-profits, co-operatives, and social enterprises) began to be challenged by models of social accounting (Mook, 2007).

**Key Concepts**

**Social Value**
A number of researchers have used variations on cost-benefit analyses to calculate the total social value of an organization (Estes, 1976; Land, 1996; Linowes, 1972, 1973). Estes (1976), for example, developed a Social Impact Statement (SIS) to total the “social benefits” and “social costs” of an organization. The SIS calculates “social surplus” or “deficit” as the difference between “social benefits” and “social costs”. Similarly, the Social Return on Investment Model
(SROI) developed in the 1990s generates measures for the economic value of a social enterprise.

As social enterprises become more widespread, it is essential that scholars and practitioners continue to broaden the scope of social accounting to meet the growing need for practical and accessible ways to measure social value. The prosperity of the social economy is rooted in the balance between economic and social priorities (Gray, Owen, & Adams, 1996; Hines, 1988; Morgan, 1988). Thus tools measuring social and business costs are essential to determining the value of social enterprises in economic terms, as well as for social enterprise managers who balance the social and business costs in such organizations.

Business Planning for Social Enterprise

Although social enterprises can differ to a great extent in function and execution, a business plan is a standard tool that can be of use to most social enterprise managers (Enterprising Non-Profits Program, 2005). Essentially, a business plan is the “road map of your social enterprise program” (Enterprising Non-Profits Program, 2005, p. 19), which determines how an organization is managed and run, and how the goals and objectives of the organization arise. According to Azer, 2005), “Business planning, both the process and the resulting document, can provide incredibly powerful and positive tools for a new enterprise” (p. 89). A business plan considers the allocation of organizational resources, goal setting, and the measurement of financial viability.

There is increasing support among agencies to operate social enterprises in a businesslike fashion (Gibb & Manu, 1990). Accordingly, concepts such as “financial viability” and “cost recovery” are being used across the discipline. Investors, in particular, are motivated by financial
performance-based objectives (Enterprising Non-Profits Program, 2005), as a good social enterprise has a strong financial plan (Azer, 2005). Conversely, poor financial planning is one of the main causes of business failure regardless of the sector in which the business operates.

Standard business tools are not sufficient, nor are they designed for planning and accounting in social economy organizations. As Azer (2005) states, “balancing social and financial goals is the principal challenge for non-profit social entrepreneurs” (p. 95). This research is one of many endeavours that aim to bridge the gap between business and non-profit practices and address the “double-bottom-line” of social enterprises.

The development of comprehensive business planning tools will support the adoption of social accounting practices by social economy practitioners. For instance, many social enterprise managers and their partner organizations (non-profits) have financial statements prepared by accounting professionals. This is not always desirable, or even possible, as funding is often limited and many accounting professionals do not have experience with accounting beyond the single bottom line of profit-oriented corporations. Furthermore, contracting out accounting work impedes the development of social enterprise managers, dedicated social entrepreneurs who have an aptitude for learning and reaching beyond the scope of business knowledge. Building management’s capacity for financial planning, according to Azer (2005), is critical to sustaining an enterprise. Thus social accounting tools should be user-friendly and designed to accommodate users with a limited background in accounting practices.
Feasibility Studies for Social Enterprise

It is often recommended that social entrepreneurs conduct feasibility studies, which assess the organizational, business, and social viability of their ideas before they are put into action. The Toronto Enterprise Fund (TEF), a parent organization that supports social purpose enterprises recommends this process be conducted prior to the development of a business plan.

A feasibility plan is comprised of: an organizational assessment (a brief evaluation of the fit of the business with its partnering organization); a business assessment (the potential of business ideas to generate revenue and break even (a concept referred to by TEF as “100% business cost recovery”)); and an evaluation of the social feasibility of the enterprise idea (if it is likely that the enterprise will succeed in helping the target population and/or its employees build sustainable income and eventually connect with permanent employment opportunities).

Making a decision without research can be costly. Thus, conducting a feasibility study reduces the risk that a social venture might fail, as it is during this process that the social entrepreneur must assess the viability of the social enterprise idea, as well as consider alternative approaches and solutions to setting up the social venture (Together Works Community Interest Company, n.d.).

Along with the development of social enterprise business plans, many parent organizations and funders recommend that social entrepreneurs seek assistance from Small Business Advisory Centres, accountants, banks, and/or business advisors or consultants. Often these resources are inaccessible, as many social entrepreneurs do not yet have the financial backing to seek the
assistance of paid supports. Just as components of the business plan should be more readily
available for aspiring social enterprise entrepreneurs/managers, comprehensive templates for
conducting feasibility studies and affordable or non-profit enterprise supports would be valuable
assets to the social enterprise community.

Defining Costs
Social enterprises are unique in that to support their social mission, they incur additional costs
that traditional for-profit businesses do not. Toronto Enterprise Fund (TEF) supports social
purpose enterprises that explicitly employ a disadvantaged population, in addition to providing
otherwise inaccessible services and opportunities to people who are homeless or at risk of
homelessness. Thus the social purpose enterprises supported by TEF often require substantial
funding in order to offset the social expenses of satisfying their social missions. Social costs are
expenses incurred due to a social mission and are above and beyond typical for-profit business
operating costs.

Both traditional for-profit and traditional non-profit approaches to accounting are not sufficient
for social enterprise. Traditional nonprofit approaches to accounting consolidate all revenue
sources, including grant and business revenues. Combining these two revenue sources makes it
difficult to assess the performance of a social enterprise and compare its revenues with expenses
(Gowdy, 1997). Traditional non-profit accounting approaches also do not account for social
costs, but rather think about cost as encompassing all expenses without differentiating between
social and business ones. Historically, traditional non-profits have not accounted for costs that
are incurred as a result of their social mission (Gowdy (1997). For these reasons, traditional non-
profit accounting methods cannot be used to accurately assess social enterprise and business performance.

There are two main problems with using traditional financial reporting to account for social enterprise. If a social enterprise uses private sector financial reporting, social costs are not differentiated from business costs and the enterprise’s expenses appear as wholly business operating costs. With social and business costs combined, operating costs of the business aspect of the social enterprise seem much higher than they really are, and overstating business costs results in a lower report of net income. Secondly, traditional accounting methodologies do not account for social costs, a financial figure that provides social enterprise managers, parent organizations and funders with an estimation of how much financial support a social enterprise needs.

Quantifying expenses and making financial projections are important components of determining the capital needs and financial feasibility of a social enterprise. Using these benchmarks, enterprise risk can be assessed (Azer, 2005). Thus a thorough business plan should include an estimate of enterprise value and describe the ways in which enterprise value or success is evaluated. One of the assumptions of this research is that it would be beneficial for social enterprise stakeholders, and the field of social accounting at large, to have access to common terminology and shared social accounting tools as measures of “success”.

A valuable skill for social enterprise managers is to be able to distinguish social costs from business costs. Oftentimes this is a challenge even for those with a background in accounting, as the nature of social enterprise itself intertwines social and business ideologies. As Alter (2000)
explains, social enterprise managers must juggle both social and business aspects of the social enterprise. In order to balance this complex task, Alter (2000) recommends social enterprise managers “segregate the costs of these distinct functions that run simultaneously” (p. 273).

The separation of social and business costs is necessary to prepare financial statements that can be used to measure enterprise performance. Net income with social costs removed reflects true business costs, allowing social purpose enterprise managers to compare their performance with industry standards (Starkey, 1999). The ability to compare a social purpose enterprise’s business performance with that of similar for-profit businesses is an asset for the social purpose enterprise manager, whose responsibility is to ensure their social purpose enterprise is competitive in the market. This is the case whether financial statements are prepared by enterprise managers or by hired accountants. Knowledge of a social enterprise’s expenses and revenues equips its manager to make informed decisions about strategic marketing, pricing, and product development, in order to compete with for-profit businesses delivering similar products.

Furthermore, the separation of social and business expenses is fundamental to evaluating social programming and “allows managers to measure the effectiveness of achieving social impact objectives” (Alter, 2000, p. 273). Just as subtracting business costs from business revenue is an indication of the success of the business aspect of the social enterprise, social revenue (subsidies and funding) with social costs subtracted suggests how the enterprise is performing in a social capacity.
As Gowdy (1997) asserts, “(i)n order to understand the true cost and benefit of engaging in social purpose enterprise development, accounting systems must be in place to provide managers with sound data upon which to make operational decisions” (p. 104) The Toronto Enterprise Fund’s BCR metric is one of the few tools that unify non-profit and for-profit accounting systems.

The Business Cost Recovery (BCR) metric is an informative social accounting tool that is used to evaluate the relationship between a social enterprise’s social costs and social value. Social accounting tools such as REDF’s Social Return on Investment (SROI) and Mook’s Expanded Value Added System (EVAS) are common social accounting tools designed to determine, in financial terms, the social value of social enterprise initiatives. The BCR metric is valuable as a stand-alone tool and as a comparative tool that can be used to assess social value. The BCR metric can provide an estimate of enterprise social costs with which to compare the social value of enterprise outputs.

When social costs are tracked, they can be weighed against estimates of social impact to ensure that any increases in social costs are accompanied by rises in social value. Budgeting and tracking costs helps determine both the extent of social costs and which ones yield the largest benefit to the target population. Having access to social accounting tools that help separate out social and business costs allow social enterprise managers, funders, and parent organizations to understand what social returns are being generated by social revenues (subsidies and funding). Alter (2000) explains that some social costs are investments that contribute to financial return and that separating costs enables managers to determine which social costs increase revenue and
which will require continual subsidization. Making this differentiation is helpful for managers who are responsible for planning for enterprise “future resource acquisition” (Alter, 2000, p. 274).

For instance, most social purpose enterprises provide training opportunities to the target populations they employ. Additional skills and customer-service training, to a certain extent, can improve financial return. However, if a social purpose enterprise functions to provide transitional employment for a target population and functions more as a gateway to other working opportunities, it is less likely that the enterprise will yield financial return than if it provided more permanent employment to its target population. Providing extensive training to transitional employees, while important, is less of an investment for the social purpose enterprise than providing the same training to more permanent employees. A social purpose enterprise providing transitional employment opportunities has a relatively high turnover rate, and will therefore require continuous subsidization for training the target population they employ. Due to the disadvantaged nature of the social purpose enterprise workforce, most social purpose enterprises rely on additional supervision and management to function smoothly. The social cost of additional supervision and management is another expense that requires constant sponsorship.

An Introduction to Quantifying Social Costs
Quantifying social costs is more an exercise in clarification than of discovery. Social enterprise managers can account for enterprise expenses with ease, but it is the categorization of these expenses that proves to be a challenge. Currently, the process of quantifying social costs is often unclear and subjective, and the vague term for “social cost” that exists does not provide any
insight into specific social costs. It is therefore unclear what constitutes a social cost and the unit under which a specific social cost should be quantified. Starkey (1999) asserts, “(t)he need to gather and track social data is offset by the challenge of doing so successfully” (p. 96). Nevertheless, the benefits of quantifying social costs, however difficult, are vast. Social costs are attributable to a social mission, which is the foundation upon which social enterprise is built.

Clarifying Social Enterprise Mission

As discussed above, allocating social costs is the real challenge when it comes to accounting for social enterprise (Starkey, 1999). It is fairly straightforward to identify the costs of running a small business, as the business itself bears the majority of operating costs. However, social enterprise expenses are sustained not only by the enterprise itself, but also by its parent non-profit organization and sometimes other funding organizations.

An organization “must clearly understand and state its mission relative to the social purpose enterprises it operates” (Starkey, 1999, p. 109). In other words, identifying the organization’s overarching social mission is the first step to understanding the social costs incurred by its social purpose enterprise. For example, Toronto Enterprise Fund’s mission is “(t)o be a leader in supporting the development and sustainability of social purpose enterprises that result in improved community involvement, economic participating and quality of life for people who are socially marginalized (Toronto Enterprise Fund, 2010).

Upon clarifying its own social mission, an organization is better equipped to define business success and the social mission of its social purpose enterprise. Starkey (1999) explains that social
purpose enterprises supported by REDF “must first and foremost embrace the core mission of operating with no significant net loss to the business” (p. 110). Although this is an important operating goal, it is incredibly challenging for social purpose enterprises to generate the same or more revenue than their expenses, especially within the first year of its establishment. Currently, many Canadian and American social purpose enterprises operate at a deficit. However, many of these generate a considerable number of job opportunities and are considered socially valuable. Even for social purpose enterprises that generate significant revenue from their business operations, it is realistic to assume most social purpose enterprises will require some level of ongoing subsidy to support their social missions (Azer, 2005).

Having clarified the organizations social mission and the enterprises business mission, the organization will have a better understanding of the social objective from which social enterprise social costs will stem. The social mission may be to successfully transition people from homelessness or welfare to the workforce. It may be to provide long-term employment opportunities for people who are socially marginalized.

For the purpose of this research, social costs are defined as additional expenses, above and beyond typical for-profit business costs, incurred to accomplish a social mission. Social costs are the existing expenses when business costs are subtracted from total costs. In contrast, business costs are expenses that are incurred to produce a commodity. Business costs can also be understood as the costs of operating the business aspect of the social purpose enterprise, those that are incurred by similar for-profit business in the same industry. The relationship between social costs and business costs is such that together they add up to social purpose enterprise total costs.
In the *Business Cost Recovery (BCR) metric Social Accounting Guide* (Appendix B), specific social costs are described for each line item of the BCR metric. Starkey (1999) explains, “if the (organizations) mission is clearly defined, it will be easier to identify when an enterprise has succeeded in fulfilling its part of that mission and what costs it incurs in doing so” (p.110).

**Quantifying Social Costs**

Determining social costs is a difficult task. According to Gowdy (1997), most social enterprise managers rely on their gut feelings and experience as a way of estimating social costs. In determining social enterprise social costs it is common practice for social enterprise managers to choose a percentage of total expenses that they feel reflects social costs. Once a social enterprise manager determines this percentage, she often continues to use this figure even as the social enterprise evolves. One problem with this method of estimation is that it is not based on any agreed-upon criteria and therefore managers must rely fully on gut feeling and previous experience. Many social enterprise managers have no previous experience with for-profit enterprises and therefore have no concept of which costs are above and beyond business operating costs. For example, how would a social enterprise manager with no to limited business experience gauge whether 50% or 60% of her total salary is a social expense?

A lack of regulation in this field makes it challenging to determine how we can accurately quantify social costs (Gowdy, 1997). To improve usability of the Business Cost Recovery (BCR) metric and for other social accounting tools, the researcher has developed a guide to accompany BCR metric. The guide provides step-by-step instructions as to how to identify social and business costs for each category (line item) of the social accounting tool, as well as examples
specifying how to calculate social and business costs. The *Business Cost Recovery (BCR) Metric Social Accounting Guide* is discussed at length in Chapter 3. The researcher has defined the social cost of staff salaries in terms of typical social enterprise management roles and tasks. By specifying costs and using time (in hours) as a unit of measurement, social enterprise managers should be able to determine the social cost percentage of their salary more accurately.

Common Social Costs for Social Purpose Enterprises

While quantifying specific social costs (e.g. social costs of employee wages, social costs of materials, etc.) is a difficult task, it is not as tough to detect common themes among these costs. For example, it is common for social enterprise employees, especially social purpose enterprise employees who are from marginalized target populations, to have a relatively low level of productivity. Lower employee efficiency should be anticipated due to the disadvantaged nature of the labour force. Gowdy (1997) argues that lower employee efficiency is a reality in all social purpose enterprises and that social purpose enterprise employees should not be expected to keep up with for-profit industry standards. Additionally, social enterprise managers tend to spend quite a bit of time providing support and addressing employees’ personal issues. This is time that a for-profit enterprise manager would not spend with her employees.

Accounting for all social costs is incredibly important, and “should not be viewed by business managers as a way to carry inefficiencies in the business operations or “bury” costs, since the total costs are still a part of the overall performance of the enterprise” (Gowdy, 1997, p. 101). Chapter Eight of *Managing the Double Bottom Line: A Business Planning Reference Guide for Social Enterprises* (Alter, 2000, p. 276) includes a reference table that lists examples of social
costs that a social enterprise is likely to incur after the start up phase is complete. Gowdy (1997) and Starkey (1999) also provide examples of social costs commonly incurred by a social purpose enterprise.

Specific costs incurred will vary with each social enterprise; however, some common social costs are:

- A lower level of productivity among employees
- Extra employee training costs
- Additional management and supervisory costs
- Time spent addressing employees’ personal issues
- Cost of job counselors and/or life coaches for employees
- Tours/site visits and activities necessitated by parent organization/affiliated non-profit
- Increased employee turnover (depending on the social mission)
- Increased materials wastage

As demonstrated in the Business Cost Recovery (BCR) metric Social Accounting Guide (Appendix B) common social purpose enterprise social costs are tied to relevant BCR metric line items. For example, extra employee training costs, a lower level of productivity among employees and high employee turnover all contribute to the social costs of the BCR line item “employee wages and benefits” (Appendix B, p. 6).

It must also be acknowledged that some social costs are supported by neither the parent non-profit nor the business, but are carried instead by other non-profits and public services (Gowdy, 1997). Some of these social subsidies may include, but are not limited to, programs such as
counseling services, childcare, housing support, and educational support. We cannot account for these external costs in a social purpose enterprise; however, the costs that are carried by social services and other non-profit organizations are of great magnitude.

Conclusion
This chapter included a review of key literature and concepts, with an emphasis on quantifying costs relevant to social purpose enterprise accounting. While accounting for business costs is central to making informed decisions in a social purpose enterprise, accounting for social costs facilitates decision-making regarding the heart of the social purpose enterprise – the social mission. The more accurate a social accounting tool, the more effectively a social purpose enterprise can achieve both social and financial goals. The ability to compare social costs and business costs, and social costs with social impact is invaluable social purpose enterprise managers.
CHAPTER 3

 METHODOLOGY AND RESEARCH DESIGN

Introduction
This chapter highlights the process of researching the Business Cost Recovery (BCR) metric. The chapter is organized as follows: A project that has provided background work for this research will be discussed, and an in-depth description of the BCR metric and explanation of its current use will be presented. The researcher’s decision to develop the Business Cost Recovery Metric Social Accounting Guide is explained and the guide is described. The meanings of validity and reliability in theory and in relation to the BCR metric will be elucidated, and the relationship between the two explained. Lastly, this chapter provides information about the methodological approach and research design employed for testing the reliability and validity of the Business Cost Recovery (BCR) metric.

The Business Cost Recovery Metric
There are few tools that specifically cater to balancing the social and business costs typically incurred in social enterprise ventures. As discussed in Chapter 1, the Toronto Enterprise Fund developed the 100% Business Cost Recovery (BCR) tool (Appendix A) as a rubric for social accounting that measures business cost recovery after social costs are removed from the equation.

The Business Cost Recovery (BCR) metric is a cash flow statement that serves as a budgeting tool to help social purpose enterprise managers understand and balance enterprise expenses. The
BCR metric is designed so that business costs and social costs can be separated, which enables managers to have a better understanding of where specific costs are coming from and how much of those expenses are being covered by grants and business revenue. By subtracting social costs, managers can better see the relationship between business expenses and business revenue. Subtracting social costs should better reflect the true cost of social enterprises and can compare their performance with for-profit industry standards.

The BCR metric is set up as a spreadsheet, with line items that each account for different social purpose enterprise costs. BCR metric users are instructed to insert the total cost for each line item, to calculate or estimate the percentage of the cost that is attributed to the social mission and the percentage of the cost that is attributed to business operations. The social purpose enterprise manager should monitor the total monthly cost for each line item, keeping track of all incurred expenses and allocating them to their appropriate cost categories (line items).

The BCR metric line items include: employee (participants) wages and benefits, materials, staff salaries, staff benefits, rent and utilities, equipment, advertising and promotion, maintenance and repairs, insurance and licenses, transportation and delivery, office supplies and postage, loan interest and repayment, bank charges, and land and leasehold improvements. The challenge is not in allocating costs to their appropriate cost categories, but in determining how much of each cost is related to the social mission and how much is due to the business operations. The *Business Cost Recovery (BCR) Metric Social Accounting Guide* (Appendix B) is designed to facilitate this process.
Background Work: Pre-test Surveys

The background work for this research was conducted between June and September 2009, for a Community University Research Alliance (CURA) project on the social economy, led by professor Jack Quarter. Along with a lead person from the Toronto Enterprise Fund (TEF), my job as a researcher for this CURA was to investigate the strengths and weaknesses of the BCR by working closely with Toronto Enterprise Fund staff, the managers that run the social purpose enterprises in TEF’s portfolio, as well as social entrepreneurs who applied for TEF’s 2009 Business Plan Competition. This thesis research builds upon the CURA project.

Social Entrepreneurs

To examine the strengths and weaknesses of the BCR metric, social entrepreneurs who had just been introduced to this approach were asked to complete a brief paper survey on their first impressions of the BCR metric. The social entrepreneurs were all applicants to Toronto Enterprise Fund’s Business Plan Competition, an annual event that awards seed funding to up to three social purpose enterprises.

Toronto Enterprise Fund describes a comprehensive business plan as consisting of a detailed investigation and explanation of organizational structure, market research, a marketing plan, a business operations plan, a human development plan, a risk assessment, and a financial plan.¹ The financial plan includes a sales forecast, cash flow forecast and three-year budget for the proposed social purpose enterprise. The BCR metric is the worksheet for planning and calculating the three-year budget and therefore a critical piece of the financial business plan.

¹ For more information on Toronto Enterprise Funds Business Plan requirements: http://www.torontoenterprisefund.ca/bin/apply/comprehensive_biz_plan.cfm
According to TEF, submitted business plans should show organizational, business, and social feasibility of the proposed social purpose enterprises. One of the measures of the feasibility of the business idea is demonstrating its potential to generate sales revenue and to move towards or achieve business breakeven (referred to by TEF as “100% business cost recovery”) within three years following startup. Social entrepreneurs are asked to complete the BCR metric, forecasting three years of expenses and revenues. More specifically, the three-year forecast (or budget), requires applicants to consider the social costs and business costs that might be acquired by their proposed social purpose enterprise, and a feasible estimation of the income they can generate each year.

The social entrepreneurs were introduced to the BCR metric in a Business Plan Competition workshop hosted by the Manager and Coordinator of Toronto Enterprise Fund. The workshop was held around two months prior to the competition deadline (June 2009). Thirteen social entrepreneurs and one consultant attended the 2009 Business Plan competition workshop. The workshop included a period of time dedicated to instruction on the financial component of the business plan, during which the BCR metric was explained and a case study worksheet was assigned and discussed. The session on the BCR metric occurred towards the end of the business plan workshop, and following the conclusion of the workshop, the workshop attendees were asked to complete a written questionnaire (Appendix C) on their understanding and first impressions of the BCR metric. The paper questionnaire was anonymous and the researcher was the only person to distribute and collect the paper survey. The findings of this paper survey are discussed below.
Social Purpose Enterprise Managers

Another group was asked to provide feedback on the BCR metric. Managers of the twelve social purpose enterprises that are currently in Toronto Enterprise Funds portfolio were emailed and asked to fill out an online questionnaire (Appendix D). The questionnaire was created and distributed by a web application hosted by the Ontario Institute of Studies in Education (OISE/UT) called Survey Wizard 2. A survey URL was created and distributed in the body of the emails sent to the Toronto Enterprise Fund’s social purpose enterprise managers, which linked managers to the start of the online questionnaire. Unfortunately, only one social purpose enterprise manager chose to participate in the research. Thus, this group is not included in the findings below and the one response has been omitted from this research.

Background Work: Findings

Conversations with Toronto Enterprise Fund staff, as well as questionnaire responses from social entrepreneurs involved in the TEF 2009 Business Plan Competition, informed much of the decision to create the Business Cost Recovery (BCR) metric Social Accounting Guide (Appendix B). Of the thirteen social entrepreneurs to attend the TEF 2009 business plan competition workshop, ten completed the anonymous hand-written survey, designed by the researchers, entitled Business Cost Recovery (BCR) metric Questionnaire for Social Entrepreneurs.

Table 3.1 presents the survey questions, the number of ‘yes’ and ‘no’ responses to each question, and the related comments. Although the vast majority of social entrepreneurs indicated that they understood the concepts ‘social cost’ and ‘business cost’, half of the group believed the instructions for the Business Cost Recovery metric were unclear. Just under half (four) of the
social entrepreneurs said they would not feel comfortable using the BCR tool on their own, and
the same number indicated that there were specific BCR metric line items they felt were unclear.
Survey participants unanimously agreed that the BCR metric can be a helpful tool for social
purpose enterprise managers.

**Table 3.1: Social Entrepreneur Survey Responses**

<table>
<thead>
<tr>
<th>Question</th>
<th>‘Yes’</th>
<th>‘No’</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. After the information you have received about the Business Cost Recovery (BCR) metric today, do you feel you understand the concept ‘social cost’?</td>
<td>10</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>2. After the information you have received about the Business Cost Recovery (BCR) metric today, do you feel you understand the concept ‘business cost’?</td>
<td>9</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>3. Are the instructions for the BCR metric clear? If no, please explain.</td>
<td>5</td>
<td>5</td>
<td>They are fine but it would be better to provide the info electronically</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>I would like to see a list of what social costs entail</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>There is some confusion, however I feel I understand overall</td>
</tr>
</tbody>
</table>
4. After today’s workshop, will you feel comfortable using the BCR metric on your own? If no, what additional information/support do you need to use the BCR metric on your own?

<table>
<thead>
<tr>
<th>6</th>
<th>4</th>
</tr>
</thead>
</table>
| It would be helpful to have the information electronically. | No because I am not sure of the differences between social and business items and how to calculate percentage. I question my ability to do this on my own at home.

5. Are there any specific BCR metric line items that are unclear? If yes, please describe items.

<table>
<thead>
<tr>
<th>4</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>I am not sure which social costs are related to some of the line items.</td>
<td></td>
</tr>
</tbody>
</table>

6. Do you believe the BCR metric is a helpful tool for social purpose enterprise managers?

<table>
<thead>
<tr>
<th>10</th>
<th>0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very much so</td>
<td></td>
</tr>
</tbody>
</table>

As outlined above, background work conducted for the Community University Research Alliance is used as a foundation for this thesis research. Upon reviewing the strengths and weaknesses of the BCR metric, and in conjunction with Toronto Enterprise Fund staff, the researcher determined the value of developing a user-friendly guide for the BCR metric. The BCR Social Accounting Guide will be electronically accessible and will address other concerns presented by the social entrepreneurs who completed the survey entitled, BCR Questionnaire for Social Entrepreneurs (Appendix C). The Business Cost Recovery (BCR) Metric Social Accounting Guide (Appendix B) will be discussed in the next section.
The BCR Social Accounting Guide

*The BCR Social Accounting Guide* (Appendix B) was developed to assist social purpose enterprise managers who currently use the tool, and to improve the accessibility and user-friendliness of the tool, especially for managers who have no previous experience in business or who are not familiar with social accounting methodologies. The guide provides readers with social accounting key definitions and terminology, an explanation of the Business Cost Recovery (BCR) metric, and an in-depth description of each line item in the BCR metric.

Key Definitions and Terminology

Key definitions and terminology included in the *BCR Social Accounting Guide* (Appendix B, p. 3) include detailed descriptions of important concepts: social purpose enterprise, social purpose/mission, social costs, business costs, the Business Cost Recovery metric, business cost recovery, staff, and employees.

Descriptions of BCR metric Line Items

In *the BCR Social Accounting Guide* (Appendix B) line items are presented in detail, with instructions and definitions where necessary. Step-by-step examples are provided to demonstrate how to complete the metric’s %Business and %Social columns for each line item. Although there is considerable overlap between the processes of calculating the %Business and the %Social for each line item, specific instructions are provided for each line item so that calculations are clear even to first-time users.
For example, the most straightforward way of calculating the social percent and the business percent of total employee wages and benefits is in terms of time (hours). By determining the unit of measurement (time in hours) to gauge social and business expenses, social purpose enterprise managers can calculate percentage of hours employees are paid for work due to slower learning, lower productivity, and for the extra training and support they need relative to employees of similar for-profit enterprises. This percentage is called %Social, which is calculated by dividing the number of hours employees are paid due to the disadvantaged nature of the work force by the total number of hours employees work and multiplying this number by 100. Multiplying the number by 100 is to express the social time in a percent, as illustrated in the table below:

**Table 3.2: Calculating %Social for Employee Wages and Benefits**

<table>
<thead>
<tr>
<th>The number of monthly employee social hours(^2) worked divided by the total number of monthly employee hours worked multiplied by 100.</th>
<th>%Business equals 100 percent minus the %Social.</th>
</tr>
</thead>
<tbody>
<tr>
<td>%Social = ( \frac{\text{Social Hours}}{\text{Total Hours}} \times 100 )</td>
<td>%Business = 100% - %Social</td>
</tr>
</tbody>
</table>

One of the challenges of determining the %Social for the BCR line items is that there is no exact way of doing so. If a social purpose enterprise manager using the BCR metric has had previous experience running a for-profit business similar to her social purpose enterprise, she has an understanding of typical costs incurred and how much the cost of employee wages and benefits should be relative to the industry. The manager can use her for-profit experience as a benchmark to determine the additional cost of having employees from a target marginalized population.

---

\(^2\) **Employee Social Hours:** The number of extra paid hours per month employees (disenfranchised target population) work due to slower learning and lower productivity and for the extra training and support they need relative to employees of similar for-profit enterprises.
However, many social purpose enterprise managers do not have experience running an enterprise in the for-profit sector and therefore do not have a benchmark with which to compare the performance of their social purpose enterprise employees. In this case, a social purpose enterprise manager has to estimate the amount of time it would reasonably take average people from the general population to complete the tasks she assigns her employees (marginalized population). In doing so, the manager creates her own benchmark with which she can compare the number of hours the social purpose enterprise employees are paid.

The manager can improve the quality of this estimation (benchmark) by researching similarly sized enterprises in the for-profit sector and using them as a benchmark to compare with their own enterprise. Either way, this estimation is somewhat subjective, but the *BCR Social Accounting Guide* seeks to improve upon the current BCR metric and to provide managers with an outline for determining costs that are exclusive to social purpose enterprises.

**Business Cost Recovery Metric Modifications**

One important thing to note about the guide is that it provides equations for calculating the *monthly* %Social and %Business of each line item. The Toronto Enterprise Fund recommends that the managers of social purpose enterprises it supports complete the BCR metric on a monthly basis. However, the metric can be used to separate and calculate social purpose enterprise costs for any given period of time. For example, a social purpose enterprise manager can calculate the weekly %Social and %Business for employee wages and benefits. By using weekly Social Hours, weekly Total Hours, and weekly Business Hours instead of monthly
values, the weekly percentages for %Social and %Business can be calculated. In other words, *The Business Cost Recovery Social Accounting Guide* should be used as a comprehensive reference to the BCR metric, but it is not set in stone.

Another way in which the Business Cost Recovery metric can be modified is through the addition of cost categories that are not included in the metric or by breaking down a cost category according to the social purpose enterprise’s needs. For example, instead of including catering food costs in the “Materials” line item for a catering social purpose enterprise, a manager may choose to create a separate line item and label it “Catering Food Costs”. This may be a more comprehensive way for the manager to account for the unique costs incurred by their social purpose enterprise. The %Social and %Business for the line item “Catering Food Costs” can be calculated in the same way the %Social and %Business for the “Materials” line item is calculated, using cost in dollars as the unit of measurement. Please refer to *The Business Cost Recovery Social Accounting Guide* (Appendix B, p. 7) for instructions for calculating the %Social and %Business for “Materials”.

**Overview of Study Methodology**

Validity: Theory

Validity of a tool speaks to its relevance in measuring what it is intended to measure (Knapp, 2008). An instrument has internal validity if its results yield valid causal implications and external validity if the results are generalizable. Validity has been defined as “the degree to which all the accumulated evidence supports that intended interpretation of test scores for the
proposed purpose” (AERA, APA, NCME, 1999, p. 11). In other words, a test is said to be valid if it measures what it claims to measure.

For the purpose of this research, the validity of the BCR will be determined using content validity. The accuracy of the validity testing of the BCR metric is contingent upon the extent with which the BCR reliability test and tool align.

Content Validity

Content validity concerns the adequacy with which test items measure the field of knowledge the test is designed to measure. Simply put, content validity is a measure of how well test questions assess what the test is intended to assess. The primary method used to determine the content validity of a test is asking experts to evaluate test questions. Both the case study and online questionnaire were administered to each of the participants at the first and second point in time. The questions in the first online questionnaire and second online questionnaire (Appendix G) were identical. At time 1 and time 2, one week following the completion of questionnaire 1, the participants were asked to complete the same questionnaire based on a scenario they were given. The first scenario was a case study (Appendix H) and the second was a “fabricated” case study (Appendix I). Participants were also provided with an online link to a site where they could download doc or pdf versions of The Business Cost Recovery Metric Social Accounting Guide (Appendix B), which provided instructions, definitions, and examples to assist test participants in completing the BCR online questionnaires.
Presently, TEF uses a case study (Appendix J) to teach aspiring social purpose enterprise managers who attend a workshop prior to the annual Business Plan Competition. The case study uses true figures and details from Out of This World (OTW) café, a social purpose enterprise that receives support and funding from the Toronto Enterprise Fund (TEF). The case study figures and details for this research were obtained from OTW café’s 2005 financials, and the case study itself was an amended version of the one used by TEF in training and presentations. This case study provided the foundation for the case study used in the reliability-testing portion of this research.

The researcher obtained permission from Toronto Enterprise Fund’s program manager to use and amend their case study. To use OTW café’s 2005 financial information, permission was also granted from their operator, the Ontario Council of Alternative Businesses. The second scenario used in the reliability testing was a fabricated (made up) case study, which follows the same format as the original case study given to participants. A fabricated case study was used for the retest so that the case studies would result in identical responses to each survey question at the two points in time. In other words, although the numbers provided in the fabricated case study differed from those provided in the authentic case study, questionnaire responses should have been identical.

The fabricated case study refers to “a social purpose enterprise café” and provides financial numbers for participants to complete the second Business Cost Recovery metric questionnaire. The fabricated case study makes no reference to Out of this World (OTW) Café, and participant informed consents indicated that the figures used in the fabricated case study in no way reflected
the true figures of OTW Café. Please refer to (Appendix K) for reliability-testing participant consent for the first Business Cost Recovery Metric questionnaire, and to (Appendix L) for participant consent for the second Business Cost Recovery questionnaire.

The numbers for the case study and fabricated case study are different; however, participant responses to the survey questions should be the same. For example, the online questionnaires ask participants to calculate the %Social for Staff Salaries. As indicated in the Business Cost Recovery Metric Social Accounting Guide (Appendix B), the %Social for Staff Salaries can be calculated by dividing the number of hours staff work contributed to the social purpose enterprise social mission by the number of hours staff worked in general (total hours equal social hours and business operation hours), and then multiplying that number by 100.

The original case study specifies that “(i)n May 2005, OTW made sales of $15,000. This was accomplished by a management team of one full-time business manager and three full-time lead hands. Each member of the management team worked an average of 160 hours that month, and over half of each of their 160 hours were spent on counseling, mentoring, and providing extra training due to the nature of the employee target population”. The second or fabricated case study indicates that “(e)ach member of the management team worked an average of 152 hours that month, and over half of each of their 152 hours were spent on counseling, mentoring, and providing extra training due to the nature of the employee target population.

Because both the case study and fabricated case study indicate that “over half” of total staff hours worked were social hours (spent counseling, mentoring, providing addition training to the
target population, etc.), we can reasonably assume that the %Social can be estimated at between 50% to 75%. The intent of the reliability testing was to measure whether or not the same respondents can use the Business Cost Recovery Metric consistently. Comparing participants responses with a single “correct” response to the question, “What is the %Social for Staff Salaries?” was less important than determining whether or not participants answered this question in the same way at time 1 and time 2.

Participants and Procedures

Validity Testing Participants
In June and July 2010, three social economy experts completed the online questionnaire to determine whether the BCR reliability testing measured what it was intended to measure – comprehension of the BCR metric (Appendix E). The three validity testers were volunteers from a pool of ten social economy academics and practitioners who were asked to evaluate the validity of the BCR. These testers were in the Southern Ontario Social Economy SSHRC-funded Community University Research Alliance research and from social purpose enterprise managers who are supported by the Toronto Enterprise Fund. All community practitioners and academics (social economy experts) asked to participate in the validity testing were contacted via email. The emails sent to potential participants provided a brief description of the research and asked experts if they were interested in participating.
Reliability Testing Participants

In total, 20 participants completed both the first and second questionnaires. Students from social science disciplines were selected as participants for this research, because many social purpose enterprise managers do not have any academic background in business and accounting. This research aims to ensure the BCR is a standalone tool that can be used by managers from a diversity of academic and professional backgrounds. Thus, testing the BCR metric with social science students in Social Work and Adult Education disciplines improved the likelihood that participants would have limited knowledge of and experience with business and accounting.

The participants were recruited by email from the Master of Social Work program at Factor-Inwentash Faculty of Social Work at the University of Toronto and from the Master of Arts and Master of Education programs in Adult Education and Community Development at OISE. In mid-May 2010, the researcher contacted two University of Toronto (UT) / Ontario Institute for Studies in Education (OISE) professors, who agreed to forward an email message about the research to their summer class students. One professor requested the researcher attend a class and speak about the research directly to the students. At the end of May 2010, the researcher spoke briefly to the class and answered any questions students had about the research.

At the start of June 2010, two OISE/UT professors forwarded an email script about the research (Appendix M) to their classes. The email included detailed information about the research and the links for both BCR questionnaire 1 and questionnaire 2 (Appendix G). The script indicated that, if interested in participating, students should complete the first questionnaire as soon as possible and the second questionnaire one week following the completion of the first.

Consent
The consent for validity testing participants can be found in Appendix F. Participant informed consent for the first questionnaire (Appendix K) and consent for the second questionnaire (Appendix L) describe, in detail, what participants were asked to do.

**Data Analysis**

For validity, the researcher simply looked at whether the three expert evaluators were in agreement with the three questions used to assess content validity.

In order to assess reliability, the researcher computed percent agreement for each item of the online Business Cost Recovery metric questionnaires. The aim of this statistical analysis was to determine whether or not participant responses at time 1 agree with their responses to the same questions at time 2. If the reliability analysis yields a high percent agreement, the tool can be thought to yield consistent and therefore reliable results.
CHAPTER 4

FINDINGS

This chapter presents the results for the validity and reliability of the BCR, using the *BCR Social Accounting Guide* (Appendix B) referred to in chapter 3.

Validity Testing

As mentioned in chapter 3, three social enterprise experts agreed to participate in the validity testing component of the research. As shown in Table 4.1, the experts were asked three questions that were intended to assess the validity of the revised BCR procedure. All three participants indicated that the definitions for “Social Costs” and “Business Costs” provided in the *BCR Metric Social Accounting Guide* accurately describe the two concepts. Two social enterprise experts verified the content validity of the BCR metric (Appendix G), case study (Appendix H), fabricated “case study” (Appendix I), and the *BCR Social Accounting Guide* (Appendix B) by indicating that the Business Cost Recovery reliability test measures what it is intended to measure – an understanding of the BCR metric (Question 3). One participant skipped question 3.

<table>
<thead>
<tr>
<th>Question</th>
<th>Number of Responses</th>
<th>‘Yes’</th>
<th>‘No’</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Do you feel the definition for &quot;Social Costs&quot; on page 3 of The Business Cost Recovery (BCR) Metric Social Accounting Guide accurately describes the term?</td>
<td>3</td>
<td>3</td>
<td>0</td>
</tr>
</tbody>
</table>
2. Do you feel the definition for "Business Costs" on page 3 of The Business Cost Recovery (BCR) Metric Social Accounting Guide accurately describes the term?  

3. Do you feel the reliability test given to participants measures the reliability of the Business Cost Recovery (BCR) metric? (1 skipped response)

---

Reliability Testing

As mentioned in chapter 3, questionnaire 1 and questionnaire 2 (Appendix G) questions are identical, and a participant’s responses to the questions at time 1 and time 2, if 100% reliable, should be the same. Although the fabricated “case study” in questionnaire 2 uses different numbers than the true case study used in questionnaire 1, responses to the otherwise identical questionnaires are expressed as percentages (%), and should therefore align.

For example, the first questionnaire, which uses a true case study for Out of This World Café, indicates that “(t)ogether, 50 employees worked around 850 hours in May 2005, and almost 3/4 of those hours were dedicated to extra training and/or due to lower productivity” (Appendix H). The fabricated case study provided in questionnaire 2 explains that 50 employees of a social purpose enterprise café “worked around 800 hours in June 2005” and that “almost 3/4 of those hours were dedicated to extra training and/or due to lower productivity” (Appendix I).

The first question of both BCR questionnaires 1 and 2 (Appendix G) asks participants “What is the %Social for Employee wages and benefits?” The Business Cost Recovery (BCR) Social Accounting Guide (Appendix B) teaches participants that the %Social for employee wages and
benefits is the percentage of time employees are paid to work due to slower learning and lower productivity and for the extra training and support they need relative to employees of similar for-profit enterprises (p. 6). Since both the case study and fabricated “case study” indicate that “almost 3/4” of total employee hours were dedicated to extra training and/or due to lower productivity, we can assume that the %Social for employee wages and benefits should be around 75 (or 75 %). Table 4.2 below provides the percent agreement for each survey question at time 1 and time 2, for n=20.

Table 4.2   Correlation Coefficients by Survey Questions

<table>
<thead>
<tr>
<th>Question</th>
<th>Percent Agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. What is the %Social for employee wages and benefits?</td>
<td>90%</td>
</tr>
<tr>
<td>2. What is the %Business for employee wages and benefits?</td>
<td>90%</td>
</tr>
<tr>
<td>3. What is the %Social for materials?</td>
<td>100%</td>
</tr>
<tr>
<td>4. What is the %Business for materials?</td>
<td>100%</td>
</tr>
<tr>
<td>5. What is the %Social for staff salaries?</td>
<td>100%</td>
</tr>
<tr>
<td>6. What is the %Social for staff benefits?</td>
<td>100%</td>
</tr>
<tr>
<td>7. Estimate the %Business for rent and utilities?</td>
<td>80%</td>
</tr>
<tr>
<td>8. What is the %Business for advertising and promotion?</td>
<td>95%</td>
</tr>
</tbody>
</table>

Table 4.2 shows that the percent agreement for questions 1 through 8 ranges from 80% to 100%, meaning that the Business Cost Recovery (BCR) online questionnaire is a reliable test that yields consistent responses over time.

In addition to a high agreement between responses to each question at time 1 and time 2, the researcher’s statistical analysis of survey responses showed very little variance between participant responses to each question. For example, the mean for responses to survey question 1 (What is the %Social for employee wages and benefits?) is 74.14 and the mode is 75.00.
Similarly, the mean for responses to question 2 (What is the %Business for employee wages and benefits?) is 25.86 with a mode of 25.00. Table 4.3 below presents the Mean and Mode for responses to each question of the online BCR questionnaires.

Table 4.3   Descriptive Statistics for Business Cost Recovery Questionnaires

<table>
<thead>
<tr>
<th>Question</th>
<th>Mean</th>
<th>Mode</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. What is the %Social for employee wages and benefits?</td>
<td>74.14</td>
<td>75.00</td>
</tr>
<tr>
<td>2. What is the %Business for employee wages and benefits?</td>
<td>25.86</td>
<td>25.00</td>
</tr>
<tr>
<td>3. What is the %Social for materials?</td>
<td>20.00</td>
<td>20.00</td>
</tr>
<tr>
<td>4. What is the %Business for materials?</td>
<td>80.00</td>
<td>80.00</td>
</tr>
<tr>
<td>5. What is the %Social for staff salaries?</td>
<td>54.95</td>
<td>50.00</td>
</tr>
<tr>
<td>6. What is the %Social for staff benefits?</td>
<td>54.95</td>
<td>50.00</td>
</tr>
<tr>
<td>7. Estimate the %Business for rent and utilities?</td>
<td>91.28</td>
<td>90.00</td>
</tr>
<tr>
<td>8. What is the %Business for advertising and promotion?</td>
<td>97.5</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Survey responses to each question were very similar among different participants. Take question 1, for example, 17 out of 20 participants at time 1 all gave the same response. At time 2, 19 out of 20 participants all gave identical responses. Table 4.4 below represents the similarity between different participant’s responses to each question.
Table 4.4  Reliability Test Responses Among Different Participants

<table>
<thead>
<tr>
<th>Question</th>
<th>Responses (Time 1)</th>
<th>Responses (Time 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Identical</td>
<td>Different</td>
</tr>
<tr>
<td>1. What is the %Social for employee wages and benefits?</td>
<td>17</td>
<td>3</td>
</tr>
<tr>
<td>2. What is the %Business for employee wages and benefits?</td>
<td>17</td>
<td>3</td>
</tr>
<tr>
<td>3. What is the %Social for materials?</td>
<td>20</td>
<td>0</td>
</tr>
<tr>
<td>4. What is the %Business for materials?</td>
<td>20</td>
<td>0</td>
</tr>
<tr>
<td>5. What is the %Social for staff salaries?</td>
<td>14</td>
<td>6</td>
</tr>
<tr>
<td>6. What is the %Social for staff benefits?</td>
<td>14</td>
<td>6</td>
</tr>
<tr>
<td>7. Estimate the %Business for rent and utilities?</td>
<td>11</td>
<td>9</td>
</tr>
<tr>
<td>8. What is the %Business for advertising and promotion?</td>
<td>17</td>
<td>3</td>
</tr>
</tbody>
</table>

As demonstrated in Table 4.4, for every question on the BCR reliability test, the majority of participants provided the same answer as one another. For 2 questions on the survey, all participants provided identical responses. From these results, we can conclude that different participants interpreted the BCR metric and case studies in the same way.
CHAPTER 5
DISCUSSION

This chapter consists of a discussion about the study findings and its implications for the understanding of social value and the field of social accounting generally. Limitations of the study and suggestions for future research will also be presented.

Interpretation of Findings

This study set out to examine the current use of the Business Cost Recovery (BCR) metric and to improve upon the existing training material for the tool. One of the research objectives was to ensure that the BCR is a usable and reliable tool that can be used consistently among users.

Improving the usability of the BCR involved an evaluation of the current use of the metric and the ways in which social enterprise managers were being taught to use it. At the start of this study the researcher and Toronto Enterprise Fund (TEF) noted the lack of written instructions for the BCR. Thus the researcher developed the *BCR Social Accounting Guide*, a manual with instructions and examples specific to each line item of the BCR metric. The aim of this guide is to improve the usability of the BCR for practitioners who manage the social purpose enterprises within the TEF’s portfolio, and to improve the usability of the BCR for other social purpose enterprises across Canada.

Another purpose of this study was to establish working definitions of “social cost” and “business cost”, two concepts upon which all social accounting tools are based. Research was conducted to
investigate the existing definitions of social and business costs and to establish working
definitions for these widespread concepts.

As mentioned in chapter 4, the statistical analysis of the BCR reliability testing yielded
significant results. In other words, participant responses to the same questions at time 1 at time 2,
one week later, were in strong agreement. The content validity of the BCR reliability test was
agreed upon by three social enterprise experts; thus it can be assumed that the reliability of the
test represents the reliability of the BCR metric.

The strong agreement between participant responses to the same questions at two different times
means that we can assume the BCR will be used consistently over time by the same users.
However, we cannot say that a manager who uses the BCR metric will complete it in the same
way another manager does. We can only conclude that a manager who uses the BCR will
complete it in a similar way each time.

The implications for these findings are important. As discussed in chapter 3, one of the
challenges of determining the %Social for BCR line items is that there is no exact way of doing
so. Although the BCR Social Accounting Guide provides those who use the BCR with relevant
definitions and equations for determining the %Social for each line item, some degree of
estimation is required.

For this reason, it is more important that social purpose enterprise managers be able to use the
BCR metric consistently across time rather than using the tool in the same way other managers
use it. Nevertheless, because survey responses to each question proved to be very similar among different participants, we can conclude that different participants interpreted the BCR metric and case studies in the same way.

Based on the research in general, we can say that the BCR metric accompanied by the BCR Social Accounting Guide is useful in aiding managers to budget and to balance the social and business costs incurred within the social purpose enterprises they run. Because the BCR has been determined reliable, it can be useful for helping managers track the progress of the social purpose enterprises they manage.

**Implications for Social Accounting**

This research contributes to the existing body of social accounting research. The field of social accounting seeks to broaden the focus of accounting to include social and/or environmental objectives. By redefining success to extend beyond the single bottom line – financial performance – this research and other social accounting research showcases the diverse ways in which organizations that exist in the marketplace create value. Here, the word “value”, which will be explored in the next section, is used to describe social and environmental in addition to financial priorities and impact.

By demonstrating that the tool can be used consistently by the same participants at two different times, this research has verified the usability of the BCR metric and that the BCR Social Accounting Guide is a sufficient training tool for people with little to no background in business and accounting. By proving the reliability of the BCR metric, this study demonstrates the utility
of the BCR metric for social purpose enterprises outside Toronto Enterprise Funds portfolio.

With formal written instructions to accompany the tool, the BCR metric can be made accessible for social purpose enterprises more generally.

Social enterprises are organizations that demonstrate social accountability whilst working within the market economy. As Gray, Dillard, and Spence (2009) explain, social enterprises push the limits of modern capitalism to tend to the pressing needs of civil society. Thus updating and improving on social accounting tools is important not only for social enterprise parent organizations and funders but also for the managers who their energy into the social enterprises they run.

This research also contributes to the field of social accounting by providing definitions of social and business costs. As Tuan (2008) explains, there is a lack of consistency in the language used in the social sector, which “presents a significant challenge to those looking to compare and contrast methodologies and results between various organizations and programs” (p.18). This research has generated operational definitions for these terms generally, and for specific costs typically incurred by social enterprises. This terminology is relevant both academics and practitioners in the field of social accounting. Moreover, the research has generated a practical application of the operational use of these terms.

Implications for Social Value

While success in the corporate world always pertains to a financial bottom-line, growth for social enterprises and other social economy organizations refers to a double or triple bottom line. All
social enterprises have a social and/or environmental mission and corresponding objectives, and success is defined on a case-by-case basis. That being said, a social enterprise might define success as broadly as generating social value. By reviewing the literature on defining social costs and presenting a usable definition of “social cost”, this research contributes to the growing body of research on social value.

A significant component of determining social value involves defining and calculating social costs. Just like financial value, an enterprise’s net worth is determined by subtracting its operating costs from its outputs. Social value is widely discussed in the field of social accounting, as the social enterprise model hinges on the field’s ability to determine social worth.

Mulgan (2010) explains that there is pressing demand from government, policy makers, and funders for metrics that measure social value: “Investors want hard data analogous to measures of profit” (Mulgan, 2010, p.38). Although social ventures are often judged exclusively by their financial situation (Mulgan, 2010), many metrics exist to measure social value. Some of these metrics (e.g., Expanded Value Added System (EVAS), Social Return on Investment (SROI), etc.) are employed widely across the field of social accounting.

The BCR can be used in combination with measures of social value to compare social costs with social outputs. These values are significant to the decision-making process, as social enterprise managers aim to minimize social costs while maximizing social impact. According to REDF (1996), social enterprises should be subsidized “and allowed to compete in the marketplace by
virtue of the greater cost to society of maintaining unemployable human capital on our economy’s margins” (p. 136).

This research has demonstrated that the BCR metric is a comprehensive and reliable social accounting tool. The BCR can be used to determine the social cost of operating a social enterprise, and therefore provides significant information with which to compare the calculation of social value.

Considerable effort has been put into the development of a number of social accounting methodologies. However, Tuan (2008) claims that less effort is made to apply social accounting methodologies than the theory and work that goes into the development and improvement of said methodologies. Tuan (2008) explains this gap between theory and practice as an issue of expense, as many nonprofits do not have the resources nor do they have the time to operate complex social accounting tools to measure social value. In the same way, Tuan (2008) explains, “most nonprofits do not have the administrative depth or expertise to track social outcome and cost data (p. 23).

One of the strengths of the BCR is in its relative simplicity. The BCR is straightforward compared to social accounting tools that measure social value. It is important to have straightforward social accounting tools that can be of use to social enterprise managers and other social economy practitioners who are not well versed in accounting methods. This was the main impetus for testing the BCR with social science students with limited to no knowledge of
business and accounting methods. By proving that the BCR yields reliable responses to among this population, this research has demonstrated the utility of this tool.

As Mulgan (2010) articulates, “(w)ithout an honest financial evaluation of the cost of this social mission to both the non-profit entrepreneur and society at large, we will never be in a position to discuss how to best address those costs” (p.2). The BCR provides just that- the capacity for social enterprise managers, parent organizations, and funders to dialogue about the necessary costs of contributing to society in a meaningful way.

**Limitations of the Study**

Arguably the most significant limitation of this study is its size. The research aimed to have 5 to 10 social enterprise experts evaluate the validity of the BCR reliability tests; however, as discussed in chapters 3 and 4, only 3 experts participated in this aspect of the study. A few of those who declined to participate indicated that the validity evaluation was “very detailed” and/or that they were unable to take the time to participate.

Moreover, one out of the three social enterprise experts who completed the validity questionnaire did not provide a response to the third question, “Do you feel the reliability test given to participants measures the reliability of the Business Cost Recovery (BCR) metric?”. There are a number of potential explanations why one social enterprise expert did not complete the third and final survey question. Perhaps the expert simply missed the question, ran out of time, or had technical problems with the computer or Internet connection she was using. It is also possible that the social enterprise expert felt she was not qualified to answer the question, or that she did
not fully understand what the question was asking. Admittedly, the question was deliberately vague so that if any participant felt the Business Cost Recovery (BCR) reliability test did not accurately represent the BCR tool, she was asked to describe why. It is possible, however, that the social enterprise expert who did not answer the final question found it to be vague or difficult to answer.

The 20 participants involved in the reliability testing of the BCR metric yielded statistically significant results in demonstrating the reliability of the BCR. However, data gathered from a greater number of participants might prove more generalizable.

Urbina (2004) indicates that test reliability hinges on the test itself and on the reliability of its scores, which can be affected by multiple variables. As such, “an obtained score may be more or less reliable due to factors uniquely pertinent to the test taker” (Urbina, 2004, p. 120). Some of these factors include fatigue, lack of motivation, emotional stress, and for this study, the testing environment itself. One of the setbacks of having the reliability testing for this study online is the researcher’s inability to control the testing conditions. For example, a participant may have completed the first questionnaire uninterrupted in her own home, while she may have completed the second questionnaire in a loud coffee shop. Similarly, a participant may have completed the first and second questionnaires at totally different times of day. These are both examples of the ways in which testing conditions can affect test scores.

When the study was designed, the researcher took into consideration the “practice effect”, one of the dangers specific to the test retest reliability methods. The practice effect occurs when, during
the first test administration, respondents learn to answer the same questions they will be asked at the second administration (Urbina, 2004). The practice effect can occur when there is a short amount of time between administrations of a test, which results in inflated correlations between responses at time 1 and time 2. The BCR reliability testing only took place one week (7 days) apart, which might have enhanced the response consistency. Although the questionnaire participants were asked to complete at time 1 and time 2 were identical, the second fabricated case study provided different numbers than the original authentic case study. This was a way of counteracting the practice effect, as the numbers provided in the fabricated case study should not have caused participants to recall the number of the case study at time 1.

One of the major strengths of the reliability test was that the participants who completed the questionnaires were from social science disciplines, where any formal training in business and accounting was unlikely. Thus it is important to keep in mind that the statistically significant correlations between test responses were obtained by participants with little to no experience in business and accounting. Because the individuals who participated in this study were inexperienced in business and accounting, it can be assumed that the results are generalizable and replicable.

**Future Research**

This research has made a contribution to the field of social accounting by improving the usability and accessibility of the Business Cost Recovery (BCR) metric, and by determining the reliability of the metric with individuals who have little to no experience in business and accounting. As
discussed in the sections above, the BCR metric is valuable to social enterprise managers, parent organizations, and funders, as well as the field of social accounting at large.

From this study there are two suggestions for future research. The first is to test the BCR with social purpose enterprises outside Toronto Enterprise Fund’s portfolio. Research in the form of case studies would lend itself to this investigation of the BCR metric. The purpose of this research would be to examine the breadth of the utility of the BCR among social purpose enterprises.

Similarly, the second suggestion for further research would extend the use of the BCR beyond social purpose enterprises. The tool could be tested with social enterprises, which, unlike social purpose enterprises, do not emphasize employment-based social missions. Social enterprises can differ substantially both in terms of social mission and business operations. Some social enterprises focus more on supporting environmental rather than social endeavours.

Accordingly, social enterprises with markedly different social costs from those included in the BCR would need to amend the line items of the tool. (There is a section describing the process adding cost categories to the BCR metric in Chapter 3 of this research.) This future research would be valuable for investigating the extent of the utility of the BCR metric. If the BCR metric proves useful for social enterprises beyond employment-based social (purpose) enterprises, it can be used as a standardized tool across the sector of social economy organizations.

**Conclusion**
This research set out to conceptualize and operationalize the terms social and business costs, to develop an accessible guide for the Business Cost Recovery (BCR) metric, and to test the validity and reliability of the BCR metric.

A review of relevant literature on defining social costs helped the researcher to synthesize existing definitions of social and business costs and to develop concise terms of reference. The clarification of these terms is valuable to the field of social accounting, as social and business costs are concepts that are frequently discussed. Having concise terms is also important for facilitating clear communication among social enterprise managers, parent organizations, and funders, who collaborate in support of social enterprises.

Having clearly conceptualized social and business costs and by determining that the BCR is a reliable social accounting tool, this research has provided social economy practitioners and academics with the tools that will enable them to dialogue in common terminology and to define “success” in similar terms. Thus, this research can mitigate some of the ambiguity that presently exists in the field of social accounting, and further research can work towards the standardization of the Business Cost Recovery (BCR) metric across the field.
References


## APPENDIX A

### Business Cost Recovery (BCR) Metric

**Toronto Enterprise Fund**

**Business Cost Recovery Worksheet**

*For the Time Period:*

<table>
<thead>
<tr>
<th></th>
<th>% Social*</th>
<th>% Business</th>
<th>Total</th>
<th>Social*</th>
<th>Business</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales revenue</td>
<td></td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other business revenue</td>
<td></td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant Funder A</td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant Funder B</td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<p>| <strong>Expenditure</strong>      |           |            |       |         |          |
| Staff salaries       |           |            |       |         |          |
| Staff benefits       |           |            |       |         |          |
| Employee wages &amp; benefits |       |            |       |         |          |
| Rent &amp; Utilities     |           |            |       |         |          |
| Materials            |           |            |       |         |          |
| Equipment            |           |            |       |         |          |
| Advertising &amp; promotion |       |            |       |         |          |
| Maintenance &amp; repairs |       |            |       |         |          |
| Insurance &amp; licences |           |            |       |         |          |
| Transportation &amp; delivery |     |            |       |         |          |</p>
<table>
<thead>
<tr>
<th>Item</th>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 3</th>
<th>Column 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office supplies &amp; postage</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan interest &amp; repayment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank charges</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land &amp; leasehold improvements</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Miscellaneous</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Surplus/(Deficit)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Business Cost Recovery</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Also referred to as Human Development
APPENDIX B

BCR Social Accounting Guide

BCR Social Accounting Guide
TABLE OF CONTENTS

DEFINITIONS AND KEY TERMINOLOGY ......................................................................................................................3

BUSINESS COST RECOVERY (BCR) METRIC LINE ITEMS ..................................................................................5

   Employee Wages & Benefits ..............................................................................................................................6
   Materials ..............................................................................................................................................................7
   Staff Salaries .......................................................................................................................................................8
   Staff Benefits .....................................................................................................................................................9
   Rent & Utilities ..................................................................................................................................................10
   Equipment .........................................................................................................................................................11
   Advertising & Promotion .................................................................................................................................12
   Maintenance & Repairs ..................................................................................................................................14
   Transportation & Delivery ...............................................................................................................................16
   Office Supplies & Postage .................................................................................................................................17
   Insurance & Licenses .......................................................................................................................................18
   Loan Interest & Repayment ...............................................................................................................................18
   Bank Charges ....................................................................................................................................................18
   Land & Leasehold Improvements .....................................................................................................................18
DEFINITIONS/ KEY TERMS:

**Social Purpose Enterprise**: organizations that provide transitional or permanent employment for people who are homeless or at risk of homelessness. Social purpose enterprises can be non-profits that use business models to pursue their social mission or for-profits whose primary mission is social.

**Social Purpose/Mission**: A central tenet upon which the social purpose enterprise is based. It is the core aim of a social purpose enterprise, as business/monetary goals are second to and often exist simply to support the social mission in a sustainable way. A common social mission for social purpose enterprises is the reduction of poverty and homelessness through providing opportunities for employment to socially marginalized populations.

An important question to answer before you determine the social costs of your social purpose enterprise is: *What is the social mission of your social purpose enterprise?* Social enterprises are unique in that to support their social mission(s), they incur additional costs that traditional for-profit businesses do not. E.g., If the social mission of your social purpose enterprise is to create transitional employment for people who are at risk of homelessness, all social costs will be directly related to fulfilling and upholding that mission. Social costs may include lower productivity/efficiency of employees, employee time spent with counselors, mentors, and support groups, increased employee turnover, etc.

**Social Costs**: Additional expenses, above and beyond typical for-profit business costs, incurred to accomplish a social mission. In this guide, specific social costs are described for each BCR metric line item. Social costs are the existing expenses when business costs are subtracted from total costs.

**Business Costs**: Social purpose enterprise expenses that are incurred to produce a commodity. The costs of operating the business aspect of the social purpose enterprise. Business costs are incurred by similar for-profit businesses in the same industry. Business costs are the existing expenses when social costs are subtracted from total costs.

**The Business Cost Recovery (BCR) Metric**: The Business Cost Recovery (BCR) metric is a Cash Flow Statement that serves as a budgeting tool to help social purpose enterprise managers understand and balance enterprise expenses. The BCR metric is designed so that business costs and social costs can be separated, which enables managers to have a better understanding of where specific costs are coming from and how much of those expenses are being covered by grants and business revenue. By subtracting social costs, managers can better see the relationship between business expenses and business revenue, which should reflect the true cost of the enterprise, and can compare their performance with for-profit industry standards.

**Business Cost Recovery**: The percentage of business costs recovered by the social purpose enterprise’s business revenue. For example, if monthly business expenses are $10,000 and monthly revenue is $8,000, Business Cost Recovery equals 80%. Break-even point, or 100% business cost recovery is the point at which revenue from business sales equals or surpasses business costs.
**Staff:** individuals, many of whom are social entrepreneurs, who are employed to operate a social purpose enterprise. For small social purpose enterprises, a manager may be the only person on staff. Larger social purpose enterprises may also have on-staff counselors or social workers.

**Employees:** individuals who are employed by a social purpose enterprise and are member of its target population. The employee target population is also referred to as disenfranchised, disadvantaged, or marginalized. The employment of a disenfranchised target population is the central mission for social purpose enterprises, and therefore fundamental to the social purpose enterprise philosophy.
The remainder of the guide is designed to walk you through the Business Cost Recovery (BCR) metric. The BCR line items are presented in detail, with instructions and definitions where necessary. Step-by-step examples are provided to demonstrate how to complete the tool’s %Business and %Social columns for each line item.

<table>
<thead>
<tr>
<th>Expenditure</th>
<th>%Business</th>
<th>%Social</th>
<th>Total ($)</th>
<th>Business ($)</th>
<th>Social ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost of Sales</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee (participant) wages &amp; benefits</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Materials</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff salaries</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff benefits</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rent &amp; Utilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advertising &amp; promotion</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maintenance &amp; repairs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance &amp; licenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation &amp; delivery</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office supplies &amp; postage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan interest &amp; repayment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank charges</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land &amp; leasehold improvements</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Miscellaneous</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other (specify)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The BCR consists of five columns:

1. %Business: For each line item, the percentage (%) of the Total that is a business cost.
2. %Social: For each line item, the percentage (%) of the Total that is a social cost.
3. Total: The total amount ($) spent on the line item (includes both social and business costs).
4. Business: The amount ($) of business costs spent on the line item (generated automatically by the Microsoft Excel spreadsheet).
5. Social: The amount ($) of social costs spent on the line item (generated automatically by the Microsoft Excel spreadsheet).

* %Business, %Social, and Total require completion. Business and Social columns are generated automatically.
EMPLOYEE WAGES & BENEFITS

<table>
<thead>
<tr>
<th>BCR Line Item</th>
<th>Unit of measurement</th>
<th>%Social</th>
<th>%Business</th>
</tr>
</thead>
</table>
| Employee (participant) wages & benefits | Time (hours) | The number of monthly employee social hours\(^2\) worked divided by the total number of monthly employee hours worked multiplied by 100.  
\[ %\text{Social} = \frac{\text{Social Hours}}{\text{Total Hours}} \times 100 \] | %Business equals 100 percent minus the %Social. | %Business= 100% - %Social |

See example below  \(^2\)

---

2 *Employee Social Hours:* The number of extra paid hours per month employees (disenfranchised target population) work due to slower learning and lower productivity and for the extra training and support they need relative to employees of similar for-profit enterprises.

3 **EXAMPLE: Calculating %Social and %Business for Employee wages & benefits line item**

The manager of a café social purpose enterprise estimates that about 72 of the total employee hours worked in a month are due to the target population, who require more training and are less productive than non-disenfranchised employees. The total employee hours for the month are 120.

**STEP 1:**  
\[ %\text{Social} = \frac{\text{Social Hours}}{\text{Total Hours}} \times 100 \]

**STEP 2:**  
\[ %\text{Social} = \frac{72}{120} \times 100 \]

**STEP 3:**  
\[ %\text{Social} = 0.6 \times 100 \]

**STEP 4:**  
\[ %\text{Social} = 60\% \]

**STEP 5:**  
\[ %\text{Business} = 100\% - %\text{Social} \]

**STEP 6:**  
\[ %\text{Business} = 100\% - 60\% \]

**STEP 7:**  
\[ %\text{Business} = 40\% \]
MATERIALS

<table>
<thead>
<tr>
<th>BCR Line Item</th>
<th>Unit of measurement</th>
<th>%Social</th>
<th>%Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials</td>
<td>Cost ($)</td>
<td>The monthly <strong>social cost of materials</strong> ($) divided by the monthly total cost of materials ($) multiplied by 100.</td>
<td>%Business equals 100 percent minus the %Social.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>%Social = \frac{\text{Social Cost ($) of materials}}{\text{Total Cost ($) of materials}} \times 100</td>
<td>%Business = 100% - %Social</td>
</tr>
<tr>
<td></td>
<td></td>
<td>See example below 5</td>
<td>See example below 2</td>
</tr>
</tbody>
</table>

1 **Social Cost of Materials**: The monthly cost (\$) of mistakes and re-work or mistakes\(^4\) due to the disenfranchised target population (employees).

2 **EXAMPLE: Calculating %Social and %Business for Materials line item**

If a café social purpose enterprise spends $4,800 on materials (coffee, milk, sugar, pastries, cutlery, etc.) per month, and estimates that approximately $960 of these materials are wasted/lost due to the disadvantaged nature of the workforce, what is the %social of the cost of materials per month?

**STEP 1:** \%Social = \frac{\text{Social cost of materials (\$)}}{\text{Total cost of materials (\$)}} \times 100

**STEP 2:** \%Social = \frac{960}{4,800} \times 100

**STEP 3:** \%Social = 0.2 \times 100

**STEP 4:** \%Social = 20 \%

**STEP 5:** \%Business = 100\% - \%Social

**STEP 6:** \%Business = 100\% - 20\%

**STEP 7:** \%Business = 80\%
### STAFF SALARIES

<table>
<thead>
<tr>
<th>BCR Line Item</th>
<th>Unit of measurement</th>
<th>%Social</th>
<th>%Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff Salaries</td>
<td>Time (hours)</td>
<td>The number of monthly staff social hours(^1) worked divided by the total number of monthly employee hours worked multiplied by 100.</td>
<td>%Business equals 100 percent minus the %Social.</td>
</tr>
</tbody>
</table>

\(^1\) *Staff Social Hours*: The number of hours staff spend monthly on counseling, coaching and mentoring employees on matters that are outside of the scope of the business/ life outside of work. Additional monthly hours spent on paperwork, training, and rework due to slower learning and lower productivity of employees/target population. The number of hours spent monthly devoted to activities necessitated by parent organization/affiliated nonprofit.

\(^2\) **EXAMPLE: Calculating %Social and %Business for Staff Wages line item**

The manager of a café social purpose enterprise works a total of 160 hours a month. She spends approximately 120 hours a month training employees (target population) due to slower learning and lower productivity, mentoring and counseling employees on life skills, and providing tours and talks for nonprofits and other social enterprises.

**STEP 1:**

\[
%\text{Social} = \frac{\text{Social Hours}}{\text{Total Hours}} \times 100
\]

**STEP 2:**

\[
%\text{Social} = \frac{120}{160} \times 100
\]

**STEP 3:**

\[
%\text{Social} = 0.75 \times 100
\]

**STEP 4:**

\[
%\text{Social} = 75\%
\]

**STEP 5:**

\[
%\text{Business} = 100\% - %\text{Social}
\]

**STEP 6:**

\[
%\text{Business} = 100\% - 75\%
\]

**STEP 7:**

\[
%\text{Business} = 25\%
\]
Staff Benefits - percentages are the same as staff salaries. E.g., if staff salaries are 75% social cost and 25% business cost, staff benefits will also be 75% social cost and 25% business cost.
RENT & UTILITIES

<table>
<thead>
<tr>
<th>BCR Line Item</th>
<th>Unit of measurement</th>
<th>%Social</th>
<th>%Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent &amp; Utilities</td>
<td>Amount of Space (or time if need be)</td>
<td>The percentage of space that is used for anything outside of the business aspect of the social purpose enterprise. OR [ %Social = 100% - %Business ] * If spaces are used for business and non-business activities, determine %Social by estimating the percentage of time the space is used in a non-business capacity.</td>
<td>The percentage of space that is used for the business aspect of the social purpose enterprise. OR [ %Business = 100% - %social ]</td>
</tr>
</tbody>
</table>

EXAMPLE: Calculating %Social and %Business for Rent & Utilities line item

A social purpose enterprise is run out of a two-room commercial space. One room takes up the majority of the commercial space and is used almost exclusively for operating the business aspect of the social purpose enterprise. The second, smaller room is an employee lunchroom, where employees are provided with extra training and life-skills coaching.

Social Purpose Enterprise Layout:

| Business/Retail Space | Employee Lunchroom |

STEP 1: Based on the above social purpose enterprise layout, %Social appears to be approximately 25%

STEP 2: %Business = 100\% - %Social

STEP 3: %Business = 100\% - 25%

STEP 4: %Business = 75%
EQUIPMENT

<table>
<thead>
<tr>
<th>BCR Line Item</th>
<th>Unit of measurement</th>
<th>%Social</th>
<th>%Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment</td>
<td>Amount of Equipment</td>
<td>The percentage of total equipment that is used for anything above and beyond the business aspect of the social purpose enterprise. This can include equipment to accommodate disabilities, and/or equipment needed to help cater to the needs of the target population (e.g., an extra computer for training).</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>%Social = 100% - %Business</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>%Business = 100% - %Social</td>
<td></td>
</tr>
</tbody>
</table>

EXAMPLE: Calculating %Social and %Business for Equipment line item

The business operations of a café social purpose enterprise rely on an oven, pots/pans/baking sheets, two coffee brewers, three coffee urns, a microwave, cash register, and a large industrial fridge. The social purpose enterprise also has two computers for training employees. One of the computers is often used for employee personal use, and most local coffee shops only have one computer for training employees. Estimate the %Social and %Business for equipment costs.

**STEP 1:** Based on the list of equipment used by the social purpose enterprise, %Social would be approximately 10% of total equipment

**STEP 2:** %Business = 100% - %Social

**STEP 3:** %Business = 100% - 10%

**STEP 4:** %Business = 90%
### ADVERTISING & PROMOTION

<table>
<thead>
<tr>
<th>BCR Line Item</th>
<th>Unit of measurement</th>
<th>%Social</th>
<th>%Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising &amp; Promotion</td>
<td>Cost ($)</td>
<td>%Social equals the monthly social cost of advertising $1 ($) divided by the total cost of advertising ($) multiplied by 100</td>
<td>The monthly business cost of advertising $2 ($) divided by the total monthly cost of advertising ($) multiplied by 100</td>
</tr>
<tr>
<td></td>
<td></td>
<td>%Social = Social cost of advertising $1 x 100</td>
<td>%Business = Business cost of ad. $2 x 100</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total cost of advertising</td>
<td>Total cost of ad.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>OR if you have %Business:</td>
<td>OR if you have %Social:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>%Social = 100% - %Business</td>
<td>%Business = 100% - %Social</td>
</tr>
</tbody>
</table>

1. **Social Cost of Advertising**: The monthly expense ($) for advertising and promotion related to the social mission of the social purpose enterprise. E.g., advertising to recruit target population for employment, promoting social good/value of social purpose enterprise, public education, etc.

2. **Business Cost of Advertising**: The monthly expense ($) for advertising and promotion related to the business operations of the social purpose enterprise. E.g., business flyers, signs, print and electronic ads, website, etc.

3. **EXAMPLE: Calculating %Social and %Business for Advertising & Promotion line item:**

A café social purpose enterprise spends $1,000 one month on flyers and signs for a featured summer beverage. The same month, $200 is spent on flyers for recruiting employees from the target population. Calculate the %Social and the %Business for the month’s advertising and promotion expenses.

**STEP 1:** %Social = \(
\text{Social cost of advertising ($)} \times \frac{100}{\text{Total cost of advertising ($)}}
\)

**STEP 2:** %Social = \(
\frac{\$200}{1,000} \times 100
\)
<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>See example below</td>
<td>See example below</td>
</tr>
</tbody>
</table>

**STEP 3:** \( \%\text{Social} = 0.2 \times 100 \)

**STEP 4:** \( \%\text{Social} = 20\% \)

**STEP 5:** \( \%\text{Business} = 100 - \%\text{Social} \)

**STEP 6:** \( \%\text{Business} = 100 - 20 \)

**STEP 7:** \( \%\text{Business} = 80\% \)
## MAINTENANCE & REPAIRS

<table>
<thead>
<tr>
<th>BCR Line Item</th>
<th>Unit of measurement</th>
<th>%Social</th>
<th>%Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintenance &amp; Repairs</td>
<td>Cost ($)</td>
<td>The monthly <strong>social cost of maintenance</strong>(^1) ($) divided by the total monthly maintenance ($) multiplied by 100.</td>
<td>The monthly <strong>business cost of maintenance</strong>(^2) ($) divided by the total monthly cost of maintenance ($) multiplied by 100.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>%Social = Social cost of maintenance ($) x 100</td>
<td>%Business = Business cost of main. x 100</td>
</tr>
<tr>
<td></td>
<td></td>
<td>OR if you have %Business:</td>
<td>OR if you have %Social:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>%Social = 100% - %Business</td>
<td>%Business = 100% - %Social</td>
</tr>
<tr>
<td></td>
<td></td>
<td>See example below (^3)</td>
<td>See example below (^3)</td>
</tr>
</tbody>
</table>

\(^1\) **Social Maintenance & Repairs**: Monthly expense ($) for maintenance and repairs on equipment breakage due to the disenfranchised target population (employees). Monthly expense ($) for maintenance and repairs on non-business related equipment.

\(^2\) **Business Maintenance & Repairs**: Monthly expense ($) for maintenance and repairs due to regular wear and tear of equipment used for the business.

\(^3\) **EXAMPLE: Calculating %Social and %Business for Maintenance & Repairs line item:**

A café social purpose enterprise spends $250 per month on maintenance and repairs. Similar to many cafés, the social purpose enterprise’s fridge and espresso machine require $200 in monthly maintenance. The social purpose enterprise manager estimates that approximately $50 of the $200 in maintenance and repairs is related to wear and tear that is accelerated by the extra training needed for the employees (target population).

Determine the %Social and %Business for the cost of maintenance and repairs.

**STEP 1:**

\[
%Social = \frac{\text{Social cost of maintenance} (\$)}{\text{Total cost of maintenance} (\$)} \times 100
\]

**STEP 2:**

\[
%Social = \frac{\$50}{\$200} \times 100
\]
STEP 3: \[ \%\text{Social} = 0.25 \times 100 \]

STEP 4: \[ \%\text{Social} = 25\% \]

STEP 5: \[ \%\text{Business} = 100\% - \%\text{Social} \]

STEP 6: \[ \%\text{Business} = 100\% - 25\% \]

STEP 7: \[ \%\text{Business} = 75\% \]
## TRANSPORTATION & DELIVERY

<table>
<thead>
<tr>
<th>BCR Line Item</th>
<th>Unit of measurement</th>
<th>%Social</th>
<th>%Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation &amp; Delivery</td>
<td>Cost ($)</td>
<td>The monthly <strong>social cost of transportation</strong>¹ ($) divided by the total cost of monthly transportation ($) multiplied by 100.</td>
<td>The monthly <strong>business cost of transportation</strong>² ($) divided by the total monthly cost of transportation ($) multiplied by 100.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>%Social = \frac{\text{Social cost of transport}, ($)}{\text{Total cost of transport}, ($)} \times 100</td>
<td>%Business = \frac{\text{Business cost of transport}}{\text{Total cost of transport}} \times 100</td>
</tr>
<tr>
<td></td>
<td></td>
<td>OR if you have %Business:</td>
<td>OR if you have %Social:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>%Social = 100% - %Business</td>
<td>%Business = 100% - %Social</td>
</tr>
<tr>
<td></td>
<td></td>
<td>See example below ³</td>
<td>See example below ³</td>
</tr>
</tbody>
</table>

¹ **Social Cost of Transportation & Delivery**: Monthly transportation costs ($) to support the needs of the target population (employees). E.g., Public transit costs or taxi chits for employees to be able to get to and from work, public transit or gas expenses to cover staff transportation related to supporting the target population (employees), any transportation costs that support the social purpose enterprise’s social mission, etc

² **Business Cost of Transportation & Delivery**: Monthly transportation and delivery expenses ($) related to the business operations of the social purpose enterprise. These costs depend on the nature of the business operations. E.g., A Catering social purpose enterprise might have high transportation and delivery costs because of driving to catered events and the delivery cost of food and supplies.
## OFFICE SUPPLIES & POSTAGE

<table>
<thead>
<tr>
<th>BCR Line Item</th>
<th>Unit of measurement</th>
<th>%Social</th>
<th>%Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office Supplies &amp; Postage</td>
<td>Cost ($)</td>
<td>The monthly <strong>social cost of office supplies</strong>(^1) ($) divided by the total monthly cost of office supplies ($) multiplied by 100.</td>
<td>The monthly <strong>business cost of office supplies</strong>(^2) ($) divided by the total monthly cost of office supplies ($) multiplied by 100.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>%Social = Social cost of off. supp. ($) x 100</td>
<td>%Business = Business cost of off. supp. x 100</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total cost of off. supp. ($)</td>
<td>Total cost of off. supp.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>OR if you have %Business:</td>
<td>OR if you have %Social:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>%Social = 100% - %Business</td>
<td>%Business = 100% - %Social</td>
</tr>
</tbody>
</table>

\(^1\) **Social Cost of Office Supplies**: Monthly cost of office supplies and postage incurred above and beyond the cost of office supplies & postage needed for business operations. In other words, the monthly cost of office supplies & postage used to support the social mission of the social purpose enterprise. E.g., pens, paper, notebooks, folders, etc. used for counseling, coaching and mentoring employees on matters that are outside of the scope of the business/ life outside of work.
REMAINING LINE ITEMS

The following BCR line items are typically fully business expenses, which means %Business= 100%, and %Social = 0%

INSURANCE & LICENSES: In all cases, these costs are 100% Business and 0% Social.

LOAN INTEREST & REPAYMENT: In most cases, these costs are 100% Business and 0% Social. This is because the social mission of the social purpose enterprise should be fully subsidized.

The only exception is if the loan is used to purchase equipment or for leasehold improvements for training and/or to make other accommodations for employees (target population). If this is the case, calculate the %Social and %Business the same way most of the other costs are calculated—by determining the percentages of social and business costs ($).

BANK CHARGES: In most cases, these expenses are 100% business and 0% social. The same rationale applies as Loan Interest & Repayment.

LAND & LEASEHOLD IMPROVEMENTS: If the entire space social enterprise is used exclusively for the business, these costs are 100% business. If part of the space is used for extra training or other non-business related accommodation, the appropriate proportion of land purchased and/or renovations are a social cost. If land and leasehold improvements are made to space that is used for non-business activities, estimate the %Social and %Business for the costs.

E.g., A café social purpose enterprise undergoes major renovations. Most of the renovations are to improve the café retail space and very little work goes into improving the non-business space. One might estimate that approximately 95% of the renovation costs are a business expense, while only 5% of the costs are a social expense.
APPENDIX C

BCR Metric Questionnaire for Social Entrepreneurs

1. After the information you have received about the Business Cost Recovery (BCR) metric today, do you feel you understand the concept ‘social cost’? *(Please circle your response)*
   
   Yes   No

2. After the information you have received about the Business Cost Recovery (BCR) metric today, do you feel you understand the concept ‘business cost’?
   
   Yes   No

3. Are the instructions for the BCR clear?
   
   Yes   No
   
   If no, please explain:
   
   ______________________________________________________
   ______________________________________________________
   ______________________________________________________
   ______________________________________________________

4. After today’s workshop will you feel comfortable using the BCR metric on your own?
   
   Yes   No
   
   If no, please let us know what additional information/support you need to use the BCR metric on your own.
   
   ______________________________________________________
   ______________________________________________________
   ______________________________________________________
   ______________________________________________________
   ______________________________________________________
5. Are there any specific line items on the BCR that are unclear?

Yes   No

If yes, please describe the items:

___________________________________________________________________________
___________________________________________________________________________
___________________________________________________________________________
___________________________________________________________________________

6. Do you believe the BCR can be a helpful tool for social purpose enterprise managers?

Yes   No

Please use the rest of this page for any additional comments.

Thank you for taking the time to complete this survey
Appendix D

BCR Metric Questionnaire for TEF Managers

The aim of this survey is to gain an understanding of social purpose enterprise managers’ use of the Business Cost Recovery Tool (a component of the required Toronto Enterprise Fund financial report), and whether or not the tool needs to be revised. It should take about 5 to 10 minutes, and you do not need to complete the survey all at once. You can change your responses at any point in time. This survey is confidential and completely voluntary. That said, your participation would be greatly appreciated and the completion of the survey can aid in the improvement of the Business Cost Recovery tool. Please complete the survey by September 24th, 2009. If you have any questions regarding this survey or the nature of the research, please contact Taryn Pimento via email (t.pimento@utoronto.ca) Thank you for your help.

1. How long have you been a manager at the social purpose enterprise you currently work for (in months or years) ________________

2. Prior to working for a social purpose enterprise, had you ever been the manager of a for-profit business? (Please bold your answer)

   Yes       No

3. If yes, did this business sell similar products or provide similar services to the social purpose enterprise for which you currently work? (Please bold your answer)

   Yes       No

4. Have you ever taken a course or seminar in business financial accounting? (Please bold your answer)

   Yes       No

   If yes, what was the duration of the course (in hours)? __________________
5. Are you familiar with the Business Cost Recovery (BCR) tool? (Please **bold** your answer)

Yes  No

If no, please disregard the remaining questions.

If yes, approximately how many times have you completed the Business Cost Recovery worksheet (as requested by Toronto Enterprise Fund)? ________________

6. Are the instructions for the BCR clear? (Please **bold** your answer)

Yes  No

If no, please explain:
____________________________________________________________________________
____________________________________________________________________________
____________________________________________________________________________
____________________________________________________________________________

7. Other than the instructions you have been given for the BCR worksheet, is there anything else about it that is unclear? (Please **bold** your answer)

Yes  No

If yes, please describe what is unclear:
____________________________________________________________________________
____________________________________________________________________________
____________________________________________________________________________

8. Do you feel you understand how to decide which costs (incurred by your social purpose enterprise) should be counted as ‘business costs’? (Please **bold** your answer)

Yes  No

9. Do you feel you understand how to decide which costs (incurred by your social purpose enterprise) should be counted as ‘social costs’? (Please **bold** your answer)

Yes  No
10. When you enter the percent social and percent business costs for each line item on the BCR worksheet, do you generally feel confident in the accuracy of the percentages you have decided on?

Yes  No

Please explain your answer

______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________

The following are line items from the BCR worksheet. Please use this table to answer question #11.

<table>
<thead>
<tr>
<th>Expenditure</th>
<th>Business %</th>
<th>Social %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff salaries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff benefits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training Costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Materials</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advertising &amp; promotion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maintenance &amp; repairs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Licences</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation &amp; delivery</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office supplies &amp; postage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank charges</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land &amp; leasehold improvements</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

11. Are there any particular line items (see table above) for which the social and business cost percentages are most difficult to determine?

Yes  No

If yes, please list line items

______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________

12. From what you understand of the BCR tool, what is its general purpose?
13. Is the BCR tool helpful to you as a social purpose enterprise manager? (Please **bold** your answer)

Yes  No

If Yes, please explain:

______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________

If no, why not?

______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________

*Thank you for taking the time to complete this survey*
APPENDIX E

Validity Testing Online Questionnaire

Description of the Test-retest reliability testing

The first questionnaire you completed or reviewed is the first half of the test-retest reliability procedure. The second questionnaire is identical to the first, but uses a fabricated ("made-up") scenario and numbers about a social purpose enterprise cafe. Although the "case study" numbers are different, the answers to each of the questions (e.g., "What is the %Social for materials?") are identical for both questionnaires. In other words, if the test is reliable, participant responses to the first questionnaire should be identical to responses to the second questionnaire.

Reliability testing participants are asked to complete the second questionnaire (with fabricated scenario) approximately one week following the completion of the first questionnaire.

The three questions in this survey ask about the content of the reliability testing, and whether the reliability testing measures the reliability of the Business Cost Recovery (BCR) Metric.

To answer questions #1 and #2, you will need to refer to the Business Cost Recovery (BCR) Metric Social Accounting Guide, which can be download from the following website:

https://sites.google.com/site/bcrguide/

1. Do you feel the definition for "Social Costs" on page 3 of The Business Cost Recovery (BCR) Metric Social Accounting Guide accurately describes the term?

Please indicate 'Yes' or 'No' in the box below. If 'No', please explain:

2. Do you feel the definition for "Business Costs" on page 3 of The Business Cost Recovery (BCR) Metric Social Accounting Guide accurately describes the term?

Please indicate 'Yes' or 'No' in the box below. If 'No', please explain:

To answer question #3, please refer to the Business Cost Recovery (BCR) Metric, which can be download from the following website:

https://sites.google.com/site/bcrmetric/

3. Do you feel the reliability test given to participants measures the reliability of the Business Cost Recovery (BCR) metric?
Please indicate 'Yes' or 'No' in the box below. If 'No', please explain:

If you have any additional comments about any of the aspects of the reliability testing of the BCR metric, please comment in the box below:
APPENDIX F

Validity Testing Participant Consent

Balancing the Double Bottom Line of Social Enterprise: Lessons from the Business Cost Recovery Social Accounting Tool

Researcher: Taryn Pimento
Institution: Ontario Institute for Studies in Education (OISE)/University of Toronto (UT)

Purpose of the Research:
The aim of this research is to test the reliability of the Business Cost Recovery (BCR) Metric, a social accounting tool used by social purpose enterprise managers. Social purpose enterprises are businesses that provide transitional or permanent employment for people who are homeless or at risk of homelessness.

Because social purpose enterprises have both social and business missions, they incur social and business costs*. The BCR serves as a budgeting tool to help social purpose enterprise managers separate out business costs from social costs, as well as a measure of enterprise financial sustainability.

*Definitions for social and business costs are provided in the Business Cost Recovery (BCR) Metric Social Accounting Guide.

What You Will Be Asked to Do in the Research:
If you choose to participate in this research, you will be one of about five Academics and Community Practitioners to evaluate the content validity of the BCR reliability testing component of this research. Because the reliability testing involves test-retest reliability methodology, participants of the reliability testing will be asked to complete a questionnaire for two very similar scenarios. The first is a case study, which provides real figures from a social purpose enterprise. The second "case study" is fabricated, providing different numbers but with identical answers to the first case study.

On the following pages you will find a copy of the questionnaire given to participants involved in the reliability testing. You do not need to complete this questionnaire, as it is just included to show you what the reliability testing participants are asked to complete. This questionnaire will provide you with a link to a brief (3 question) online survey about whether the reliability testing measures what it is intended to measure- the reliability of the BCR metric. If you choose to participate, please complete the second, 3 question, questionnaire to the best of your ability.

Potential Risks:
There are no known potential risks in participating in this research. Your responses are confidential.

Benefits of the Research and Benefits to You:
Because this research aims to improve a tool that is employed by social purpose enterprises, your
participation contributes to the larger field of research on community development. The BCR metric as a social accounting tool affects the operations of social purpose enterprises across the Greater Toronto Area. By improving upon the operations of these social businesses, research in this field strives to increase the success of social purpose enterprises, thereby providing more opportunities for people who are homeless or at risk of homelessness.

Voluntary Participation:
This research is confidential (the researcher is the only person with access to the data from this research) and completely voluntary. That said, your participation would be greatly appreciated and your evaluation of the BCR metric can help determine the validity of its contents.

Withdrawal from the Study:
You can stop participating in research, or refuse to answer particular questions at any time, for any reason, if you so decide. Once the data has been analyzed, it will not be possible to withdraw your participation from the research.

Contact Information:
If you have any questions regarding this research, please contact Taryn Pimento (t.pimento@utoronto.ca) or Jack Quarter (jquarter@oise.utoronto.ca) via email. If you have any questions about your rights as a research participant, please contact the ethics office via email (ethics.review@utoronto.ca) or telephone (416-946-3273).

By selecting "Yes" below, you are consenting to participate in this research.

○ Yes, I have understood the nature of this research and wish to participate
○ No, I do not want to participate in this research
APPENDIX G

Reliability Testing Questionnaire

Testing the Business Cost Recovery (BCR) Metric

For the remainder of the questionnaire, please refer to the figures provided in the case study on Out of This World Cafe. Please refer to the Business Cost Recovery (BCR) Metric Social Accounting Guide for assistance.

1. What is the %Social for Employee Wages?

2. What is the %Business for Employee Wages?

3. What is the %Social for Materials?

4. What is the %Business for Materials?

5. What is the %Social for Staff Salaries?

6. What is the %Social for Staff Benefits?

7. Estimate the %Business for Rent & Utilities:

8. What is the %Business for Advertising & Promotion?

If you would like to be entered into the draw to win one of three cash prizes ($50, $25, $25), please type your email address in the box below.

*Note that your email address will only be used by the researcher to contact you if you win one of the three cash prizes.

If you do not want to enter into the draw for cash prizes, please enter a user name that you will remember in the box below. The next time you complete this questionnaire you will be asked to enter the email address or user name you type in the box below.

Thank you for taking the time to participate in the first part of this research.
Out of This World Café (OTW)
Case Study: May 2005 Business Cost Recovery Calculation

Out of This World Café (OTW) originated as part of the Vocational Rehabilitation Service offered by the Centre for Addiction and Mental Health (CAMH)’s at their Queen Street site in Toronto. In 2001, the café was divested to the Ontario Council of Alternative Businesses (OCAB), which proposed to run the café as a business owned and operated by psychiatric consumer/survivors, and providing permanent employment in an accommodated workplace for consumer/survivors who were homeless or at risk of homelessness. For the past five years, the café has been operating with four business units (canteen, espresso bar, coffee cart and catering) that provide jobs to approximately 50 employees.

As one of OTW’s principal funders, the Toronto Enterprise Fund requested, beginning in 2003, that costs be identified and separated between human development costs (also referred to as social costs) and business. The goal of the Fund was to determine the business efficiency of the enterprise and to provide resources (in the form of technical assistance grants and business development supports) to help the café improve its efficiency.

In May 2005, OTW made sales of $15,000. This was accomplished by a management team of one full-time business manager and three full-time lead hands. Each member of the management team worked an average of 160 hours that month, and over half of each of their 160 hours were spent on counseling, mentoring, and providing extra training due to the nature of the employee target population.

Together, 50 employees worked around 850 hours in May 2005, and almost 3/4 of those hours were dedicated to extra training and/or due to lower productivity. About 1/5 of materials from the month of May 2005 were estimated to be used in meeting employees’ training and accommodation needs. That month, only a small fraction of OTW café’s commercial space was used for non-business activities. Lastly, office supplies and advertising costs were exclusively business costs.

Please complete the following questionnaire by using the Business Cost Recovery (BCR) Metric Social Accounting Guide as a reference. In a different window, please open the following link to access the BCR Metric Social Accounting Guide:

https://sites.google.com/site/bcrguide/

Note: You can go back and forth between the case study and questionnaire without losing your responses to the questionnaire.
APPENDIX I

Reliability Testing Fabricated Case Study

Fabricated Case Study: Business Cost Recovery Calculation

During the month of June, a social purpose enterprise cafe made sales of $16,500. This was accomplished by a management team of one full-time business manager and three full-time lead hands. Each member of the management team worked an average of 152 hours that month, and over half of each of their 152 hours were spent on counseling, mentoring, and providing extra training due to the nature of the employee target population.

Together, 50 employees worked around 800 hours in June 2005, and almost 3/4 of those hours were dedicated to extra training and/or due to lower productivity. About 1/5 of materials from the month of June 2005 were estimated to be used in meeting employees’ training and accommodation needs. That month, only a small fraction of the cafe’s commercial space was used for non-business activities. Lastly, office supplies and advertising costs were exclusively business costs.

Please complete the following questionnaire by using the Business Cost Recovery (BCR) Metric Social Accounting Guide as a reference. In a different window, please open the following link to access the BCR Metric Social Accounting Guide:

https://sites.google.com/site/bcrguide/

Note: You can go back and forth between the fabricated case study and questionnaire without losing your responses to the questionnaire
Out of This World Café (OTW)

Case Study: Business Cost Recovery Calculation

Out of This World Café (OTW) originated as part of the Vocational Rehabilitation Service offered by the Centre for Addiction and Mental Health (CAMH)’s at their Queen Street site in Toronto. In 2001, the café was divested to the Ontario Council of Alternative Businesses (OCAB), which proposed to run the café as a business owned and operated by psychiatric consumer/survivors, and providing permanent employment in an accommodated workplace for consumer/survivors who were homeless or at risk of homelessness. For the past five years, the café has been operating with four business units (canteen, espresso bar, coffee cart and catering) that provide jobs to approximately 50 employees.

As one of OTW’s principal funders, the Toronto Enterprise Fund requested, beginning in 2003, that costs be identified and separated between human development costs (also referred to as social costs) and business. The goal of the Fund was to determine the business efficiency of the enterprise and to provide resources (in the form of technical assistance grants and business development supports) to help the café improve its efficiency.

In 2005, OTW made sales of $185,000. This was accomplished by a management team of one full-time business manager and three full-time lead hands. 50 employees worked an average of 17 hours per month. All employees receive regular training in food handling, customer service and other topics. OTW pays OCAB an administration fee for overall management of the enterprise, including fundraising and bookkeeping.

In comparison to a for-profit competitor of a similar size and product range, OTW employs 2 ½ times the management staff, and creates 3 times the number of jobs. About 1/5 of food costs are estimated to be used in meeting employees’ training and accommodation needs.
Use the following worksheet to estimate the proportion of each cost that might be allocated between social and business, and calculate the business cost recovery that OTW achieved in 2005.
<table>
<thead>
<tr>
<th></th>
<th>% Social</th>
<th>% Business</th>
<th>Total</th>
<th>Social Costs</th>
<th>Business Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Sales</td>
<td>100%</td>
<td>$185,420</td>
<td>$185,420</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Expenditure</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff Salaries</td>
<td></td>
<td>$127,944</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff Benefits</td>
<td></td>
<td>$28,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee Wages</td>
<td></td>
<td>$80,791</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rent &amp; Utilities</td>
<td></td>
<td>$1,200</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office supplies &amp; postage</td>
<td></td>
<td>$562</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administration</td>
<td></td>
<td>$9,578</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketing &amp; promotion</td>
<td></td>
<td>$1,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff Training</td>
<td></td>
<td>$4,550</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technical Support</td>
<td></td>
<td>$4,879</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Catering Food Costs</td>
<td></td>
<td>$109,412</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Expenditure</strong></td>
<td></td>
<td>$367,916</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Business Cost Recovery**
APPENDIX K

Reliability Testing Participant Consent One

Balancing the Double Bottom Line of Social Enterprise: Lessons from the Business Cost Recovery Social Accounting Tool

Researcher: Taryn Pimento
Institute: Ontario Institute for Studies in Education (OISE)/University of Toronto (UT)

Purpose of the Research:
The aim of this research is to test the reliability of the Business Cost Recovery (BCR) Metric, a social accounting tool used by social purpose enterprise managers. Social purpose enterprises are businesses that provide transitional or permanent employment for people who are homeless or at risk of homelessness. Because social purpose enterprises have both social and business missions, they incur social and business costs*. The BCR serves as a budgeting tool to help social purpose enterprise managers separate out business costs from social costs, as well as a measure of enterprise financial sustainability.

What You Will Be Asked to Do in the Research:
If you choose to participate in this research, you will be one of about 25 participants. You will be given a brief case study of a social purpose enterprise in Toronto and asked to complete the following survey based on the case study provided. Relevant definitions and instructions are included in the Business Cost Recovery (BCR) Metric Social Accounting Guide. Using the case study and guide, the following survey should take about 10 to 15 minutes to complete. Approximately one week from this date you are asked to complete the same survey for a similar, but fabricated "case study". The second "case study" uses a made up scenario and numbers. You are asked to complete both questionnaires to help determine the test-retest reliability of the BCR tool.

There are no potential risks in participating in this research. Your responses are confidential and unrelated to your class participation.

Benefits of the Research and Benefits to You:
Because this research aims to improve a tool that is employed by social purpose enterprises, your participation contributes to the larger field of research on community development. The BCR metric as a social accounting tool affects the operations of social purpose enterprises across the Greater Toronto Area. By improving upon the operations of these social businesses, research in this field strives to increase the success of social purpose enterprises, thereby providing more opportunities for people who are homeless or at risk of homelessness.

Should you choose to participate, you are eligible to enter a draw for three cash prizes ($50, $25, $25). Participants who complete the test-retest reliability component of this research (complete the questionnaire twice) are eligible to win cash prizes.
**Voluntary Participation:**
This research is confidential (the researcher is the only person with access to the data from this research) and completely voluntary. It is not a requirement of the class you are taking. That said, your participation would be greatly appreciated and the completion of the worksheet can help determine the reliability of the Business Cost Recovery tool.

**Withdrawal from the Study:**
You can stop participating in research at any time, for any reason, if you so decide. Your decision to stop participating, or to refuse to answer particular questions, will not affect your relationship with your professor. Once the data has been analyzed, it will not be possible to withdraw your participation from the research.

**Contact Information:**
If you have any questions regarding this the research, please contact Taryn Pimento (t.pimento@utoronto.ca) or Jack Quarter (jquarter@oise.utoronto.ca) via email. If you have any questions about your rights as a research participant, please contact the ethics office via email (ethics.review@utoronto.ca) or telephone (416-946-3273).

Thank you for your help.

By selecting "Yes" below, you are consenting to participate in "Balancing the Double Bottom Line of Social Enterprise: Lessons from Business Cost Recovery Social Accounting Tool.

- ☐ Yes, I have understood the nature of this research and wish to participate
- ☐ No, I do not want to participate in this research
APPENDIX L

Reliability Testing Participant Consent Two

Balancing the Double Bottom Line of Social Enterprise: Lessons from the Business Cost Recovery Social Accounting Tool

Researcher: Taryn Pimento
Institute: Ontario Institute for Studies in Education (OISE)/University of Toronto (UT)

What You Will Be Asked to Do for the Second Questionnaire:
You will be given information about a fabricated (made-up) social purpose enterprise cafe and asked to complete the following survey based on the information provided. Please note that this questionnaire is identical to the first questionnaire you were asked to complete approximately one week ago.

Relevant definitions and instructions are included in the Business Cost Recovery (BCR) Metric Social Accounting Guide. Using the information and BCR guide, the following survey should take about 10 to 15 minutes to complete.

Contact Information:
If you have any questions regarding this the research, please contact Taryn Pimento (t.pimento@utoronto.ca) or Jack Quarter (jquarter@oise.utoronto.ca) via email. If you have any questions about your rights as a research participant, please contact the ethics office via email (ethics.review@utoronto.ca) or telephone (416-946-3273).

Thank you for your help.

By selecting "Yes" below, you are indicating that you have completed the first questionnaire and are consenting to continue participating in "Balancing the Double Bottom Line of Social Enterprise: Lessons from the Business Cost Recovery Social Accounting Tool", conducted by Taryn Pimento.

☐ Yes, I have understood the nature of this research and wish to participate
☐ No, I do not want to participate in this research
APPENDIX M

Search for Participants Email Script


Researcher: Taryn Pimento, OISE/UT

Purpose of the Research:

The aim of this research is to test the reliability of the Business Cost Recovery (BCR) Metric, a social accounting tool used by social purpose enterprise managers. Social purpose enterprises are businesses that provide transitional or permanent employment for people who are homeless or at risk of homelessness. Because social purpose enterprises have both social and business missions, they incur social and business costs. The BCR serves as a budgeting tool to help social purpose enterprise managers separate out business costs from social costs, as well as a measure of enterprise financial sustainability.

How to Participate:

If you choose to participate in this research, you will be given a brief case study of a social purpose enterprise in Toronto and an online questionnaire based on the case study. The questionnaire should take about 10 to 15 minutes to complete. One week from this date, please click on the link to Questionnaire 2. Questionnaire 2 will provide you with a slightly different, fabricated case study, but is otherwise identical to Questionnaire 1. It is important that you complete Questionnaire 2 one week following the completion of Questionnaire 1.

Questionnaire 1: http://www.surveymonkey.com/s/PZ2TJCD

Questionnaire 2: http://www.surveymonkey.com/s/CLNHVHZ