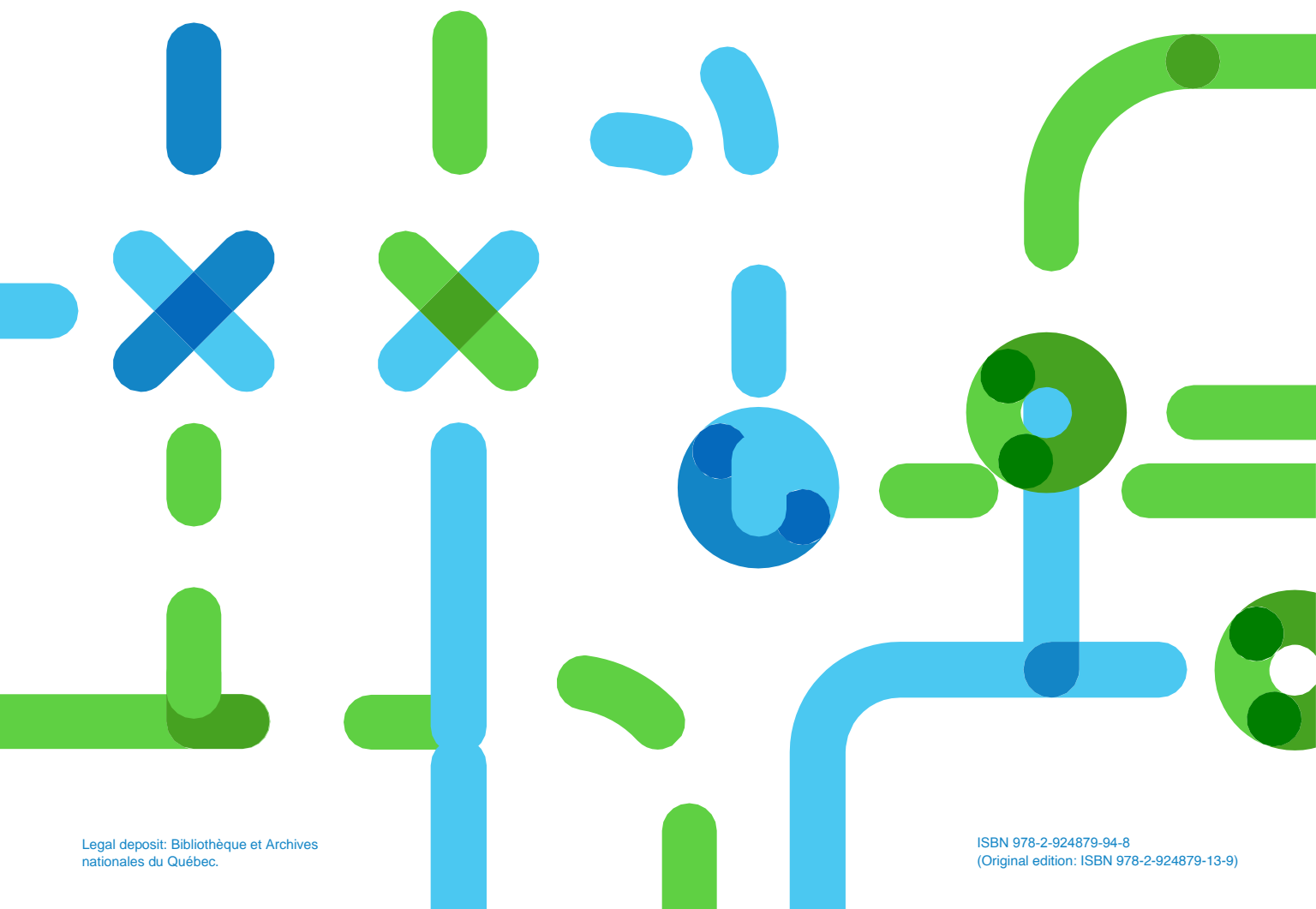


Scaling in the social economy

Planning the growth of your
social economy enterprise
for greater impact



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PREAMBLE

Why a guide on scaling social economy enterprises?

Quebec has long been an innovator in the social economy. Over the years, social economy enterprises have developed models that have spread across the province and even generated interest abroad. To this day, Quebec continues to produce ideas, engaged communities and committed project sponsors that enrich the social economy sector.

But how can we expand the scope of their work? How can more people benefit?

How can we help social economy enterprises become even more prominent, build stronger foundations, and play a greater role in a more democratic economy that serves communities?

Part of the solution lies in governments implementing visions, legislation, policies and programs that can support organizations and formally recognize the potential of the social economy. Another part of the solution, however, involves social economy enterprises themselves. To make your dreams a reality, you must be able to plan and organize how you will put your ideas into action by developing and implementing the best strategies.

This guide offers a kind of “catalogue of possibilities”—one that is admittedly incomplete, but sufficiently extensive to help social economy organizations imagine new development opportunities and choose the best strategies to achieve them. It focuses particularly on strategies that will enable enterprises to have a broader positive impact, hence the use of the term “scaling.”

Who is this guide for?

This guide is intended for members and leaders of social economy enterprises who are involved in planning their organizations’ development and operations. It may be of interest to people who are just learning about scaling, as well as those more familiar with the concept, such as those wanting to validate their strategy.

Finding the right scaling strategy for you

Social economy enterprises must constantly juggle challenges and development opportunities, while staying true to the enterprise’s purpose. To do this, they need to put the right strategies in place for their specific situation, vision, and scaling goals.

Part 1

Part 1 of this guide defines scaling and further explains what it involves, recognizing that it is not the best fit for every organization.

Part 2

Part 2 outlines different scaling strategies and identifies the various implications of each, both human and technical. This part begins with a flowchart of questions that members and leaders of social economy enterprises can use to find the best type of strategy for their situation. Real-life examples of social economy enterprises in Quebec and a case study of a fictional business (Sunshine Bakery) are provided to illustrate each strategy in a more concrete manner.

Part 3

In Part 3, the reader can learn about real-life organizations that have implemented hybrid or made-to-measure strategies.

Part 4

Finally, Part 4 focuses on resources that are useful for scaling in the social economy.

Let your imagination run wild...

The strategies presented in this guide should not be seen as inflexible processes or rigid frameworks. In reality, few organizations implement any of these strategies as-is. The real-life business cases are good examples because none of them match the definitions presented exactly! The benefit of categorizing the strategies into types is that it helps more clearly articulate the different strategies available and just how they differ. However, when organizations do engage in scaling, “hybrid” strategies are the norm more often than not.



Happy reading!



To help the reader

Remember

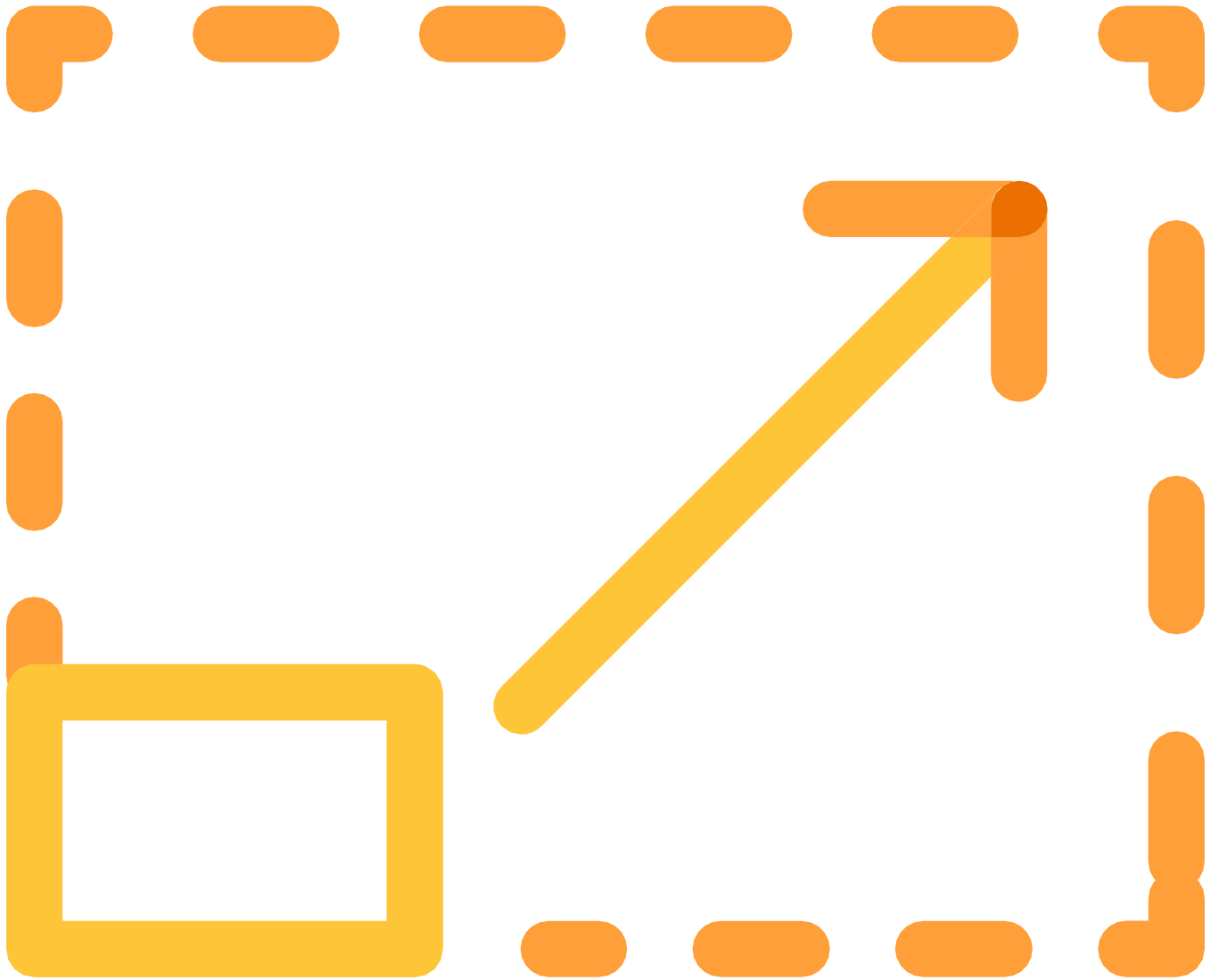
Important concepts are highlighted.

Further info

A few lines of additional information are provided.

Note

Concepts are defined or references are added at the bottom of the page.



Part 1

Scaling

Scaling is not something every enterprise needs to do, nor is it a magic formula for success. However, it is an approach worth considering for its potential to turn development opportunities into concrete projects.

Before we get into the actual scaling strategies, it's useful to think about why you are considering scaling and what you hope to get out of it.

This section answers the following questions:

- A. What is scaling?
- B. Why scale?
- C. Is scaling right for every organization?
- D. What does scaling require?
- E. How can your organization work through scaling as a group?
- F. Is your organization ready to scale?

A.

What is scaling?

Scaling is when a social economy enterprise deploys new strategies to increase or sustain its positive impact on society (socially, structurally, economically, culturally or environmentally).

In private companies, the conversation is more about expansion or growth, usually with the aim of generating more profit. In the social economy, where improving the well-being of members, individuals and communities takes precedence over financial gain, the term “scaling” is used to reflect an increase in an organization’s contribution to social change.

Ultimately, the goal of scaling is to enable more people to benefit from the expertise and ideas developed by social economy enterprises.

Some might say that one of the best ways to increase your positive impact is to keep doing what you're already doing, only better: refine your approach and processes, reduce your costs, reach more of your market or target population, etc.

And that might indeed make sense as a strategy depending on your enterprise's goals, and it may even be the first step on a path towards scaling. However, scaling encompasses strategies that change the ways an organization does business more substantially and significantly expand its reach.

In concrete terms

1.

In some cases, scaling involves combining the strengths of similar or complementary organizations to increase their potential for action.

2.

In other cases, it involves exporting a winning model or recognized know-how, so that communities do not have to reinvent the wheel.

3.

In still other cases, it expands the scope and size of an organization, enabling it to address the needs of new people and communities or tackle social issues.

4.

Scaling can also involve acting on an issue at the institutional or political level to promote more widespread societal change.



In summary, scaling:

Is...

One possible step in an organization's development

A set of ways that an organization can significantly increase its positive impact on society

Is not...

A continuous improvement process

A set of ways to grow an organization for the sole purpose of increasing its workforce and revenue

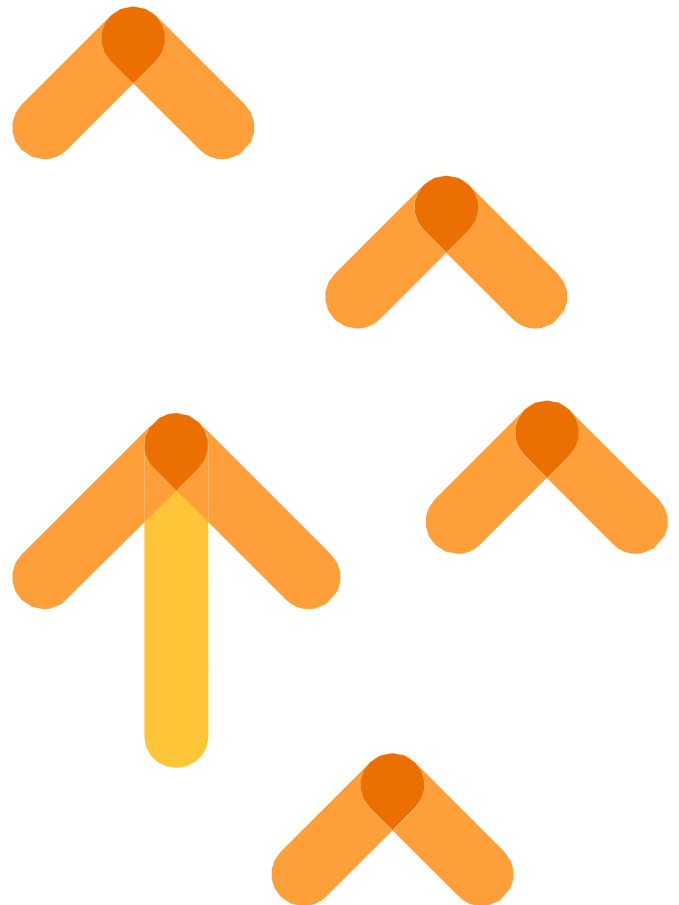
B.

Why scale?

Scaling lends itself to different types of social economy goals:

1. Reaching new people or tackling new issues in the communities already being served
2. Reaching other people or communities in areas not currently being served
3. Helping change rules, norms and values to promote a new vision or a new way of responding to a given social issue
4. Strengthening an industry through the social economy: developing new activities and new jobs in a specific economic sector by applying the principles of the social economy
5. Ensuring an organization's financial sustainability so that it can continue its mission and achieve its goals for the future: sharing certain expenses, developing new sources of revenue, etc.

Scaling is not a magic bullet for getting out of a difficult financial situation, although it can sometimes help an organization be more sustainable. In many cases, in fact, scaling requires financial investment. Still, an organization may find some strategies better suited than others to generating new revenue streams or reducing or sharing some of its expenses.



C.

Is scaling right for every organization?

Some social economy organizations should consider scaling as a way to go further in fulfilling their missions or fulfill them more effectively, rather than simply to grow for the sake of growth. However, not all organizations need to scale.

Some organizations have a mission that is specific to a geographic area or were created to address the needs and hopes of very specific small groups. For these organizations, scaling might be less relevant or of no value.

Other organizations have a broader mission. For some, scaling is practically embedded in their culture.

Of course, an enterprise's mission is not necessarily set in stone; it can evolve over time. **An organization considering scaling can also use this time as an opportunity to recalibrate its mission. That said, changing an organization's mission or purpose is a fundamental shift that goes far beyond scaling.**

Is scaling the right choice at all stages of an organization's life?

An organization that has been in operation for several years may wish to leverage its expertise and success to launch new development projects. **A young enterprise** that has navigated through its start-up phase to arrive at a more stable place may also look to new strategies to widen the scope of its operations and fulfill its mission more effectively. Thus, scaling can take place at different points in the life cycle of a social economy enterprise.

The virtues of staying small

The various development strategies that scaling makes possible allow even small organizations to think big in terms of social impact.

Some companies fear that scaling will lead them to lose their identity or the close relationships they have built with their local community. But scaling does not necessarily mean increasing the size of the organization. Some strategies enable an organization to think big in terms of impact while remaining small in terms of structure (cooperation, dissemination, certain forms of replication, systemic change). It is also entirely possible for an enterprise to retain the benefits of being close to its community while leveraging its expertise or approach in other geographic areas or contexts. The key to success is to anticipate possible negative outcomes and plan appropriate mechanisms to avoid them. This will be addressed later in this document.



Remember

An organization can think big in terms of social impact without changing its size.

D.

What does scaling require?

Clear, demonstrated needs and wants

If a social economy enterprise is interested in scaling, the first things it should do are:

- 1) Identify the needs/wants it is looking to meet
- 2) Gauge whether this demand actually exists

The desired impacts must be identified, but the risks inherent in a scaling strategy must be properly analyzed as well.

Assets that make a difference

Before an enterprise considers scaling, it needs to have sufficiently refined its model and ways of doing things on a smaller scale. Its expertise, operations, business model and management practices need to be honed. Ideally, this also means that the positive effects of its work on target social issues are recognized outside the organization.

In addition to a strong business model, organizations interested in scaling must have sound and committed governance and a relatively stable financial position. As in other contexts, although there is great potential for ideas to be generated in times of crisis, it is not an ideal time to launch a new project.

Is there a pilot on the plane? (And a qualified crew?)

Scaling is a bit like organizing a group trip. Nothing should be left to chance. It's also better if there is at least one individual who is in charge. Those in charge must have the leeway needed to coordinate the planning, organization and implementation of the chosen strategy and to ensure that the required decisions are made throughout the process.

The enterprise must also suss out whether or not there are enough other organizations with the same goal, or if there are a sufficient number, whether what these organizations offer is unsatisfactory or incomplete. This will help the enterprise decide whether scaling is a good idea. To do so, the organization will need data and information, which it can collect through needs assessments, relevance studies, market research, etc.



Further info

A business model outlines how an organization intends to achieve its mission and generate revenue. It answers the question: what is the organization's underlying business concept? This concept will then be articulated in a costed business plan.

Inspired by
the National Bank's "My Business Model" tool:
<https://www.nbc.ca/business/tips-tools/tools/my-business-model.html>

If the goal is unclear, then many outcomes are possible, but probably not the ones you want!

At least one individual within the organization should have entrepreneurial expertise. Scaling requires several skills similar to those required to start a business, such as strong analytical skills, creativity, a vision, a certain appetite for risk, and the ability to rally collaborators and partners and take action.

Given all of that, organization founders are not necessarily in the best position to lead scaling. This new phase of the organization's development can also be a good opportunity to surround yourself with new collaborators. People who are excited about the scaling initiative can take the reins, especially if they have skills relevant to the projects selected,¹ **which may be different from the skills required for the organization's regular activities.**

Finally, the various stakeholders—at the very least, employees, leaders, directors and close partners—need to be on board with the project. Otherwise, there is a risk of the project being called off or even causing harm to the organization.

Fuel for action

Scaling requires time and money

Time to:

1. Reflect and make the right decisions
2. Conduct the necessary studies
3. Implement the strategy
4. Build key alliances
5. Conduct assessments that will allow appropriate adjustments to be made

Financial resources to:

1. Pay those involved
2. Seek additional expertise and required material resources
3. Conduct pre-project studies

A scaling project should also include strong, meaningful partnerships that can bring funding, expertise,² a presence in the local community, access to networks and/or a general sense of credibility to the project.



¹ Reference: "Syndrome du fondateur," Changer d'échelle, TIESS, p.134. [French only]

² See Part 4 of this guide: Scaling resources.

E.

How can your organization work through scaling as a group?

The topic of scaling may be brought up by people within the organization who are excited about the potential for development, motivated by increasing or urgent social needs, or concerned about the organization's sustainability. Scaling can also become a topic of discussion if the organization is approached by other organizations or by funders. An enterprise may also consider scaling in response to a development opportunity that arises.

In many instances, scaling strategies lead to new ways of doing things that mark a new phase in an organization's history. As the authors of the IIES scaling guide say,³ [Translation] **“By definition, there can be no modest scaling project.”**

Resistance to scaling?

As well as being a strategic choice, scaling has to be a group effort that reflects a shared motivation and desire. Like any change, scaling can be cause for tension or concern within organizations. Resistance to change should not be underestimated.

Examples of possible reactions or objections





The team's buy-in and enthusiasm for the project is hampered by recurring internal problems.



People don't see the value of the project in relation to what they do, or they don't feel engaged because they don't see the role they could play.

To prevent people from feeling threatened or steamrollered by this development phase, it is important to:

-  Gain broad support and ensure that the scaling project does not rely solely on one or a few people in the organization

-  Arrange a time to talk things over as a group and take the time to ask the right questions (why, when, how, with whom)

³ The Institut de l'Innovation et de l'Entrepreneuriat Social was created by ESSEC Business School and the Chaire Innovation et Entrepreneuriat Social in France

In concrete terms, time must be built into the scaling process for reflection and discussion between not only the organization's leaders, but also its members, employees, volunteers and, potentially, other stakeholders (partners, users, beneficiaries, etc.).

Communication and training activities and tools can also be developed to ensure a transparent process and empower the organization's members and employees to move through this change without undue stress.

Reflection sessions can be facilitated by an external person (consultant) or by employees or leaders within the organization.

Too much scaling?

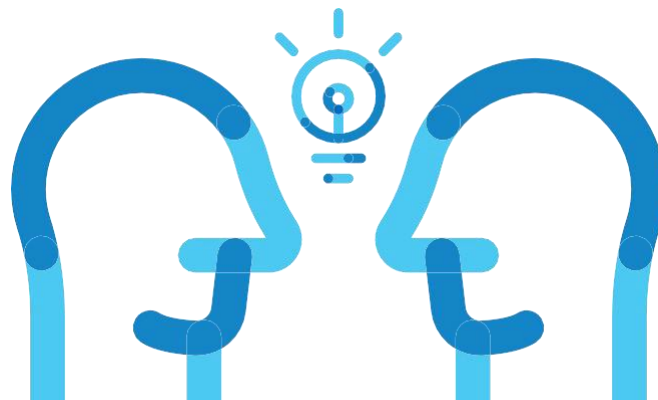
People within the organization may be resistant to scaling if too many development projects end up going on at once. Overload may occur and some collaborators may be unable to keep up. If this happens, it is best to take time to "digest" the growth and bring the focus back to the organization and its operations before starting up again with new scaling strategies.

The right questions to ask

Your organization may or may not discuss scaling as part of a strategic thinking exercise. At any rate, though, the organization's current state will need to be assessed from an internal and external perspective, including the levers required for scaling and any weaknesses or threats that could complicate things (see the "Is your organization ready to scale?" flowchart on page 16).

Before you decide which scaling strategy to adopt, it is important to have **a good understanding of the aspirations or problems** the organization wants to address and a **clear, comprehensive idea** of what must be put in place to get there.

The second part of this guide, "Different scaling strategies," describes several strategies to provide food for thought for social economy enterprises considering scaling.



Remember

Whatever the circumstances, make sure to listen to everyone's ideas and concerns so that the organization as a whole feels involved and included in the project.



Our fictional case study:

Sunshine Bakery

Sunshine Bakery is a solidarity cooperative

that creates quality jobs for people excluded from the labour market. To fulfil its mission, the bakery produces and sells different varieties of bread and pastries in its workshop/storefront. It is administered by a board of directors composed of representatives of bakery workers and a few support members from the community.

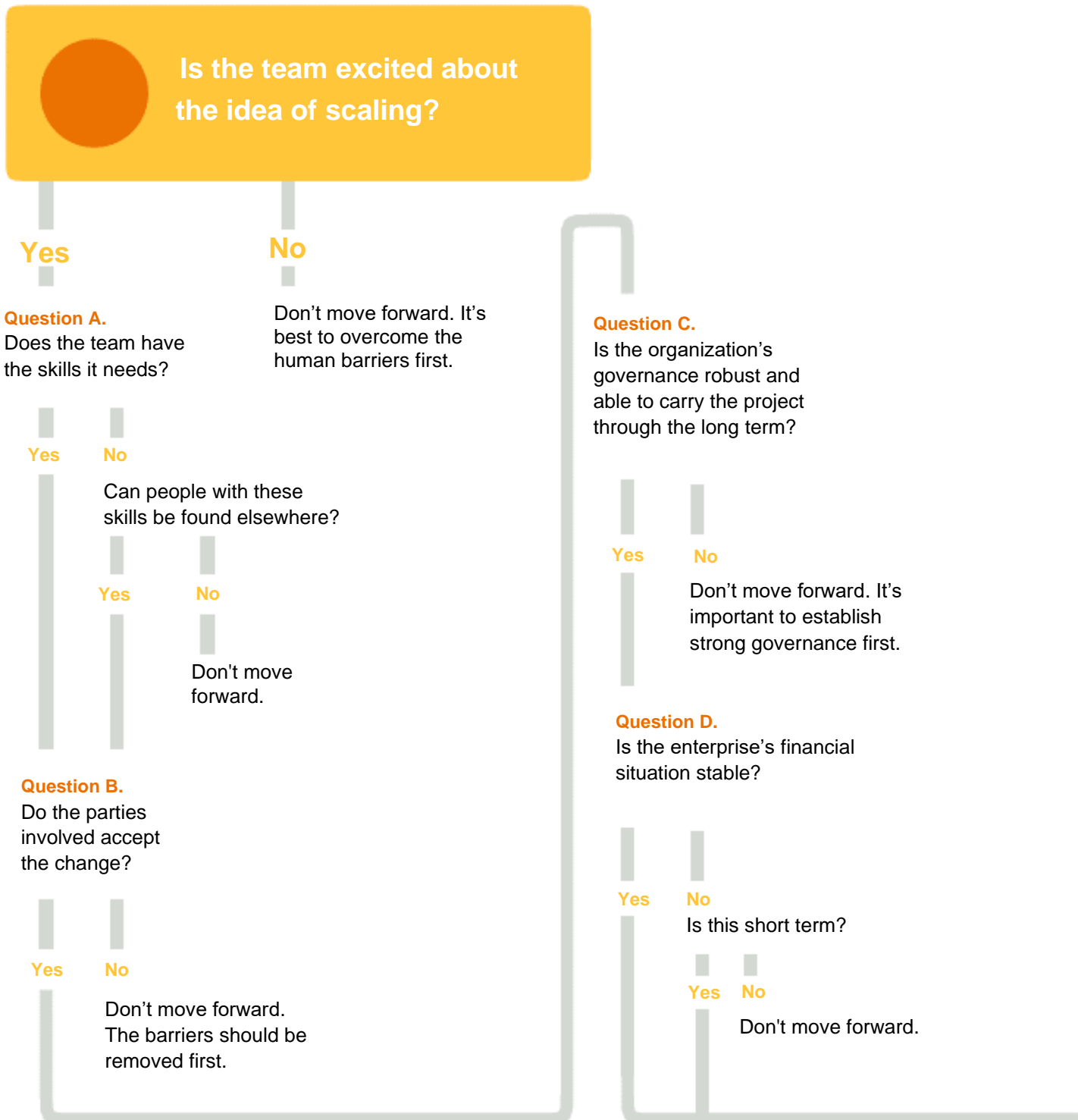
Over seven years of operation, Sunshine Bakery has been able to create around 15 jobs and has given more than 30 people who were initially excluded from the labour market the opportunity to hold rewarding, well-paid jobs. In light of its track record, the bakery's board of directors is pondering how to reach more people. How can the bakery expand its activities as a social economy enterprise to scale up its impact on society?

These are big questions!

Before fully committing, the directors have proposed that the organization be assessed in its current state (its strengths and weaknesses) and that the bakery's surrounding environment (social, economic, political, structural, etc.) be analyzed for threats and development opportunities. Members will then be fully informed when they explore the options for scaling. An employee who is interested in strategic development issues and has strong analytical skills will lead the reflection process with the support of a committee from the board of directors. In addition to members, financial partners, clients and potential workers will also participate in the reflection process.

Is your organization ready to scale?

Flowchart adapted from Avise⁴



Question E

Does the social economy enterprise have a strong network of partners?

Yes

No

Can it build one?

Yes

No

Don't move forward. Social economy enterprises need strong partners to ensure the success of their projects.

Question F.

Is the social economy enterprise capable of mobilizing human or financial resources?

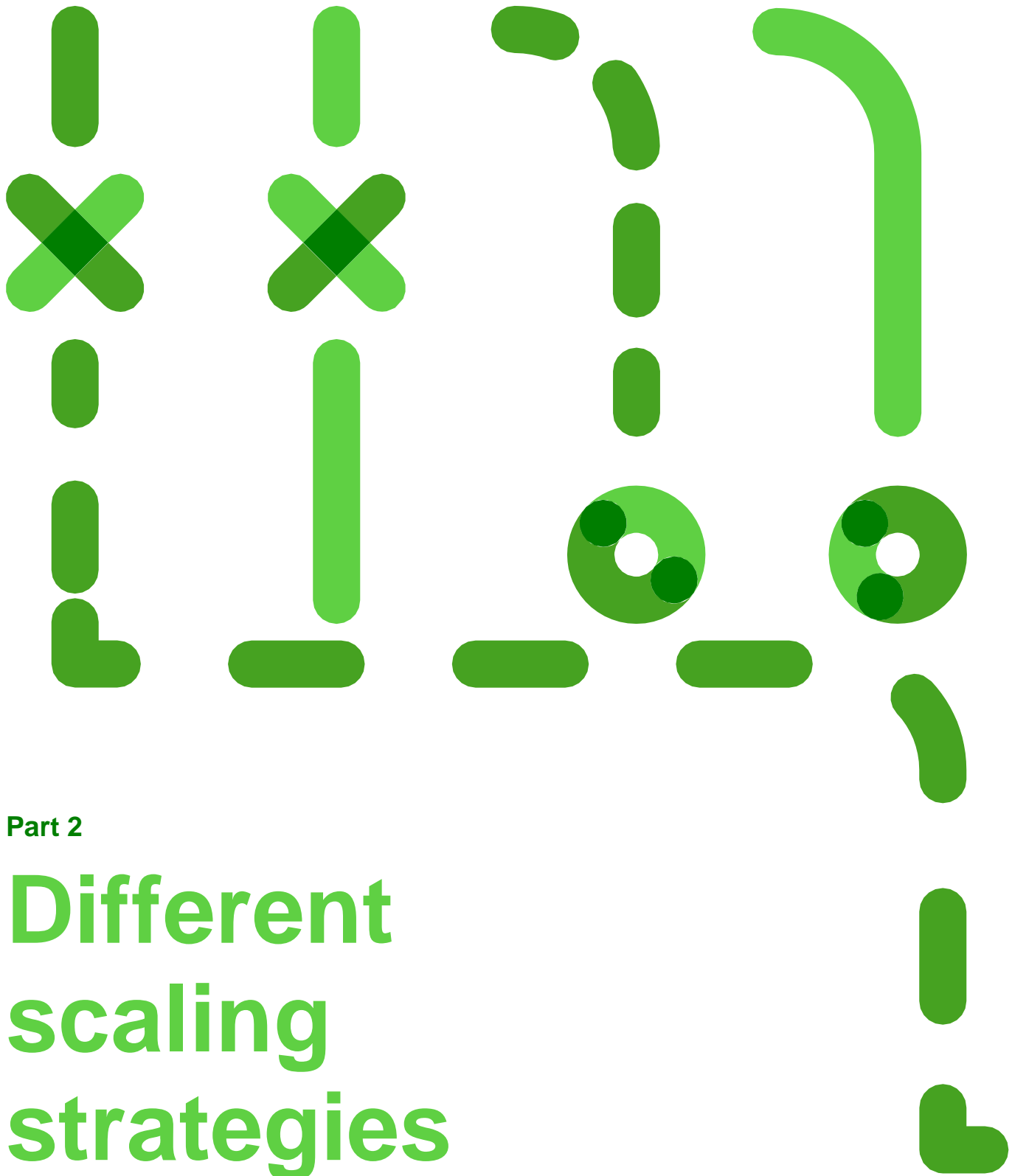
Yes

No

Don't move forward. Find the resources first.



Your organization is ready to scale.



Part 2

Different scaling strategies

Introduction

While Part 1 focused on the challenges involved in scaling and what you need to make sure your scaling initiative is a success, this section of the guide introduces a variety of scaling strategies used in the social economy. A general overview of each strategy is provided, followed by the technical⁵ and human aspects involved in each.



We will use a fictional case study (Sunshine Bakery) to illustrate how these different strategies could be implemented within a single organization.

Real-life examples of social economy enterprises in Quebec will also be used to illustrate how these strategies can be redesigned and adapted to fit the needs and culture of a given enterprise.

A.

Strategies to enhance or consolidate your offering

Cooperation

Diversification

Amalgamation

Acquisition/takeover

B.

Strategies to replicate a winning formula

Dissemination

Replication

Flexible replication

Licensing

Social franchising

Joint venture

Centralized replication

C.

Strategies for systemic change

Examples of action that can be taken at a systemic level

⁵ Guillaume Lapierre de Les Avocats de Solutions provided most of the information concerning the legal aspects of each strategy. As this information is summarized, however, it is recommended that organizations interested in pursuing any of these strategies consult specialized professionals prior to going forward with their project.

What type of strategy is best for your organization?

Does any of this sound familiar?

A.

Strategies to enhance or consolidate your offering

- ✓ You are intrigued by the approach taken or changes made within organizations whose missions and work are very similar or complementary to your own.
- ✓ You keep abreast of new developments and trends, and you can see that the wants and needs of your target groups or markets have changed.
- ✓ You want to expand your sphere of operation and reach more people or customers to increase your impact.
- ✓ You are concerned about the financial sustainability of your organization. You would like to be able to defray or share certain costs or develop new sources of revenue.

B.

Strategies to replicate a winning formula

- ✓ Other groups or communities have reached out to you to express interest in the model you have developed.
- ✓ Your approach or model could be used to respond to the needs and wants of people outside of the geographic area you serve.
- ✓ You have developed a model (activities, services, products or approach) that has proven to be effective and sustainable.
- ✓ Your organization wants to expand the reach of its model and share it with other groups.

C.

Strategies for systemic change

- ✓ Your expertise and experience in a specific area have led you to understand the deeper causes of the wants or needs you identified.
- ✓ You have a clear idea of what changes would need to be made to policies, worldviews and societal structures to make your organization's impact more widespread.
- ✓ You are willing to work with other networks and organizations that have similar or complementary goals to yours.
- ✓ You are ready to act on a more political or institutional level.

Part 2

Different scaling strategies

A.

B

C.

Cooperation

Diversification

Amalgamation

Acquisition/takeover

A.

Strategies to enhance or consolidate your offering

Similar to the way waves ripple outward when a rock is thrown into the water, the following strategies aim to enhance and expand your organization's current impact. They help your organization better serve its target populations or markets and, in some cases, can bolster an organization that is going through more difficult times or seeking to ensure its financial sustainability.

The strategies for this situation include:

1. Cooperation
2. Diversification
3. Amalgamation
4. Acquisition or takeover of other organizations

1

Cooperation

A.
Formalizing a mutual support arrangement (sharing/exchange of services, referrals, continuum of services, etc.) or join forces to carry out a specific project (strategic alliance)

B
Co-creating a new organization: a consortium, a producers cooperative, etc.

Cooperation: What it is, what it offers

Cooperation means collaborating with other organizations to share resources and/or skills or create something new together.

Through agreements between the parties, this strategy provides access to new clients, expands the organization's expertise, and offers its clients or target audiences complementary goods or services to better serve them. The parties may also share certain costs under these agreements.

Cooperation can also lead to the introduction of new activities and solutions. To this end, organizations that are interested in a cooperative arrangement may choose to form a new group together. Consortiums, joint ventures, producers cooperatives and solidarity cooperatives can be vehicles for a cooperation strategy between multiple organizations.

Cooperation thus gives organizations a way to strengthen their business model and increases its social impact without changing its own organizational structure.

What it involves



From a human perspective

Setting up a cooperative strategy requires patience, flexibility and time. **First**, it involves fully understanding and coordinating the visions and objectives of each party. **Second**, it involves negotiating and defining together the level of commitment, the roles and responsibilities of each organization based on its own resources and expertise, and the terms of the agreement. In other words, common ground must be defined and specified.

To build the mutual trust required for this negotiation, it might be a good idea to conduct a few one-time cooperative or resource-sharing activities, or even a pilot project, as a trial run.

It will also be important to coordinate and monitor the success of the cooperative venture along the way to see whether all the organizations involved achieve the goals they set at the beginning of the process. By planning for this assessment and putting it on the agenda at regular intervals, the organizations can identify their successes and also catch any irritants that could escalate into conflicts if not addressed.



Remember

Building a cooperative relationship requires trust, time and a trial run.

What it involves



From a technical perspective

A cooperation agreement

Any agreement between two organizations can serve as a contract. Like any other contract, an agreement must specify the purpose, objectives, term, roles, responsibilities of each party, and rules for renewing or terminating the agreement. Mechanisms can even be put in place to address various situations: staffing changes that impact the agreement, disputes/conflicts, etc.

Although oral agreements can be valid, it is preferable to have a written document as a record. A written agreement can document the start of the cooperative relationship, so that successors are able to understand the context and purposes of the cooperation, and can ensure that the signatory organizations agree on the terms of the agreement. This written version, signed by the parties, will be more “official.” A partnership agreement, duly drafted or checked over by a lawyer, will ensure that nothing is left to chance, which will help prevent or facilitate the resolution of any disputes. It costs approximately **\$750 to \$1,500** to engage the services of a lawyer in this process.

In certain cases, confidentiality clauses should be incorporated into the agreement to avoid the disclosure of sensitive information and protect the intellectual property of the organizations.

Consortium, joint venture, corporation, producers cooperative or solidarity cooperative

These different terms can all refer to an organization established jointly by other organizations. Social economy enterprises pursuing a common goal might decide to set up a cooperative venture in the form of a consortium,⁶ a cooperative or a for-profit company. In all of these structures, the founding organizations can all hold seats on the board of directors, and one of the member enterprises could be tasked with management of the new organization.



Remember

It is always a good idea to sign a partnership agreement that specifies the roles and responsibilities of each organization involved in setting up the joint venture, as well as their respective financial and human resource contributions, if applicable.

⁶A consortium is an association of enterprises formed for the purpose of achieving a common objective.

Listed below are the different types of structures that can be put in place to establish a cooperative venture between multiple organizations.

Non-profit organization (NPO)

A joint venture can be incorporated as an NPO. Letters patent and bylaws specify the purposes of this partnership structure and set out its governance (meaning, which organizations share control and how decisions are made).

Solidarity cooperative

This structure allows organizations to form a new organization together, while opening governance up to different types of members. Partner organizations may represent a category of members, alongside worker members, users of the cooperative or supporting members, such as representatives of a community or individuals with specific expertise.

Producers cooperative

Created to support its members in their work, a producers cooperative can provide services that are otherwise inaccessible to its constituent organizations or carry out some other activity that could benefit them.

Corporation (for profit)

Social economy enterprises can jointly create a corporation. A shareholder agreement must be drawn up between the partner organizations to set the parameters of the operation and control of the corporation.





Fictional case study:

Sunshine Bakery

Cooperation

For the past few months, the Sunshine Bakery cooperative has been working with another local social economy enterprise, The Hot Plate, which integrates marginalized people into the workforce through the production of prepared foods. Every once in a while, the two enterprises would encounter each other and realized how similar their visions and values were. Gradually, the idea of starting a cooperative relationship for their mutual benefit began to take hold.

The two enterprises decided to enter into an agreement to distribute each other's products, which will diversify their offering for their customers and increase their sales volume. If the partnership proves successful, the two social economy enterprises might also open a café together.

In addition to making use of the products of both organizations, this new enterprise will help achieve their missions by providing additional work opportunities for the populations they work with.

A real-life example of a cooperation agreement

TOHU, a flagship cultural organization in Montréal's Saint-Michel neighbourhood, specializes in the circus arts. The organization **Productions Jeun'Est** offers training in the theatre trades for young Montrealers who are isolated from the labour market. For 10 years now, the two organizations have enjoyed a mutually beneficial cooperation agreement. Productions Jeun'Est can use TOHU's spaces to train young people when they are available, at no charge. In exchange, Jeun'Est sets up systems, stages and sets for TOHU's internal activities at no charge as part of its work and learning programs (training, tests, internal events, etc.). In addition, **Prodigium**, the social economy component of Productions Jeun'Est, holds exclusive rights to the technical set-up/take-down contracts for TOHU's programmed events. This agreement is based in part on the values shared by these two entities and on the positive personal relationship between their leaders.

A real-life example of cooperation through a consortium

Projet SOL is a consortium made up of the Collectif des entreprises d'insertion du Québec and several of its members that are work integration enterprises currently working in food production. The organization, incorporated as a NPO, was created following a call for tenders issued by **Space for Life** in Montréal, which wanted to turn over management of its various food services to a social economy enterprise. Since none of the individual work integration social enterprises in the industry had the capacity to respond to this call, they formed a consortium. The purpose of this consortium is to help graduates of the member work integration enterprises gain their first work experience. The consortium ensures that 50% of Projet SOL's employee positions are filled by one-year hires of graduates of employment integration programs.

If permanent positions become available, these employees can continue to work for Project SOL.

In addition to managing three food counters within the Space for Life complex, Project SOL signs other contracts that the work integration enterprises are unable to take on, and may eventually be able to use any surpluses to finance research and development projects within integration enterprises. Project SOL also procures certain products and services (uniforms, printing services, fine food products, pastries, etc.) from work integration companies that are members of the collective.

2

Diversification

A.
Carrying out your own
research and
development (R&D)

B.
Drawing on existing
models or making
use of available
expertise

C.
Replicating an existing
model (by acquiring a
franchise, for example)

Another option would be to take activities that were originally outsourced to a supplier or subcontractor and perform them internally. This approach is referred to as **vertical diversification**, wherein the goal is to integrate activities that are upstream or downstream in the production process into the enterprise's internal operations.

Diversification often involves research and development and the acquisition of new knowledge or skills.

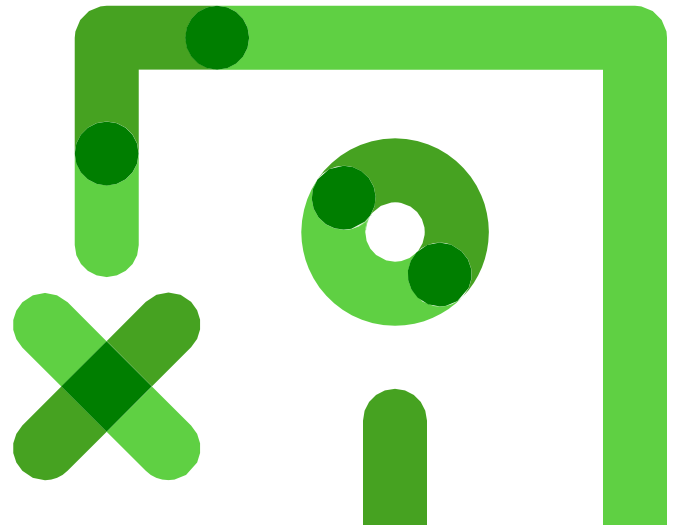
This strategy can improve an organization's financial situation by leading it to develop a higher-profit line of business. Diversification can also increase social profitability by engaging in a activity that has a greater impact (socially, environmentally, culturally, etc.).

More specifically, diversification allows a social economy enterprise to either respond more fully to certain needs or address entirely new needs, wants or issues. An organization that diversifies can create synergy between activities that it sees as complementary. Diversification also makes it possible to become less dependent on a single market, a smaller target population or particular suppliers or subcontractors.

Diversification: What it is, what it offers

Diversification involves enhancing your model by developing a new line of business, product or service.

This may involve setting up a related line of business that leverages the organization's expertise. This is called **horizontal diversification**.



What it involves



From a human perspective

Although not everyone in the organization can be involved directly in a diversification project, it is critical to encourage everyone's buy-in to avoid disengagement. In addition, the organization should avoid leaving its other streams of activity high and dry or divesting itself of them (if they are still relevant and necessary), even if they do not have the attractiveness of being new.

The diversification effort must be consistent with the organization's purpose to avoid mission drift and a loss of direction for the people who work there. Development projects driven by new opportunities, such as potential funding, should be analyzed in light of the organization's mission.



Remember

Diversification must be consistent with the organization's purpose to avoid losing sight of its mission.

What it involves



From a technical perspective

Diversification involves the use of new skills and expertise. If the organization does not have the skills and expertise it needs, there are several possible ways it can develop or acquire them:

1. Hire people with the required expertise
2. Carry out its own R&D process
3. Draw on existing models or make use of available expertise shared by other organizations (in open data or via training)
4. Replicating an existing model (e.g., by purchasing a franchise)
5. Establish cooperation agreements with other organizations that have the required expertise

Diversification also requires market research or a needs assessment to document the organization's existing or potential competition and confirm that there is demand for a product or service.

From a qualitative standpoint:

Is this really what people want?

From a quantitative standpoint:

Does the number of potentially interested people justify this new development?

In certain cases, a pilot project should be run to ensure the relevance, effectiveness, quality and feasibility of a new product or service.

If necessary, new trademarks or names will need to be developed and registered, or patents may need to be filed.

Diversification can occur within the organization itself. However, it is also possible to diversify the organization's activities by creating a new structure to handle this new line of business. If the social economy enterprise creates the new entity on its own, it will be either a new **division** (if the entity is not incorporated) or a new **subsidiary**⁷ (if the entity is incorporated separately), which will be controlled by its own board of directors.



Further info

Other strategies presented elsewhere in the guide can also be used to achieve diversification:

Cooperation

If the diversification effort involves creating a new organization with others that offers new products/services (p. 23)

Takeover/acquisition

If one organization takes control of another organization or buys an enterprise that carries on related or complementary activities (p. 40).

⁷In simple terms, a "subsidiary" can be defined as an organization that is majority-owned by another organization.

Registering trademarks and filing patents

Registering a name or logo associated with a product or service protects a particular trademark. Registered trademarks cannot be used by others: registration confers on its owner a legal title that formalizes the fact that it owns a trademark and serves as irrefutable evidence in court in the event of a dispute.

It should be noted that the mere fact of registering a business name with the Registraire des entreprises du Québec, even if it has been reserved under the *Act respecting the legal publicity of enterprises*, does not confer any official ownership rights or special powers over that name.

Registering a trademark

Where: With the Canadian Intellectual Property Office

Cost: Approximately \$250

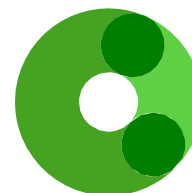
Time: Between 10 months and 2 years

Validity: 15 years (possibility of renewal)

There are lawyers who can guide your organization through this process and ensure that the application is completed correctly from the outset. **An additional cost of about \$1,250** should be anticipated for this service.

Filing a patent

An organization may also consider filing a patent application if it has created something unique and potentially highly profitable for which it would like to have a 20-year market advantage over potential competitors. However, a serious cost-benefit assessment of doing so must be carried out since **obtaining a patent can cost upwards of \$10,000.**





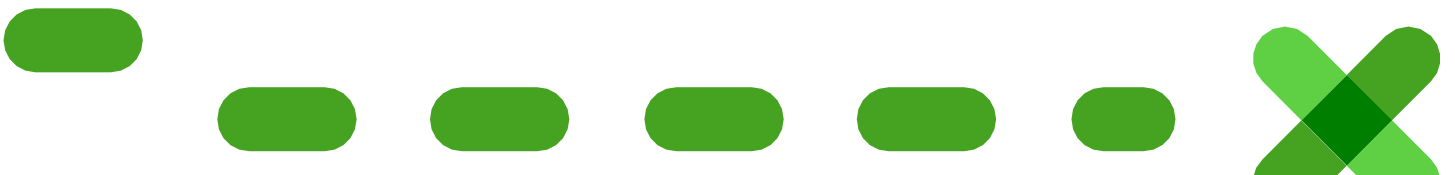
Fictional case study:

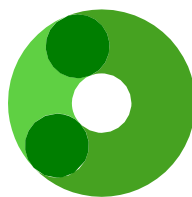
Sunshine Bakery

Diversification

In keeping with its mission, Sunshine Bakery wants to create new job profiles so it can bring more people who are excluded from the labour market into the cooperative. To this end, it decides to develop a new business alongside the production and sale of baked goods and pastries. It is considering using the teaching skills that some of its employees have to develop pastry training workshops for people in the community.

It might also decide to develop a milling operation that would make the bakery stand out while reducing its dependence on its flour supplier.





3

Amalgamation

A.
Combining with
another organization

B
Absorbing another
organization or being
absorbed by another
organization

Amalgamation: What it is, what it offers

An amalgamation is when multiple organizations pool their assets and business together, either to become a single new organization or to allow one potentially more fragile organization to be absorbed by another.

The amalgamated organizations can pool their expertise, networks, production resources, etc. to become stronger by diversifying or expanding their lines of business. The organizations can also use amalgamation to form an enterprise that is a better size to deal with competition, negotiate with certain suppliers or access other markets and particular forms of financing. It can also create new career opportunities for workers and make new expertise available to governance.

Finally, an amalgamation eliminates potential competition between organizations with similar target audiences and coveted funders. By amalgamating, they are able to not only combine their strengths, but also enhance their efficiency, improve their position in a business sector and reduce certain operating expenses.

What it involves



From a human
perspective

Fully understand each other before becoming a single entity

It is in the best interest of amalgamating organizations to have in-depth knowledge of each other right from the start. A history of cooperation can provide an indication of whether an amalgamation will be successful and whether the organizations' values, visions and operations are compatible—in short, whether each entity's organizational culture can evolve seamlessly into a new shared culture.

Who stays, who goes...

More than anything else, the amalgamation of two organizations is the merging of two boards of directors, two working teams and two management teams.

Difficult though it may be, it is likely that the newly amalgamated organization will have to let some qualified collaborators and directors go. This strategy can lead to job losses if certain positions are combined (e.g., keeping a single person in charge of accounting when each organization previously had their own). It naturally has an impact from a human perspective, both on the people leaving the organization and those who remain.

Communicating to prepare for the change

To create a real sense of the project as a joint venture and address potential reluctance, the process of reflection and negotiation with the governance bodies should be well planned and offer many opportunities for dialogue. An amalgamation for scaling purposes can often create insecurity and raise a variety of concerns within an organization. It may be wise to seek the assistance of someone specialized in this type of endeavour.

The restructuring process

Amalgamation requires distinct groups of workers to work together and harmonize their ways of doing things, which can create insecurity, tension and

disruption in the way duties and roles are distributed. Again, the teams must be given ample opportunities for discussion, time for collective reflection and tools for communication so that they feel involved in the process.

Furthermore, becoming a larger structure may require new skills and positions (such as a new team leader or specialist function). These changes must be handled transparently, and teams must be closely monitored as the new structure is implemented so that any necessary adjustments can be made.

What it involves



From a technical perspective

To amalgamate, both organizations must negotiate an **amalgamation agreement** (known in French as an *acte d'accord de fusion* for NPOs or a *convention de fusion* for cooperatives) specifying the following:

1. **The conditions of the amalgamation: why, when, how and with whom (which representatives, which directors)**



Remember

Amalgamation requires the organizations to get to know each other, decide who stays and who goes, talk to each other, and rethink their organization's internal workings.

2. The name of the new legal entity (may be a new name or the name of one of the amalgamated organizations)
3. The purposes to appear on the letters patent of the new entity
4. The names, professions and contact details of the interim directors
5. Certain financial terms
6. The method by which the new board of directors will be elected

Each organization must then convene a special general meeting at which the following information is presented:

1. Information about the proposed amalgamation
2. The amalgamation document (agreement)
3. The bylaws of the new entity
4. The assets and liabilities of the organizations involved in the amalgamation

The proposed amalgamation must then be adopted by those present at the special general meeting by at least a two-thirds vote.

- A.** Once the amalgamation is approved by the members of each organization, a form must be completed with the Registraire des entreprises du Québec (for NPOs) or the Direction de l'entrepreneuriat collectif (for cooperatives).
- B.** The relevant authorities then issue the constituting documents for the new entity. If the amalgamation results in the creation of a new entity that is an NPO, a new Quebec business number will be issued.
- C.** If two NPOs amalgamate, the initial registration of the organizations involved will be automatically revoked as of the effective date of the new NPO's articles.

- D.** Cooperatives that have amalgamated continue to exist as a single cooperative.
- E.** In the case of an absorption (an amalgamation in which one organization is absorbed by another), only the registration of the absorbed organization will be revoked, while the name and registration of the absorbing organization will be maintained.

Absorbing an organization also involves transferring obligations from the absorbed organization to the absorbing organization. Obligations (contracts, debts, agreements, etc.) committed to by each entity prior to their amalgamation must be honoured by the new amalgamated organization.



Remember

1. Cooperatives can amalgamate with NPOs. However, the new entity must have cooperative status.
2. NPOs registered as charities can only amalgamate with other charitable NPOs. Additionally, NPOs that do not have this status may amalgamate with each other.
3. However, NPOs cannot amalgamate with corporations.



Fictional case study:

Sunshine Bakery

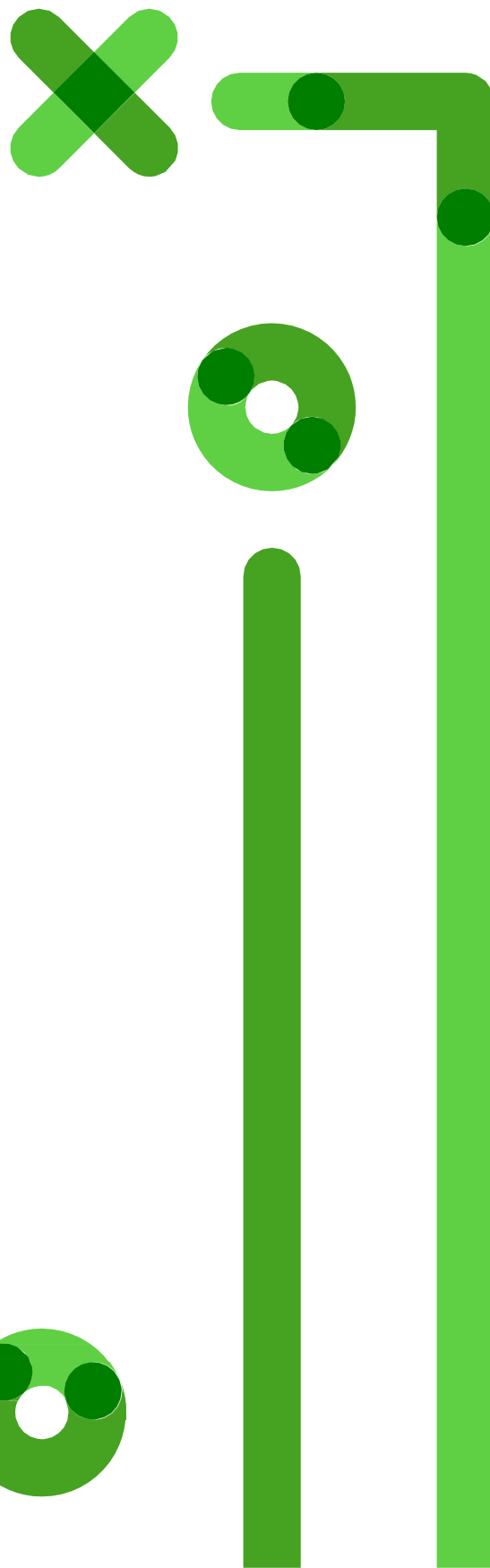
Amalgamation

Sunshine Bakery and the local prepared food enterprise, The Hot Plate, are so happy with their cooperation agreements that they are considering amalgamating in order to achieve economies of scale, combine certain positions (e.g., have a single executive director) and pool their expertise, particularly in production.

Sunshine Bakery might also absorb another small social economy organization, The Golden Fork, which specializes in community culinary training, to give the fragile enterprise a stronger place to leverage its expertise (The Golden Fork is experiencing financial difficulties) and carry out Sunshine Bakery's horizontal diversification plans.

A real-life example of an amalgamation

Axia Services is a social economy enterprise whose mission is to provide quality jobs to people with disabilities. By creating and developing commercial activities, it provides opportunities for men and women who want to contribute positively to their community to play an active role in society. Axia Services was born from the amalgamation of two companies that were adapted for workers with disabilities: Les services adaptés Transit, located in Montréal, which provided housekeeping, security and packaging services, and CAPEQ, located in Laval, which provided labelling and packaging services. In 2016, after reflecting on its development plans, Les services adaptés Transit began considering amalgamation. It was supported by the Service de deuxième ligne en économie sociale (S2L) and by the Chantier de l'économie sociale. This development was a very important step to increase the enterprise's social impact, provide new career opportunities for employees, develop a more professional brand image and reach new markets. Thanks to CAPEQ's facilities in Laval and its head office in Montréal, Axia Services is expanding its food and industrial subcontracting offering, and it can better serve its cleaning and security clients in both areas.



4

Acquisition or takeover of other enterprises

A.
Taking over other social economy enterprises

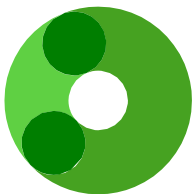
B
Taking over and acquiring the assets of for-profit enterprises

Acquisition or takeover: What it is, what it offers

For a social economy enterprise, this strategy involves acquiring or taking control of existing organizations with their consent or at their request, while leaving separate enterprises in place to continue their own activities.

Rather than absorbing the entity in question, an enterprise may prefer to preserve the current business structure:

1. To ensure consistency (the activities of the organization being acquired or taken over may not be in line with the mission of the original enterprise)
2. To keep the organization small and avoid impacting each entity's operations
3. To take advantage of the reputation of the target enterprise
4. To maintain or have access to funding reserved for organizations that have a specific type of operation or line of business
5. To avoid putting the initiating organization at financial risk during the acquisition or takeover



A social economy enterprise can use this strategy to diversify its activities by leveraging the expertise and facilities of existing organizations. It can also bring several organizations working in the same field of activity together under a single umbrella to create inter-cooperation synergy (rather than competition) and to share best practices. By sharing a single governance structure, these entities will be able to work as a group toward common goals to maximize their overall impact.

Social economy enterprises can acquire private companies whose owners want to divest. They may also take over other social economy enterprises that are struggling or on the verge of ceasing operations to ensure they continue to exist in some way.



Further info

Rather than taking full control of an organization, **a social economy enterprise could opt for a significant but partial takeover.** That allows it to maintain separate but connected governance structures. This could be done by ensuring that some directors sit on the boards of both organizations and by signing cooperation agreements ensuring that the organizations follow common or compatible policies.

What it involves



From a human perspective

As with amalgamations, the acquisition or takeover of one organization by another usually involves reconciling different organizational cultures.

This means that it is important to be sure this expansion of the organization's network make sense for the stakeholders of both the enterprise that is expanding and the enterprises that are incorporated into it.

However, the main challenge with this strategy from a human perspective is ensuring a democratic organizational culture and fostering a sense of belonging. When the decision-making power of several entities is concentrated in a single board of directors, there is a risk that the board will have difficulty monitoring the situation properly and may make decisions that do not reflect the goals of the different entities under its governance.⁸ Various communication mechanisms should also be put in place to ensure information is shared across all levels of the organization. Meetings of members or workers from the various units should be held regularly, within each division and jointly with all divisions, to allow as many people as possible to take part in discussions that affect the group and to foster a sense of belonging.

⁸ To avoid this situation, the board of directors of the central entity could include people from the various subsidiaries.

What it involves



From a technical perspective

Before acquiring or taking over another organization, the initiating organization should conduct a due diligence audit to gather information on the following:

1. **The financial situation of the target organization: its revenue, expenses, holdings, assets, liabilities, profitability, etc.**
2. **Its track record: its achievements, its social impact, its partnerships, etc.**
3. **The contracts that the target organization is bound by**
4. **Any grants or funding agreements in place and the impact or risks associated with a change in governance**
5. **Any complaints, lawsuits or remedies that it may be subject to or have initiated**

This audit will enable the organization to understand in great detail the situation it will inherit, including any debts it may have to assume.

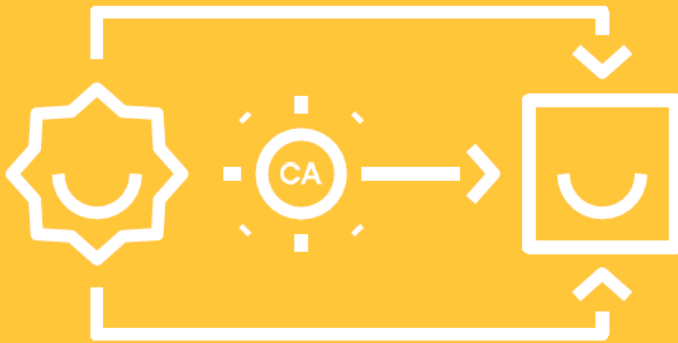
Since NPOs and cooperatives cannot be sold, and therefore cannot be purchased, any takeover must be mutually desired. At a general meeting, the members of the target organization must approve an amendment to their bylaws to potentially change the rules governing membership and, above all, to appoint the board of directors of the acquiring entity, which automatically becomes the board of directors of their organization.

If the acquired organization is a private company, a purchase contract must be signed. This contract sets the terms and conditions of the purchase (price, etc.) and protects the purchasing organization if there is any information that the sellers failed to disclose during the purchase process.



Remember

The challenge with any acquisition or takeover from a human perspective is maintaining a healthy democratic culture and a strong sense of belonging.



Fictional case study:

Sunshine Bakery

Acquisition or takeover

Sunshine Bakery, still keen to diversify its activities by offering baking/pastry classes, has been in talks with another organization, The Golden Fork, which is incorporated as a non-profit organization and specializes in community cooking classes. The Golden Fork is having financial difficulties and its board is considering closing up shop.

Sunshine Bakery decides to propose to The Golden Fork's board of directors that it take over the business. The bakery believes in The Golden Fork's potential, but rather than suggesting an amalgamation, it would prefer to take control of the organization while retaining its incorporation and structure. Sunshine Bakery sees this as a way to protect its current operations if The Golden Fork's financial difficulties persist despite its plans for

development. In addition, The Golden Fork's NPO status allows it to continue to receive government support through its agreement with the school in the neighbourhood.

Sunshine Bakery will pay off The Golden Fork's debts and, after a change in its bylaws, appoint its own board of directors as The Golden Fork's board of directors. To start, the small organization will serve as a work placement program that will hire workers from Sunshine Bakery who have teaching skills for a few hours a week, teaching a variety of courses that will be reviewed as they go along.

A real-life example of acquisition

Promo Plastik is a worker cooperative in Saint-Jean-Port-Joli that specializes in the printing and manufacturing of plastic promotional products. A private company used to sell products that were similar, if not identical, to Promo Plastik's. Several years ago, the cooperative took the initiative to tell the owner of the competing business that if he ever decides to sell his business, contact Promo Plastik first.

Ten years later, the owner contacted the cooperative to let it know he was looking to divest of his company. The owner was retiring and did not have a succession plan. As a tenant, he wanted to finalize the sale before notifying the landlord that he would not be renewing his lease. The cooperative analyzed the offer and the strategic value of the assets in the company and was able to negotiate a beneficial agreement with the owner. The cooperative acquired the company's assets (machinery, moulds, inventory), its trademark and its website, but not its debts.

However, since the company being acquired was located in Montréal, its employees were not able to keep their jobs after the transaction. For the cooperative, the goal of this acquisition was to acquire the competitor's customer base and diversify its product offering. The competitor's website and brand are no longer used: Promo Plastik preferred to incorporate everything under its own brand. While this strategy has allowed it to gain recognition and improve its market position, the primary benefit was to ensure sufficient work for its 14 worker members. The growing use of digital technology in this sector has had a negative impact on labour demand, so the enterprise needed to find new opportunities.

According to Serge Kirouac, the enterprise's executive director, "Social economy enterprises must not be averse to the idea of acquiring companies of the same size or larger. There is support for enterprises that want to pursue this, and it can be easier than you might think."



Part 2

Different scaling strategies

A.

B

C.

Dissemination

Replication

Flexible replication

Licensing

Social franchising

Joint ventures

Centralized replication

B

B. Strategies to replicate a winning formula

The purpose of the following strategies is to export your enterprise's approach, products, services, know-how or business model to other communities so that people that the enterprise does not currently reach can benefit from it. With these strategies, an enterprise can relatively faithfully replicate a relevant and proven "formula" or model outside its original community. There are **two strategies** in this category: dissemination and replication. Replication is divided into **five different forms**: flexible replication, licensing, social franchising, joint ventures and centralized replication.

1

Dissemination

A.
Documenting expertise (knowledge) and making it accessible to those who wish to use it or draw inspiration from it.

B.
Developing training, educational content or activities to disseminate your expertise as widely as possible.

Dissemination: What it is, what it offers

This strategy involves disseminating some or all of an organization's knowledge as widely as possible in the hope that as many people as possible make use of it.

Whether the enterprise disseminates material on the internet or offers formal training and workshops, the focus is more on the number of people reached than on where and how this expertise will be used. **The enterprise deploying this type of strategy should expect to have very little control over what is done with the disseminated information, and very little feedback about it.**

While the investment required to implement this strategy is rather small compared with other strategies, it is also rare for dissemination to be deployed as part of a business model seeking to generate new revenue streams. Organizations that choose this strategy are focused primarily on having a greater social impact and are inspired more by movements that promote open data and wider—and often free—sharing of innovations.

By sharing knowledge and expertise, the social economy enterprise can influence other stakeholders and communities by inspiring them to adopt new practices.

Some enterprises use this strategy to complement another more lucrative or controlled strategy. For example, a social economy enterprise might release a free instruction manual on how to use the services it offers, while continuing to sell the specific expertise or key product underlying that service offering.

What it involves



From a human perspective

Dissemination does not have a major impact on an organization's human resources. However, the enterprise may need to manage the consequences of enhanced visibility and increased outreach requests. These outreach and communication activities can significantly increase the team's workload. The organization should therefore have a plan to determine how much time, money and energy it wants to invest in this strategy.

Finally, the use of dissemination as a strategy implies that the organization's leaders are comfortable with a certain loss of control that goes along with letting go of the content, product or model it has developed and is now making widely accessible.



Remember

It is in the organization's interest to have a clear plan to determine how much time, money and energy it wants to invest in implementing a dissemination strategy.

What it involves



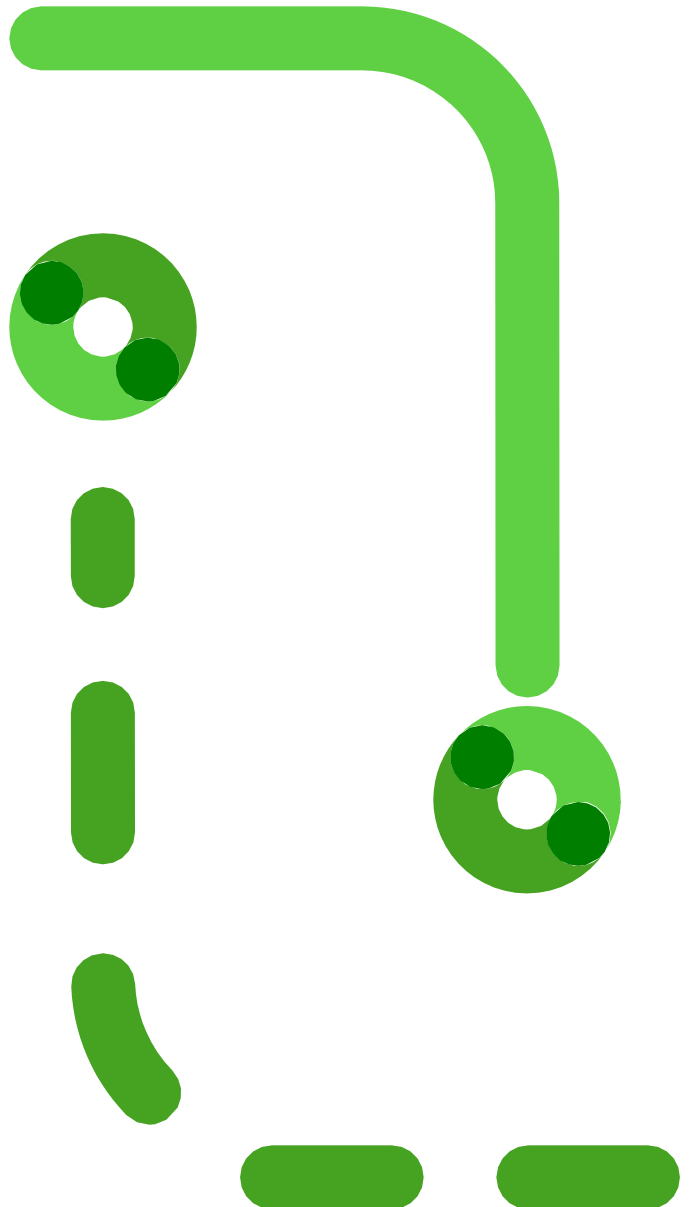
From a technical perspective

A dissemination strategy is similar to a communications strategy: you must determine the content to be shared, identify the target audience or stakeholder communities, and choose the most appropriate means to disseminate or share this content.

For some organizations, this will involve producing educational or outreach materials to effectively share their knowledge and posting those materials on their website. Others might offer workshops or information sessions to share their content, for example, by inviting people to meet with them or organizing tours through target communities.

A social media communications campaign is one way that an organization can share content and advertise that it is available for use.

Since widespread, non-restrictive dissemination of content is the goal, the knowledge and know-how shared as part of a dissemination strategy are not usually copyrighted or trademarked. Should the initiating organization want its brand or name to continue to be associated with the disseminated content, Creative Commons licences¹⁰ are an option.



¹⁰ Creative Commons is an organization that provides free, easy-to-use copyright licences for individuals or organizations interested in giving the public access to share and use their online creative content under flexible and standardized terms and conditions.

<https://creativecommons.org/>



Fictional case study:

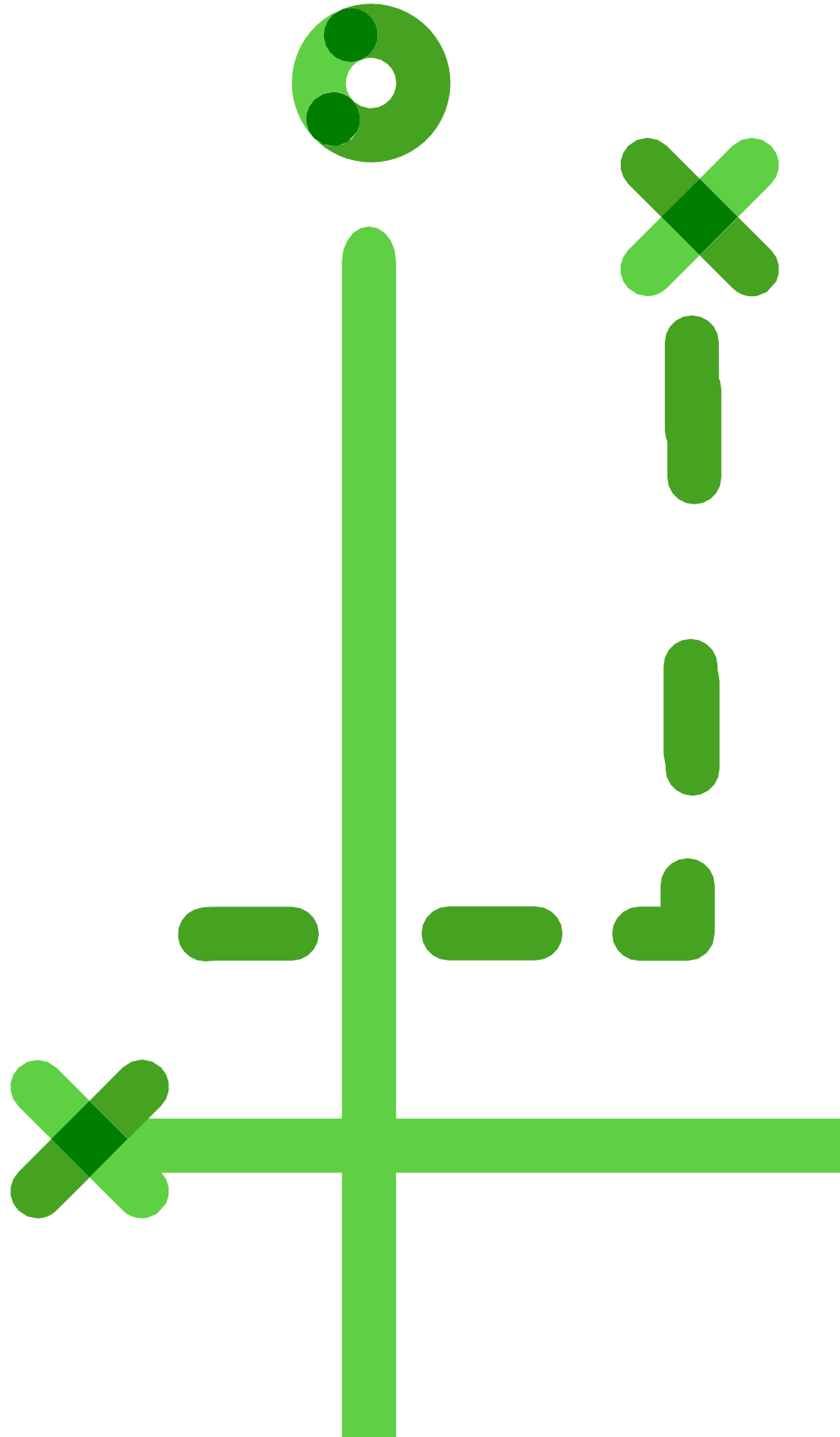
Sunshine Bakery

Dissemination

Convinced that its model for integrating people into the job market is an effective and useful one, Sunshine Bakery wants to share the lessons it has learned from its experiences over the years. Who knows, maybe similar bakeries will be opened in other cities in the country—or around the world!

To this end, Sunshine Bakery decides to publish online the steps involved in setting up an enterprise like it, along with various internal tools, reformulated for external use: the orientation process for newly integrated workers, how the work is organized, training plans, etc. Over time, more and more people consult this content and contact Sunshine Bakery for further information.

To limit the investment in time and resources needed to handle this follow-up, Sunshine Bakery decides to organize a guided tour of its facilities and, as part of the tour, explain the various aspects of its approach. To make this content more accessible, the bakery team shares a video of the presentation online.



2

Replication

- A. Supporting the establishment of similar enterprises (flexible replication)
- B. Selling licences
- C. Creating social franchises
- D. Creating a joint venture between a parent organization and local partners
- E. Creating branches or satellite offices (centralized replication)

Replication: What it is, what it offers

Replication involves reproducing an enterprise's business model, line of business, service or program in one or more new geographic areas. Unlike dissemination, replication of the enterprise's model is done in an organized way through local structures.

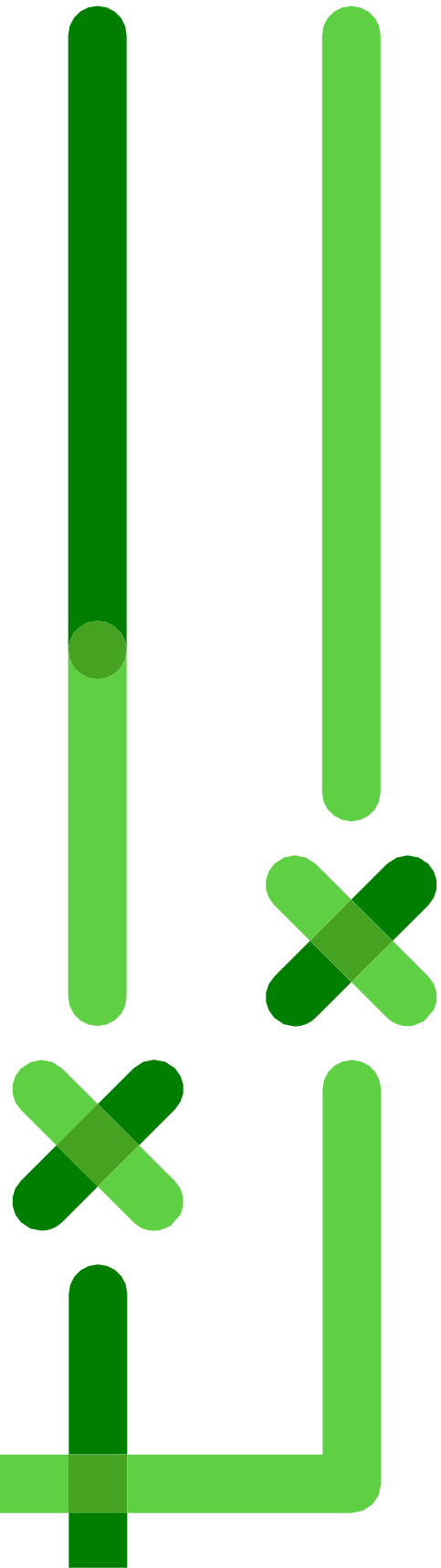
An enterprise can use replication as a strategy to reach currently unserved populations or communities and thereby significantly increase the enterprise's social impact. This strategy prevents communities with similar issues or aspirations from having to reinvent the wheel. Instead, they can leverage a proven model. Expanding a social economy enterprise's model geographically along with the network of structures associated with it can also potentially increase its influence and ability to enact more systemic change (see the "Strategies for systemic change" section).

Replication can take different forms depending on:

1. The amount of control that the organization seeking to replicate its model wants to have
2. How much time, money and energy the organization is willing to invest

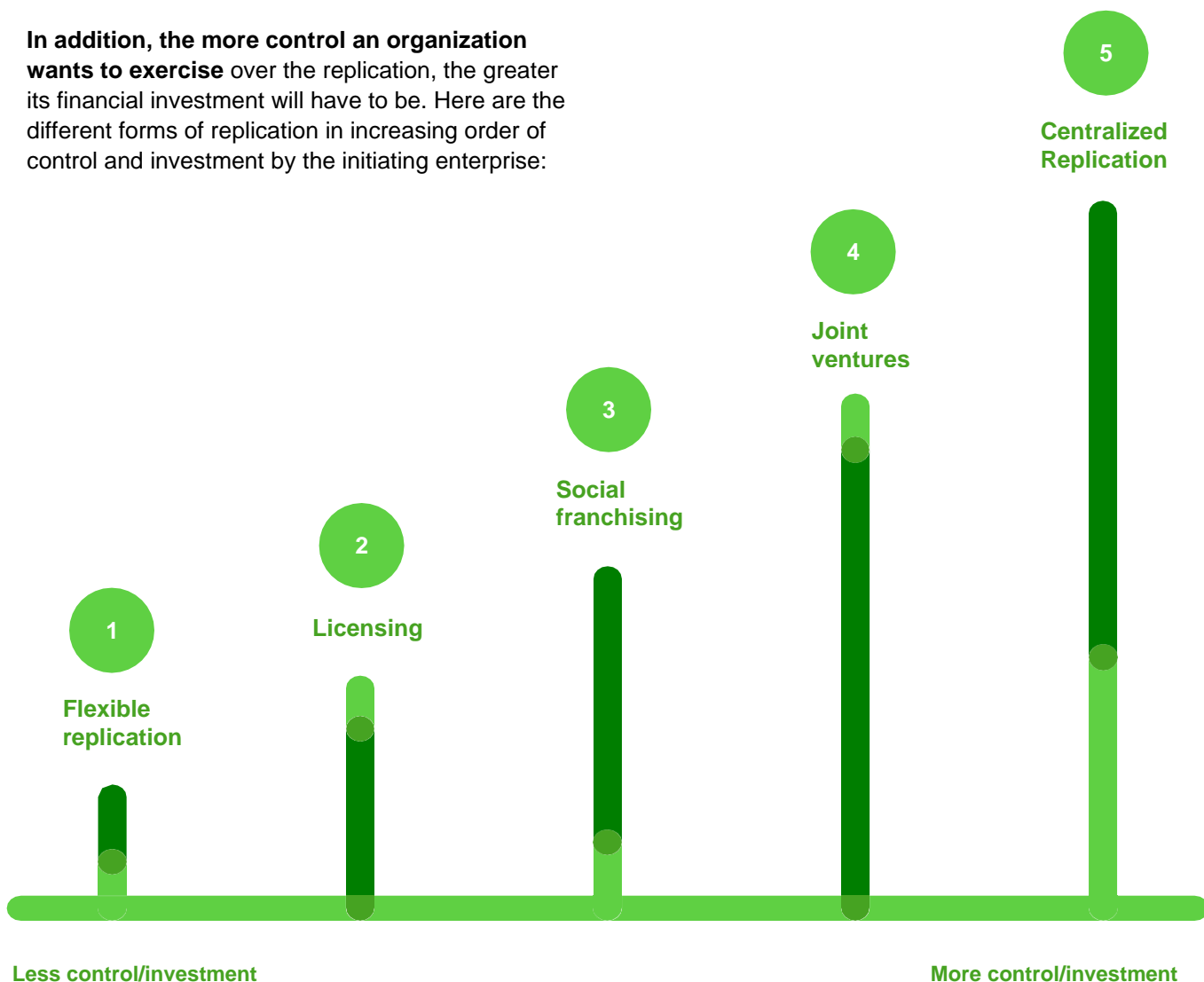
The type of replication chosen should also be guided by the extent to which it is possible to replicate the model the enterprise wants to spin off.

- ✓ Will the same model be as relevant in another setting, or will it need to be adapted to properly respond to the specific needs of the new setting?
- ✓ If so, will major or minor adaptations be required?



The more autonomy that a receiving location (the location where the social economy enterprise’s offering will be replicated) has to adapt a solution or activity to suit its own needs, the less control the initiating enterprise will have over how its model evolves. Conversely, the more control the initiating enterprise wants to maintain over its model, the less ability the receiving location will have to adapt the model.

In addition, the more control an organization wants to exercise over the replication, the greater its financial investment will have to be. Here are the different forms of replication in increasing order of control and investment by the initiating enterprise:



The following paragraphs outline the different types of replication strategies. You will find a table summarizing the five strategies at the end of the section.

2.A

Replication



A. Flexible replication (or network of similar enterprises)

Implementing a flexible replication strategy involves actively supporting the creation of organizations similar to yours in other communities. These organizations, which will share some of your principles and values, and perhaps even your mission or some of your activities, will remain independent and maintain full management autonomy.

Organizations that adhere to the principles of the parent organization can choose the name under which they will operate and adapt the model as they see fit, provided they follow certain guiding principles.

The enterprise initiating the strategy may decide to offer its support only at the start-up of other structures, much like a consultant, or choose to continue to provide this support over time.

In this scenario, the parent enterprise may:

-  Diversify its internal activities by creating a network head position, which may eventually become the top position in the network
-  Establish a new structure to be responsible for developing and coordinating this network of similar enterprises

This network of enterprises can set up a shared service offering, promote the sharing of experiences and best practices among member enterprises, and make sure that member enterprises always follow their shared principles.

Choosing a flexible replication strategy allows an enterprise to introduce key elements of its DNA into other communities to have an impact similar to what it is able to achieve in its home base, without having to develop new entities itself.

This strategy also makes it possible to adapt a solution, model or approach to the setting in which it is introduced and to attach a local identity to it, making community buy-in more likely.

Multiple similar companies can also work together on a flexible replication initiative by creating a centralized organization. In addition to facilitating collaborations and advocating on behalf of network members, this centralized organization could promote the model and support the development of new member enterprises. Although they are not necessarily mandated to expand their models, federations and associations in Quebec are similar to these centralized organizations. This strategy might also be relevant for an enterprise operating in an industry where no formal network exists yet.

In effect, flexible replication is a form of cooperation based on adherence to common values or principles. However, in this case, the partners' objective is based on a model or approach that both sides want to replicate.

Coordination of the network, the participation of member enterprises and the development of a relationship of trust are key to creating the sense of belonging needed for this strategy to be a success.

Organizations that choose to join this network must also feel that they can benefit from it. One potential option for keeping member organizations interested in the long term is creating shared services to save costs. Also, while there is generally no financial value associated with it, the sharing of best practices and knowledge can also be a significant asset. A community of practice can be established to provide a venue for organizations to share their experiences and lessons learned, both the good and the bad, as well as reference material.

What it involves



From a human perspective



Remember

Coordination of the network, participation and a relationship of trust are key to creating the sense of belonging needed for a flexible replication initiative to be a success.

What it involves



From a technical perspective

Enterprises seeking to use flexible replication to expand to other geographic areas must first clearly identify the key elements of their model. These are the elements or principles that the other organization absolutely must adopt if it wants to achieve a similar social impact or other outcomes. Once identified, the principles are documented, along with the best ways to implement them.

These principles can then be set out in a charter or member contract or enforced through certification (see the “Certification” box on p. 57).

In all cases, it is a good idea for the social economy enterprise that has chosen to pursue a flexible replication initiative to sign a partnership agreement with the organizations it is supporting. This agreement will specify the commitments of both parties regarding:

1. **The support offered by the enterprise initiating the replication or by the organization created to serve as the network head**
2. **The principles or elements that must be followed or incorporated by the organization wishing to join the network or use the model**

3. **The fees that the organization agrees to pay**

The consequences of a party’s non-compliance with their commitments might also be set out in the agreement, along with the steps to follow in the event of a dispute.

A business model could also be developed to ensure some balance between:

1. **The revenue that the initiating organization wishes to derive (to offset the resources invested in the support offered, to finance future investments in the development of its model, etc.)**
2. **The value of the support provided and of the knowledge and know-how shared, in the eyes of the replicated enterprises**

Fees such as membership or annual fees might be charged to member organizations to cover the costs of network operations and the support they receive. “À la carte” fees might also be charged depending on what kind of services members want.

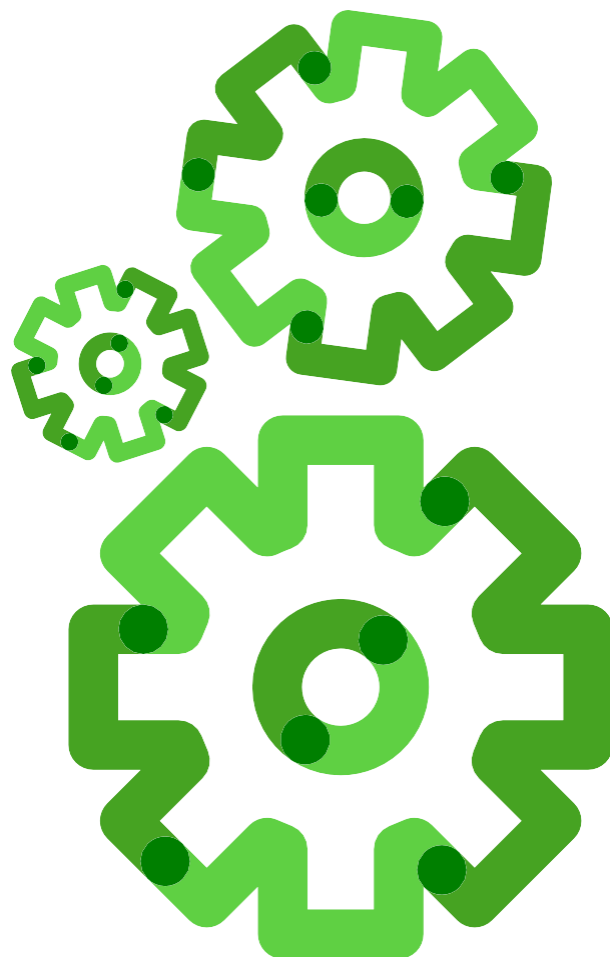
Certification

A social economy enterprise can replicate its model by developing a certification process and certifying other organizations. To do so, it must register a certification mark with the Canadian Intellectual Property Office.¹²

A certification mark identifies products and services that meet a well-defined standard or level of quality. It is similar to a trademark but more complex.

The certification process makes it possible to define the features that distinguish the brand, validate that an organization seeking certification has adequate and sufficient features to be certified, and confirm that the “certifying” organization has the legitimacy and skills to do so.

Registering a certification mark protects this mark from unauthorized use. A certification mark distinguishes certified organizations from non-certified organizations and can be used in promotional activities. It takes about two years to register a certification mark.



¹² For more information, see: <https://www.ic.gc.ca/eic/site/cipointernet-internetopic.nsf/eng/home>



Fictional case study:

Sunshine Bakery

Flexible replication

To increase **its impact**, Sunshine Bakery decides to help other bakeries that provide job integration make their mark in other communities. This is a way it can encourage other organizations to adopt its approach without having to open new work placement programs itself. Each bakery will be independent, with its own identity and local touch, but will voluntarily sign a contract agreeing to follow the key principles of Sunshine Bakery's approach.

These bakeries will also be able to join the Solidarity Bakery Network (which Sunshine Bakery may possibly create) to share best practices and certain services.

Two real-life examples of flexible replication

The **Association communautaire d'emprunt de Montréal (ACEM)** is a pioneer in the field of microcredit lending in Canada. Its mission is to combat poverty and exclusion.

After ACEM was founded in 1990, its microcredit model quickly became successful and generated interest in other communities experiencing similar situations. As the capital loaned comes from the local community, ACEM chose to help similar structures establish themselves in their own communities rather than to expand its own operations geographically. For several years now, members of the organization's leadership have offered their time and expertise (knowledge and tools) at no cost to support the implementation of similar resources in other regions of Quebec, as well as in New Brunswick and Victoria, British Columbia. In 2000, ACEM was actively involved in establishing the Réseau québécois du crédit communautaire (now called MicroEntreprendre).

This association allows member organizations to better position themselves to collectively negotiate their funding with the government. It has also become the key means by which information is shared about the community credit model and the establishment of new local microcredit organizations is supported. Today, the association has 15 member organizations in Quebec from 12 different administrative regions. As ACEM sees it, because each microcredit organization is independent and has its own identity (each local organization has a different name), they can more easily establish local roots.

However, the association faces communications and recognition challenges, as not enough members of the public are familiar with this community funding network.

The next example exhibits some of the characteristics of flexible replication, as well as characteristics of the cooperation strategy in the form of a joint venture.

The **Collectif des entreprises d'insertion du Québec**¹⁴ is an organization made up of job integration companies, determined according to seven defining criteria.¹⁵ Serving essentially as the gatekeeper of these criteria, the Collectif advocates for the interests of its members with the government and other funders, but also for the interests of populations excluded from the labour market. Its 50 member enterprises, which work in different economic sectors, also benefit from the expertise of other members through networking opportunities and training offered by the Collectif, as well as pilot projects to test out certain practices that may prove useful for many member organizations, such as pre-integration pathways and consortia. Although it does not have a mandate to encourage the emergence of new enterprises across Quebec, the Collectif is the first to be contacted when a community or organization is interested in starting a work integration enterprise. The Collectif then verifies the intentions and visions of the project sponsors and informs them of what is required in order to meet the seven defining criteria. If the project aligns with the recognized model, the Collectif lends its support to the project to ensure that it meets the criteria, provides quality service and is able to secure funding. It then pairs the new enterprise up with another enterprise that can share its expertise.

¹⁴ Work integration enterprises are community organizations and social economy enterprises with a mission to support social integration. What makes them unique is the way they combine integration/training with a genuine non-profit economic activity. Definition from the website (French only): <http://collectif.qc.ca/les-entreprises-dinsertion/les-entreprises-dinsertion/#entreprise-quest-ce>

¹⁵ Visit the Collectif's website for more information about the seven criteria: <http://collectif.qc.ca/les-entreprises-dinsertion/les-entreprises-dinsertion/#entreprise-7-criteres>

2.B

Replication

B
Licensing

A licence is permission granted by one entity to another to produce, use or sell a particular product, design or service.

The licence thus allows for a formal transfer of a business model or elements of that model, such as a trademark, product, specific know-how or technical drawings.

This transfer is considered a formal transfer because it involves conditions, rules on how to use what is licensed, and the signing of a contract that specifies the rights and obligations of each of the stakeholders.

A licence is granted for a fixed period of time. It may be (but not necessarily is) granted in exchange for royalties or upfront fees calculated based on the sales made under this licence and are paid by the acquiring organization to the licensing organization.

Licensing can give a social economy enterprise access to communities it is unable to reach or markets that it does not have the means or desire to develop itself, while generating a new revenue stream.

This new revenue might offset research and development costs that the licensing organization had to assume initially. This strategy allows it to share its model, in whole or in part, specifying and documenting the required level of quality. Although that quality level is set out in the contract, the originating enterprise can still benefit from improvements made to the product or service in question by its licensees. The enterprise purchasing the licence, meanwhile, can retain its identity and its full management autonomy. It benefits from a brand's reputation and the research and development conducted by another organization to enhance its offering or its own business model.

Licensing can easily be used in the case of manufactured goods, products and services that have required research and development processes, innovative approaches or processes, creative or literary products, and other elements involving intellectual property. However, it cannot be applied to an organization's entire model or used for the transfer of broader know-how. Furthermore, the licensing organization can only control and monitor **what is licensed**, not other aspects of an organization that has been granted a licence. Control and monitoring are therefore limited.

What it involves



From a human perspective

Although the licence is governed by a signed contract, it is in the licensing organization's interest to select licensees (those who will be granted the licence) with whom it can establish a relationship of trust and cooperation. The aim is to promote the sharing of best practices and facilitate communication about each entity's results with a view to continuous improvement or measuring global, social or other impacts.

As with other replication strategies, developing a licence may require additional time and resources. Depending on the volume of requests, a new person might need to be hired to create and monitor licensing agreements. In all instances, the organization will need to assess whether its team has the skills required to develop and coordinate this type of strategy. If not, it will have to find someone who does.



Remember

You should select licensees with a view to a relationship of trust and cooperation and in a spirit of continuous improvement.

What it involves



From a technical perspective

An enterprise seeking to issue a licence must first specify the purpose of the licence and define the rules that will govern its use. While there is no need to register copyrights or patents for the elements being licensed, it is strongly recommended to register the trademark associated with the content.

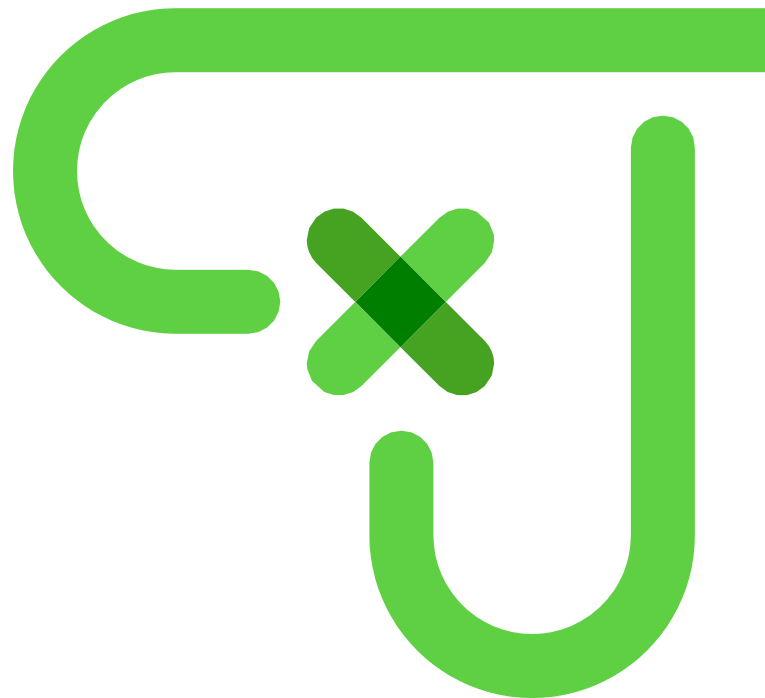
The licensing agreement is similar to the agreement used in the certification process.

1. **It specifies how the brand or name should be used and how the content (the product, service, process, approach, etc.) should be produced, used or sold.**
2. **The licensing agreement applies for a fixed period of time but is easily terminated (e.g., in the event of failure to comply with the standards and usage rules specified in the agreement).**
3. **It usually includes non-compete clauses and confidentiality requirements for the content licensed.**
4. **It may set out a specific geographic area in which the organization being granted the licence is authorized to sell, produce or use what is licensed.**

5. **It may also define a minimum number of sales (or users) that the licensed organization must commit to achieving.**

Although this is not necessary, the enterprise granting the licence might decide to commit in the contract to providing specific kinds of support to the organization purchasing the licence, such as training, coaching or technical assistance.

While the licence can be sold for a specific dollar amount, it can also be exchanged for another licence; for example, two organizations could exchange permission to use each other's approaches or products.





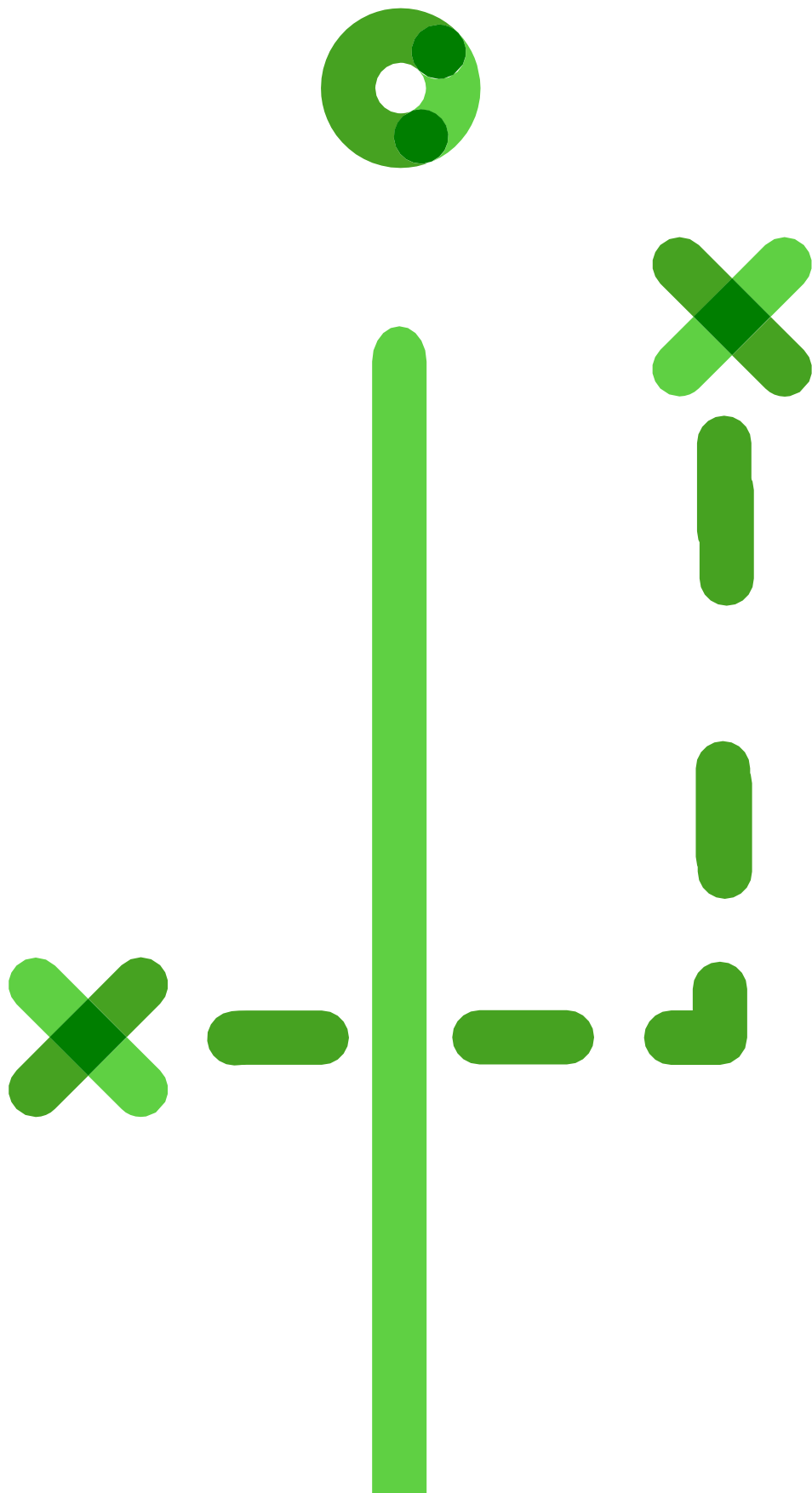
Fictional case study:

Sunshine Bakery

Licensing

Sunshine Bakery is proud of its new “product”: an educational workshop on breadmaking developed as part of its new business line. After coming up with a plan, training materials, branding and promotional tools for this workshop, Sunshine Bakery decides to share its work with other organizations by licensing its idea. The bakery does not have enough availability in its own facilities to handle an increase in demand, but it is confident that there will be interest in this type of activity in other communities.

Participating organizations will have to adhere to the workshop’s program and use the registered branding and materials developed by Sunshine Bakery, but they will benefit from Sunshine Bakery’s expertise and the popularity of the activity. In return, they will pay Sunshine Bakery an initial amount and a percentage of the revenue from registrations sold, thus providing the bakery with revenue to defray its initial investment or to reinvest in new developments.



2.B

Replication

C. Social franchising (or franchised replication)

In social franchising, a model that has proven itself successful in other geographic areas is replicated through autonomous local structures.¹⁶

Unlike flexible replications and licensing, the organizations that duplicate the model (the **franchisees**) are bound by contract to comply with certain **standards** in exchange for **training and support** over time.

Organizations within the franchise network share:

1. **Common branding: all the organizations operate under the same brand name**
2. **Considerable expertise: the unique combination of several elements (an approach, a service, a product, a layout, tools, etc.)**
3. **Common services: the pooling of certain positions, purchasing groups and ongoing support (coaching, technical assistance, ongoing training, etc.)**

This strategy involves a formal, ongoing relationship between franchisees and the initiating organization. Franchisees may be expected to pay royalties or a franchise fee.

Social franchises are a good way to foster local entrepreneurship and acceptance of a model by a community, while benefiting from the strength of a group in terms of reputation, funding, representation and economies of scale. They allow the initiating organization (the **franchisor**) to increase its impact while exercising control over the quality of the products and services provided by franchisees to preserve the reputation and sustainability of the model.

This formula also has several advantages for the franchisee, which may be an existing organization or a new structure:

1. **Being able to set up a new, ready-to-go service or line of business, without having to start from scratch (see the diversification strategy)**
2. **Start-up support, an operations manual and training provided by the franchisor**
3. **Regular coaching, which prevents them from making certain mistakes and helps them grow**
4. **Getting to interact with other organizations carrying on the same activities to discuss what has and hasn't gone well for them**
5. **Affiliation with a recognized brand**
6. **The sharing of certain expenses: management systems, promotion, research and development, etc.**

¹⁶ For more information on the process of social franchising, check out the tools on this topic available on the TIESS website at: <http://www.tiess.ca/developpement-dun-modele-de-franchise-en-economie-sociale/>

What it involves



From a human perspective

The franchisor-franchisee relationship is a bit like a marriage between two organizations: it is a special, long-term relationship. The chemistry between the organizations and between the people involved is therefore paramount. If there is any change in leadership in either of the organizations, it may be beneficial to plan ahead about how to maintain this positive relationship. In addition to personal and organizational chemistry, other criteria for selecting franchisees should be established, such as management skills, reputation in the community and compatibility of values and vision. Choosing the right franchisees is crucial to the success of a franchising venture.

A social franchise is different from a commercial franchise (found in the private sector) because of the values and principles generally promoted by social economy enterprises. Thus, the franchisor-franchisee relationship should be seen more as a relationship of cooperation than a relationship of subordination. For example, quality can be controlled through peer-to-peer coaching that strives to continuously improve practices. Greater flexibility might also be considered to allow some adaptations of the base model to meet the specific needs of a given setting.

That said, certain communities may be less inclined to introduce a model locally that has come from somewhere else, taking more pride in a “100% local” project. Also, the framework associated with belonging to a network of franchisees may not be suitable for some organizations. For example, having to apply certain elements of a model to the letter might discourage leaders with a strong focus on development and innovation. **Enterprises interested in replicating their model via franchising will need to take this cultural aspect into account when canvassing to attract the interest of potential franchisees.**

Finally, enterprises wanting to franchise their model will have to develop new skills within their organization, because transferring your expertise and knowing how to lead and mobilize a network of enterprises require specific skills that are sometimes very different from those required for the organization’s regular activities.



Remember

The franchisor-franchisee relationship is a special, long-term relationship. It is a relationship of cooperation between peers with the aim of continuously improving practices.

What it involves



From a technical perspective

To create a social franchise, you will need to:

1. **Conduct market research or a needs assessment:** Could any of your lines of business, products or services be relevant to other communities or areas? If so, which ones? Why? What kind of person, organization or community would be interested in replicating this model?
2. **Register your trademark:** Since the brand name is one of the benefits offered to franchisees, it is in your best interests to ensure it's protected.
3. **Choose the receiving locations and franchisees:** Verify that the products or services will be relevant and well received in the community, and select the right people or the right structures to replicate the model.
4. **Sign a franchise agreement to specify the roles and responsibilities of the franchisor and the franchisee and to provide a process for potential disputes.**
5. **Provide an instruction manual or other document to share your expertise and know-how with the franchisee—a tool to recreate the correct “recipe” by knowing which “ingredients” are essential and which can be adapted.**

6. **Offer support, training and coaching to help the franchisee launch the project and ensure they have the day-to-day management skills required for their activities.**
7. **Have evaluation, monitoring or feedback mechanisms in place to ensure that important elements of the “recipe” (principles, standards, key elements) are respected by the franchisee and to document the results achieved collectively.**

Two business models are involved when creating social franchises.

The first is the business model of the activity to be franchised (the business model of the future franchise, based on the experience of the parent organization), and the second is the business model of the franchisor. As with other forms of replication, an enterprise that wants to franchise its model is diversifying its business.

This new line of business, which involves recruiting franchisees, providing them with training, coaching and support, and running a network of franchisees, must be the focus of a separate business model: the costs and revenues associated with this new line of business must be documented, the required partnerships defined, etc. By charging the franchisee a franchise fee at the beginning, the parent organization may be able to reduce the costs of implementing its replication strategy, and perhaps even its research and development costs.

It is also important to consider the **benefits** that will motivate franchisees to stay in the network. As with flexible replication, these can be financial benefits (economies of scale, access to expertise at a lower cost, etc.) as well as the benefits of acquiring new knowledge and being part of a group. When conducting market research before going further with the franchising project, it may be a good idea to ask potential franchisees what value a particular benefit represents to them and to periodically reassess the franchisor's offering.



Fictional case study:

Sunshine Bakery

Social franchising

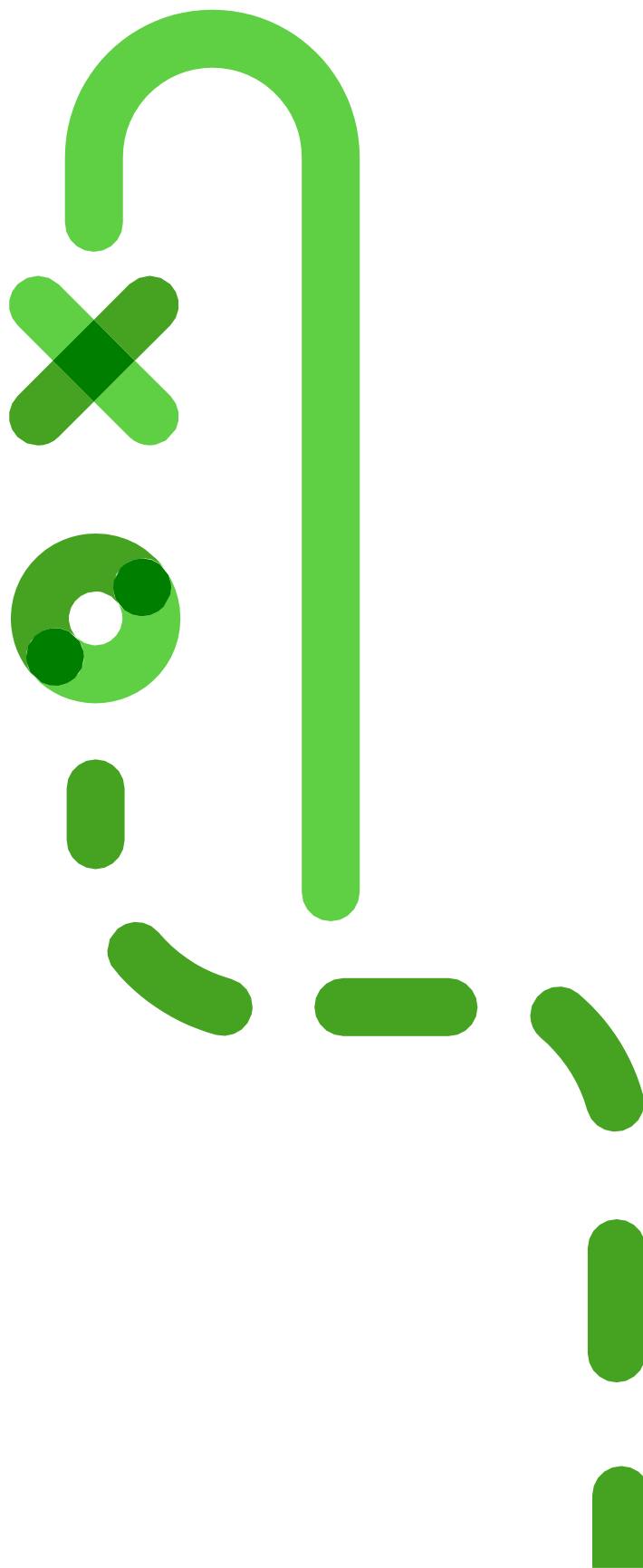
Sunshine Bakery has decided to create jobs in other communities by leveraging its model through independent organizations.

However, the bakery also wants these organizations to bear its name. Why? To ensure that consumers and people excluded from the labour market recognize the same brand from bakery to bakery and see it as a guarantee of quality. Sunshine Bakery is therefore striving for some consistency in terms of identity, products and approach to social/professional integration. To do this, it will support the establishment of new structures or recruit organizations or cooperatives that have a similar mission in target communities that are facing employment issues.

It will also share its know-how, support these structures in building a team, provide them with training on its formula and approach to employee integration, etc. A contract ensuring compliance with standards and procedures, defining the use of the brand and formalizing the support provided by the original Sunshine Bakery will be signed in advance with the new Sunshine Bakeries.

A real-life example of a social franchise

The **Réseau Accorderie** was created in response to the interest generated by the first Accorderie (in Québec City), which offered a local system for sharing services to fight exclusion and poverty. Rather than diversify its activities by becoming a franchisor itself, the Québec City Accorderie helped create a central agency, the Réseau Accorderie, whose mission is to act for social change in Quebec by supporting the development of Accorderies. The Réseau upholds its mission to fight poverty and social exclusion and ensures compliance with its values, principles and operating methods. It also ensures that members act in cooperation with each other and that the system is built collaboratively. The Réseau supports communities that are interested in setting up an Accorderie by creating the conditions for their success. Once a new organization has become well established in the community and proven to be viable, it receives tools (operating manual, access to the IT platform, training, etc.) and support from the Réseau in return for payment of membership fees and annual dues. There are now 11 Accorderies in Quebec.



2.B

Replication

D.
Joint ventures or
associations

Another way to replicate a proven model is to form a joint venture, as discussed more generally in the section about cooperation.

This strategy involves creating branches in other geographic areas, but in partnership with local structures in the desired locations. One partner can provide the technical know-how and a proven model, while the other contributes its knowledge of the community, industry members and the clientele. In some cases, the partner in the community may also provide physical facilities or local recognition to lend the venture greater legitimacy.

In a joint venture, the two partner organizations create a third structure that they jointly control, with the aim of replicating or drawing inspiration from an existing model to address the needs and wants of a target community. This strategy allows the host organization

and the organization with specific expertise to work together to strike the right balance between “following the recipe” and adapting it to a particular setting. Furthermore, creating a new structure to deliver the project limits potential risks to the partner organizations’ existing activities.

What it involves



From a human
perspective

A joint venture must have well-established rules. Otherwise, conflicting points of views and differences in decision making between the initiating partners can put the organization at risk. Including more “neutral” stakeholders in the governance structure is one way to reduce any tension that may exist between those providing expertise (and potentially want to remain true to it) and those providing knowledge of the context and new environment (who may be more inclined to change the model).



Remember

When using the joint venture strategy, including more “neutral” stakeholders in the governance structure could help reduce tension.

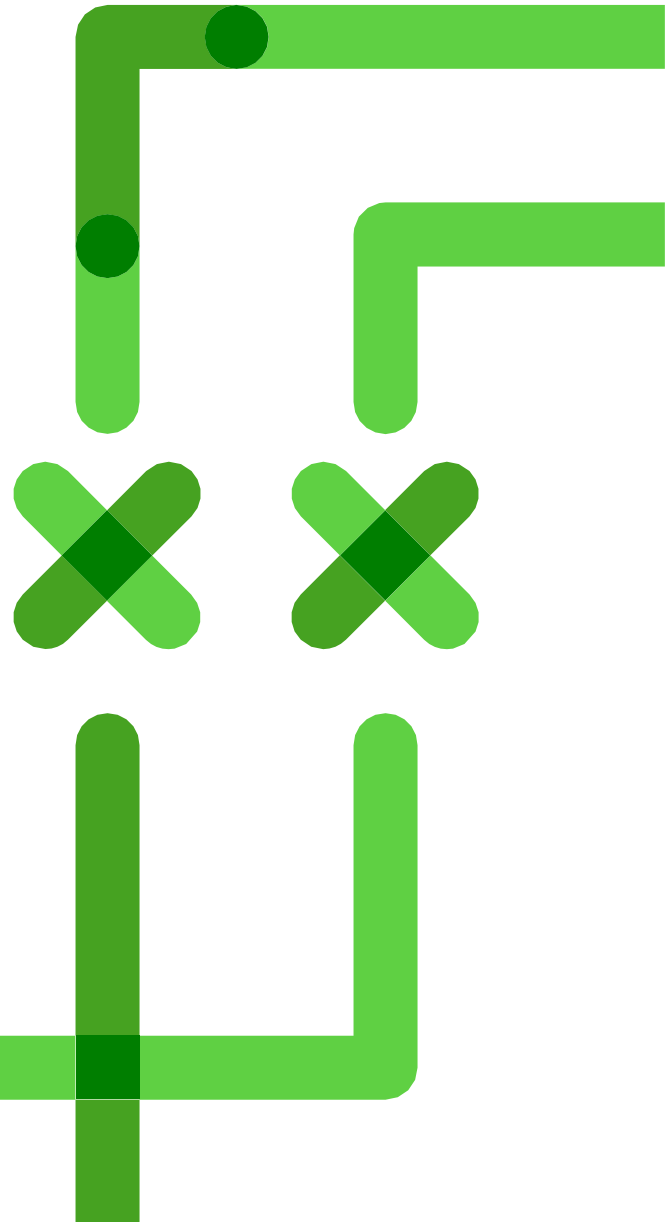
What it involves



From a technical perspective

As in other circumstances that lead multiple organizations to create an entity, it is a good idea to sign a **partnership agreement** specifying the roles and responsibilities of each organization involved in setting up the joint venture (at the start-up stage) and the financial and human resource contributions of each, if applicable.

The joint venture's bylaws should define the role of each organization in the governance and operations of the organization.





Fictional case study:

Sunshine Bakery

Joint ventures

A community located not far from Sunshine Bakery is experiencing difficulty integrating people excluded from the labour market into employment. Sunshine Bakery and a local employment assistance agency decide to join forces to set up a social/professional integration bakery, inspired by the original Sunshine Bakery model but adapted to the specific needs and concerns of the community in question. Both entities decide to incorporate the bakery as a solidarity cooperative and to sit on the board of directors, along with others (bakery workers and local partners).

For Sunshine Bakery, this project is a way to experiment with adapting its model to another context. It is an active participant in the implementation of the project and is able to leverage its partner's knowledge of the local situation and ability to mobilize the community. For the employment assistance agency, this association allows the project to be built on a solid foundation, namely the experience of Sunshine Bakery and the expertise of its representatives.

2.B

Replication

E. Centralized replication: creating branches, satellite sites or points of service

Centralized replication is when an organization develops and manages new branches or points of service in other areas.

The enterprise makes all decisions concerning the location and service offering of its new branches on its own. It also recruits staff to manage and operate the new units on its behalf.

This strategy allows the parent enterprise to fully control how its model is deployed in other communities, ensure consistency and uniformity in this development, benefit from economies of scale and strengthen its brand, and at the same time increase its impact on society and/or the number of people it is able to reach.

While the financial investment is more substantial with this strategy than with other forms of replication (where the investment can be split among multiple organizations), centralized replication allows the social economy enterprise to leverage its existing assets to finance its territorial expansion.

This strategy also makes it possible to spread certain investments over several points of service and to allocate the organization's

resources among its various sites based on the specific needs identified. This can be particularly useful when launching a new point of service (a time when more resources are likely to be needed) or if one of the entities is temporarily in difficulty.

What it involves



**From a human
perspective**

One challenge of a centralized replication strategy is that some communities may show greater resistance to an “outside” model, because this approach does not seek any local entrepreneurial input. A social economy enterprise looking to set up a branch in a new location must therefore seek out local partners, both to build receptivity in the local community and to ensure the success of the project. Among other things, these partners might help the enterprise maximize the project's local impact and advise the enterprise on how to adapt its model so it really resonates with the community.

The other challenge on the human side of centralized replication can be summed up this way: “How can employees at the various branches develop a sense of belonging to the local community AND to the parent enterprise?” To this end, the enterprise should plan and facilitate opportunities

for discussions, meetings between workers at different points of service, and the building of a common vision and identity within the organization as a whole. At the same time, the organization should encourage its employees to get involved in the communities where it operates. The organization's governance could also be rethought to ensure that its points of service or the different communities in which it operates are properly represented.

Finally, if the enterprise increases its workforce (meaning, the number of employees), it may need to review its human resources management policies and practices. Perhaps new administrative functions are required? Or perhaps the work needs to be organized in a new way and new methods for communicating and sharing information should be planned?

What it involves



From a technical perspective

Although they are all part of a single organization, **each of the new satellite entities (branches, points of service, projects, etc.) must first demonstrate their relevance and feasibility in the target settings.** The organization should conduct market research or a needs assessment and develop a business plan specific to each new project.

In order to track the results of each of the satellite sites or points of service, **each unit should maintain its own accounting system**, and a separate social impact assessment should be performed for each as well.

The enterprise must also register any new establishments with the Registraire des entreprises du Québec.



Remember

Developing a sense of belonging to both the local community and the parent enterprise is critical.



Fictional case study:

Sunshine Bakery

Centralized replication

Building on its success in its home community, Sunshine Bakery feels ready to replicate its model in other communities. To prepare for the project, the cooperative set aside funds and trained two workers internally to coordinate the establishment and operation of two new Sunshine Bakeries in two communities where job integration is a significant issue. Sunshine Bakery has developed partnerships with local organizations in the new communities to support the recruitment of integration workers and baking instructors. Sunshine Bakery has investigated the best sites to establish these new bakeries and chosen where they will be located in each community.

It plans to ask stakeholders in each community to be involved in organizing a community celebration, which will give it the opportunity to get the word out about the new bakeries and make new local contacts.

However, Sunshine Bakery is concerned about the internal dynamics of its work teams. How can its workers continue to show the same great sense of collaboration and commitment when they are geographically distant? After discussing the matter, the members of the cooperative decide to organize “rotating internships”: each year, workers from one bakery will spend a week at another bakery, and there will be a gathering to bring all the teams together for a few days. This will be made possible by volunteers who will fill in at each bakery during this time.

Two real-life examples of centralized replication

Ateliers créatifs Montréal has been recognized for its expertise in making long-term, affordable creation and production spaces available to artists and artisans. After first testing the waters with a project in the Centre-Sud neighbourhood (Le Chat des artistes), the organization decided to expand. Ateliers créatifs Montréal is the owner, long-term tenant (30- to 50-year leases) or manager of industrial buildings located in several boroughs, where it also takes on any required renovations. Its ultimate mission is to continue to rent out affordable, suitable and sustainable spaces to artists and artisans. Working in the real estate sector, Ateliers créatifs Montréal can use its assets as leverage to acquire other buildings. In addition, managing a larger area (in terms of square metres) allows it to hire full-time workers with more specialized expertise in various aspects of its mission and to spread certain expenses over several projects to reduce costs for artists and artisans. Two of the nine seats on its board of directors are reserved for tenants, artists, artisans and cultural organizations. Having a representative board helps the host community feel more receptive toward Ateliers créatifs, helps the organization take the specific concerns of each entity into account, and fosters a sense of belonging within the organization. Ateliers créatifs Montréal now has six projects in four boroughs spanning nearly 30,000 m² of workshop space that meet the needs of more than 700 artists and artisans.

Renaissance is an organization that integrates people excluded from the labour market into the workforce. These workers receive work experience and support at one of the chain's 11 Fripe-Prix stores or 19 donation centres. For the organization, which operates primarily in the greater Montréal area, the opening of a new point of service offers the potential for new opportunities to integrate workers and further fulfill its mission. In addition, this growth allows it to make certain areas of the enterprise more cost-effective and justify investments to improve its overall efficiency (computer system, rolling stock, etc.). This increase in efficiency and sales volume then allows Renaissance to generate new revenue itself, giving it the flexibility to invest even more in its mission by developing new integration opportunities, new services, etc.



Summary table

Key characteristics of the different forms of replication

Dissemination

1. Closer to distribution/training than replication of a model
2. Little or no monitoring/control over the evolution of the model
3. Little investment required

Flexible replication

1. Replicating broad principles rather than a very specific model
2. Autonomy of the structures that adopt and adapt the model (activities, brand image, management, etc.)

Licensing

1. Permission to use a specific idea under a specific brand name
2. Not possible with a more complex model
3. New revenue streams

Social franchising

1. Details on how, where and with whom a given model will be replicated
2. Sustained, long-term relationship
3. Training, coaching
4. Common identity (brand)

Joint ventures

1. Creation of a new partnership structure
2. Adapting a model to another context
3. Active and sustained involvement over time by the organization to adapt its model

Centralized replication

1. Initiating organization has full control over the replication of its model
2. No sharing of power or formal relationship with another organization

Part 2

Different scaling strategies

A.

B

C.

Systemic change

C.

Strategies for systemic change

How can social economy enterprises contribute to positive societal change on a larger scale? What can a social economy enterprise do if it wants to have an impact beyond the people and communities it is able to directly reach? Can an organization help change laws, policies, programs and practices for the benefit of more people? How? Under what conditions?

One social economy enterprise alone cannot change the world. But its initiatives can sow the seeds for change on a larger scale and drive a new way of doing and seeing things that can make all the difference. By working with other organizations, social economy enterprises are well positioned to implement systemic change.

Systemic change: What it is, what it offers

Systemic change can be defined as “changing the way a majority of relevant players solve a big social challenge, such that a critical mass of people affected by that problem substantially benefit.”¹⁷

Systemic change differs from so-called “organizational” scaling because it involves another level of action.

- **Organizational scaling involves enhancing or replicating an organization’s solution (activities, products or services) to have greater impact on a given issue.**
- **Systemic change is about acting on the values, rules, standards and policies that dictate how society operates. Rather than proposing a specific fix (activities, products or services), systemic change is about taking action to address what is broken in the system itself. It involves action that is also political in nature, in the sense that it calls on public authorities to change their decisions or decision-making methods.**

¹⁷ As defined by Martin Fisher, co-founder and CEO of KickStart International; Schwab Social Entrepreneur, from the white paper “Beyond Organizational Scale: How Social Entrepreneurs Create Systems Change.” Schwab Foundation for Social Entrepreneurship (2017), p. 7.

Who can create systemic change?

A social economy enterprise is both a business and an association. As a business, it must be economically viable even though profit is not its primary objective. And as an association, it has a social mission and can bring different categories of members together, depending on its legal status. The dual nature of a social economy enterprise, which is sometimes seen as a constraint, can also be an extraordinary strength that allows the organization, no matter how small, to **engage people, mobilize resources and forge collaborations** at all levels. This ability is key to creating systemic change.

A social economy enterprise that has already implemented organizational scaling strategies (cooperation, diversification, replication, etc.) might already have a few mechanisms to help it achieve systemic change: its reputation, an ability to influence others, evidence that a particular approach works, etc. However, a smaller organization can also play an important role in promoting systemic change, even if it is not necessarily the leading figure.

The work to create systemic change requires **specific skills** that are different from those needed to run a business, such as networking, forging alliances, developing arguments, making representations, etc. Although the enterprise hoping to create systemic change may have some people with these skills, it cannot do this work alone. Strategic alliances or a new structure (a group, coalition, etc.) should be put in place to bring the people with these skills together, lend their actions greater legitimacy and prevent any one enterprise from being seen as lobbying only for its own approach or services.

What to do

First of all, for each social issue it wants to tackle, the social economy enterprise should ask itself:

- 1- **What are the causes? What dynamics are at work?**
- 2- **Who are the players involved?**
- 3- **What principles, values, assumptions or conclusions underlie society's response (or lack of response) to this social issue?**
- 4- **What changes need to be made to improve the way society responds to this issue?**

The enterprise will also need to **document problematic situations** as well as the results of alternative approaches in order to build a strong case for certain changes. For example, they can develop measurement tools, pool data from different stakeholders or partner with research teams.

A social economy enterprise cannot work in isolation to effect systemic change. It will need to build its network and identify its allies.

A.

Networking

Networking allows a social economy enterprise that is interested in systemic change to connect with citizens, businesses and organizations that share similar concerns and can become potential allies. It can join existing networks or help create new ones.

Within different networks, the enterprise can find organizations that will support the various roles it plays and have demands that are in line with its own. Some organizations that collaborate with the enterprise extensively may even provide a space for them to work together and act as a representative for the enterprise. By enabling an enterprise to shift away from acting in isolation, networking makes systemic action possible.

Providing a unified voice advocating for systemic changes. For example, a social economy enterprise can form a coalition that brings together people involved in broader but related areas of action, or form a coalition with other organizations that have developed complementary innovative solutions. The members of the coalition can then draw connections between different actions and issues to articulate a more complete vision and stimulate more informed discourse on an issue, giving them greater influence with public authorities.



Example: Urban agriculture, sustainable agriculture, food security and waste control solutions that combine to form a complete alternative food system. (As an example, see the “Système alimentaire pour tous” project initiated by Parole d’excluEs: <https://www.reseaulimentaire-est.org/partenaire/paroles-dexclues-systeme-alimentaire-pour-tous-montreal-nord-panier-fute/>).

Influencing public opinion in favour of a cause with other organizations with similar objectives, developing awareness and communications campaigns to inform and rally more people to a cause, thus putting pressure on policy-makers.

B

Forging alliances

Alliances can take various forms, target different objectives and act on different fronts. Here are a few examples of strategies that can be achieved through alliances:



Example: The **Coule pas chez nous** foundation, created through the mobilization of several citizen committees in response to the Energy East project, produces and disseminates informative content online and organizes creative awareness campaigns about disputed oil transport projects.

C.

Working directly with governments and public institutions

Social economy enterprises and their allies can enact change at a systemic level by working together with public authorities to develop new rules, standards and public policies, and to go on to act as partners in delivering products or services to communities.



Example: The **Chantier de l'économie sociale**, which participated in the co-development of Quebec's *Social Economy Act*.

D.

Staying focused on your plans, values, goals and target audience

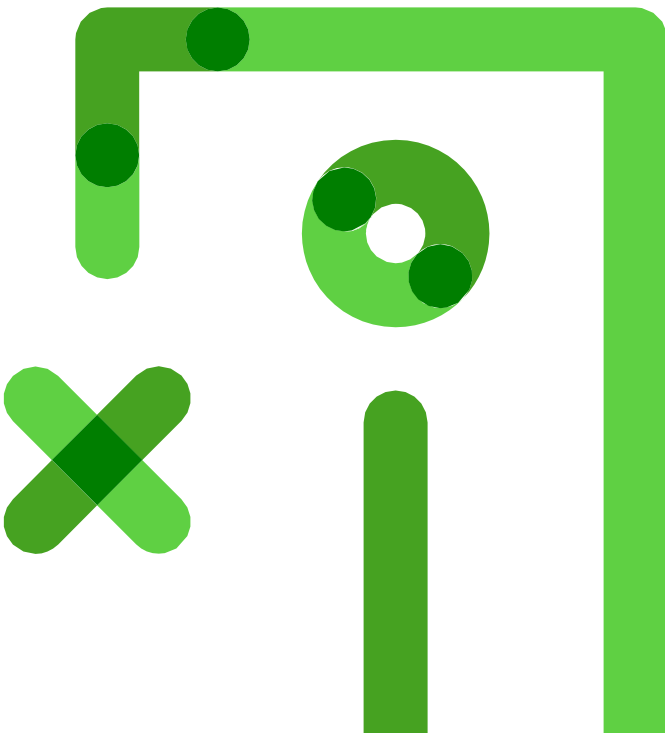
In addition to actions carried out at an institutional or political level, it is wise to ensure that the players on the ground remain engaged by listening to and amplifying their ideas and stories. This keeps the enterprise connected to its base and reinforces the legitimacy of the actions it takes at other levels. Here are some concrete ways to make a systemic change strategy a strong one from the ground up:

Mobilize and give the power back to those directly affected by the issues: Help those directly affected to organize, make themselves heard and come up with new options.



Example: Helping laid-off workers in resource regions form cooperatives or organizations.

Help the people who are already working toward change do more—and more innovative—work: Help their work go further by building their leadership capabilities and skills on a given issue, so that they can make the best decisions and arrive at the best solutions for different situations themselves.





Fictional case study:

Sunshine Bakery

Systemic change

As a cooperative, Sunshine Bakery would like to support more people who are excluded from the labour market, but it feels that its ability to launch new bakeries or services is limited. According to both existing research and the bakery's own findings, investments in economically declining neighborhoods create jobs that do not benefit citizens locally. Sunshine Bakery believes that this is partly why so many people are unable to fully participate in the economy.

Sunshine Bakery therefore decides to join forces with other organizations working in related fields (advocacy, women's groups, youth organizations, local entrepreneurs' groups, etc.) to form the Coalition for Inclusive Economic Development. Drawing

on data from partner organizations and researchers affiliated with the project, the coalition develops the *Charter for Inclusive Community Economic Development*, a document that provides an in-depth analysis of the current situation and proposes many measures that could be used to change the way things are done.

Through representations and communication and outreach activities, the Coalition receives support from influential groups and is eventually invited by officials to help draft a municipal economic policy—first for one city, then for others that decide to follow suit.

A real-life example of systemic change

Childcare centres in Quebec

André Rémillard, director of the Garderie du Carrefour in the Centre-Sud neighbourhood of Montréal (now the CPE du Carrefour), was at the forefront of the movement and demands that led to the creation of Quebec's network of childcare centres (*centres de la petite enfance* or CPEs). Thanks to the commitment and conviction of the members of its board of directors, he was able to participate very actively in the reflection, mobilization and communication work of regional and provincial groups, including as a representative for the Montréal area in the provincial group known as the Concertation interrégionale des garderies du Québec. These groups presented an alternative early childhood education model at the États généraux de l'éducation (education general assembly) in 1995. This project proposed using the already well-established network of public daycare centres to promote the overall development of toddlers and prepare them for school (rather than, for example, introducing kindergarten for three-year-olds). The education unions came out in favour of this alternative.

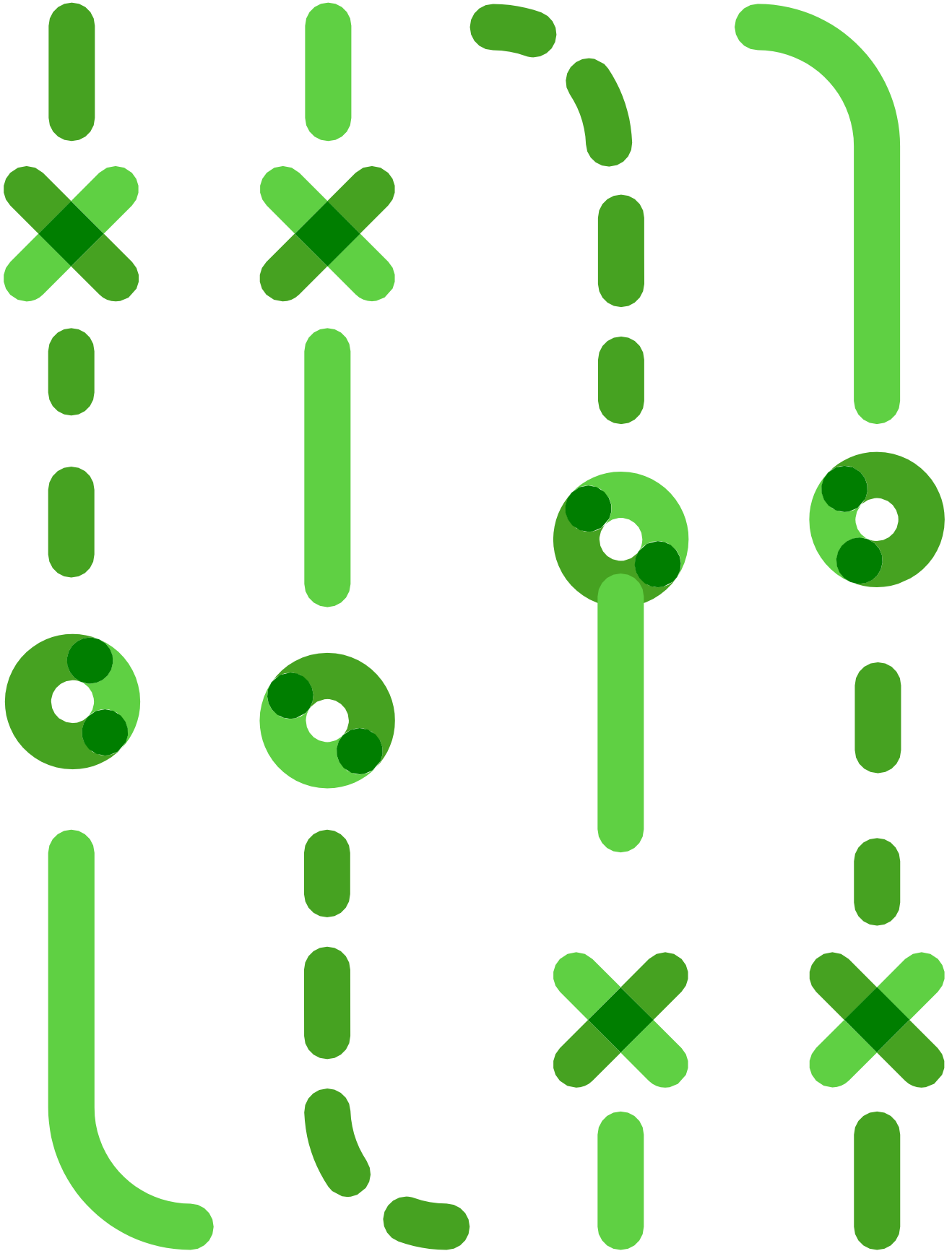
As early as the 1970s, non-profit daycare centres were already advocating for a universal network of integrated early childhood centres. The oldest regional non-profit daycare groups made it their mandate to advocate for this idea. The Chantier de l'économie sociale and the Concertation interrégionale des garderies du Québec (CIRGQ), now the Association québécoise des centres de la petite enfance, presented their proposed social initiative at the 1996 Sommet socioéconomique (socio-economic summit).¹⁸

Their proposal was to run 13 pilot projects for integrated early childhood service centres, including the Garderie du Carrefour childcare centre. The government of Quebec, inspired by the proposal, decided to adopt a new family policy that, rather than starting a mere 13 pilot projects, established 827 CPEs all over Quebec. These CPEs now make up a network of accessible childcare services supported by public policy where parents form the governance body. The CPE model and Quebec's family policy are held up around the world as an example of a visionary program.

This example clearly shows that social economy enterprises can demand change, join forces with networks that share their demands, engage advocacy organizations and participate in systemic change.

These are just a few examples of ways that systemic change can be pursued. As with organizational scaling, many creative strategies can be imagined depending on the specifics of the situation you are seeking to change or goals you wish to achieve. In Part 3, "Inventing your own strategy," you will learn about the original paths that various social economy enterprises have taken to achieve their goals.

¹⁸ Regroupement des centres de la petite enfance de la Montérégie, *Les centres de la petite enfance: un vaste chantier économique*, 2014, p. 8.





Part 3

Inventing your own strategy

While the strategies presented in Part 2, “Different scaling strategies,” may seem rather structured, keep in mind that many enterprises come up with their own customized strategies. These strategies may be completely different from the strategies we saw in Part 2, or they may be a combination of the strategies or simply inspired by them.

In this section, we use real-life cases to show that, when it comes to scaling your enterprise, there is no one “right answer.” The possibilities are as diverse as the contexts in which social economy enterprises operate. It matters less what the strategy you come up with is called, and more that it aligns with your enterprise’s values, objectives and expected outcomes. Your strategy might not have a name at all, and that’s okay. And as the enterprises we talk about in this section might say, “anything is possible”—with the right guidance!

Examples of enterprises that have come up with “creative” strategies



1

Unité de travail pour l’implantation de logement étudiant (UTILE)

The Unité de travail pour l’implantation de logement étudiant (UTILE) is a non-profit organization whose mission is to develop student housing projects using a new social economy model. When the organization realized how much time and effort would be needed to develop its first project (six years), it looked for ways to create the conditions to speed up and facilitate the process. The organization also worked on a government program proposal that would make it easier to replicate this type of project. UTILE has also reached out to members of its network to find support for the development of student housing projects and has made significant progress in this regard.

Among other things, with the help of other major partners, UTILE has established two funds specialized in the financing of student housing. One of these funds is similar to a joint venture controlled by three partners (including UTILE) that provide various resources and expertise. Although UTILE clearly benefits from its partnership, this financial resource can also benefit other student housing advocacy groups. UTILE also tries to establish solidarity cooperatives for each of its building projects, evoking the **centralized replication** strategy.

These cooperatives are responsible for the management of collective projects and activities on site by residents. UTILE representatives and tenant members sit on each cooperative's board of directors.

In addition to its core mission, the organization wants to play a part in **creating a new model for economic development**. It does this by providing tangible support for other collective development initiatives in the area of land-use planning, where few social economy enterprises currently exist. UTILE also encourages **growth** by providing practical advice and expertise (on a volunteer basis, through mentoring or through paid consulting services) to these other project developers. It also supported the development of a collective urban planning consulting enterprise (founded in part by former UTILE workers) by providing the enterprise with its own management tools, temporarily housing it on UTILE's premises and signing a service contract with it.

The organization also wants to support the creation of other enterprises (which could be service providers or potential clients), a project that could be described as a form of **diversification**, but extending outside of the organization. One way it has done this in the past is by negotiating a **cooperation agreement** with a specialized enterprise to manage their buildings. Entrusting this line of business to an outside organization allows UTILE to focus on developing its own projects.

2

Arizmendi Bakery

A franchisee cooperative to collectively act as a franchisor

Arizmendi Bakery is a California-based cooperative, founded by co-op developers who had worked in different organizations dedicated to local economic development. The developers wanted to find an effective way to create jobs with good working conditions for populations in disadvantaged neighbourhoods. They approached The Cheese Board, a cooperative bakery that was already being successfully run by workers, to document its processes and model with the aim of replicating it in other neighbourhoods. The Cheese Board, agreed to help them launch their new venture.

Today, the **Arizmendi Association of Cooperatives** is a cooperative managed by representatives from each of the cooperative bakeries developed using The Cheese Board's model, in the form of franchises. These franchisees jointly determine the services that they will share through the Association (accounting services, legal advice, etc.), identify the communities where they think it would be best to open new franchises, and decide together on the adaptations and changes to be made to their common mode of operation. The franchisees pay a percentage of their sales to the Association, which uses this money to fund the provision of shared services and develop new franchises. The Association has also decided to branch out into new lines of business. It recently established two new franchised cooperatives, one in construction and the other in eco-landscaping.

3

Percolab

An example of flexible replication where tasks and projects affecting all members are assumed on a rotating basis

Percolab provides services that include developing participatory strategies and providing process facilitation support to companies, institutions, and communities. Initially incorporated in Montréal as a for-profit enterprise, the organization was converted into a worker cooperative in 2017.

Today, Percolab continues to grow into an international network of autonomous enterprises that share a common philosophy, practices and values. The Percolab team in Montréal helped with the launch of Percolab in France, and a third entity is being formed in Belgium. These entities have all chosen to adopt the Percolab name.

Percolab Montréal, as the original organization, does not play any special role in the other entities' operations.

Nor does it plan to create an umbrella structure to facilitate collaboration between the various Percolabs. Rather, this collaboration occurs through the emergence of common processes. In practical terms, this means that the members of the various local entities associated with the international network can take on certain roles for the benefit of the entire network on a rotating basis. Representatives from each of the entities use online tools to meet regularly and discuss topics of common interest and the development of the network. Every innovation or tool developed by one of the local entities is made available free of charge to the others through a shared IT platform. For activities or projects that benefit the entire network, the required investments are shared between the different local entities depending on the resources available.

The Percolab replication project does not involve a shared bank account or a standalone, formalized governance structure, but rather a set of processes that involve all workers from the different units. These processes are continuously documented in a shared and easily accessible space. Furthermore, the values and philosophy of the Percolab model are gradually being articulated and incorporated into a charter that will be used by each local entity to formalize its commitment to the others.

4

Carrefour alimentaire Centre-Sud

The product of a cooperation agreement inspired by the principles of amalgamation

The **Carrefour alimentaire Centre-Sud** is a “communication entity” created by combining the missions Rencontres-Cuisines and Marché solidaire Frontenac, two organizations that carry out complementary food activities in the Centre-Sud neighbourhood of Montréal.

Over the past five years, both organizations have been working to determine how best to leverage each organization’s resources and assets, enhance synergy between different lines of business and facilitate communication with the population served and their many partners. To this end, the two organizations decided to work in a **spirit of collaboration** in terms of their management, governance and operations. They now share the same executive director, the same board of directors, and the same administrative and accounting support, **although they have not fully amalgamated** due to differences in their missions.

Rencontres-Cuisines is a charitable organization that works with local poor and isolated populations, while Marché solidaire Frontenac serves the population as a whole to fulfil its social economy objectives. As one can imagine, the challenge is to ensure that neither organization’s mission clashes with its partner’s. Striking this balance is the primary concern of the Carrefour alimentaire Centre-Sud’s governance structure.

With regard to the two organizations’ work teams, activities and programs (including their garden, kitchen and market), the Carrefour alimentaire Centre-Sud works to create a continuum of services as well as joint communications tools (such as their logo and website). Although discussions are still ongoing internally, the approach put in place by Rencontres-Cuisine and Marché solidaire Frontenac is bearing fruit and already inspiring others.

Regardless of the strategy you choose for your social economy enterprise, the right resources will play a key role in helping you implement it. In Part 4, “Scaling resources,” we look at the issues you may need to address and point you to concrete examples of relevant resources.



Part 4

Scaling resources

A.

The key role of competencies in scaling

One of the key ingredients to a successful scaling strategy is the expertise gathered to support the different aspects of the project. In many cases, scaling strategies require expertise in areas as diverse and specialized as those required to launch a new organization. Whether available internally or through external resources, it is important to identify the types of expertise required and either find someone with this expertise or acquire it within your own organization.

B

Finding the right resources

Step 1:

Identify missing skills/expertise (seek advice as needed from social economy support organizations and enterprises that have carried out a similar development).

Step 2:

Fill the gaps in your expertise:

1. Train people internally
2. Hire staff with the required skills
3. Find volunteer resources to get involved in the organization (for example, on the board of directors)
4. Seek out consultants or organizations that provide this expertise
5. Call on mentors, particularly from social economy mentoring programs, or people with experience who can provide this expertise informally
6. Work with research teams in the case of partnership research projects
7. Involve student groups or interns in various fields

Step 3:

Receive as much support, advice and constructive criticism as you can throughout the process, so you can more easily make any necessary re-examinations and adjustments to the initial plan and be referred to the right resources.



The following is a non-exhaustive list of the areas of expertise that can be sought out or developed to support a scaling initiative:

1. **Support for strategic thinking and advice: advisors for regional county municipalities (MRCs), municipalities, community economic development corporations (CDECs), local development centres (CLDs), social economy hubs and the PME MTL network, Réseau COOP, regional development cooperatives (CDRQ and CDROL), business networks, business incubators, etc.**
2. **Standardization of management processes (potentially through pooling or outsourcing)**
3. **Standardization of process documentation**
4. **Change management and facilitation of participatory processes**
5. **Legal expertise**
6. **Negotiation of agreements**
7. **Accounting, financial analysis and risk analysis**

8. **Market or needs studies, assessment of the community or location where a new initiative will be located**
9. **Internal and external communications to announce and publicize developments**
10. **Public relations and policy analysis**



As seen earlier, some strategies can make an enterprise's financial situation stronger, including cooperation, diversification and amalgamation. However, resources will be required to implement whichever strategy is chosen.

In addition, some strategies will increase the enterprise's social impact but also generate new expenses. In some cases, the projected revenue will not be sufficient to fully cover these costs.

Properly planning out the costs related to developing and implementing a strategy, as well as projecting changes in revenue and expenses over time, will help you identify funding gaps or needs.

1. Development phase: Resources to properly define and plan the project

The reflection phase, which lays the groundwork and facilitates planning for the steps involved in a scaling strategy, requires a significant investment that is often underestimated. But this is a crucial phase. While a number of tasks can be completed internally at this stage, the time that management and other employees invest in the project is time not spent on regular organizational activities. Other phases may require more extensive expertise, which often comes with a cost.

Here are some examples of aspects of this stage of scaling that require resources:

- A. Engagement of the organization's stakeholders**
- B. Reflection meetings with the team, the board of directors and other potential partners**
- C. Prototyping, research and development (for a new product or service)**
- D. Negotiation and reaching of agreements**
- E. Market research and feasibility studies**
- F. Development of a business plan**
- G. Meetings with external professionals: accountants, lawyers, specialists in new technologies, etc.**
- H. Internal communications to encourage a sense of ownership over the project**

Not only do the various discussions with the people involved in the strategy take considerable time, but time is also generally needed to allow an idea to mature and create the right conditions to bring it to life.

2. Implementation phase: Resources to put the chosen strategy in place

Depending on the strategy chosen, the financial investment required to implement it may be relatively small (e.g., dissemination) or considerable (e.g., centralized replication).

Here are a few examples of actions or tasks involved in implementing a scaling strategy that could result in new financial demands:

- A. Adapting management systems to new developments: accounting system, IT system (logistics, client management, etc.), online platform, etc.**
- B. Hiring and training of new staff**
- C. Capital or equipment costs**
- D. Marketing strategy**
- E. Drafting of guides, tools and instruction manuals to set the enterprise's expertise or model down in writing**
- F. External communications strategy**
- G. Permits, accreditations or costs related to the protection of intellectual property**
- H. Evaluation measures: implementation of tools and procedures to assess the results or impacts of the strategy**

Your social economy enterprise needs to have a financing plan based on the financial needs estimated at the start of the scaling initiative and on the cash flow or investment needs identified along the way. Some or all of these needs could potentially be absorbed by the organization if it has the necessary resources in reserve. Financial resources in the form of grants, donations or loans may also be considered and sought from external funders or members of the immediate community.

The following is a non-exhaustive list of funding sources that can be tapped to finance a scaling strategy:

A) Your community

1. Preferred shares (cooperatives)
2. Community bonds (NPOs)
3. Crowdfunding
4. Fundraising campaigns
5. Contributions from friends and family (sometimes known as “love money”)

B) The social economy funding ecosystem

1. Local social economy funds
2. Financial tools provided by the Fiducie du Chantier de l'économie sociale and by the Réseau d'investissement social du Québec (RISQ)
3. Réseau québécois du crédit communautaire (now MicroEntreprendre)
4. Caisse d'économie solidaire Desjardins
5. Labour-sponsored funds (Fondation, Fonds de solidarité FTQ)

C) Sources of government funding

1. Industry-specific grants (ministries/departments)
2. Ministère de l'Économie, de la Science et de l'Innovation du Québec
3. Investissement Québec

D) Philanthropy

1. Large family foundations
2. Foundations run by large companies

E) Private funding

1. Bank loans
2. Business Development Bank of Canada
3. Venture capital funds

See also the various resources available from TIESS:

[Guide sur le financement participatif pour les entreprises d'économie sociale – TIESS – 2017](#) [The social economy enterprise's guide to crowdfunding] (French only)

[Guide d'émission des obligations communautaires pour les entreprises d'économie sociale - TIESS - 2017](#) [The social economy enterprise's guide to issuing community bonds] (French only)

E.

Other scaling references

In 2016, TIESS published a report summarizing the current knowledge available about scaling social economy enterprises and social franchising. It is available at bit.ly/Synt-FS.

Several organizations abroad have also published resources about scaling for “social enterprises” (which in most cases include social economy enterprises as well as for-profit enterprises called social enterprises). Here are a few that were used as references for this guide. These links were operational as of October 2017.

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Registraire des entreprises du Québec:

registreentreprises.gouv.qc.ca

Canadian Intellectual Property Office:

<https://ised-isde.canada.ca/site/canadian-intellectual-property-office/en>

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About TIESS

TIESS is a social innovation liaison and transfer body recognized by Quebec's Ministère de l'Économie, de la Science et de l'Innovation (MESI).

TIESS brings together a number of players from the social and solidarity economy and the world of territorial development, as well as research centres, universities and colleges.

The role of TIESS is to identify, document, inform and systematize the innovations of social economy enterprises and organizations in order to promote their dissemination and use.

TIESS works to support the transfer of the combined practical and theoretical knowledge produced by professionals and researchers alike and contribute to economic development in areas across Quebec.

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