



An RBC Social Finance White Paper

Meaningful Business: Understanding Social Entrepreneurs

June 2014



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Executive Summary

Royal Bank of Canada (RBC) commissioned a study of Canadian entrepreneurs in 2013 to understand the extent to which businesses are going beyond financial returns to pursue social goals. The study also examined their ability to successfully balance the pursuit of social and business goals. The following five key themes emerged from the research.

Extending the Bottom Line

Social businesses have double or triple bottom line philosophies, with leadership decisions guided as much by social goals as the pursuit of profit. These social businesses are a rare breed – only 9% of entrepreneurs surveyed could be characterized as social entrepreneurs, using formal social or environmental goals to gauge their performance. Despite their relative scarcity, social businesses are emerging across sectors and regions.

Social Goals and Success Work in Tandem

Social businesses can achieve financial success while pursuing important social goals. They are just as likely to experience high revenue growth as other businesses. They also tend to measure success in several ways, resulting in meaningful impact on social and environmental conditions.

Their Passion Fuels Success

The motivation of social entrepreneurs extends beyond profit. The ultimate goal is to help the company achieve leadership's deep-rooted personal goals. Pursuing these goals in tandem with financial objectives does not impede their chance of success. Rather, it helps to support their position in the market and fuel their passion to succeed.

Creativity Abounds

Social entrepreneurs are applying creative solutions to address business challenges. They are innovating to overcome financial hurdles, and applying creative marketing to target niche customers with premium social products and services.

Banks as Valued Advisors

Successful social entrepreneurs tend to view external advisors as important to their businesses. Banks and financial institutions are seen as value-added advisors to successful social entrepreneurs, going beyond financial products and services to provide needed business support and guidance. Beyond traditional requisites, alignment with social goals is important to the banking relationship.

Introduction

RBC initiated a study of Canadian entrepreneurs in 2013 to understand the extent to which businesses are going beyond financial returns to pursue social goals. The study was conducted by Phase 5 Research and consisted of in-depth interviews with social entrepreneurs, as well as a survey of 511 Canadian entrepreneurs, including a sub-sample of social entrepreneurs for comparative analysis.

The focus of this paper is on those entrepreneurs who self-identified in the research as having formally stated social or environmental goals that they use to gauge the performance of their business. In particular, examples are drawn from the following social businesses, whose leaders generously gave their time to share how they are balancing the pursuit of important social goals with sound business management practices: Windmill Development Group, Bullfrog Power, Inner City Renovations and Ottawa Regional Cancer Foundation. Supported by evidence from the survey, their stories serve as examples of how businesses can be both financially successful and meaningful in their societal or environmental impact.

Social Business Defined

While there is no standard, international definition of a social business, there is common recognition that they trade or apply commercial strategies to support a social or environmental purpose beyond financial goals. The extent to which social goals supersede the pursuit of profit can vary depending on the ownership of the enterprise. Businesses and entrepreneurs profiled in this report fall into two broad categories:

- For-profit, private sector businesses that have formally stated social goals, but still seek to maximize profits without sacrificing the pursuit of these goals. Businesses of this nature measure performance in terms of positive social or environmental impact, in addition to the conventional, financial bottom line.
- Business enterprises owned by non-profit organizations that generate revenues with the primary aim of supporting important social goals. Although generating profits is desired, the aim of these enterprises is not necessarily to maximize profits (e.g. it could be to maximize employment opportunities while remaining financially viable).

“While all businesses have a conventional bottom line to measure their fiscal performance – financial profit or loss – enterprises which seek a second bottom line look to measure their performance in terms of positive social impact. The double bottom line approach can be applied to both public and private sector organizations.”

— Wikipedia

Emerging Across Sectors and Regions

The survey reveals that the social businesses profiled in this paper are still rare. Only 9% of the private sector entrepreneurs surveyed had social or environmental goals for their businesses.

Notwithstanding their relative scarcity, social businesses are emerging across sectors and regions.¹ Although there are slightly higher concentrations of social entrepreneurs in the retail, real estate and utilities sectors (possibly due to established green initiatives within these sectors), the results show that social businesses are operating across a broad cross-section of industries.

In addition to cutting across sectors, social enterprises have also emerged in many regions across Canada. On a proportional basis, the location of social businesses generally reflects that of other businesses surveyed. (Detailed profiles of social businesses compared to other businesses are provided in the Appendix.)

¹ Results should be interpreted as directional only due to small sample sizes and sampling methods.

Extending the Bottom Line

Many traditional businesses use a proportion of their proceeds to support charitable causes. Social entrepreneurs differ in that they have formally stated social or environmental goals that they use to gauge their business's performance. Often referred to as double or triple bottom line businesses, they make decisions that are guided as much by social or environmental goals as they are by the pursuit of profit.

Windmill Development Group is an example of a business that blends the pursuit of social and financial goals. Founded by brothers Jeff and Jonathan Westeinde, Windmill describes itself as “Canada’s greenest developer” and follows a credo of people + planet + profits through the building technology it deploys, its eco-friendly solutions and its unique approach to engaging with communities. While profitability is important to Windmill, decisions are never made strictly based on the money. According to Jeff Westeinde, *“It needs to tick all the boxes”* before they pursue a project.

Another example is Bullfrog Power, an energy provider that gives consumers a green choice over conventional energy sources. Co-founder Tom Heintzman describes their double bottom line goal as *“to have 100% renewable electricity. In order to do that every new project and new electron helps towards that goal and also every increase in the consciousness or awareness of society helps towards that.”*

“Our goal is to have 100% renewable electricity. In order to do that every new project and new electron helps towards that goal and also every increase in the consciousness or awareness of society helps towards that.”

— Tom Heintzman, Bullfrog Power

Supporting the Not-for-Profit Sector

With pressure on traditional funding sources, not-for-profit organizations across the country have begun to create enterprises whose sole purpose is to support important program objectives. These social enterprises generate revenue by selling goods and services to support environmental, cultural, employment or other social purposes. Alternatively, they might generate income for parent not-for-profit organizations in order to fund important programs. What is clear is that the social goals supersede the pursuit of profits.

As a relatively new sector, efforts are underway to determine the scope and size of the not-for-profit social enterprise sector across Canada.² Although our survey did not cover the not-for-profit social enterprise sector, some interesting observations emerged from interviews with leaders in this sector.

Social enterprises connected to the not-for-profit sector seem to be more varied in scope, likely due to the fact that financial returns are a means to an end (i.e. the social objectives are paramount). For example, Inner City Renovations in Winnipeg uses a general contracting business to create quality jobs (and experience) for individuals facing barriers to employment. This in turn contributes to the well-being of the community. Former General Manager John Baker described the company’s purpose as *“using the mechanics of a construction company to provide employment opportunities for those facing barriers to employment.”* Although the company is in the construction business, this is secondary to its goals of creating meaningful employment and improving the community.

² Surveys to determine the size and scope of the not-for-profit social enterprise sector have been conducted in several provinces, led by Peter R. Elson of Mount Royal University and Peter V. Hall of Simon Fraser University.

“They use us as the force that drives employment for those facing barriers to employment. It generates a profit beyond that, but it’s fairly limited.”

— John Baker, Inner City Renovations

In another case, the Ottawa Regional Cancer Foundation introduced Cancer Coaching in 2011, an innovative health and social care service for cancer patients, their families and caregivers. The Foundation is now preparing to launch a social enterprise that will provide a new source of revenue enabling it to build a team of professional coaches and help more people. As Linda Eagen, President and CEO of the Foundation, explained, *“There is a limit to what you can achieve within philanthropic markets. In particular, in our case, we have found it difficult to generate donation dollars for Cancer Coaching. Our social enterprise will provide much needed funds and, because it is a health and wellness enterprise, it aligns with and strengthens our mission.”*

By all accounts, these are very limited examples of a burgeoning movement in the not-for-profit sector to go beyond philanthropic funding sources to support important causes. The emerging not-for-profit social enterprise sector is tapping into the creativity of social entrepreneurs to spawn businesses in a range of sectors, including food and beverage, construction, retail, education, tourism, culture and services, among others.

Balancing Social with Success

A key question investigated through the research is whether traditional financial objectives are sacrificed through the simultaneous pursuit of social objectives. In other words, are businesses with stated double or triple bottom line objectives any more or less successful financially than other businesses?

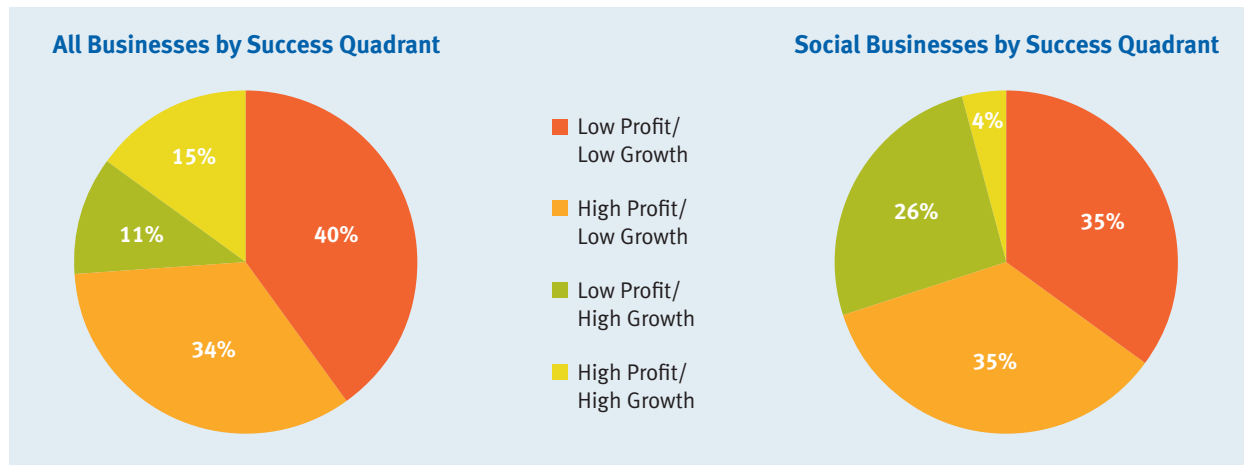
Success and Social Goals Can Work Hand in Hand

To gauge the relative success of social and other businesses, survey respondents were categorized in two groups: businesses that have formally stated social objectives (beyond financial objectives) that they use to measure their performance, and those that do not. Each group was then further categorized into success quadrants:

- 1. Low/moderate profitability and low/moderate revenue growth:** 15% or less average profit margin since inception and less than 10% revenue growth in the past two years.
- 2. Low/moderate profitability and high revenue growth:** 15% or less average profit margin since inception and 10% or greater revenue growth in the past two years.
- 3. High profitability and low/moderate revenue growth:** 16% or greater average profit margin since inception and less than 10% revenue growth in the past two years.
- 4. High profitability and high revenue growth:** 16% or greater average profit margin since inception and 10% or greater revenue growth in the past two years.

The resulting analysis indicates that social entrepreneurs can combine financial success with the pursuit of non-financial goals.³ While a higher proportion (15% vs. 4%) of non-social businesses are able to achieve high revenue growth and high profitability at the same time, social businesses are equal to the task in building high growth businesses. Fully, 30% of social businesses fall into high growth quadrants, compared to 26% of other businesses.

The results demonstrate that entrepreneurs who pursue social objectives through their businesses are able to attract customers and revenue at the same rate. Some might sacrifice profits in order to pursue social objectives. In other cases, the nature of their business might require a greater, upfront capital investment because they are in emerging market spaces. For example, one manufacturer of solar voltaic modules for the global market invested millions to build initial production capacity. But this initial investment eventually paid off by giving them economy of scale and cost advantage.








³ Due to the small sample of social entrepreneurs, results comparing success of social and other entrepreneurs should be interpreted as directional only.

Management Practices to Achieve Social Goals

In large part, the success of social enterprises and not-for-profit social enterprises can be attributed to their engaging in the same, sound management practices as other successful businesses. The study identified five underlying management factors (shown below) that contribute to business success.

Success Factors

	<p>Employee Focus</p> <ul style="list-style-type: none"> Employee focus includes an emphasis on hiring the right people, investing in their training, keeping them happy and motivated, and allowing them to share financial success.
	<p>Brand Leadership</p> <ul style="list-style-type: none"> This involves positioning as thought leaders, being the first in the field to capitalize on emerging markets, investing time and/or money to promote the business, and actively using social media.
	<p>Customer Leadership</p> <ul style="list-style-type: none"> Customer leadership encompasses both the mindset of the leaders, as well as the company's emphasis on managing relationships and meeting customer needs through quality products and tailored solutions.
	<p>Results Management</p> <ul style="list-style-type: none"> This factor includes rigorous planning and budgeting, effective and creative cost management and measurement of results to improve performance.
	<p>Access to Capital</p> <ul style="list-style-type: none"> Access to capital is a standalone attribute. It can include internal and external sources of capital.

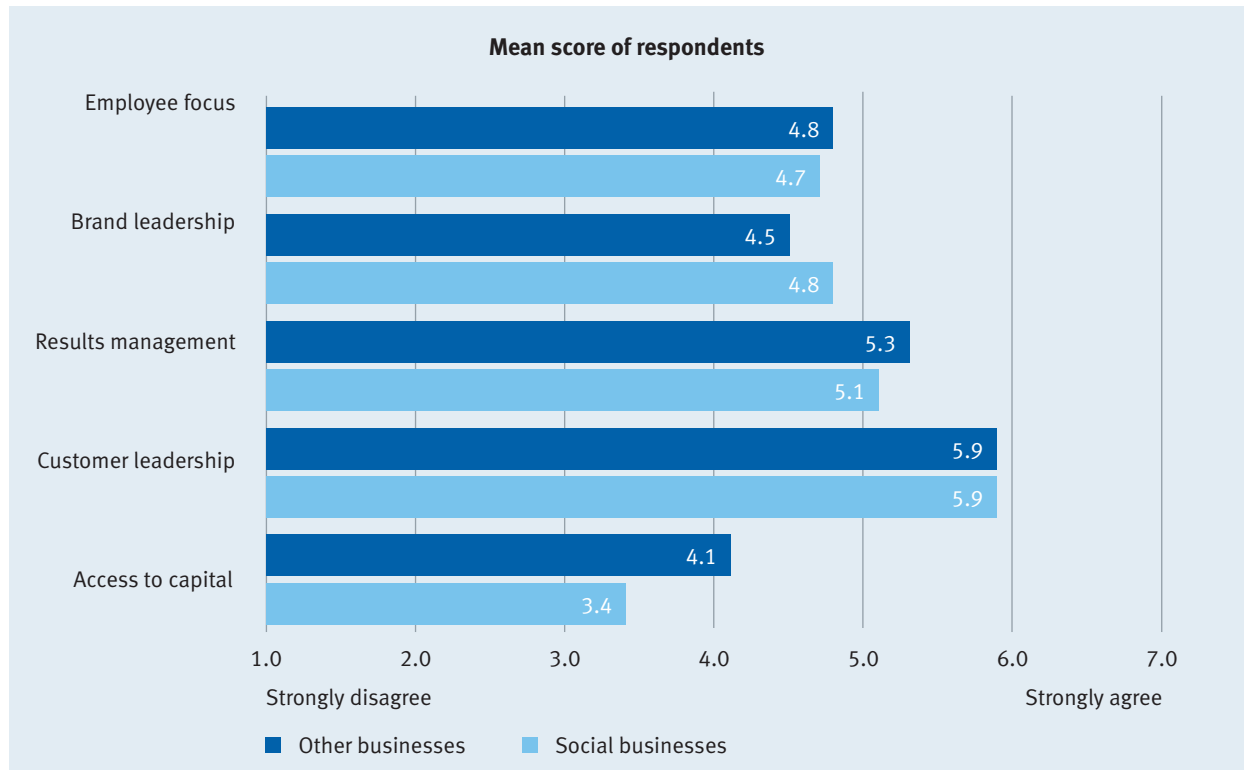
All of the social entrepreneurs interviewed emphasized the importance of sound business management in the pursuit of financial and non-financial goals. They are proactive in promoting their brand, with social characteristics as an integral component. They are customer centric. They have implemented financial measurement processes alongside measurement of social objectives. They present unique investment opportunities that attract certain investors. And, they recognize the importance of finding and retaining top talent.

For example, John Baker of Inner City Renovations explains how adopting sound business processes is crucial to the success of any business, including social enterprises in the not-for-profit sector. *"We had a general manager and an office manager and a book of business of \$1.2 million. That same management structure would not survive at \$3 million, so we grew the structure to include an estimator and a project manager. That is consistent with any other small to medium-sized construction company, and we benchmark ourselves against the industry and not the social outcome crowd on things like gross margins and costs."*

For Jeff Westeinde of Windmill Development, attracting top-notch technical and managerial talent was crucial to their success. *"We hit the ground running because we had recruited the right people. If you look at our growth phases, all of them have to do with people."*

In addition to displaying these attributes during the interviews, the survey also shows that social entrepreneurs stack up well against other businesses when rating their performance on most success factors.

Rating on Success Factors



One notable difference between social businesses and other businesses identified from the survey results is access to capital. Social enterprises in the not-for-profit sector noted, for example, that they might not have access to the same level of internal capital that purely private sector enterprises would (because high profit levels are not always their primary objective). In addition, they might be disadvantaged in attracting outside investment due to perceptions of risk.

Leveraging Social for Success

In certain areas, social businesses leverage their unique characteristics to help improve performance. For example, the opportunity to engage in personally meaningful work can give them an advantage in attracting talent. As Tom Heintzman of Bullfrog Power explained, *“People want to work for a double bottom line business. They want to have meaning in their work. So, we’ve been able to recruit very talented people who could have gone to lots of different places, but chose to come to us because of our social purpose.”*

“One thing that’s really come into play in our business is our triple bottom line of people, planet and profit. For the people side, we work really hard to be sure we engage with local communities and deliver the types of projects they want for their local communities.”

— Jeff Westeinde, Windmill Development Group

Social entrepreneurs also leverage their unique characteristics to differentiate their companies in the marketplace relative to alternatives. Windmill Development uses its triple bottom line approach to clearly distinguish itself from competing companies.

“One thing that’s really come into play in our business is our triple bottom line of people, planet and profit. For the people side, we work really hard to be sure we engage with local communities and deliver the types of projects they want for their local communities, as opposed to some developers who say that [they’re] going to build a hundred stories and, if you don’t like it, we’ll fight it all the way,” notes Jeff Westeinde of Windmill Development Group.

In the case of Bullfrog Power, they recognized that consumers had an environmental choice in many market categories, but not in energy. Bullfrog offered a unique choice relative to conventional alternatives, and understood that certain segments of the population wanted this choice.

Social enterprises serving not-for-profit organizations also leverage their status as a social business to differentiate themselves. For example, Inner City Renovations, whose main social goal is to improve the employability of their workers, targets projects tendered by government organizations that have an employment mandate.

Fuelling the Passion to Succeed

Social entrepreneurs tend to pursue social goals because they have a deep rooted personal belief in a particular cause. This cause inevitably overlaps with an identified business opportunity (e.g. they manufacture solar panels and are committed to improving the environment).

A Passion for What They Do

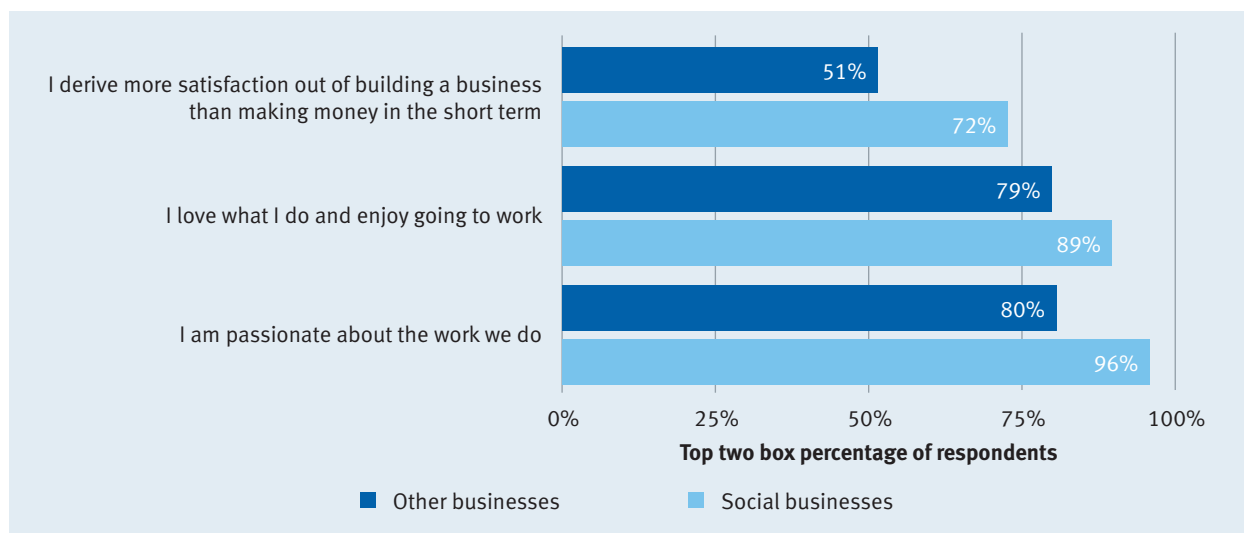
Passion is a common trait observed among successful entrepreneurs, including those without explicit social objectives. Fuelled by the knowledge that they are pursuing objectives that are both personally and financially fulfilling, social entrepreneurs displayed even more passion for the work that they do. It gives them a sense of confidence derived from the knowledge that, even if their business does not succeed, they are doing something worthwhile.

This was apparent in the emotional tenor of the social entrepreneurs we interviewed, and comes through in the survey results, which show a higher measure of passion among social entrepreneurs. The findings demonstrate that social entrepreneurs are more passionate about their work, love what they do and are more focused on building their business for the long term.

“There was this real purpose that made it worthwhile and gave me passion throughout. It also gave me the confidence to overcome the natural fear of being an entrepreneur.”

— Tom Heintzman, Bullfrog Power

Agreement with Statements about Personal Traits



Alignment with Personal Beliefs

Jeff Westeinde of Windmill Development explained that being able to combine a deep rooted personal belief with a market opportunity is a powerful motivator. *“I got into the environmental business because of my social conscience...it's taking a social conscience and trying to figure out how you can exploit that feeling in the marketplace.”*

Similarly, Tom Heintzman of Bullfrog Power talked about the marriage of personal and business motivations as being an ideal combination. *“To take all of the passions and things that I'd learned over my life and try to build a business that could not only make money, but could clean the environment. It could serve as an example to other entrepreneurs who are looking to try to change the world through business.”*

The survey shows that, although social entrepreneurs might leverage their unique social characteristics for market advantage, they are pursuing social goals on their own merit rather than as a means to an end. Close to two-thirds stated that they are pursuing social objectives either to improve the communities they live in or because they believe in the cause personally, rather than strictly for business reasons.

Reasons for Pursuing Social Goals

	Percentage of Social Entrepreneurs
To improve the communities that we live in	65.9%
These goals are important to me (and other founders/partners) on a personal level, and I want to use the enterprise as a vehicle to help pursue them	61.4%
To make the world a better place	50.0%
To build a good reputation for our company in the community	50.0%
Because it's important to today's consumers	47.7%
To help differentiate our company in a unique way	45.5%
To create a positive environment for employees	38.6%
Because it enables us to deliver a superior product or service	34.1%
To help drive sales through goodwill created among customers/stakeholders	34.1%
To position our company as eco-friendly	31.8%
To improve the lives of our employees	29.5%
To reduce our company's impact on the environment	29.5%
To reduce energy costs	20.5%
We are owned by a non-profit and these goals reflect our primary mandate	11.4%

Meeting Challenges

Unique Challenges of Social Businesses

Although social businesses tend to perform well across different management factors, the survey indicates that securing access to capital may be more challenging for social businesses than it is for other businesses. In part, there is a gap between the double bottom line philosophy and the criteria applied by investors and lenders when making decisions. In some cases, social businesses may want to invest in an initiative or product that does not have a proven path to payback. This could be a new market (e.g. renewable energy) or an unconventional approach to balancing business and social goals (e.g. a green loan). In either case, they require investors and lenders to share some affinity to their social goals, and put their faith in end customers to do the same.

Quite often, social businesses offer products and services that require customers to pay a premium for goods or services that address a need in a more socially conscious way. For example, renewable energy is more expensive than conventional energy. A condominium built with state-of-the-art, eco-friendly building technology might be more expensive (at the point of purchase) than one built with conventional building technology. For this reason, social businesses need to identify niche markets that have both a functional need and emotional affinity to their products and services. This requires consultation and research to understand the needs of customers and track changing attitudes.

“We had a consultation with 700 people in an arena, and we got a standing ovation for doing it, which doesn’t happen very often.”

— Jeff Westeinde, Windmill Development Group

Bullfrog Power, for example, regularly surveys customers and Canadians to track changing attitudes towards renewable energy. *“We’re constantly tracking awareness of climate change and renewable energy and how Bullfrog contributes to that.”* Similarly, Windmill holds public consultations to treat communities as genuine stakeholders in the development process.

Using Creativity to Overcome Challenges

During the interviews, a number of examples emerged of how social businesses were using creative solutions to overcome challenges, particularly related to financing.

In some cases, business models might not fit conventional sources of financing. This has led some to find creative solutions to financing. For example, Windmill polled interested residents in a condo development in Calgary to determine whether they would be willing to pay more upfront for certain “green” technology that would yield a return of over 20% in operational savings, and the resounding answer was ‘no’. In the absence of financing mechanisms, they pioneered a “green loan” where they charged a standard fee based on operational savings until the loan was paid off.

In setting up its enterprise, the Ottawa Regional Cancer Foundation is also exploring the use of a social impact bond for seed funding. They need to invest in technology (e.g. for online information tools and systems), but are not able to divert philanthropic dollars to fund the investment because of rules governing how donor contributions can be used.

“We’ve developed a return to work program that’s going to save a lot of money, and we need \$900,000 to be able to set this up. We have nine investors willing to put up \$100,000, but we need an incentive for them. So we structure a bond, the government guarantees it, plus we provide interest. It’s a high risk investment, but it’s guaranteed by the government.”

Financial Institutions as Value-Added Advisors

Social entrepreneurs rely on a range of external advisors to help their businesses succeed. Overall, they are most inclined to rely on accountants, technical experts, lawyers, business mentors and financial institutions for help along the way.

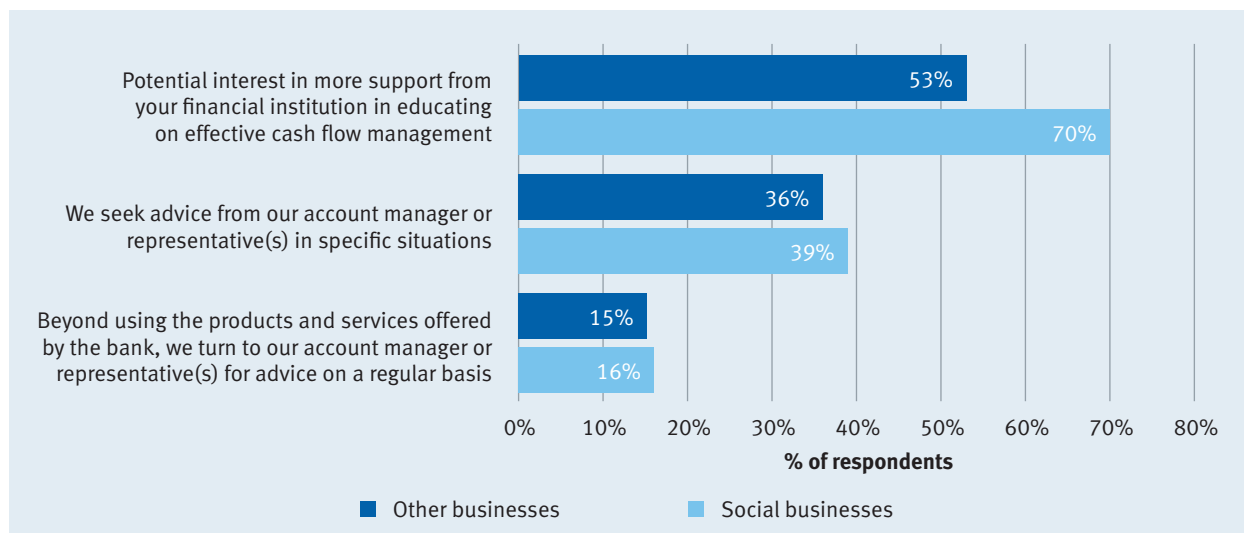
One trait of those who have enjoyed some success is that they tend to have a closer relationship with their financial institution, one that goes beyond simply setting up financial products and services. Several described instances in which they relied on their close banking relationship to obtain support for important initiatives (e.g. sponsoring a launch event, financing for expansion), to obtain independent advice on the risk of important decisions and to access knowledge (e.g. economic or market trends) available through their bank’s business units. Successful entrepreneurs view their bank as an important partner in their success, with regular, open dialogue about business plans. Interestingly, this extends to social entrepreneurs, who are also more inclined to see the relationship with their financial institution as extending beyond the financial products and services offered.

“In terms of getting initial customers on board, RBC was absolutely critical. They agreed to use our renewable power prior to launch, and they were there with us at the launch...not just with us, but on the podium.”

— Tom Heintzman, Bullfrog Power

Although social entrepreneurs value their banking relationship, they are seeking creative solutions to financial needs that demonstrate alignment with both financial and social objectives.

Use of Financial Institution for Value-Added Advice



Conclusions

The survey results indicate that social businesses can combine financial success with the pursuit of non-financial goals. With the exception of enterprises linked to the not-for-profit sector, the social entrepreneurs encountered during the interviews have achieved financial success alongside the pursuit of social objectives. For the emerging market space affiliated with non-profit organizations, social enterprises are a creative attempt to find new ways to support important programs in a field where traditional sources of funding are declining.

In large part, the success of social businesses can be attributed to engaging in the same management practices as other successful businesses. By following best practices in marketing, human resources, operational and financial management, they are in a better position to achieve social objectives. Moreover, the simultaneous pursuit of social and financial objectives can be used to their advantage in areas such as brand positioning and attracting and retaining talent.

A noticeable difference between social and other entrepreneurs is that social entrepreneurs find real meaning in their work and the opportunity for it to impact the communities around them. Fuelled by the knowledge that they are pursuing objectives that are both personally and financially fulfilling, social entrepreneurs expressed a higher level of passion for the work they do. It gives them a sense of confidence derived from the knowledge that, even if their business does not succeed, they are doing something worthwhile.

Appendix – Detailed Methodology

Interview Methodology

Entrepreneurs were recruited randomly and through RBC business sources to participate in one-hour, in-depth interviews at their place of work (Toronto, Ottawa, Montreal) or by telephone (other regions). Interviewees included a cross-section of 17 successful business owners by business size, sector and region. Five of the interviewees profiled were social entrepreneurs, according to a standard definition. All were screened to meet minimum criteria in terms of growth and tenure in business.

Survey Methodology

A 15-minute online survey was administered to a cross-section of 511 Canadian business owners, including a sub-sample of 44 who self-identified as having social objectives for their businesses (i.e. they have formally stated social or environmental goals that they use to gauge their performance). The survey incorporated elements identified by entrepreneurs during the in-depth interviews. It was also pre-tested with entrepreneurs to ensure comprehension.

Sampling

The bulk of the sample (n=500) was drawn from a profiled, online research panel of Canadian business owners operated by Research Now. A small number of respondents (n=11) were also recruited from lists of entrepreneurs provided by MaRS.

Respondents were accepted for the survey if they met the following qualification criteria:

- They own or operate a Canadian business that generated revenue in the most recent fiscal year.
- They have generated a profit in any given year since inception.⁴
- They have an ownership stake or are a senior leader who played a role in founding the business.
- They owned and operated a business within the past two years, and have since sold the business.

Although approaches to sampling of this nature yield convenience samples⁵, quota sampling was used to target a minimum number of entrepreneurs in larger businesses (i.e. 50 plus employees) to match the general profile of Canadian business establishments. The following charts provide a profile of the sample based on different personal and business characteristics. Where feasible, comparisons to known population statistics are shown.

⁴ Some revenue-generating businesses reporting to not-for-profit organizations were accepted if they did not generate a profit.

⁵ Results from convenience sampling approaches cannot be quoted or applied in the same manner as probability-based samples (e.g. a margin of error cannot be quoted). Notwithstanding this, the approach to sampling represents an effective way to obtain input from difficult-to-reach audiences of this nature.

Number of Employees

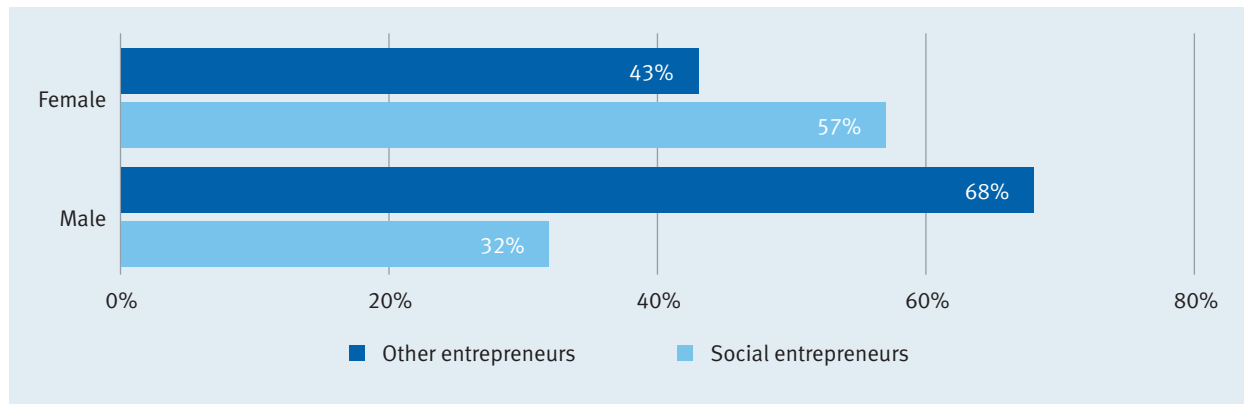
The table below shows the sample breakdown by number of employees compared to the population of Canadian enterprises.

Business Size	Survey Responses	Survey Proportions	Population Proportions (Number of Canadian Business Establishments) ⁶
1 – 49 employees	458	90%	95.6%
50 + employees	53	10%	4.4%
Total	511	100%	100%

Gender

The gender distribution in the overall sample is skewed towards men (66%). This is consistent with Statistics Canada data suggesting that 40% of women, compared to 60% of men, in Canada are employed in management positions (Statistics Canada, 2006). This gender division may be even more pronounced when considering only those individuals who own businesses.

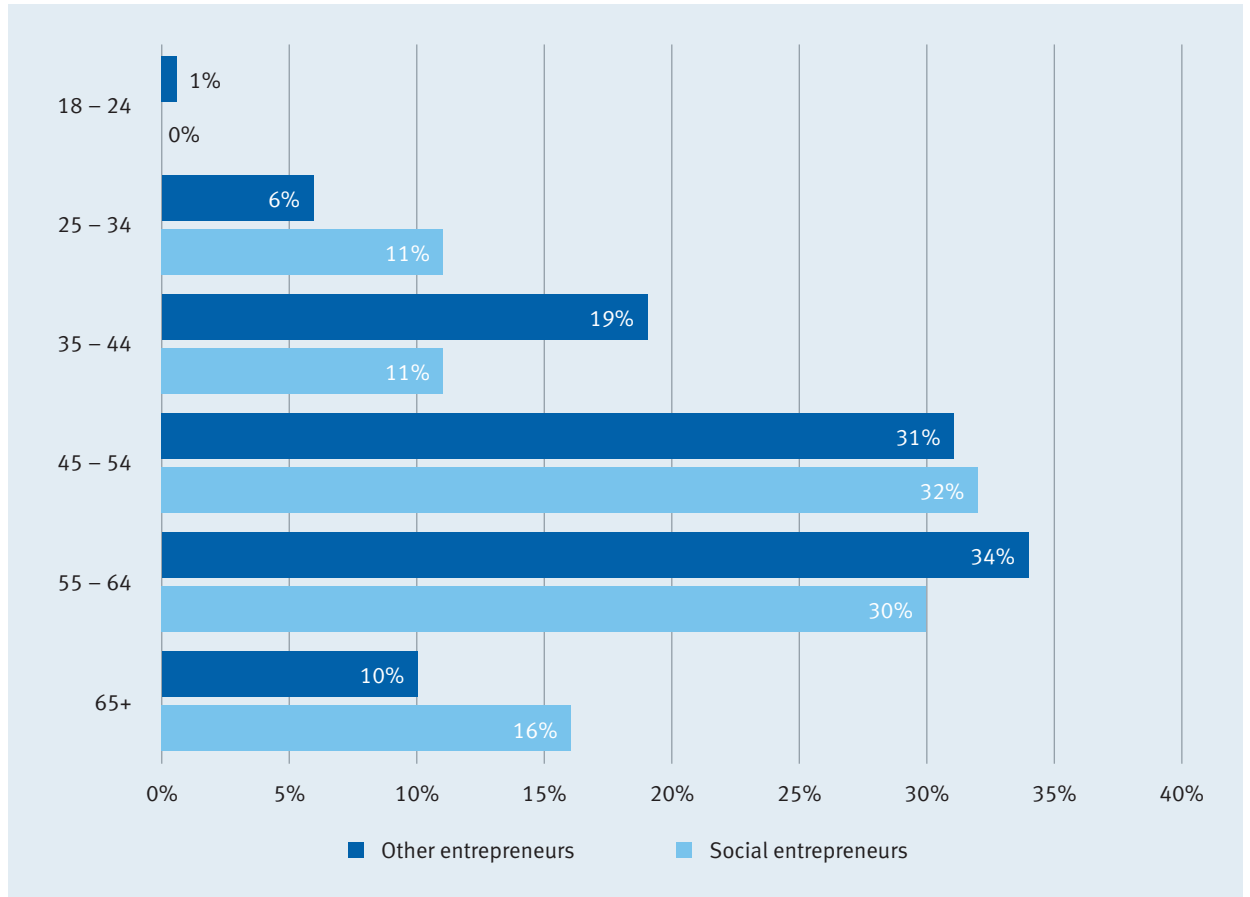
Interestingly, a gender profile of social entrepreneurs shows the reverse. The data suggest that there is a higher concentration of women running social businesses.



⁶Source: Statistics Canada, Business Register, December 2011.

Age

The age distribution of social entrepreneurs is relatively similar to that of other business owners, with the bulk of entrepreneurs falling into the 45 – 64 age categories.



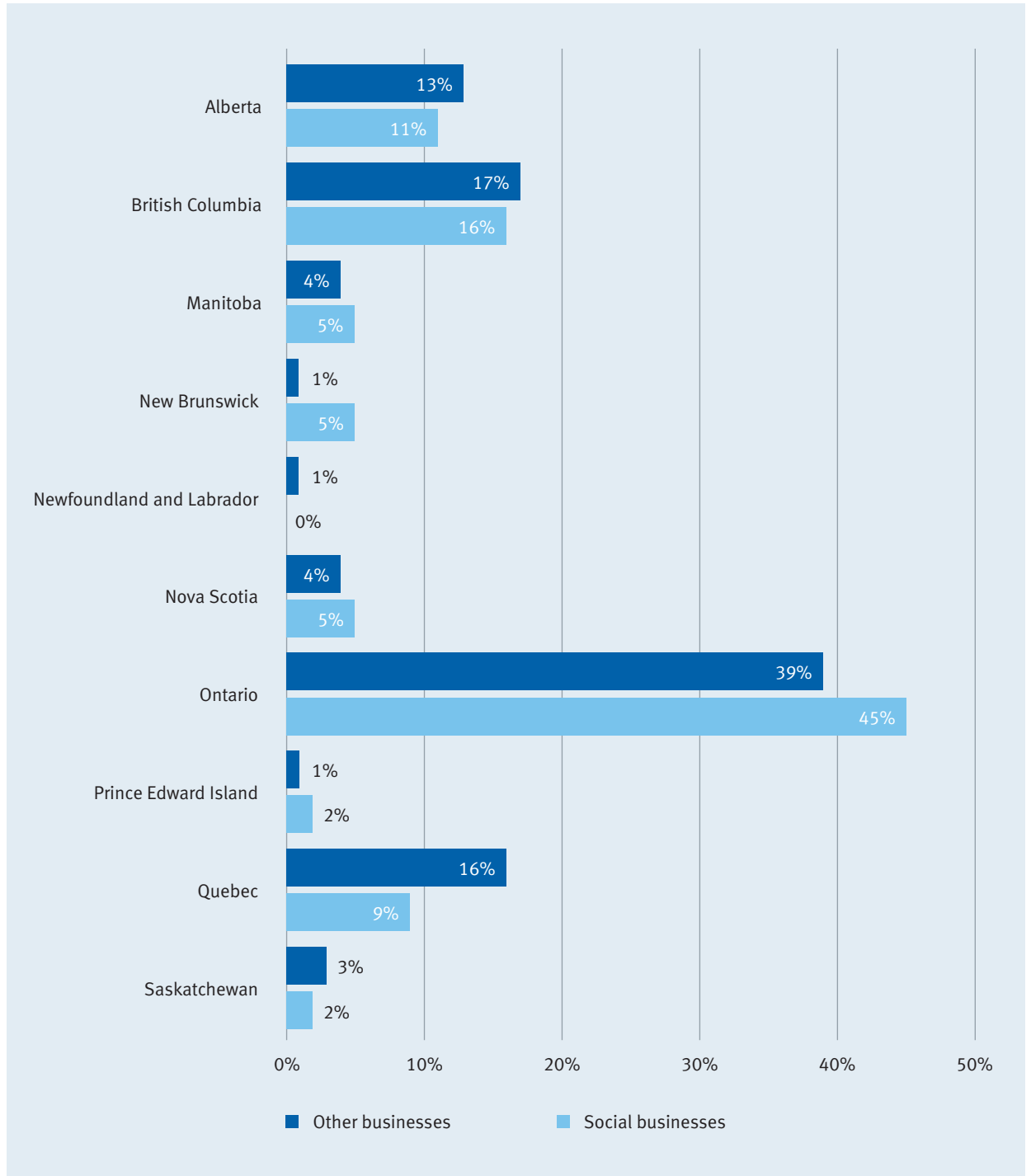
Industry Sector

The sample profile of social and other entrepreneurs by sector is shown in the following table.

Sector	Social Businesses	Other Businesses
Accommodation and Food Services	2%	4%
Administrative and Business Support Services	5%	6%
Agriculture, Forestry, Fishing and Hunting	7%	3%
Arts, Entertainment and Recreation	7%	6%
Construction and Home Improvement	2%	9%
Educational Services	0%	4%
Finance and Insurance	2%	5%
Health Care and Social Programs	5%	3%
Information and Cultural Industries	4%	3%
Manufacturing	2%	5%
Mining, Oil and Gas Extraction	0%	3%
Professional, Scientific and Technical Services	18%	14%
Public Administration	0%	1%
Real Estate, Rental and Leasing	11%	3%
Retail Trade	14%	7%
Transportation and Warehousing	0%	4%
Utilities	5%	1%
Waste Management and Recycling Services	0%	1%
Web Design or Development Company	2%	2%
Wholesale Trade	2%	4%
Other Services	11%	12%

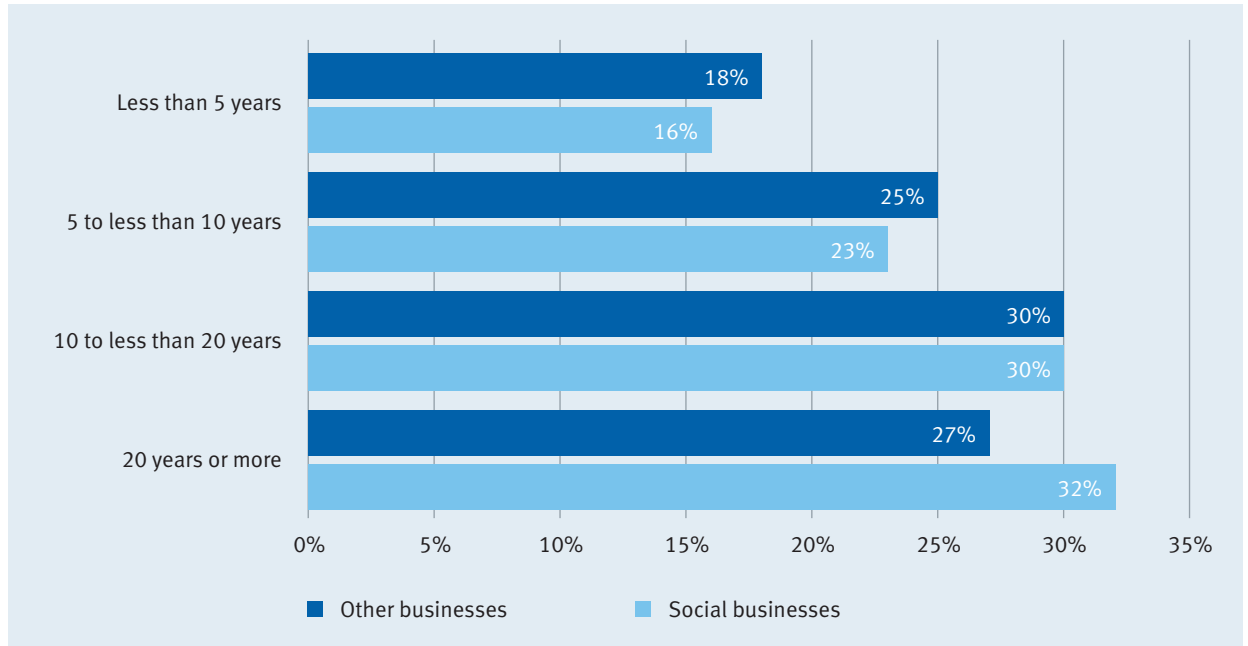
Province of Headquarters

In terms of regional representation, the overall sample closely matches the distribution of businesses in Canada. Both social and other entrepreneurs are represented in the sample from across different regions.



Years in Business

The sample contains businesses at different stages of development. Both social and other businesses are represented at the different stages.



Data Analysis

The in-depth interviews conducted in the early stages of this study revealed a large number of potential contributors to entrepreneurial success. These potential contributors were subsequently investigated within the context of the quantitative survey. The relationship between individual findings and success (as defined by the success quadrants) are provided within this report. In order to assess contributors of success from a broader, thematic perspective, a technique called factor analysis was used to group single contributors into underlying success factors.

Factor analysis is a data reduction technique that allows researchers to group variables that are statistically related to each other. In doing so, it was possible to examine the relationship between composite scores of these thematically organized variables and success. Although many hypothesized contributors were included in the survey; some could not be well explained by the factors that emerged and were not included in the composite scores. The factors that did emerge included variables that were theme related: customer leadership, brand leadership, employee focus and results management. Access to capital did not fit in well mathematically with any of the factors that emerged, but given the importance that it was given in the qualitative interviews, the relationship between access to capital and success was analyzed separately. The following table demonstrates the variables included in each of the factors.

Success Factor Variables

Factor	Variables
Employee focus	<ul style="list-style-type: none"> ▪ Hiring the right people ▪ Investing in employee training ▪ Keeping employees happy/motivated ▪ Allowing employees to share in the financial success
Brand leadership	<ul style="list-style-type: none"> ▪ Acting as thought leaders ▪ Being first in the field to capitalize on emerging markets ▪ Investing time/money to promote the business ▪ Actively using social media for promotion
Customer leadership	<ul style="list-style-type: none"> ▪ Senior leaders with complementary skills; self-starters accountable for results ▪ Solutions that are better tailored to the needs of specific market segments relative to competitors ▪ Active two-way communication with customers to respond to needs and build trust
Results management	<ul style="list-style-type: none"> ▪ Keeping a close eye on fixed costs and operating as a lean business ▪ Seeking out creative, cost-effective solutions to delivering services and running operations ▪ Following a rigorous planning and budgeting process ▪ Measuring results and using the information to improve performance
Access to capital	<ul style="list-style-type: none"> ▪ Accessing capital that provides an advantage relative to the competitors

About RBC Social Finance

The Royal Bank of Canada (RBC) is Canada's largest bank and one of the largest banks in the world based on market capitalization. We are one of North America's leading diversified financial services companies, and provide personal and commercial banking, wealth management services, insurance, investor services and capital markets products and services on a global basis. We employ approximately 79,000 full- and part-time employees who serve more than 15 million personal, business, public sector and institutional clients through offices in Canada, the U.S. and 44 other countries.

RBC is recognized among the world's financial, social and environmental leaders. In 2012, RBC launched its social finance initiative, which is designed to ignite the growth of social finance in Canada. The initiative finances and nurtures businesses that intentionally seek to make positive contributions to the community, and it demonstrates the opportunity to invest in a manner that delivers social, environmental and financial returns. We hope that our commitment to social finance in Canada will not only spark entrepreneurship and innovation, but also encourage other organizations to make similar investments that generate positive social and environmental change. For more information, please visit rbc.com/socialfinance.

