

“Don’t Say it This Way, Say it That Way”:
How Language and Communication Differentials between
Social Enterprises and Economic Development Agencies
Impact Financing

ANSER-ARES Extended Abstract

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**“Don’t Say it This Way, Say It That Way”: How Language and Communication
Differentials Between Social Enterprises and Economic Development Agencies
Impact Financing**

Newfoundland and Labrador has a strong history of addressing important community challenges with volunteer work in the social economy. Through a variety of non-profit endeavors across the province in areas ranging from health and wellness to arts and culture, to provisions of goods and services, organizations and individuals in the social economy work hard to meet important needs of the community that the mainstream market cannot independently serve. Social enterprises often rely heavily on grants or other non-repayable sources for financing. Frequently they must turn to banks or other providers of finance, applying in the same manner as standard for-profit businesses for repayable loans, despite the fact that members are often unwilling or unable to provide the personal guarantees normally requested. Social enterprises, like all businesses, require some degree of investment for their ideas to succeed and expand, but they often encounter a higher rate of rejection than comparable for-profit businesses. Although there are many examples of social enterprises in the province that successfully secure financing in this manner, there are also a significant number of enterprises who encounter great difficulty despite their businesslike approach to banks and economic development agencies. This inhibits their ability to reinvest into the social economy and into communities.

The Current Research

Within the context of supporting and enhancing ongoing social enterprise, the current research seeks to understand the relationships between language, communication, and the success of social enterprises seeking financing through banks and economic development agencies. Also, we aim to discover whether there are any negative ramifications

for social enterprises that, for various reasons, experience language and communication breakdowns.

Method

A convenience sample of seven *social enterprise* leaders and five *economic development* agency staff from Newfoundland were recruited and interviewed. A qualitative content analysis followed.

Results and Discussion

Understanding and Perceived Understanding of Social Enterprise

Social enterprises. The current research finds a disconnect between the perceived understanding of agency staff from the perspective of social enterprises, and the actual recognition of the alternative business model. Participants in the social enterprise sample often felt that, from a broad perspective, most financial institutions they had approached did not understand the nature of social enterprise. They felt that they could not make the distinction between comparable for-profit enterprises and those with social aims, placing their group at a disadvantage and often resulting in the failure of the application. Social enterprise participants in some cases believed that it was difficult, if not impossible, to effectively articulate their community benefits when asked to address standardized criteria in applications. Despite their best attempts, many believed that financial agency staff – including both banks and economic development agencies – did not attempt to listen, to understand, or to think creatively about how these added benefits were, in fact, financially and economically significant. Other participants, however, did not feel that this was the case.

Economic development agencies. Results suggest that economic development agencies, however, do not agree with the initial assessment, instead clearly citing and explaining the distinction between social enterprises and for-profit enterprises. An important

continuum of knowledge and communication ability appears to exist, as economic development agency staff identified social enterprises that were as prepared as any business to speak and understand the financial language, and others who were not. Despite financial preparedness on the part of social enterprises, participants emphasized that the agency is sometimes unfortunately restricted by their own policies from making concessions to social enterprises and incorporating their added social value into lending criteria. Other economic development agencies identified concessions or programs that targeted social enterprises specifically, citing the success of these interventions, but in some cases they lacked social enterprise applicants.

Language and Communication

Social enterprises. Social enterprise participants in some cases felt intimidated by the jargon, business language and terminology used by agency staff in discussion and in text, stating that it tended to obscure straightforward meaning. They felt that without couching their talk in the constantly-changing language of ‘buzz words’ and financial jargon, their applications were not seriously considered. Participants often felt that financial organizations used their language to create a barrier, and not to build a bridge. Without the use of plain language, they felt, social enterprises may continue to have real trouble securing funding; or that to be successful, they would have to invest significant volunteer time in learning the required language. However, there was clear division in response to this item, as not all felt that language and communication presented any problems.

Economic development agencies. The majority of economic development agencies interviewed agreed with the social enterprise participants. They felt that the language used by economic development agencies often differs from everyday lexicon and that it is unhelpful to those applicants new to the business realm. They realized that words

and phrases could be unintentionally used to intimidate, and often require explanations rather than simply jargon-laden requests for information. Most were very sympathetic to the barriers of language between both parties, and were cognizant of their role in the power differential between applicant and agency staff. They felt that in many cases the onus was on them to speak to clients in a plain and equitable language, rather than potentially making them feel inadequate in their business potential.

Despite this important concession made by nearly all economic development agency participants, they also felt that, for their part, social enterprises must demonstrate financial awareness, business knowledge and preparedness. To identify whether financial viability is present, the communication difficulties must be overcome on both levels. In order to properly run a business, they felt that it is essential for non-profits to have the capabilities to understand finances and to have some business background. Without being able to demonstrate this, agency staff is limited in identifying a potentially successful business model and therefore may not be able to finance the enterprise.

Significance of Financial Expertise

Social enterprises. Social enterprises must continue to apply their strength and skills in grant writing, while simultaneously developing professional financial knowledge in preparation of application to and communication with economic development agencies. Results suggest that the involvement of a qualified financial professional, either as a staff person or volunteer board member, is key to meeting requirements. Because of a frequent inability to communicate with financial organizations despite preparedness to articulate financial needs and goals, social enterprises are often more successful when a financial expert acts as a broker, translator or mediator between parties. This individual's loyalties lie with the social enterprise; however, they can communicate in a common language with the financial

organizations, adding a sense of knowledge, preparedness and, most importantly, credibility to the business. As such, securing this expertise in staff or board appears to be an essential investment for social enterprises, often placing them at an advantage on the spectrum identified by financial organizations in comparison to those with limited financial skills.

Economic development agencies. Economic development agencies consistently emphasized this point, identifying the importance of financial literacy and expertise when discussing financing options. Even without the availability of personal guarantees, organizations with a solid financial background have the appearance of added credibility, serious intentions, and of course the ability to overcome barriers of an inability to communicate in financial language. With this in mind, the current research finds that the incorporation of financial expertise in any capacity is essential to the success of a social enterprise's application for financing, and likely in their success as an organization.

On the Periphery: Distance from and Connections with Economic Development Agencies

Social enterprises. This research suggests that distance from economic development agencies or from their local representatives may play an important role in negotiating the communication barrier between social enterprises and these organizations. Participants who were located a significant distance from economic development agencies often felt that these agencies did not understand the enterprise. Without a more intimate understanding of the social enterprise's role in the rural community and its essential nature, economic development agency staff living in distant towns and cities were perceived as unable to understand the added community and economic value provided by the enterprise. Those social enterprises that were located near to the economic development agencies

tended to have more success in achieving financing; however, this was often dependent as well on a close working relationship rather than simply geographic distance.

Economic development agencies. Agency participants also reflected this sentiment, noting how their personal integration in the community helped them to understand the importance of financing for a particular social enterprise client, and in some cases they actually strived to help them successfully secure financing. It is more beneficial for social enterprises to have a financial or accounting representative in the community with whom they feel comfortable asking questions and openly discussing important business issues. Although this may not always be feasible, given the isolated and rural geography of the province, it is important for economic development agencies that wish to increase their business transactions with social enterprises to understand the importance of having representatives working in the communities or regions at large, rather than centralized in the urban centres around the province.

Recommendations

The following recommendations stem from these interviews and are supported by those in the literature. In the majority of cases, recommendations were identified from both sides, including items that each would benefit from.

Recommendations for Economic Development Agencies

- **Focus on language in discussion and in text.** The current research suggests that it is essential for economic development agencies who wish to increase the number of social enterprises among their customer base to be highly cognizant and critical of their current use of language and business or financial jargon, and to keep in mind the social orientation of the client. Using a top-down approach, the focus on language must occur not only at the interactional level, but also during policy and organizational development.

- **Literature: Glossary/information/pamphlets.** The current research suggests that it is important for economic development agencies to facilitate a basic level of comprehension among clients in order to achieve an equitable understanding of terminology and requirements.
- **Communication among all stakeholders.** Data from the current research consistently suggests that communication among economic development agencies and social enterprises should be increased in order to facilitate clear understanding among all parties.
- **Recognition of the nature of social enterprise.** Current findings suggest that greater knowledge of the social enterprise sector and empathy with its aims is needed, among economic development agencies.
- **Provide education.** An increase in business education and awareness provided to the community by economic development agencies may lead to an increase in financial preparedness among social enterprises.
- **Promotion of Economic Development Agency programs.** It is important to increase social enterprise leaders' awareness of the wide range of financing options available, aside from the mainstream banks.

Recommendations for Social Enterprises

- **Involve a financial expert.** It is strongly recommended that social enterprises work toward bringing a financial expert on board, whether it is a staff or board member.
- **Become educated.** Although the current research suggests that expert advice is needed when developing and applying for financing, it is equally important for key players to have some general financial knowledge in terms of language and jargon, and to be able, to some degree, to speak this language.

Conclusion

Integrated with existing literature, the current research suggests that it is important to emphasize *financial literacy*, *education* and *professional involvement* from the perspective of beginning and advancing social enterprises. For economic development agencies approached for funding, it appears that a more *sensitive and open approach* to a variety of business models facilitated by *top-down direction* from higher levels of the organization would be beneficial. At the most peripheral level, *improved language and communication* between both groups, particularly with support from higher levels of economic development agencies would enhance social enterprises' ability to securing financing for their organization.