

Social Entrepreneurship - Challenges/ Changes

**Social Entrepreneurship: A practical guide to managing
in tough times**

**GEWJC 2010 – WomenRising
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Social Entrepreneurship

- We are a world of wall builders, partitioners, and dividers of space. We long for the security of safe places. We construct these barriers in a vain attempt to control the elements, to keep the rain from dampening the fire, the wind from covering our lives with the inevitable dust. Many of the walls we build are essential to our survival. Many, however, are not. By fortifying the unnecessary walls, we in business (for profit and not-for-profit) huddle in the systems we have closed. The consequences: thinking decays and novelty vanishes.

Open Boundaries- Howard Sherman and Ron Schultz1998



Entrepreneur

- “undertake”
- Innovator - “creative-destruction” of capitalism (schumpeter)
- Searches for change, responds to change, exploits opportunity (drucker)
- Seeks possibilities (not barriers)
- Without regard to resource limitations

Are you an entrepreneur? Am I the type?



- Drive
 - Responsibility/initiative/persistence
- Thinking ability
 - Creative/critical/analytical
- Competency in human relations
 - Sociable/considerate/cheerful/cooperative
- Communication skills
 - Verbal/oral/written
- Technical knowledge
 - Service understanding, using the information purposefully



Agenda

- Your Expectations
- Social Enterprise
- Venture Philanthropy
- Questions



Social Entrepreneurship

- Application of entrepreneurial attitudes to social sector clients:
 - Change is the norm
 - Embrace change
 - Seek change
 - Client focused
 - Shift resources from low to high productivity
 - Calculated risks
 - Create something new
 - Strive for Transparency



Organizational Readiness

- Strategy
- Governance
- Human resources
- Finances
- Operations, Products and Services
- Market perspective

Mapping the Future



- Formulate dreams that are worth believing in & fighting for by meeting 3 challenges.

Challenge #1. Vision Statement

Challenge #2. Mission Statement

Challenge #3. Core Values

Challenge #4. Strategic priorities



Community Vision – the core of social entrepreneurship

Complete the following sentence:

**I want to live in a community where/
that..**

Mission



What is your part in achieving the vision?

What do you produce?

Who do you serve?

How do you do it?

Values



What do board members &
employees stand for & embrace?

What are the rules?

May include integrity, transparency,
entrepreneurship, innovation etc



Strategic Priority Development

Balanced Score Card Format

Consider organizational success from more than one perspective, for example:

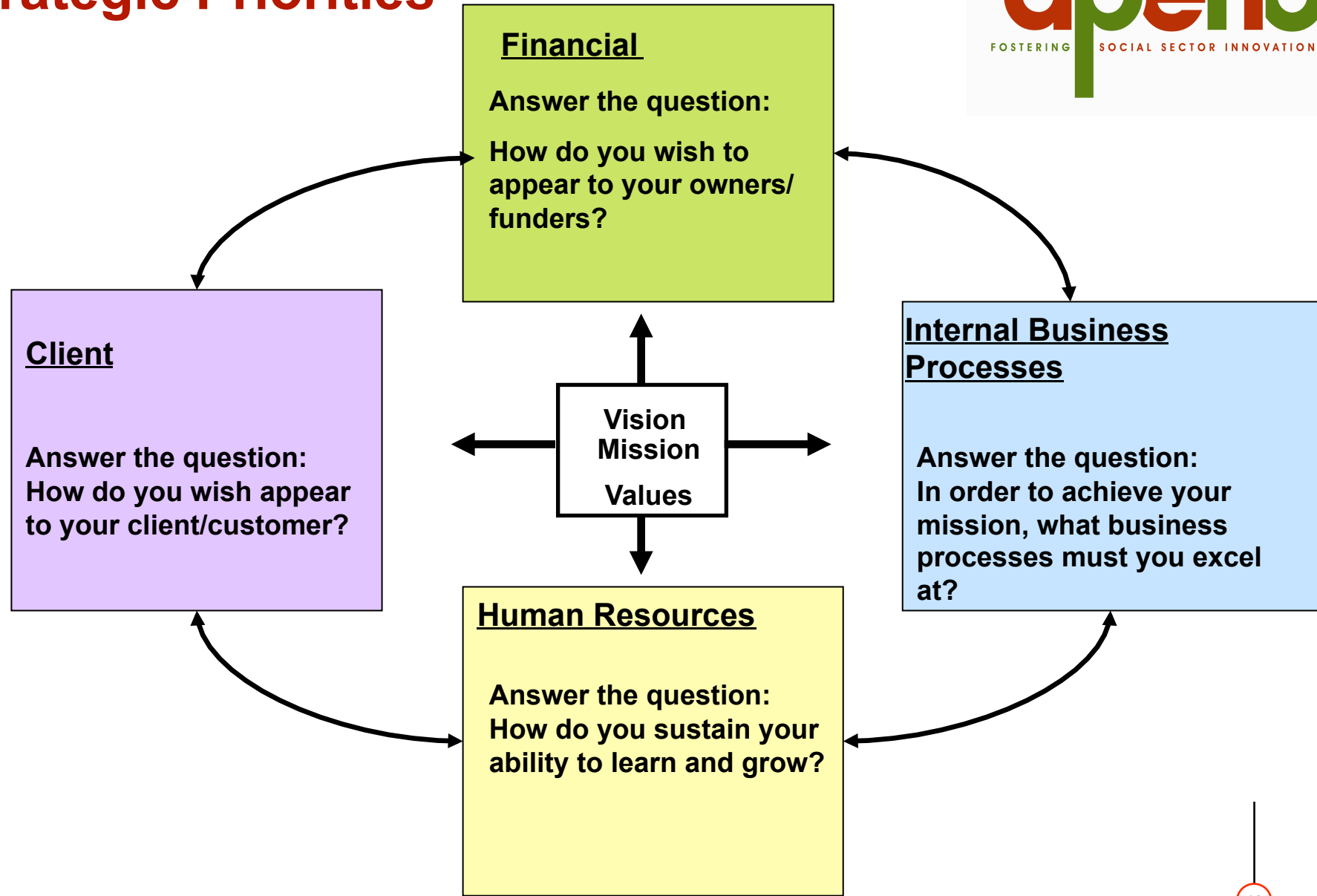
Internal Business Processes

Client

Financial

Human Resources

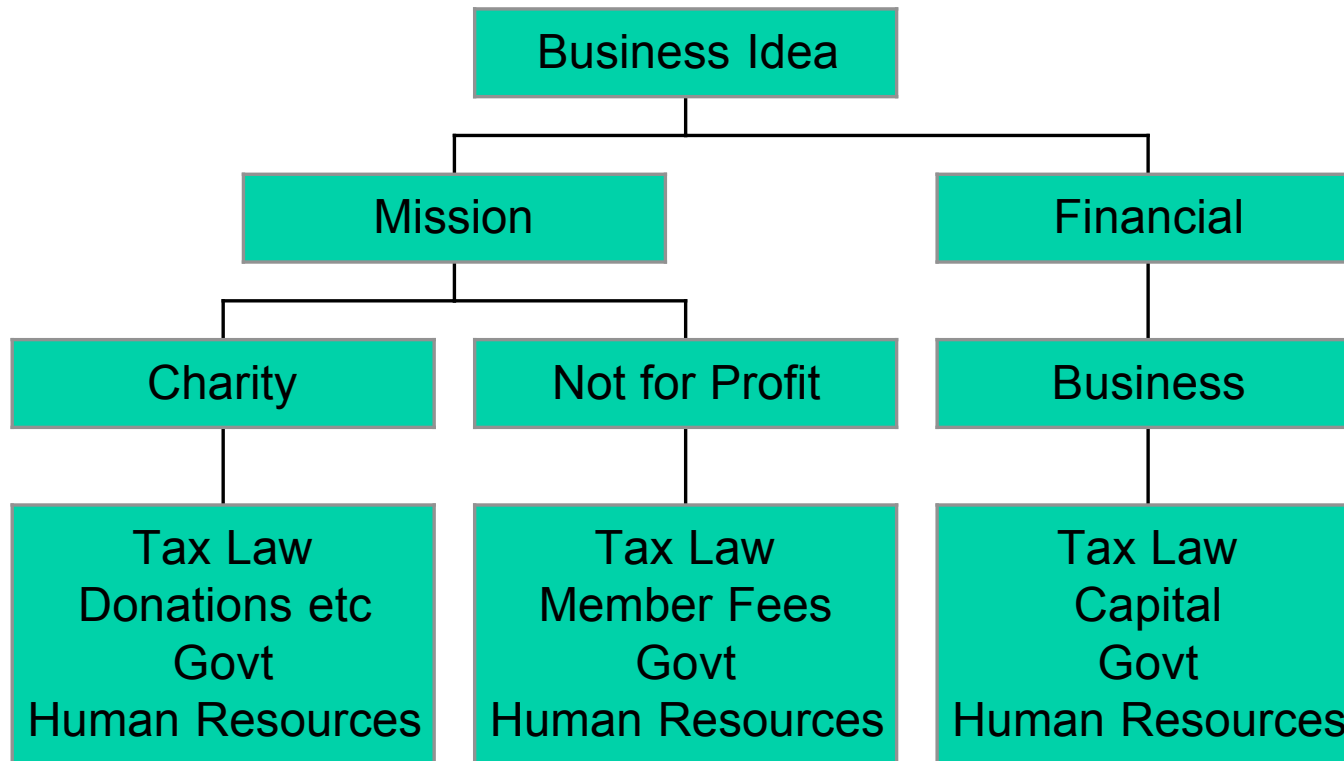
Strategic Priorities



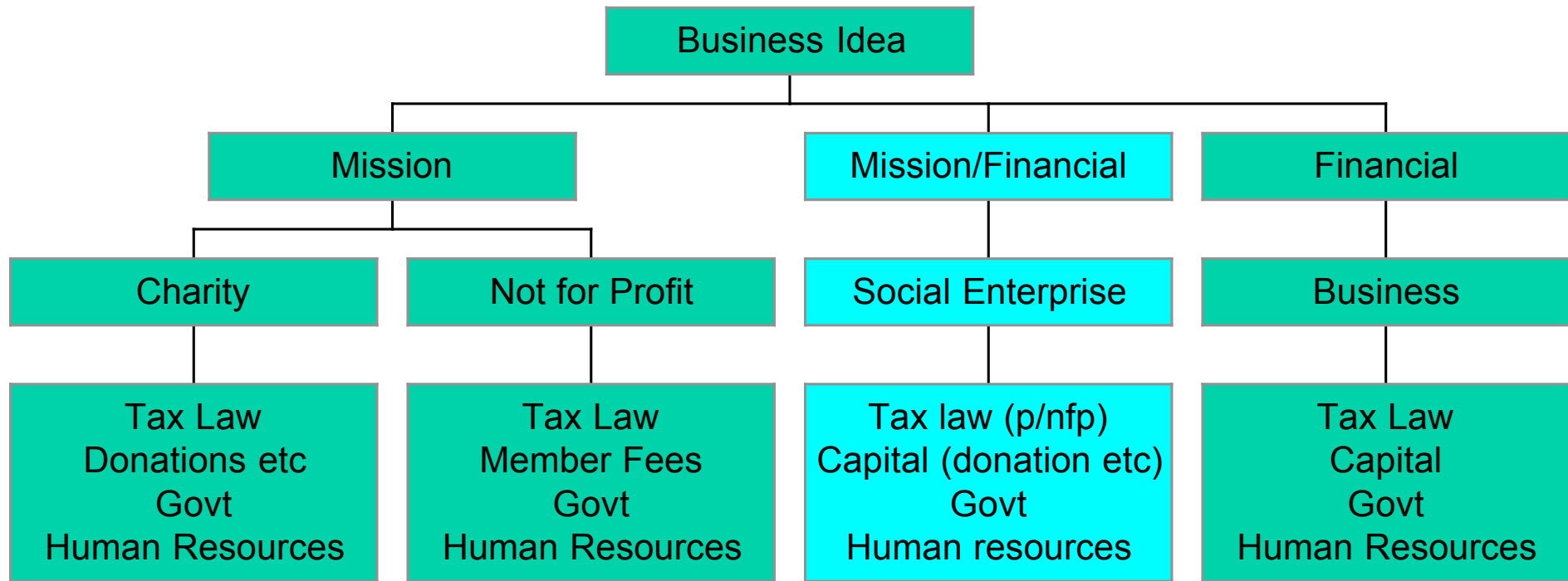
Social Enterprise



Traditional View



Social Enterprise View



Common Misunderstandings / Myths

- The purpose of social enterprise is to make money
- The purpose of social enterprise is to employ people
- Social enterprise will distract my organization from achieving its mission
- We will lose our non-profit status
- Social enterprise is a new concept
- We will never need to fundraise again
- If we make too much money, funders will cut us off



Legal – A Quick Note

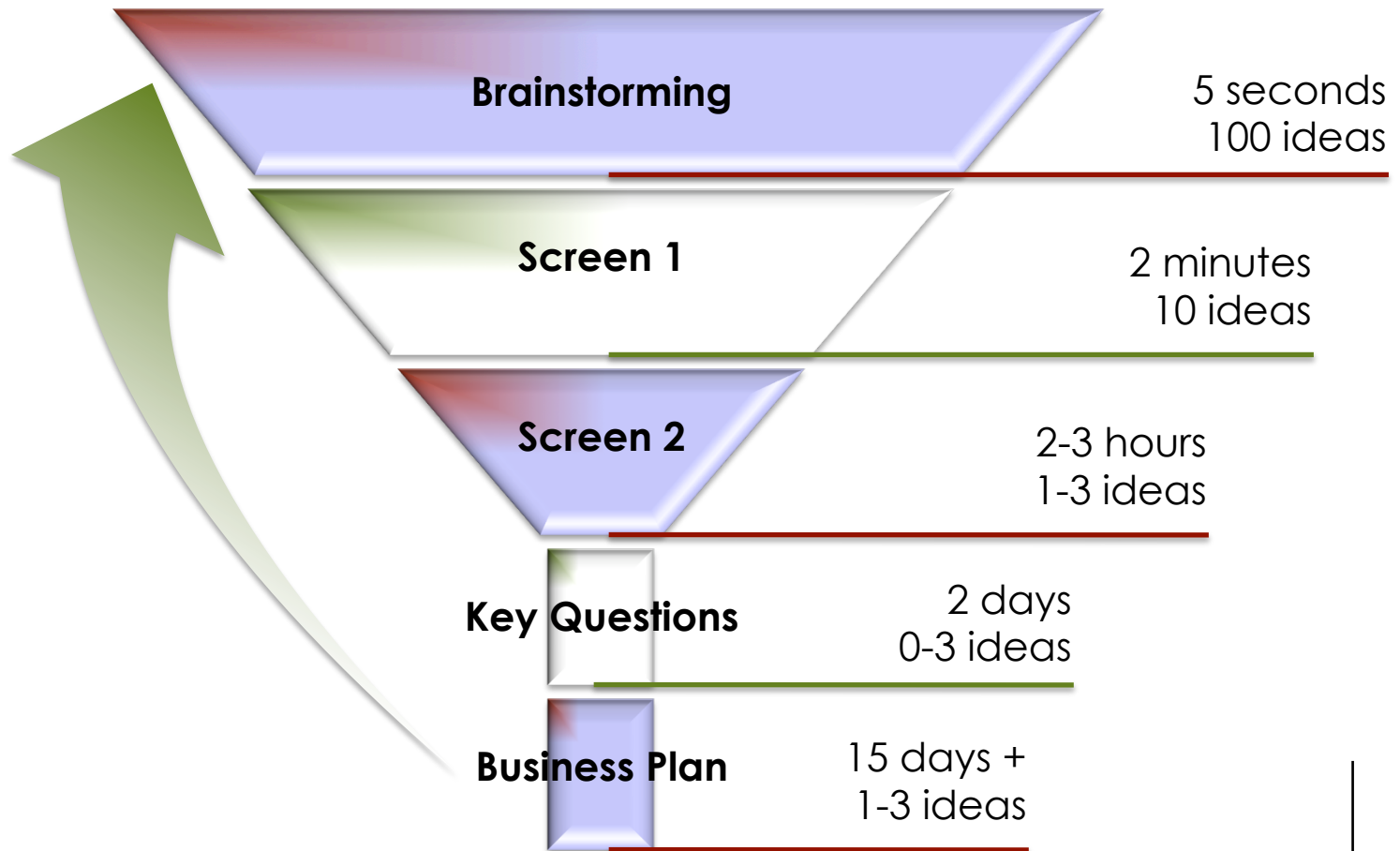
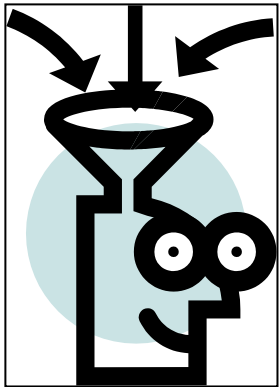
- There's usually a way to make it work:
 - Legally
 - Transparently
 - Risk-Managed
- You should get advice from counsel
- The time to get it is **AFTER** you know what you want to accomplish

Systematic Approach



- Organizational readiness and commitment
- Product development
 - Search for opportunities
 - Create new services and screening
 - Research, design, testing
 - Launch, evaluation and revision
- Portfolio approach

Social Enterprise Development Funnel





Level 1 Screening Criteria

Does the idea further the vision, mission, values and strategic priorities?

1=fit with mission, 2=fit with mission & some priorities, 3=fit with mission & all priorities

Does it bring value to the customers?

1=one customer, 2=some customers, 3=all

What is the competition?

1=high, 2=medium 3=low

Profit?

1=by year 5, 2= by year 3, 3= by 1st year

Up front Investment?

1=lots, 2=some, 3=little

Can we access the capabilities, skills, and competencies?

1=expensive & difficult, 2= challenging to obtain 3=easy to obtain or already exist

Scoring: each idea will have a score of 6-18

First Set of Measures



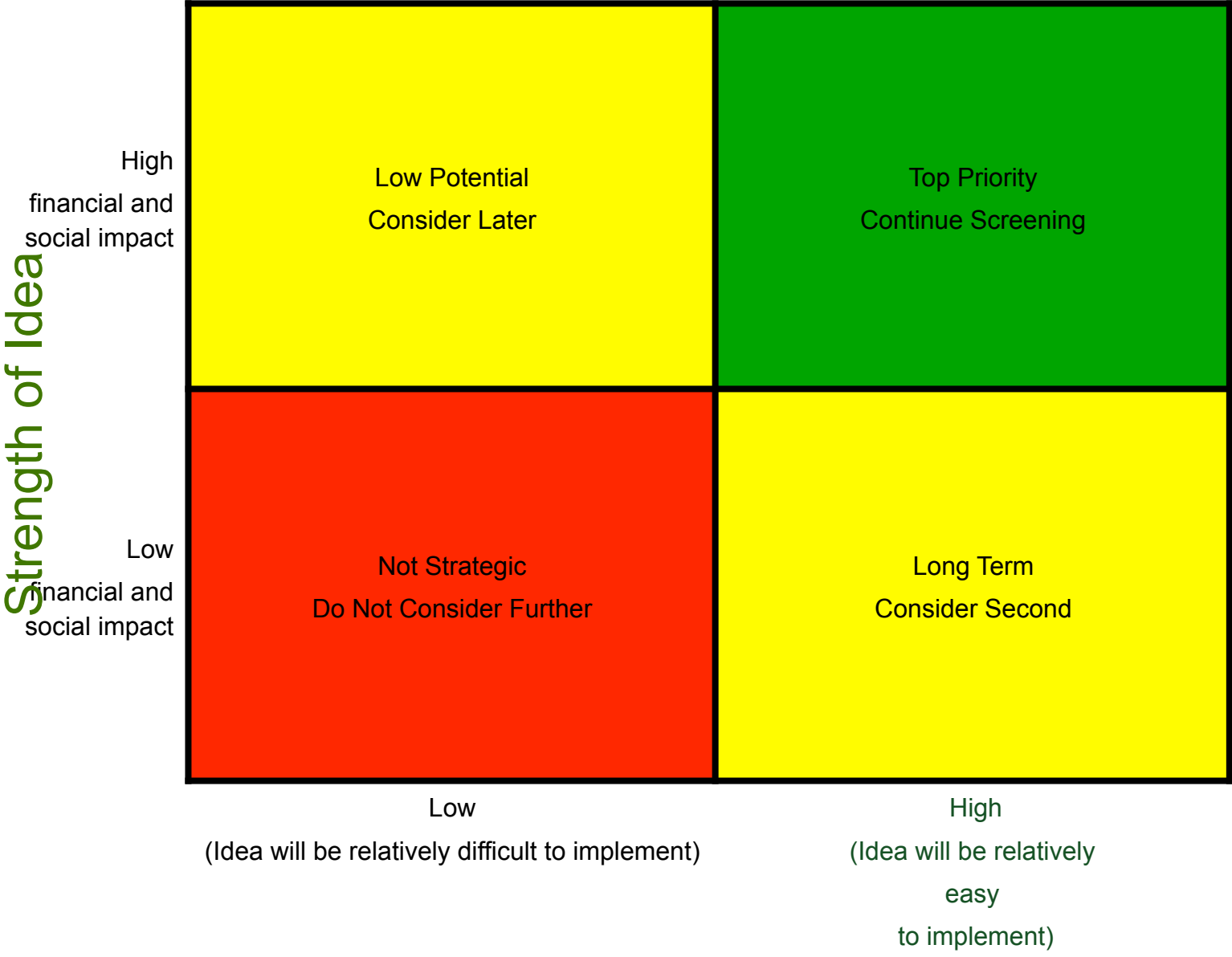
Financial Measure	Weighting	Rating			
		0	1	2	3
Significant customer problem	2	Not a significant need	Need that is addressed by others reasonably well	Urgent unmet need	Urgent unmet need consistent with mission
Appropriate solution	1	Do not address need as well as competitors	Addresses need as well as competitors	Addresses need in a unique and more effective way	Addresses need and no one else does at all
Revenue potential	1	Under 50K	50-100K	100-250K	>250K
Profit potential	2	Likely loss	0-50K	50-100K	>100K
Investment required	1	Major investment >100K	Large amount of funding required - 25-100K	Modest funding required - <25K	Could achieve with existing resources
Investment financial payback	1	None	>3 years	1-3 years	First year

Second Set of Measures



Success Measure	Weighting	Rating			
		0	1	2	3
Fit with mission/ values	2	Contrary to mission	Not a fit	Partial fit	Yes
Similar products in the market	2	Many similar product exist	Few similar product exist, and cutomers are satisfied	Few similar product exist, but cutomers are not saitsfied	No similar products exist
Stage of development	2	Conceptual	Defined idea	Developed marketing plan	Business plan thought out
Spin-off effects	1	Negative impact on organisation reputation	No impact beyond initiative	Positive impact on organisation	Strong positive impact on organisation and community
Risk	2	High risk	Low / Medium risk	Manageable risk (strategies to address)	No risk
Existing skills	1	Significant skill gap	Skills are readily available through partners	Can address skills with modest training	Have the skills already
Competitive advantage	2	Competitive disadvantage	No significant difference from competitors	Good value proposition but can be matched	Sustainable unique solution with niche
Partnership opportunity	1	No likely partners	Believe there are partners, but not sure who	Possible partnerships but unclear of interest	Likely partners exist and are interested
Inhibitors	1	Significant cultural or other change required	Some inhibitors which may be difficult to address	Some inhibitors, but likely to be able address	No significant inhibitors

The Success Quadrant



Fit with Organization

Social Enterprise Success Factors

- Is consistent with mission
- Meets a significant customer need
- Has a competitive advantage
- Leverages the strengths and assets of the organization
- Has assumptions that make sense and are realistic
- Has a credible business plan
- Risk is managed and a reasonable exit strategy exists
- Has opportunities for growth
- Is not an “airline”
- Can be piloted on a small scale



Social Enterprise - examples

- Small arts group - Toronto
- Small youth services group - Philadelphia
- Shelter for the homeless - Toronto
- Food box program - Ottawa
- Toronto Enterprise Fund
- OSSA/Proventus
- Casa Del Pedro - New Jersey
- Real Benefits - Boston
- Evaluation program - Toronto

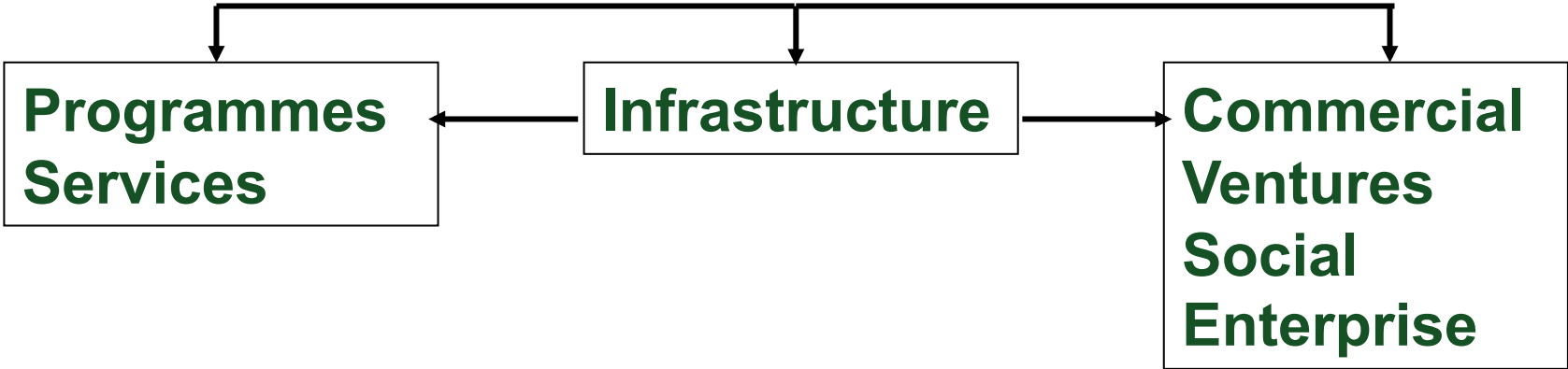


Venture Philanthropy

- Capital and human resources invested in charities by various types of investors in search of a social return on their investment. VP involves a high engagement over many years with fixed milestones and tangible returns and exit achieved by developing alternative, sustainable income.



Venture Philanthropy
Investing In



Venture Philanthropy Priority

- Significant problem
- Appropriate solution
- SROI
- Enthusiasm/being with a winner
- Impact/building on success
- Innovative and entrepreneurial



Case Study: Corporate Venture Philanthropy



Diageo plc

- Small number of very high engagement initiatives
- Directly led to the creation of Tomorrow's People
- Board and management support
- Measurement and accountability
 - SROI evaluation
 - Communication of value to stakeholders in community
- Exit strategy in long term

Investor Motivation



- Apply knowledge/intellectual stimulation
- High engagement
- Joy of giving
- Image enhancement
- Social return on investment
- Corporate social responsibility
- Help business units achieve their goals

Elements



- Capital for growth, reliable money
- Human resource expertise/strategic coaching
- Partnering internally and externally
- Performance centred, results orientated
- Long term, exit strategy to sustainability
- Business case/plan
- Business to business presentation
- Management, board, cash management, impact



Trends

- Increased/new capital and expertise
- Impact on/leverage with other funders
- VP model will evolve
- Impact on charity behaviour

See paper:
Good Results Will Be Addictive
High Engagement Giving/Venture Philanthropy: Future Trends

Venture Philanthropy - examples



- Social Venture Partner - Canada/International
- New Profit, Inc
- Small foundations