Developing a Social Enterprise Business Plan

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Definitions

Entrepreneurship is an activity or behavior as opposed to a person or an ideology

- *Entrepreneurship* – The pursuit of opportunity regardless of the resources you currently control

- *Social entrepreneurship* – The pursuit of an opportunity to create pattern-breaking social change regardless of the resources you currently control

  o Whether non-profit, for-profit, or public sector

Developing your business plan

Nailing the Vision
- The problem and the opportunity
- Mission
- Tying the vision to action: Theory of change & your solution

What you have to get right early on to succeed *
- Leadership: team and board
- Revenue model
- Measurement and evaluation
- Messaging/communications

What else you need to know before you get started
- Ecosystem
- Risks
- Scaling strategy

* DRK focus areas with early stage organizations

NAILING THE VISION
The problem and the opportunity

Why does anyone care?

PROBLEM

- Why is it important?
- What is the scale?
- What are the contributing factors?
- What are the root causes?

OPPORTUNITY

- Why is it solvable?
- What other approaches have been tried and what are their results?
- What would the world look like (your vision) if you solved it?

Mission

What's the big vision?

Your statement of what you will achieve over the long term

4 "M"s of Mission Statements

- Memorable

- Manageable

- Measurable

- Motivational

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Mission - Examples

- One day, all children in this country will have the opportunity to achieve an excellent education .

- Give people the financial tools they need – microloans, business training and other financial services – to work their way out of poverty.

- Tackling youth unemployment in West Africa.

- Connect people through lending to alleviate poverty.

- Close the Opportunity Divide by providing urban young adults with the skills, experience, and support that will empower them to reach their potential through professional careers and higher education.

- Educate leaders who make a difference in the world

Theory of Change

The *rationale* that connects <u>mission</u> to <u>strategy</u>

What's your "if...then" statement?

- Based on your understanding of the problem, what is your theory about which actions and resources will lead to the results you want to achieve

  - Assumptions of cause and effect in your logic chain

    Inputs → Activities → Outputs → Outcomes → Impact

  - Is your theory of change based on research

  - Are there leaps of faith in the theory that you must defend

  - Is your theory focused on local or systemic change, or both

Theory of change example: Teach For America

We believe that all children deserve an excellent education and that **high-quality teaching** in every classroom is the most important ingredient in ensuring that all students learn at high levels. We also believe that the current education crisis is so urgent that we need a **new generation of leaders in all sectors** who are willing to take on the challenge, and that **direct experience** with the problem is the best way for **young people to become committed** to solving it.

Based on these beliefs, our theory of change is that if the brightest college graduates agree to teach in high poverty schools for two years, then:
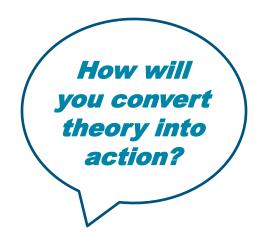
a) the students they teach will receive a high-quality education **now**, and

b) those who teach will become **lifelong leaders** committed to social change.

Theory of change example: Roca

Roca's work is based upon the theory that when young people are **re-engaged** through positive and intensive relationships they can **gain competencies** in life skills, education and employment that **keep them out of prison** move them toward living out of harm's way and toward **economic independence**.

NAILING THE VISION
Your solution

How will you convert theory into action?

- **Who** are the beneficiaries or customers?

- **How** will you serve them?

- **What** <u>specifically</u> does your program look like?

- **What** initial management and governance structure will you put in place to implement the strategy?

- **What** partnerships or collaborations would be critical or useful?

- **What** criteria did you use for choosing to become a nonprofit or for-profit organization?

- **On what premises** (experience/knowledge) did you build your solution?

- With whom and how have you **tested your vision**?

Leadership: team and board

- What about your team and board makes it likely you can execute this plan?

    - Personal connection to mission

    - Background, experience, expertise

    - Networks—access to resources

- What expertise don't you have and how will you get it?

- How might the team composition and board change over time?

Revenue model

At start-up stage:

- How much start-up capital do you need?

- What sources are available to provide seed capital?

- How will you spend it?

- What is your burn rate?

- How will you acquire capital to go to the next level?

- How will you fund scaling the organization?

How will you finance your business plan?

Revenue model – key elements

- Revenue mix – contributed and earned

- Identify fixed and variable costs of operating your model

- Cost structure – what is your unit cost and how does growth affect it

- Cash flow projections and income statements
  (3 - 5 year pro-forma)

- **Sustainability –** good and bad projects <u>die</u> when cash ends—pay attention to cash

Measurement and evaluation

- Create a measurement and evaluation/data system and culture

- How will you assess your organization's effectiveness in achieving its mission

   Inputs → Activities → Outputs → Outcomes → Impact

- Indicators should link back to your mission, theory of change and strategy

   - Just enough indicators, and no more: i.e., the critical ones

   - Adapt measures and process to the stage of the organization

   - Set and measure interim milestones on the way to longer-term goals

   - Use measures to improve your program and organization

Messaging and communication

What is your message?

- How do you talk about the problem and solution?

- What stories can you tell and show; what examples can you share?

- How do you talk about your team?

How do you communicate it?

- Pitches (of varying lengths), exec summaries, PPT decks, full plans

- Social media and website presence

Ecosystem

- What are the rules of the game (i.e., regulatory, tax, political)?

- What is the market need and size of the opportunity?

- Competitive landscape: what other approaches to solving the social problem have been tried?

  - What have been the experiences of other service providers?

  - What is distinctive about your approach and organization?

  - How much money flows to your 'issue' annually from all sources and how is it distributed?

  - How will you capture existing dollars or attract new resources?

Risks

- What could go wrong?

  - Contextually

  - Strategically

  - Programmatically

  - Financially

- How will you mitigate these risks?

- Raise and address key risks but do not overdo it

Scaling strategy

Scale: the measurable increase in impact based on the spread of a practice, program or process

- How will you scale using one or more of the following:

  - Grow the organization, launch more sites

  - Replicate your model using other organizations

  - Create a social movement

  - Organize collective action

  - Change government policy and practice

- Considerations of scale:

  - How do you maximize the value you are trying to create?

  - How do you balance the "speed of scaling" with program quality to optimize social value creation?

Upcoming workshops & deadlines

What's next?

Feb 23
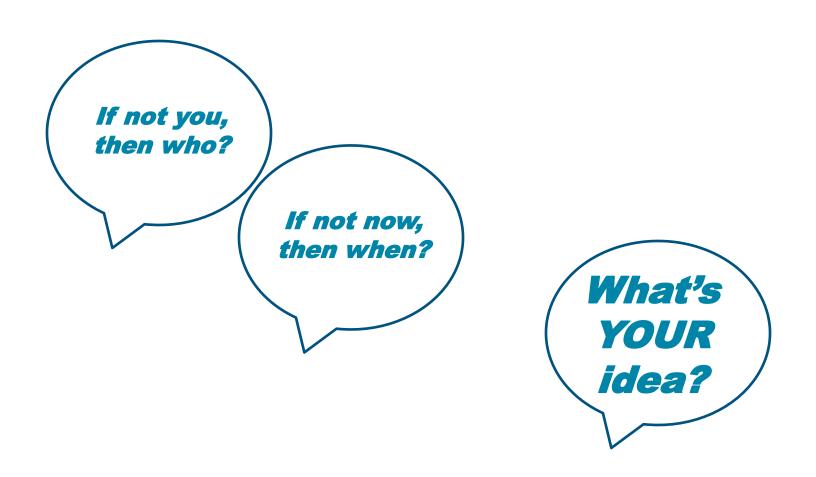Testing Your Social Venture: Iterating Based on Market Feedback

Feb – March
Office Hours with social entrepreneurs

HBS New Venture Competition
March 11, 5:00 pm: Intent to Present and Executive Summaries due (final deadline to submit Entry form)

www.hbs.edu/newventurecompetition